



CHICKEN FARMERS OF CANADA

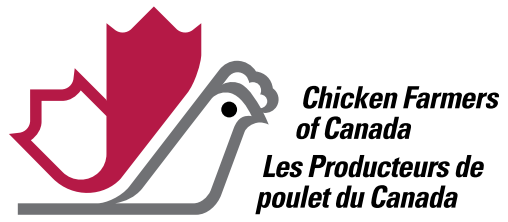
2016 ANNUAL REPORT



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

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About Us

Our Mandate

Chicken Farmers of Canada has two primary mandates. Our main responsibility is to ensure that our 2,800 farmers produce the right amount of fresh, safe, high-quality chicken to meet Canada's needs. To do so, farmers, processors, further processors and members of the restaurant trade from across the country meet every 16 weeks to decide, based on market demand, just how much chicken to raise. This evolving risk management system we operate under is commonly known as "supply management". As part of the system, Chicken Farmers of Canada also monitors compliance with provincial quota allocations – making sure each province raises as much chicken as they agreed to – and the inter-provincial or market development trade of chicken. Established in 1978, Chicken Farmers of Canada was established under the provisions of, 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 deliver them fresh, locally-raised food, just the way they like it. Our farmers are a stabilizing force in rural Canada, where they can – and do – reinvest with confidence in their communities, but their 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.

The chicken sector in Canada makes a valuable contribution to the economies of rural and urban communities from coast to coast. In addition to 2,800 chicken farmers and 191 processors, the sector generates employment in not only farming and processing, but veterinary work, transportation, retail, restaurants and more.

In total, the sector:

- » Sustains 87,200 jobs
- » Contributes \$6.8 billion to Canada's Gross Domestic Product
- » Pays \$2.2 billion in taxes
- » Purchases 2.6 million tons of feed, supporting other farmers in turn

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.





Report from the Chair

I was recently elected Chair of Chicken Farmers of Canada, a role that is new to me, but the issues themselves are not. As a 2nd generation chicken farmer, as well as a former history teacher, I'm familiar with the history of the organization and Canada's chicken sector. To me, history is important – it helps us understand the determination of the human spirit. It also teaches us lessons to use now. The more we know about where we come from, the better able we are to plan our future.

Some time ago, we faced a significant challenge within our system, which needed to be refined and adapted to the realities of a changing Canada. We needed to adjust our allocation system to achieve the structure and stability to make sound planning decisions and grow our industry responsibly for years to come.

Challenges and roadblocks were ever present but, in the end, we have overcome all these issues. What we have put in place since late-2014 represents the best balance of interests, and has set us on a course of allocation stability for years to come. Hard work and partnership were critical to reaching the final version of the agreement.

The agreement provides strength to the Canadian chicken industry and shows that we 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.

And it's working – the proof is in the pudding:

- 1) In 2016, production increased by over 4%.
- 2) With spent fowl having been identified by the Board as a critical priority for this coming year, we're glad to see that, following increased verification by government authorities beginning this past August, spent fowl imports are down by almost one-third, and the government is studying the validity of the DNA testing protocol.
- 3) The government is also launching a consultation regarding the Duties Relief Program, which has caused leakages into the market and uncertainty among farmers.
- 4) Our "Raised by a Canadian Farmer" brand awareness has grown to over 30% and the appeal of our program continues to rise.

- 5) We are now at a record high consumption rate of more than 32 kilograms per person, per year. That's the fourth consecutive year of increased consumption.

We're growing. We're changing with the times. We're the number one meat in Canada – and now we have Canadians' attention. But, growth is not there for the taking – we must earn it. We need to ensure that we are delivering on consumer and societal expectations. And we need to grow sustainably.

We are facing increasing pressure, not just from our customers, but from our government, to ensure that we are part of the solution with antimicrobial resistance. We have already shown leadership in this area by collaborating with our industry and by developing a strong strategy that is focused on reduction, surveillance and innovation. Our past successes, including eliminating the preventive use of Category I antibiotics, will help guide us as we continue to demonstrate the responsible use of antibiotics in our industry. Our leadership will continue as we focus on the objective of reducing the preventive use of antibiotics of human importance. This objective will require teamwork by all members of the supply chain, and will result in the industry proactively managing antimicrobial use to preserve effective treatment options and to providing continued confidence to government and to consumers.

Demonstrating responsible animal care is a prerequisite in the current marketplace. We have taken large strides over the last few years to be able to demonstrate the level of care and handling that is implemented on Canadian chicken farms to our customers. Our Animal Care Program is an excellent example of the proactive nature of the industry. The high level of credibility of the Animal Care Program is enforced by having completed a 3rd party audit of the program and by having

renewed the Code of Practice for the Care and Handling of Chickens, which puts us at the forefront of scientific research.

As we move forward, we are updating the Animal Care Program to uphold the new Code and are requesting federal and provincial governments to include a recognition program for Animal Care in the next Agriculture Policy Framework. Maintaining public trust that our birds are raised with care is essential, and our continued efforts on these fronts, as well as the day-to-day operations on all of our farms, will continue to ensure this trust is preserved.

We spent a lot of time meeting with elected officials this past year, and in our meetings with Ministers and critics, MPs and Senators, we strived to introduce them to the chicken sector, and collaborate with them on several key issues for our industry. In particular, there was significant time and effort put into working with the Hon. Lawrence MacAulay and the Hon. Chrystia Freeland.

Chicken Farmers of Canada has also worked closely with the Farm Products Council of Canada (FPCC), under the guidance of the Chair, Laurent Pellerin. FPCC continues to support our efforts, and to provide guidance and perspective during our discussions.

Over the years, our Board of Directors has faced some tough topics and discussions, leading to some difficult decisions on behalf of farmers and the entire chicken sector. Our dedicated team of Directors stays on top of the issues, continues to deal with the tough issues, and works together to overcome these challenges. I would like to thank the Executive Committee as well for the extra efforts they put in and for their participation, guidance, advice, perspective, and dedication to Canada's chicken sector.

Our success is hard earned, a result of solid work at the Board level, supported by the efforts of the Chicken Farmers of Canada Committees, and our dedicated staff, under the leadership of Executive Director, Mike Dungate. Thank you all for your efforts.

Together, we can celebrate the accomplishment of our goals, and plan our future with a better understanding of where we come from.



Benoît Fontaine, Chair





Board of Directors & Committees



Board of Directors

1. Benoît Fontaine (Quebec)
2. Murray Booy (Ontario)
3. François Cloutier (Quebec)
4. Yvon Cyr (New Brunswick)
5. Keith Deering (Newfoundland & Labrador)
6. Vernon Froese (Manitoba)
- A* Luc Gagnon (Canadian Poultry and Egg Processors Council)
7. Matthew Harvie (Nova Scotia)
8. Ian Hesketh (Further Poultry Processors Association of Canada)
9. David Hyink (Alberta)
10. Derek Janzen (British Columbia)
11. Rudy Martinka (Saskatchewan)
12. Jeff McDowell (Canadian Poultry and Egg Processors Council)
13. Barry Uyterlinde (Prince Edward Island)
14. Peter Vale (Restaurants Canada)

* Absent



Committees

Executive Committee

Chair – Benoît Fontaine
1st Vice-Chair – Derek Janzen
2nd Vice-Chair – Yvon Cyr
Executive Member – Murray Booy

Finance Committee

Chair – Barry Uyterlinde
Keith Deering
Peter Vale

Policy Committee

Chair – Yvon Cyr
Benoît Fontaine
Vernon Froese
Luc Gagnon
Derek Janzen

Production Committee

Chair – Jeff McDowell
Marc Cormier (N.B. alternate)
Benoît Fontaine
Rick Kaptein (Ontario alternate)
Rudy Martinka

Governance Committee

Chair – Derek Janzen
Murray Booy
David Hyink

Consumer Relations Committee

Chair – Lucy McKee
Matthew Harvie
Ian Hesketh

Representatives

Canadian Federation of Agriculture
– Benoît Fontaine, David Hyink
Canadian Poultry Research Council
– Tim Keet (SK alternate)
National Farm Animal Care
Council – Rudy Martinka
National Farmed Animal Health
and Welfare Council –
Marc Cormier

Staff Changes & Updates

Erin Callary joined CFC in March as the Consumer Relations Coordinator.

Several staff took maternity leave in 2016. Jolyn Bourque joined CFC in April as maternity replacement for Isabelle Dean, the Administration Coordinator. In May, Kyle Deslauriers joined CFC as the Market Analyst, as a maternity leave replacement for Erin Danielson and Karen Ronayne joined CFC as a maternity leave replacement for Stephanie St.Pierre, our Graphic Designer.

This year, some internal changes resulted in some shifting roles and responsibilities. Elyse Ferland has been promoted to the new position of Senior Consumer Relations Officer and Marty Brett's title has changed to Senior Corporate Communications Officer.

Anniversaries

Mike Dungate celebrated 20 years with Chicken Farmers of Canada. He joined as Head – Trade, Policy and Economics Unit on January 29, 1996. He was appointed General Manager of CFC in 1997 and in 2010 his title became that of Executive Director.

Lisa Bishop-Spencer and Jan Rus both celebrated their 15-year milestones in 2016. Lisa joined CFC on the 26th of February, 2001, while Jan's first day with CFC was July 23rd back in 2001.

Denis Nadeau and Dally-Diane Nzinahora celebrated their five year anniversaries at CFC.

Congratulations to all on achieving milestones with CFC.

1. **Mike Dungate** (Executive Director)
2. **Lauren Kennedy** (Senior Government Relations Officer)
3. **Michael Laliberté** (Director of Operations)
4. **Lori Piché** (Compliance Officer)
5. **Maria Elena Baisas** (Bookkeeper)
6. **Lisa Riopelle** (Senior Human Resources & Administration Officer)
7. **Dally-Diane Nzinahora** (Translation Coordinator)
8. **Bibiane Rietveld** (Meeting & Recording Coordinator)
9. **Jolyn Bourque** (Administration Coordinator)

10. **Lisa Bishop-Spencer** (Manager of Communications)
11. **Marty Brett** (Senior Corporate Communications Officer)
12. **Karen Ronayne** (Graphic Designer)
13. **Elyse Ferland** (Senior Consumer Relations Officer)
14. **Aline Porrior** (Public Relations Officer)
15. **Erin Callary** (Consumer Relations Coordinator)
16. **Yves Ruel** (Manager of Trade & Policy)
17. **Tara Molloy** (Trade & Policy Analyst)
18. **Steve Leech** (National Program Manager)

19. **Jennifer Gardner** (Animal Care & Research Coordinator)
20. **Caroline Wilson** (Food Safety Officer & Internal Auditor)
21. **Jessica Heyerhoff** (Communication & Policy Coordinator)
22. **Jan Rus** (Manager of Market Information & Systems)
23. **Kyle Deslauriers** (Market Analyst)

Absent:

- Denis Nadeau** (Business Systems Analyst)
Jae Yung Chung (Senior Financial Officer)





Report from the Executive Director

When we started developing our On-Farm Food Safety Assurance Program in the late-1990s, our mantra was – **say what you do, do what you say, prove it.** There has always been a public trust element to what we do in the Canadian chicken industry. We have recognized that what we do on our farms and throughout our value chain must be based on science, and then take into account consumer acceptability, if we want to sustainably **Grow! Eat! Sell!...more chicken!**

There has been a huge amount of focus on public trust over the past year and a half – the Journey to Social Licence initiative led to the *Calgary Statement* of FPT Agriculture Ministers in July and then to the establishment of a Public Trust Steering Committee on the basis of **doing the right thing, putting in place assurance systems and communicating publicly.**

" I firmly believe that there is a bright future for the Canadian chicken industry. Canadians love their chicken and their chicken farmers. "

For its part, the national poultry group has coordinated with Agriculture and Agri-Food Canada to establish the Poultry Sustainability Value Chain Roundtable. The objective is to take a coordinated value chain approach from farm through to restaurant and retail.

Public trust is a shared responsibility with shared benefits, and, therefore, must be based on shared costs between industry and government. Chicken farmers and the Canadian chicken industry understand that they need to continuously improve doing the right thing in their operations, to support

assurance systems, and to communicate publicly all of the positive developments in our industry. For their part, governments need to recognize the shared benefit of the actions that we are taking in the chicken industry, and in fact the rest of the agriculture industry. They need to support these industry efforts by implementing public assurance systems and sustainable cost sharing in the next Agriculture Policy Framework.

I firmly believe that there is a bright future for the Canadian chicken industry. Canadians love their chicken and their chicken farmers.

As I look back on my career at CFC, I could not have asked for any better. I came from the Department of Foreign Affairs and International Trade on a two year interchange in 1996; and stayed another 20 years. It was definitely the right decision for me. I have had the opportunity to travel the country and visit communities in every province. We have worked diligently to bridge differences and cooperate for the greater good. And I have gained some wonderful lifelong friends.

Since Cynthia Currie and John Kolk took a chance on me more than two decades ago, there have been innumerable fantastic people I have met and worked with in the Canadian chicken industry. For more than half my career, I worked in tandem with David Fuller as he passionately led CFC. Among the many others who have dedicated many years to the industry, there have been a handful directly connected to CFC with whom I have shared this entire journey: Yvon Cyr, Michael Laliberté, David Wilson, Mont Doyle, Pamela Cousineau, Janet Murphy, and Louis Martin.

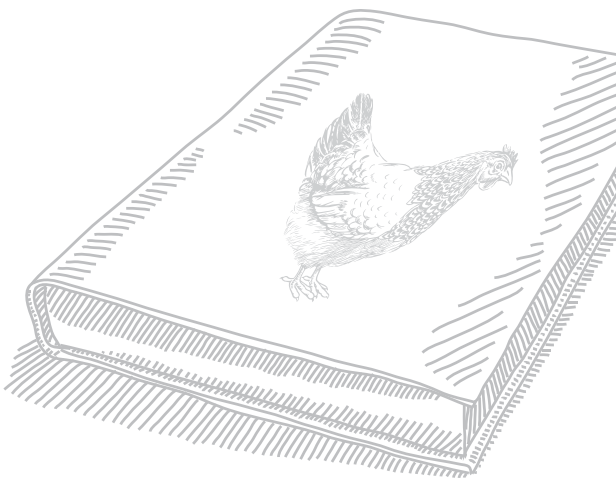
I am looking forward to spending more time with my family and together checking some longstanding things and places off our bucket list. At the same time, CFC has been an integral part of my life and I know I am going to miss sharing it with you. That being said, I know that the Canadian chicken industry is in good hands.

While they do not always get the credit they are due, the staff at CFC are second to none. The culture of professionalism, comradery and dedication that has made the CFC office a delightful place to work, is in great hands with the current flock of CFC staff. Benoît Fontaine has made a positive start as the new CFC Chair, and the succession plans and orientation for the new crop of Directors arriving this year and next are in place.

I wish you well as you build on the significant successes we have achieved over the years to make the Canadian chicken industry even better going forward.

Mike Dugate

Mike Dugate, Executive Director





Strategic Planning

Each year, the Board of Directors and Executive Management Team take the opportunity to celebrate successes of the previous year and set priorities for the next. The 2017 strategic planning meeting was held in Montebello (Quebec), September 27–29, 2016.

Directors reviewed progress made in 2016 on various key issues, conducted an environmental scan, and reviewed the draft action plans for the coming year. This led to discussions around the goals and priorities for the next five-year strategic plan (2019–2023). During the session, the group conducted breakout sessions to discuss the top priorities for 2017.

There was significant time spent looking ahead, at key trends and longer term priorities. A guest speaker presented on how to stop telling, and to start storytelling, how to get and keep consumer attention, how to re-orient the conversation with consumers, and how to build on the trust relationship. The Board of Directors agreed upon the following priorities for 2017:

- » Working with the supply chain for quality results
- » Re-assessment of the reduction strategy objectives and timelines
- » Promotion of the Chicken Farmers of Canada AMU Strategy

Governance

Deliverables:

- » A Board of Directors performance assessment process
- » Hire a new Executive Director
- » Committee mandates and best practices
- » A proactive professional development plan to enhance the capacity and effectiveness of Chicken Farmers of Canada Directors, Alternates, and staff
- » A 5-year Strategic Plan (2019–2023)

CRITICAL PRIORITY ISSUES

Spent Fowl

Deliverables:

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

Antimicrobial Use

Deliverables:

- » Collection of AMR/AMU Surveillance Data
- » Collaboration with government on antimicrobial use regulations and initiatives
- » International position on antimicrobial use and resistance in the poultry industry
- » Education of farmers and industry on antibiotic reduction and the good production practices required for reduced use
- » Conduct pilot projects on the impacts of antibiotic reduction

HIGH PRIORITY ISSUES

Import Controls

Deliverables:

- » Long-term TRQ allocation methodology and administration of IREP (Import for Re-Export Program) that support Chicken Farmers of Canada's objectives
- » Reinstatement of the sauce and cooking requirements in Canada's Customs tariff definition of specially defined mixtures (SDM) (13% rule)
- » Elimination of chicken products from the Duty Relief Program administered by the Canadian Border Services Agency (CBSA)

Government Relations Strategy

Deliverables:

- » Strengthen relationships with parliamentarians and public servants in order to build advocates and secure strong support for Canadian chicken farmers and the Canadian chicken industry
- » Raise Chicken Farmers of Canada's profile and awareness of its key issues through educating MPs/Senators and their staff in order to drive Chicken Farmers of Canada's policy issues and lead to their resolution

- » Actively participate in Growing Forward 3 consultations to address chicken industry issues
- » Track meetings, policies and media, while expanding Chicken Farmers of Canada's knowledge of government activities

Branding Strategy

Deliverables:

- » 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 a reinforce healthy image
- » An enhanced and brand-leveraged Swimming Canada sponsorship
- » Additional metrics and consumer research to measure success and leverage information to encourage increased participation by retailers and processors
- » Determination of funding beyond 2017

Animal Care

Deliverables:

- » Consistent and credible implementation of Chicken Farmers of Canada's Animal Care Program
- » Development of a revised Animal Care Program
- » Promotion of Chicken Farmers of Canada's 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 (NFAACC)

Consumer Relations Strategy

Deliverables:

- » Implementation of an online strategy that includes a series of marketing and online initiatives, promotes the new brand and increases engagement with Chicken Farmers of Canada
- » 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 to expand on 2016 U&A data
- » Research supporting the need for higher protein intakes among Canadians
- » 10 new How-To Videos focusing on techniques
- » Participation at health professional trade shows and conferences

Public Relations Strategy

Deliverables:

- » A multi-faceted consumer campaign to educate and engage Canadians on farming, supply management and their benefits, as well as additional tools to help farmers and other industry members respond to criticisms of supply management and farming practices
- » A strategy to address SM criticisms that may arise as a result of the upcoming Conservative leadership race
- » Participation in the Downtown Diner with SM-5
- » Media training for farmers and provincial representatives
- » SM-4 and SM-5 media responses, as appropriate

Allocation Setting

Deliverables:

- » Setting of a medium term growth target for A-145 to A-150
- » A decision on setting the allocation two periods at a time
- » Consistency in provincial exemption levels
- » Annual review of the Operating Agreement
- » Expanded and improved market information section of MyCFC
- » Development of a permanent distribution factor for the further processing component in the allocation formula
- » An amended Operating Agreement signed by all signatories and re-entry of Alberta

Directors reviewed progress made in 2016 on various key issues, conducted an environmental scan, and reviewed the draft action plans for the coming year.

MEDIUM PRIORITY ISSUES

Agriculture Trade Negotiations

Deliverables:

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

Sustainability

Deliverables:

- » Promotion of Chicken Farmers of Canada's Sustainability Strategy
- » Establishment of a sustainable poultry value chain round table
- » Perform a social and environmental life cycle assessment of the Canadian chicken industry

Canada Day 2017

Deliverables:

- » National Sponsor status for Canada Day
- » Great Canadian Chicken BBQ (3 days)
- » New television commercial
- » Decision regarding future Chicken Farmers of Canada sponsorship/involvement with Canada Day

Food Safety

Deliverables:

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

Promotion Research Agency

Deliverables:

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



Hatching Egg Supply

Deliverables:

- » An overview of Canada's hatching egg production sector
- » A good understanding of CHEP's allocation setting process and analysis of how it is aligned with Chicken Farmers of Canada's allocation setting process
- » A risk analysis of a hatching egg supply disruption in Canada and/or U.S.

LOW PRIORITY ISSUES

Information Technology

Deliverables:

- » Motions and Directives and Minutes database (MyCFC)
- » Information technology audit
- » Electronic distribution of Chicken Farmers of Canada publications

Monitoring and Enforcement

Deliverables:

- » A review of the effectiveness of the Chicken Farmers of Canada audit programs



Governance

Throughout the year, CFC met with the Farm Products Council of Canada on governance-related issues related to allocation setting and revised FPCC guidelines. The objective of CFC has always been to maintain a beneficial relationship with FPCC based on the respective mandated roles of each of the organizations.

In its review of the Auditor Appointment Guidelines, FPCC consulted with CFC in 2016. The revised guidelines were implemented in November 2016 and include a process for the appointment and revocation of auditors, and the reporting of the audit results.

Welch LLP's 5-year term as the CFC auditors ended on December 31, 2015. As per the FPCC Auditor Appointment Guidelines – established in 2010 – CFC issued a request-for-proposal and subsequently submitted its recommendation for the appointment of BDO Canada LLP as its auditors for the term of 2016 to 2020. In November 2016, the Governor in Council appointed BDO as the CFC auditors for a 5-year term.

In October 2016, FPCC revised the Agency Inspectors Designation Guidelines, establishing a designation process in order to facilitate and clarify the steps for ministerial designation of inspectors. CFC will comply with the revised guidelines for any new inspector designation requests.

Internally, CFC's governance initiatives focused on director education, tools, and board evaluation processes.

CFC held an orientation seminar for new Directors, Alternates and staff in April. The seminar provided an opportunity to bring those new to CFC up to speed on the governance, priorities, and the functions of CFC. In May, CFC held a governance seminar and a financial governance seminar for Directors.

The governance seminar focused on the type of organization that CFC is, the characteristics of an effective Chair

and Directors, and options for director, chair and board evaluations. The finance seminar focused on the fiduciary duties and responsibilities of board members related to financial management, including the understanding and interpretation of the CFC financial statements.

The CFC Governance Committee took the results of the governance seminar and developed evaluation forms for the board. The first board evaluation was undertaken in November.

The Governance Committee also conducted a thorough review of the Executive Director Succession Toolkit. The updated toolkit was approved by CFC Directors in July and will form the basis for the search for a new Executive Director in 2017.

In 2016, CFC developed and implemented a searchable motions & directives database to provide Directors, industry stakeholders, and staff access to previous Board decisions. The motions & directives from 2007 to 2016 have been migrated to the new database, while historical motions & directives covering the years before 2007 will be migrated during the upcoming year.

With the last employee compensation survey conducted in 2006 and with new positions created since that time, CFC reviewed and updated all job descriptions in order to prepare for a compensation survey in 2016. The objective of the survey was to ensure that the compensation for CFC employees accurately reflects the market for similar positions.





Operating Agreement & Allocation

CFC worked diligently through 2016 to obtain the remaining signatures required to amend the Operating Agreement. An amendment requires the support of all provincial chicken boards, all provincial supervisory boards, and CFC. As Alberta is not currently a member of the Federal Provincial Agreement, and participates at CFC through a service agreement, a total of 19 signatures are required. By the end of 2015, 11 of the 19 signatories had signed the amendments that were circulated for signature in May 2015.

In February, CFC Directors agreed to increase the market development policy range from 14% to 16%, which satisfied the Saskatchewan signatories. From March to June, CFC successfully intervened in hearing before the supervisory boards in B.C. and Quebec regarding the amendments. In June, CFC Directors amended the CFC Bylaws to ensure that the holding of special votes regarding matters referred to in sections 3.27 and 3.28 of the Operating Agreement would only be considered when all provincial commodity board members are present for the vote, which satisfied the concerns of the Quebec signatories.

By the time of the CFC summer meeting in July, 17 of the 19 signatories had signed the amendments. The Quebec supervisory board advised CFC that it had taken a decision on July 4 to sign the Operating Agreement amendments once it had received authority from the Quebec government. On December 28, the decision of the Quebec Council of Ministers in early December to authorize the Quebec signatories to sign the Operating Agreement amendments was gazetted.

In the fall, CFC worked closely with Alberta Chicken Producers and FPCC, and the respective legal counsels to finalize the Memorandum for re-entry into the Federal Provincial Agreement. Everything is in place for Alberta to pursue re-entry, which can only be initiated once CFC receives the remaining two signatures on the Operating Agreement amendments.

Allocation Setting

In 2015, the Board decided to set allocations for two allocation periods at the same meeting on a trial basis, and based on positive experiences the trial was

extended for 2016. This means that allocations are set at every second meeting, freeing up time and resources for other important issues at Board meetings.

CFC received a request to increase its base from Manitoba Chicken Producers in the summer of 2016. Manitoba requested a one-time increase to its annual base allocation in order to allow integration of non-registered, non-inspected chicken production into the system. The Board discussed a detailed staff analysis and recommendation at its July meeting and decided to do additional work on developing a consistent policy that deals with unregulated chicken production across the country in a consistent manner.

The Atlantic Safeguard Agreement was triggered for the first time in allocation period A-141 and both New Brunswick and Nova Scotia received additional kilograms under this provision. Both provinces received additional kilograms for the following three periods, and P.E.I. and Newfoundland and Labrador received safeguard kilograms starting in period A-144. However, calculations around the Safeguard Agreement were questioned and further work was undertaken leading to a common understanding on how the Agreement should be implemented in early 2017.

Over the course of 2016, CFC participated in three Canadian Hatching Egg Producers' advisory committee meetings. The role of this committee is to advise the CHEP Board of Directors about the anticipated chicken production and demand in upcoming years, helping CHEP to produce the right number of hatching eggs and chicks. The committee's recommendations were in line with the significant growth the chicken industry has seen over the past couple of years.



Monitoring & Enforcement

Auditing the System

CFC'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. CFC also conducts special audits as needed.

In 2016, staff completed the audits of provincial chicken boards for compliance with Chicken Farmers of Canada policies and regulations for periods A-130 to A-133, which runs from April 19 to November 28, 2015, and for periods A-134 to A-137, which runs from November 29, 2015 to July 9, 2016.

Live marketing reporting audits, including interprovincial movement of live chicken, and market development and specialty production licensees' compliance with policies and regulations, were conducted by CFC's third-party auditors for periods A-130 to A-133 and A-134 to A-137.

The audit report for periods A-130 to A-133 was presented and accepted by the Board of Directors in June and the audit report for periods A-134 to A-137 will be presented to Directors in January 2017.

Overmarketing Assessment

During the periods A-130 to A-133, there were no overmarketing levy assessments. During the audit period for A-134 and A-135, Chicken Farmers of Saskatchewan was assessed overmarketing levies of \$29,467. During the audit period for A-136 and A-137, Chicken Farmers of Newfoundland and Labrador was assessed overmarketing levies of \$127,852, and Chicken Farmers of Nova Scotia was assessed overmarketing levies of \$5,254. The report for Saskatchewan and Newfoundland and Labrador was presented and approved by Directors in November and the levies were subsequently paid. The report for Chicken Farmers of Nova Scotia will be presented to Directors in January 2017.

Market Development

In December, CFC assessed market development levies of \$31,766 and \$27,412 to a primary processor for marketing 19,854 and 27,412 kilograms live weight equivalent of market development production it received during periods A-137 and A-138, respectively, other than in accordance with the CFC Market Development Policy and the licence it holds. In January 2017, CFC Directors will consider a request made by the processor and whether it will issue a Final Assessment Determination.

In December 2015, CFC Directors approved a temporary amendment to the CFC Market Development Policy to provide additional flexibility to primary processors by removing the 50% limit on interprovincial purchases to satisfy market development commitments. The trial period was set for six periods covering A-137 to A-142. In its review of the Policy in November, CFC Directors approved to end the trial period and allow interprovincial purchases up to 100% for primary processors to meet their commitments, subject to the annual review of the Market Development Policy.

Specialty Production

In 2016, CFC staff and its third-party auditors visited several specialty producers, processors, hatcheries, and retailers in order to improve the specialty audit program. A report will be presented to the CFC Policy Committee in February 2017.

There were no levies assessed in 2016.

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.

There have been no inter-period quota transfers in either of the past two years.



*CFC's annual
Chicken
Challenge
food donation
program
provided
\$50,000
worth of
frozen chicken
products to the
Ottawa Food
Bank in 2016.*



Corporate Social Responsibility

CFC firmly believes that it's important to give back to our communities and support those that 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.

CFC's annual Chicken Challenge food donation program provided \$50,000 worth of frozen chicken products to the Ottawa Food Bank in 2016. This was the seventh 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, \$7,709 was collected through year-long staff donations and 50% matching CFC donations. Proceeds from the sale of chicken at the Great Canadian Chicken BBQ and additional donations collected on Canada Day, totaling \$4,133 were also given to the food bank and \$400 was donated to the food bank for sponsorship of a local golf tournament. Altogether, a total of \$62,242 from all programs, along with several boxes of non-perishable food, was donated for the year. CFC also supported the Ottawa Food Bank's strategic planning meeting for \$2,500 in November.

This brings the total contribution to the food bank since we became partners and supporters in 2007 to over \$430,710!

MP Chicken Hero

The 2016 #MPChickenHero Recipe Contest ran in early June to help us determine what chicken sandwich recipe we would serve at Major's Hill Park on Canada Day. A call was put out to all Members of Parliament, with a donation to a food bank in their

riding up for grabs. And they answered – there was an astounding 80 entries received! Judged by Ottawa Mayor, Jim Watson, Ontario Member of Provincial Parliament, John Fraser, and Sparks Street Business Improvement Area Director, Kevin McHale, the final vote was held at Farm Team Cookhouse on Sparks Street in Ottawa.

Our celebrity judges picked the following winning sandwiches which resulted in donations \$17,500 to three food banks in Winnipeg, Vancouver, and Oshawa:

Dr. Robert-Falcon Ouellette, Member of Parliament for Winnipeg Centre, was our #MPChickenHero, winning a \$10,000 donation for Winnipeg Harvest in his riding. His sandwich was served to thousands of visitors to the Great Canadian Chicken BBQ on Canada Day.

Hon. Jody Wilson-Raybould, Minister of Justice and Attorney General, and Member of Parliament for Vancouver Granville came in second, winning \$5,000 for the Greater Vancouver Food Bank Association.

Dr. Colin Carrie, Member of Parliament for Oshawa, came in third, winning \$2,500 for The Salvation Army – Oshawa Family Services.

Other Causes

For the third year in a row, Chicken Farmers of Canada were proud Silver sponsors of Global Affairs Canada's (GAC) Art of Giving Gala. As part of the Government of Canada Workplace Charitable Campaign, this annual fundraising soirée, held December 16th, brings together people from across the government, the diplomatic corps and the Ottawa community. CFC is proud to be involved with an event that will make a significant difference to those who rely on the services supported by the campaign.



Over the course of the year, CFC also gave a further \$6,150 in donations to support the Morguard Golf Tournament in support of children's charities, and Procure (fundraiser for cancer research).

The Green Team

In order to build on the success of 2015's green initiatives, the CFC Green Team attended an Envirocentre and Carbon613 workshop on environmentally-friendly workplace practices and building staff engagement. The Green Team 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.

Having heard about challenges other organizations face in putting green practices into action, the Green Team would like to recognize both the support it receives from CFC management and the enthusiastic engagement of its CFC colleagues. Not only was CFC successful in further honing its waste recapture systems, this year staff joined in the City of Ottawa's Bike to Work Month, collectively logging in nearly 1,000 km and diverting more than 200 kg of greenhouse gases.

In the coming year, the Green Team looks forward to bringing forward new ideas and challenges to help CFC deepen its commitment to sustainability.



Chicken remains the most competitive meat in Canada, having both a greater market share and per capita consumption level than beef and pork.



Market Watch

As it stands, 2016 was one of the most successful years ever for the chicken industry, rivaling and even surpassing some of the achievements made in 2014 and 2015. This will mark the seventh year in a row in which Canadian chicken production has increased.

Chicken remains the most competitive meat in Canada, having both a greater market share and per capita consumption level than beef and pork. Per capita consumption (PCC) of chicken during 2016 is estimated to be 32.8 kg, while the preliminary estimated PCC figure for beef is 25.8 kg, and 22.1 kg for pork.

The strong consumption and demand for chicken can be linked to the relatively low retail cost of chicken, which on average cost consumers \$7.49 per kilogram in 2016. This was down from 2015, where chicken sold at \$7.61 per kilogram.

During 2016, the average live price paid to farmers was \$1.561 per kg, which marks a 1.6 cent decline from 2015. One of the largest contributing factors to the live price is feed. Current outlooks reveal that feed prices are very affordable, stable, and may even drop further in 2017. Optimal weather conditions around the world have been providing feed crops, like corn and soybeans, with the environment that they need to flourish. As a result, both feed production and stock levels have been healthy.

In contrast to 2015, the 2016 wholesale prices decreased in almost every complex/cut of chicken.

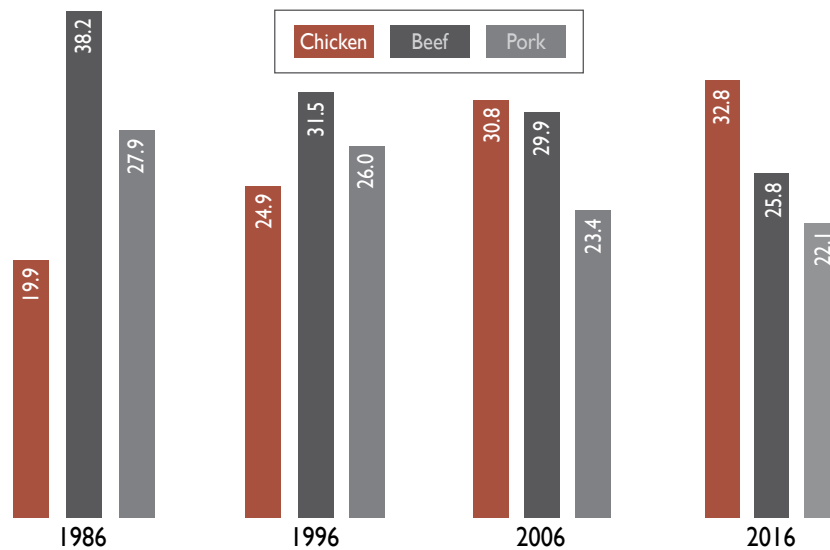
The wholesale prices are monitored by EMI (Express Markets Inc.), an American company which specializes in price discovery and market analysis.

Opening frozen storage inventories for 2016 saw a volume of 42.7 million kilograms (Mkg). The closing stocks for the year were 41.8 Mkg. Storage stock inventories grew during the spring, from March to May, followed by a decline linked to summer consumption. Inventory depletion continued into the second half of the year, followed by a small rebuilding phase in the late fall and early winter.

Provincial Production

On a periodic basis, 2016 covered A-134 (November 29, 2015 to January 23, 2016) to A-141 (December 25, 2016 to February 18, 2017). Allocations for periods A-134 to A-138 (July 10, 2016 to September 3, 2016) were set at 5% above base. Allocation period A-139, which ranged from September 4, 2016 to October 29, 2016, was set at 2% above base. Period A-140 (October 30, 2016 to December 24, 2016) was set at 3% above base. Lastly, period A-141, which only captured the last seven days of 2016, was set at 4.5% above base.

Per Capita Consumption (kg)



With combined efforts from every province, chicken farmers were able to produce 1,148 Mkg of chicken in 2016. Production volumes for 2016 noted an increase of 47.5 Mkg (4.3%) over 2015, and a 7.5% increase over 2014. Domestic production increased by 4.5%, or 47.5 Mkg. Production under Chicken Farmers of Canada's Market Development Program fell by 1.2%, or 0.5 Mkg, to 36.3 Mkg. Lastly, even with the ceasing of production under the Specialty Program in Alberta partway through the year, production under the Specialty Program increased by 5.5%, or 0.4 Mkg, to 7.7 Mkg by year end.

If the year 2016 were to be observed in quarters, the first quarter produced the lowest total volume of chicken, totalling 283.6 Mkg. As the industry prepared for the high demands of summer, the second quarter had the highest level of chicken production, amounting to 290.1 Mkg. During the second half of 2016, chicken production decreased to 288.7 Mkg in the third quarter and then again to 285.2 Mkg in the fourth quarter. On average, each quarter of 2016 produced 11.9 Mkg more than the same quarter in the previous year.

Producer Prices

Producers received an average live price of \$1.561 per kilogram in 2016, which was a 1.6 cent drop from 2015. Period A-139 (September 4, 2016 to October 29, 2016) was the period with the highest live price, where the average Canadian farmer received \$1.598 per kilogram. Conversely, the period with the lowest live price was A-140 (October 30, 2016 to December 24, 2016), with a price of \$1.536 per kilogram. Live prices have been declining every year since 2013, dropping 4.96 cents per year on average. Feed prices have been low, and have been one of the chief contributors to these lowering prices.

Quota Utilization

	From	To	Allocation (Mkg evis.)	Production (Mkg evis.)	Quota Utilization %
A-135	January 24, 2016	- March 19, 2016	174.5	174.9	100.2%
A-136	March 20, 2016	- May 14, 2016	178.4	177.8	99.7%
A-137	May 15, 2016	- July 9, 2016	179.3	176.9	98.6%
A-138	July 10, 2016	- September 3, 2016	177.7	175.6	98.8%
A-139	September 4, 2016	- October 29, 2016	174.8	175.4	100.4%
A-140	October 30, 2016	- December 24, 2016	174.8	176.0	100.7%

Provincial Production of Chicken (000 kg eviscerated)

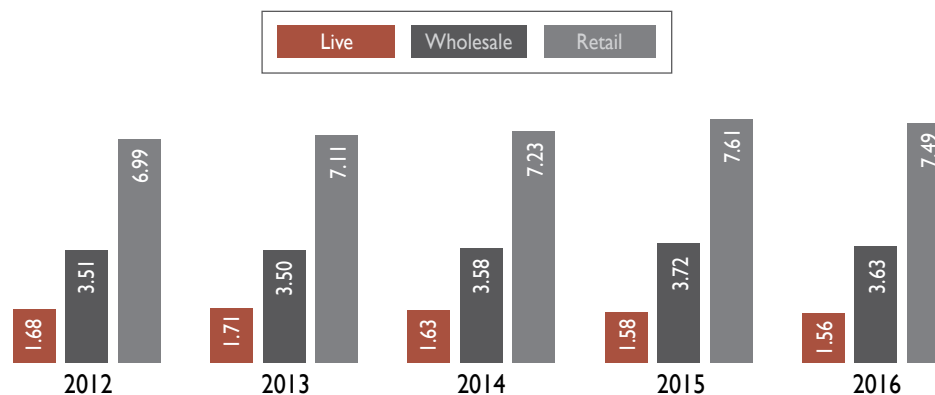
Province	2016	2015	% change
British Columbia	167,576	159,637	5.0%
Alberta	108,129	101,335	6.7%
Saskatchewan	44,441	41,967	5.9%
Manitoba	48,955	46,434	5.4%
West	369,101	349,373	5.6%
Ontario	376,338	363,453	3.5%
Quebec	311,104	301,903	3.0%
Central	687,442	665,356	3.3%
New Brunswick	31,734	29,782	6.6%
Nova Scotia	39,498	37,409	5.6%
Prince Edward Island	4,156	3,793	9.6%
Newfoundland & Labrador	15,649	14,380	8.8%
Atlantic	91,037	85,364	6.6%
CANADA	1,147,579	1,100,093	4.3%

Allocation Growth Over Base*

	Base Allocation (Mkg)	Domestic Allocation (Mkg)	% Growth Over Base
British Columbia	162.2	167.2	3.1%
Alberta	108.2	115.0	6.3%
Saskatchewan	40.9	42.5	4.0%
Manitoba	47.8	49.3	3.2%
Ontario	381.3	399.3	4.7%
Quebec	307.2	319.2	3.9%
New Brunswick	32.1	33.1	3.1%
Nova Scotia	40.1	41.5	3.3%
Prince Edward Island	4.2	4.4	3.4%
Newfoundland & Labrador	15.8	16.3	2.8%
CANADA	1,139.9	1,187.7	4.2%

*Periods A-135 – A-141

Price Comparison (\$/kg)



Source: Statistics Canada, CFC, EMI

Consumer Price Index – Annual Averages

	2014	2015	2016	2016 vs 2015
Chicken	148.0	154.8	155.4	0.4%
Beef	158.2	182.1	180.1	-1.1%
Pork	136.7	143.9	141.6	-1.6%
Food	135.5	140.5	142.6	1.5%
All items	125.2	126.6	128.4	1.4%

Wholesale Prices

The market composite complex is an amalgamation of various chicken cuts, which attempts to re-construct a whole chicken part-by-part, in order to gauge the overall average price of a chicken. The average market composite wholesale price for 2016 was \$3.63, which compared to 2015, would equate to an 8.7 cent decrease. The cuts or complex linked to this decrease are whole bird, breasts, and legs, which respectively saw a decrease of 1.8 cents, 1.7 cents, and 32.0 cents. It is quite evident that the leg complex was the leading cause for the overall decrease in the market composite. Leg prices have been steadily decreasing over the last 2-3 years, although 2016 observed the most notable decrease. On the other hand, wing prices have been steadily increasing for the last 2-3 years, witnessing a 4.1 cent growth in 2016 over 2015. Wings have gained a cultural following over the years, being consumed in high volumes during major sporting events, and also marketed as a popular group-snack item at many restaurants.

Retail Prices

As reported by Statistics Canada, the Consumer Price Index (CPI) for fresh and frozen chicken increased from 154.8 in 2015 to 155.4 in 2016. While the increase in chicken was quite small, it is important to note that for the first time in years, the index for both beef and pork decreased. In 2015, the index for beef reached its apex of 182.1, falling to 180.1 in 2016. In addition, pork also reached its highest point of 143.9 in 2015, decreasing to 141.6 in 2016. Overall, chicken is still the most affordable; however both beef and pork are in the midst of becoming more reasonably priced to the average Canadian, potentially placing additional pressures on the chicken industry in 2017 and the years to come.

Imports

The Tariff Rate Quota (TRQ) level for 2016 was 83.3 Mkg, with a 0.5 Mkg holdback, bringing the access level to 82.8 Mkg. TRQ imports of chicken for the year 2016 were 0.05 Mkg short of the access level volume.

During 2016, the majority of TRQ imports arrived as bone-in chicken parts. The total amounted to 47.3 Mkg, or 57.1% of imports for the year. Boneless chicken parts comprised the second largest volume of 19.3 Mkg, or 23.3% of the total for 2016. Processed chicken import volumes were steady throughout the year, rivaling the volumes of boneless chicken. In late 2016, imports of boneless chicken increased dramatically and surpassed the steady volumes of processed chicken. As a result, processed chicken imports for 2016 totalled 15.7 Mkg. Eviscerated chicken imports, which are a small contributor to the overall TRQ imports for the year, totalled 0.5 Mkg.

Imports by Type (kg)

	2016	2015
GLOBAL IMPORTS	82,755,185	78,243,328
IMPORT-TO-COMPETE	3,565,421	6,753,045
IMPORT TO RE-EXPORT	13,749,708	16,940,243
DUTIES RELIEF PROGRAM	71,401,080	96,268,000
TOTAL	171,471,394	198,204,616
IMPORTS OF SPENT FOWL	99,046,641	103,103,435

Source: Global Affairs Canada, AAFC

Imports by Origin (Mkg)

Brazil	13.9
Chile	0.2
Germany	1.1
Hungary	2.7
Israel	0.1
Thailand	10.0
U.S.	54.7
TOTAL	82.8

Source: Global Affairs Canada

The majority of imports came from the United States, which shipped a total of 54.7 Mkg to Canada, or about \$141 million worth of chicken products. Imports from Brazil totalled 13.9 Mkg, or \$45.2 million. Trailing closely behind was Thailand, with a total import volume of 10.0 Mkg, or \$32.9 million. Imports coming from Hungary increased significantly in 2016, totalling 2.7 Mkg. The country began shipping chicken, particularly wings, to Canada in 2015, reaching a volume of 0.6 Mkg for that year. Imports arriving from Germany also saw a noteworthy increase in 2016, bringing the volume total to 1.1 Mkg. Germany also began shipping chicken, which was predominantly wings, to Canada in 2015. Smaller quantities of chicken also arrived from Chile and Israel, having a combined total of 0.3 Mkg.

Global imports during 2016 trailed behind pro-rata until mid-November, where global imports surpassed pro-rata levels. By December 31, 2016, global imports had stabilized with pro-rata levels, falling only 0.05 Mkg short of the 82.8 Mkg access limit. The largest gap between global imports and pro-rata was during the week ending May 28, where pro-rata was at 33.7 Mkg, and global imports were

at 28.9 Mkg – a 4.8 Mkg difference. The market was likely saving import quota volumes during this time, in order to have sufficient quota for the higher demand experienced in the mid- and late-summer.

The import to re-export program (IREP), which is monitored by Global Affairs Canada (GAC), allows chicken processors to import chicken destined for further processing into Canada duty-free, with the understanding that the further processed chicken product will be re-exported. In 2016, IREP volumes reached 13.7 Mkg, which is a drop from the reported volume of 16.9 Mkg in 2015. The most popular year for IREP was 2011, which saw an astounding volume of 81.5 Mkg in chicken imports. Volumes have been declining every year since 2011. It is suspected that many importers have been shifting from using IREP to the Duties Relief Program (DRP) operated by the Canadian Border Services Agency (CBSA).

Even though it is managed by the CBSA, the DRP is an almost mirror copy of the IREP managed by GAC, with a number of notable exceptions – participants have four years until they must re-export the chicken that they imported. The DRP import volumes were 71.4 Mkg, which equates to a 24.9 Mkg decline from 2015. In September of 2016, total imports under the DRP reached an apex of 9.1 Mkg, and ever since, these volumes have been declining month-to-month.

Spent fowl imports fell from 103.1 Mkg in 2015 to 99.1 Mkg in 2016, representing a 4.0 Mkg decline. The greater part of this decline came from the bone-in breast and boneless breast categories, which saw decreases of 4.8 Mkg and 2.1 Mkg, respectively, over the previous year. Fowl imports in the first half of 2016 were record-high at about 9.9 Mkg on a monthly basis, exceeding imports during the same timeframe in 2015 by 35%, but from August onward imports levels dropped substantially, averaging

In September of 2016, total imports under the DRP reached an apex of 9.1 Mkg, and ever since, these volumes have been declining month-to-month.

6.1 Mkg per month during the last five months of the year. Most of the decreases are linked to increased enforcement actions taken by government.

For more on imports and the impact of them, see page 28.

Exports

According to Agriculture and Agri-Food Canada's (AAFC) export data, 163.2 Mkg of eviscerated weight chicken was exported during 2016. There was a 12.7 Mkg drop in chicken exports between 2015 and 2016, or 7.8%. The majority of Canadian chicken exports were destined for the United States, Taiwan, and the Philippines.

Boneless parts were the most popular item to be exported, accounting for a volume of 47.7 Mkg at actual weight. The second most popular item to be exported were bone-in legs, which accounted for 25.1 Mkg, or 15.4% of all chicken exports in 2016. Chicken legs are often shipped to Asian markets, where dark meat is more sought after. Boneless breast exports accounted for 7.4 Mkg, and mechanically separated meats (MSM) accounted for another 14.0 Mkg. The remaining export quantities came from bone-in breasts, bone-in parts, bone-in wings, and a variety of other cuts, which came to a combined total of 14.0 Mkg.

Storage Stocks

Frozen storage inventories on January 1, 2016 were 42.7 Mkg, and by the end of the year, the volume had decreased to 41.8 Mkg. Storage stock

levels reached their highest volume(s) in the spring and early summer. Thereafter, levels started slowly decreasing until they reached a low of 39.4 Mkg in October. In November and December, storage stocks experienced a small rebuilding phase. The stock building and depletion trends observed during 2016 were similar to those seen during 2015.

Breast storage stocks under the cut-up category, which consists of both boneless and other breast, increased by 1.1 Mkg. The "other" subcategory within the cut-up category, which comprises halves, trimmings and whole cut-up, increased by 0.7 Mkg. Leg inventories under the cut-up category fell by 1.2 Mkg. Within the further processed category, both boneless breasts and other cuts had a combined total increase of 0.5 Mkg. Under the whole category, stock levels for chicken weighing less than 2 kilograms fell 0.2 Mkg, and chicken weighing more than 2 kilograms decreased very slightly by 0.034 Mkg.

Interprovincial Movement

CFC monitors the interprovincial movement of live chickens. These figures are reported to CFC by provincial counterparts on a week-to-week basis, where they are then reviewed by external auditors every four periods. The total interprovincial movements for 2016 totalled 80.8 Mkg (live weight), which was a 2.7 Mkg increase over 2015. A large contributor to this increase came from the province of Quebec, which shipped 2.0 Mkg more to Ontario than it had in 2015. In addition, P.E.I. shipped 0.1 Mkg more to New Brunswick, and 0.3 Mkg more to Nova Scotia than it had the previous year.

Interprovincial Movement of Live Chickens (in kilograms live weight)

		FROM						IN TOTAL
		Alberta	Ontario	Quebec	Nova Scotia	Prince Edward Island	Newfoundland and Labrador	
TO	British Columbia	14,000						14,000
	Ontario			3,544,000				3,544,000
	Quebec		18,493,000					18,493,000
	New Brunswick			34,934,000	18,173,000	986,000		54,093,000
	Nova Scotia					4,651,000	46,000	4,697,000
	OUT TOTAL	14,000	18,493,000	38,478,000	18,173,000	5,637,000	46,000	80,841,000

Industry at a Glance

	B.C.	Alb.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	N.L.	TOTAL
Number of producers	325	244	67	118	1,177	748	37	87	8	6	2,817
Average farm size (000 kg live weight)	701	603	902	564	433	565	1,167	618	707	3,548	553
Federally-inspected plants	9	5	2	2	9	7	2	1	0	1	38
Provincially-inspected plants	16	66	1	3	29	5	1	9	1	3	134
Average producer price (\$/kg live weight)	1.611	1.594	1.580	1.598	1.524	1.544	1.627	1.627	-	-	1.561

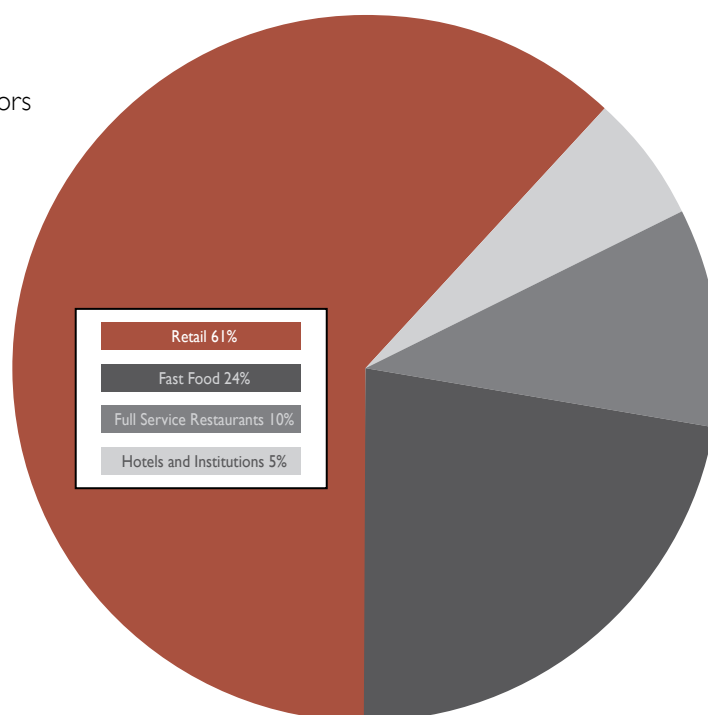
Sources: CFC, AAFC, provincial boards, provincial ministries of Agriculture

Estimated Chicken Consumption in Various Market Sectors (Mkg)

	2008	2009	2010	2011	2012	2013	2014	2015
Retail	621	637	639	625	631	647	677	686
Fast Food	247	236	242	241	232	234	246	269
Full Service Restaurants	99	99	99	101	99	105	112	114
Hotels and Institutions	56	54	54	55	56	57	60	61
Total	1,023	1,026	1,034	1,022	1,018	1,043	1,095	1,130

Source: Further Poultry Processors Association of Canada

2015 Estimated Chicken Consumption in Various Market Sectors





Government Relations

Government Relations plays a central role in the many things we do at CFC. Whether it is educating elected officials about our Animal Care Program, or acting on behalf of our farmers in trade agreement negotiations, or hosting receptions on Parliament Hill, our goal is to represent our brand and ensure the voice of our farmers is heard.

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

During 2016, which was the first full year in office of the new government, we strived to develop relationships with the new Parliamentarians and to introduce them to the chicken sector. In meeting with MPs, Senators, and Ministerial and departmental staff throughout the year, and on our annual Lobby Day, we addressed some of the following key issues for our industry:

- » The fraudulent practice of importing broiler chicken falsely labeled as spent fowl
- » Excluding chicken from CBSA's Duties Relief Program
- » Reinstating the sauce and cooking requirements in the customs tariff definition of Specially Defined Mixtures (SDM)
- » Animal welfare and the implications of Private Member's Bill C-246
- » Trans-Pacific Partnership
- » Our impressive economic contribution
- » Supply management
- » Next Agriculture Policy Framework
- » Antimicrobial use

Working closely with Agriculture and Agri-Food Minister Lawrence MacAulay and his staff, we have been successful in securing their continued support for supply management, and addressing our ongoing issues. We look forward to continuing this work into the rest of his mandate.

House of Commons Committees

Standing Committee on Finance

In late October, CFC was invited to appear before the House Standing Committee on Finance to make the following pre-budget recommendations:

- 1.** Implement a mandatory certification for imports classified as spent fowl and use the DNA test to guarantee proper classification. Fixing this would create 2,771 new jobs, contribute \$208.5 million to Canada's GDP, and generate \$69.6 million in additional taxes.
- 2.** Exclude chicken from the Duties Relief and Drawback Programs. Fixing this would create 1,423 new jobs, contribute \$107.1 million to Canada's GDP, and generate \$35.7 million in additional taxes.
- 3.** Reinstating into the Customs Tariff Definition the sauce and cooking requirements of SDMs as contained in Canada's WTO Commitments. Fixing this would create 262 new jobs, contribute \$19.7 million to Canada's GDP, and generate \$6.6 million in additional taxes.

CFC's Chair and Executive Director stressed that implementing these three recommendations would create 4,456 new jobs, contribute an additional \$335 million to Canada's GDP and generate \$112 million in additional taxes.

Standing Committee on International Trade

Stemming from an emergency meeting requested by Opposition MPs in the summer, CFC was invited to appear before the Standing Committee on International Trade in September to discuss the Canada Border Services Agency's Duties Deferral Program, as well as other issues such



as spent fowl. The same loss of production, jobs, and economic contribution as in the Finance Committee presentation were addressed.

Standing Committee on Agriculture and Agri-Food

CFC appeared before the Agriculture and Agri-Food Committee in November to present our recommendations on the Next Agricultural Policy Framework.

Bill C-246

In early 2016, a private member's bill, Bill C-246, the *Modernizing Animal Protections Act* was introduced by Beaches-East York MP Nathaniel Erskine-Smith. This wide-reaching bill was aimed to amend the Criminal Code, the *Fisheries Act*, the *Textile Labelling Act*, the *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act* and the *Canada Consumer Product Safety Act*.

The intention of the bill was to “bring animal protection laws into the 21st Century”, by banning the importation of shark fins, requiring labeling for fur products in Canada, banning the importation and sale of cat and dog fur, and finally, strengthening existing criminal laws against animal cruelty. However, the language of the bill had severe implications for animal agriculture and had the potential to impact generally-accepted farming practices.

The bill was defeated at Second Reading in the House of Commons on October 5, 2016.

After its defeat, the Justice Minister highlighted the need for better addressing animal cruelty in the updates to the Criminal Code, forecast for some time during her mandate.

Federal/Provincial/Territorial and CFA Meetings

Following the Canadian Federation of Agriculture's (CFA) three-day annual summer meeting in Calgary in July, Federal/Provincial and Territorial (FPT) Ministers and CFA members held a roundtable to facilitate discussion around pressing and upcoming agricultural issues, and most importantly, developing the Next Agricultural Policy Framework.

With the next Framework set to launch Canada-wide in summer 2018, the Minister/Industry roundtable allowed CFA member organizations to highlight their priorities to federal Agriculture Minister MacAulay and his provincial counterparts. CFC Board member and CFA representative David Hyink gave a presentation to Ministers on public trust for the second year in a row – a current hot topic in Canadian agriculture.

The annual CFA/FPT Roundtable gives farmer leaders an opportunity for building relationships with their respective government representatives, while ensuring their voices are heard. It gave CFC representatives the opportunity to meet with provincial Ministers and their staff to discuss issues of importance to the chicken industry.

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

As part of CFC's FPT recognition for our On-Farm Food Safety Assurance Program (OFFSAP), our farmers must meet a set of standards for best practices in biosecurity and disease prevention on the farm.



Next Agricultural Policy Framework

Following the industry meeting, FPT Ministers met for two days to jointly determine the direction and next steps for planning the Framework. At the meeting's conclusion, Ministers presented the *Calgary Statement*, which incorporated roundtable comments and outlined the key priority areas that will guide the development of the next framework.

Specifically, the *Calgary Statement* addressed increasing market access and development, advancing investments in science, innovation and research, the need for a strong science-based regulatory framework, enhancing public trust, the continued importance of Business Risk Management programs – including supply management – and renewed emphasis on environmental sustainability and climate change. The joint statement also renewed Ministers' commitment to preserving the integrity of supply management.

CFC attended all three post-Calgary engagement sessions led by Agriculture and Agri-Food Canada (AAFC), in addition to presenting before the House of Commons Standing Committee on Agriculture and Agri-Food committee on November 15th.

CFC's recommendations for the next framework focused on three key priorities:

Public Trust

Canada's agricultural sector is one of the most respected and valued sectors at home and abroad. With trust comes increasing awareness of the environmental, animal welfare, and health and safety impacts that are a part of food production. The journey to public trust relies on three guiding principles:

1. Doing the right thing
2. Implementing assurance systems
3. Communicating to consumers

As part of CFC's FPT recognition for our On-Farm Food Safety Assurance Program (OFFSAP), our farmers must meet a set of standards for best practices in biosecurity and disease prevention on the farm. We also have a third-party audited, mandatory Animal Care Program designed to demonstrate the level of care given to Canadian chickens.

The difference between the two programs is their assurance programs. OFFSAP has an FPT recognition protocol, whereas the Animal Care Program does not. By supporting both these assurance systems, government can convey the proper message to consumers about how their food is being raised – a shared responsibility, and a public good. As a result, we asked the government for better leadership in public trust by implementing assurance systems that provide confidence to consumers.

Innovation

Innovation continues to be critical to the agriculture sector's growth and economic prosperity. Our farmers support the whole-of-government approach to science, research and innovation, and therefore requested longer-term and increased research cluster funding for poultry in order to tackle research priorities and emerging needs of the industry.

In addition, CFC pointed out that there are currently no AAFC research facilities for poultry, while our competitors in most other sectors benefit from ongoing funding in this regard.

Finally, in terms of innovation, we reminded the government that our industry has been working steadfastly to reduce antimicrobial usage on our farms. Since 2014, the entire poultry industry has voluntarily agreed not to use Class I antibiotics on a preventative basis in poultry production. CFC supports the Federal Action Plan on Antimicrobial Resistance and wants to see the next framework work with industry in addressing the challenges in this complex strategy.

Shared responsibility + shared benefit = shared cost

CFC believes that industry and government have a shared responsibility for food safety, animal care, research, and the environment. There is both an industry benefit and a public good in these programs and CFC would like to ensure that the responsibility and benefit for these programs, along with the costs, are shared consistently, and over the long-term.

Canada's chicken farmers are fully funding the costs (approximately \$3.4 million annually) of the Animal Care and On Farm Food Safety assurance system that respond to consumer concerns about how their food is being raised. This reflects costs related to operations such as auditor costs, program administration and updates, third party audits, and farmer education; it does not include the cost to farmers of implementing the programs on their farms. On the food safety side alone, approximately \$100,000 a year goes towards the mandatory CFIA third party audit.

There is also a shared benefit to investing in research cluster funding. The whole poultry industry has developed a network of research and chairs at universities across the country as there are no AAFC research stations for poultry. Therefore, we have requested that the next framework encompass a sustainable, cost-sharing agreement to assist the poultry industry in continuing critical research.

MP Farm Tour

Along with Ottawa chicken farmers Jon and Rob Fraser, CFC hosted MPs and Hill staff for a tour of the Fraser family chicken farm in the west end of Ottawa in mid-November. Visitors had a chance to learn about the biosecurity measures in place on the farm, innovation in farming, and the importance of supply management to food safety, animal care, and the economy.

CFC Lobby Day

CFC hosted our annual Lobby Day on May 31, 2016 to increase awareness of our industry, discuss the issues, and build better relationships with new and old MPs.

Lobby Day allowed each province to have constructive, thoughtful conversations with representatives from their provinces regarding topics such as spent fowl, the Duties Relief Program, specially defined mixtures, antimicrobial resistance and use, and Bill C-246. Our industry was represented by CFC

Directors, Alternates, provincial board managers, and provincial directors and producers.

The breakdown of participants is as follows:

- » 2 Ministers
- » 2 Senators
- » 6 Parliamentary Secretaries
- » 1 party leader
- » 62 MPs
- » 4 Minister's Senior office staff

We were able to meet with some key players on our files, such as the Minister of Health, the Parliamentary Secretaries to the Ministers of Public Safety, Agriculture, and International Trade, and the Chair of the rural caucus. That evening, we hosted a Lobby Day reception at the Château Laurier, attended by over 300 MPs, Senators, staffers, and industry representatives. Parliamentary Secretary to the Minister of Agriculture and Agri-Food, Jean-Claude Poissant, and Agriculture Committee member, Francis Drouin, were on hand to give remarks.

November Parliamentary Reception

CFC continued its annual tradition of hosting a reception in the fall, despite having already hosted one six months prior—and it proved to be a successful formula. Attended by over 300 people, the reception highlighted our partnership with Swimming Canada. Paralympic swimmer Benoît Huot showed off his bronze medal from the Rio games and Minister MacAulay was on hand to make remarks, while guests enjoyed chicken appetizers.

Forum for Young Canadians

In the spring of 2016, CFC teamed up with Egg Farmers of Canada (EFC) to be the Visionary Sponsors of Forum for Young Canadians, a program that supports a young generation of Canadian leaders.

Every year, Forum for Young Canadians welcomes hundreds of students from across the country, seeking a unique experience to learn first-hand about governance and the Parliamentary process. During their stay in Ottawa, students met with Members of Parliament and Senators, learned about industry-government relations, and forged new relationships with other young motivated Canadians, among many other exciting activities.

CFC and EFC conducted workshop sessions with students to educate them on the link that exists between their food and politics.

Lobby Day allowed each province to have constructive, thoughtful conversations with representatives from their provinces regarding topics such as spent fowl, the Duties Relief Program, specially defined mixtures, antimicrobial resistance and use, and Bill C-246.



Trade & Policy

The world of international trade is no stranger to uncertainty, but the tail-end of 2016 must have set a new record. From the small Belgium region of Wallonia nearly derailing the Canada-EU trade agreement, to the U.S. presidential election of Donald Trump, who campaigned on the promise to reject the Trans-Pacific Partnership and reopen the North American Free Trade Agreement, it is evident that protectionist movements around the globe have been gaining political traction and clout. All signs point to the international trade rollercoaster ride that began in this past year continuing well into 2017 and beyond.

The Comprehensive Economic Trade Agreement

After seven years of negotiations between Canada and the European Union (EU), the Comprehensive Economic and Trade Agreement (CETA) was finally signed on October 30th. This important milestone opens up the provisional application of the agreement due to the decision taken in July by the EU Parliament that the agreement would qualify as a “mixed agreement” and thus require ratification by all 28 member states before it can wholly come into effect; this will take a few more years. Until then, the provisional application covers approximately 95% of the agreement.

Even provisionally ratified, the trade deal will further open Canada’s dairy market to European exports; however, CETA will have no impact on Canada’s chicken market as it does not provide Europe with any additional access over and above what is currently provided through Canada’s commitments through the World Trade Organization (WTO).

The Trans-Pacific Partnership

If ratified, the Trans-Pacific Partnership (TPP), which was signed in October 2015, would create the world’s largest free trade area, pulling together 12 countries representing almost 40% of the global GDP, 11% of the planet’s population and 26% of global trade. However, since the American elections, the future of the TPP has become increasingly uncertain. As currently negotiated, the TPP cannot go into effect without its ratification by both the United States and Japan. While Japan has ratified

the agreement, U.S. president-elect Donald Trump has already vowed to pull the United States out of the TPP as soon as he takes office on January 20, 2017.

For its part, the Canadian government has remained steadfast to its commitment to consult with Canadians prior to bringing forward any TPP-ratifying legislation to Parliament. On March 8th, as part of this process, CFC presented to the House of Commons Committee on International Trade.

The World Trade Organization

With the Doha Development Round’s ambitious, but unsuccessful “single undertaking” now decidedly off the table, the focus of the World Trade Organization (WTO) has shifted to securing the progress that has already been agreed to, and taking an issue-by-issue “building block” approach which is hoped to ultimately lead to several sectoral deals. However, because this new strategy is not conducive to trade-offs between the different pillars of negotiations, it is expected to achieve more modest results than would have been possible from the “single undertaking” approach.

Since the December 2015 ministerial meeting in Nairobi (MC10), discussions in Geneva have concentrated on identifying possible deliverables for the next ministerial meeting (MC11), which will take place in Buenos Aires on December 11–14, 2017. The aim for MC11 in terms of the agriculture negotiations is to tackle trade-distorting domestic support, as well as possibly bringing forward the market access issues regarding the elimination of

The world of international trade is no stranger to uncertainty, but the tail-end of 2016 must have set a new record.



Tara Molloy (center, CFC Trade & Policy Analyst), accompanied Marc Cormier (left, Alternate CFC Director from New Brunswick) and Dennis Steinwand (right, Alternate CFC Director from Alberta) to the WTO's Public Forum in Geneva from September 26–29, 2016.

the special safeguard on agriculture (SSG) and the minimizing of tariff peaks. Although there is very little appetite to pursue discussions on market access, some trade negotiators foresee that resolving the SSG and tariff peaks issues as “building blocks” that could unlock other parts of the negotiations.

In addition to attending Forum sessions on improving trade inclusiveness, regulatory harmonization, and empowering workers within global supply chains, CFC representatives attended a session entitled “Inclusive trade and food security – the farmer’s role” that was jointly presented by Canadian Federation of Agriculture (CFA), the Norwegian Farmers’ Union, the Swiss Farmers’ Union and the World Farmers Organization. CFC representatives also met with WTO representatives from France, the E.U., the U.S. and Brazil, as well as a meeting with Canadian Ambassador Jonathan Fried.

From November 9–11, CFC staff joined other supply management sector representatives in accompanying a CFA delegation to a seminar in Geneva organized by the Cairns Group Farm Leaders, of which CFA is an official member. In addition to attending the seminar, the representatives met with a number of key delegations including the Chair of the Agriculture Negotiations, New Zealand Ambassador Vangelis Vitalis and, again, Canadian Ambassador Jonathan Fried.

Import Controls

Although the three major import control issues that have been plaguing the Canadian chicken sector unfortunately continued throughout 2016, there has been significant progress towards resolution on some fronts thanks to the diligent lobbying efforts of CFC Directors and the ongoing collaborative work between CFC staff and government officials. Through the Lobby Day meetings and reception, staff and elected official presentations to the House of Commons Committees on Agriculture, International Trade, and Finance, and to the Senate Committee on Agriculture and Forestry, the Border Measures Workshops on May 26th and November 14th, as well as multiple one-on-one meetings with elected government officials and bureaucrats, CFC has brought forward the sector’s concerns and recommendations regarding the illegal importation of broiler meat declared as spent fowl, the inappropriate use of the Duties Relief Program, and the products designed as specially defined mixtures to circumvent import controls. CFC looks forward to continuing to work with the Canadian government to put an end to the import circumvention practices that have been eroding the stability and full growth potential of the Canadian chicken sector.

The Minister was particularly struck by the food safety and traceability challenges that result from products being imported as one good and then being marketed within Canada as another.

Chicken Imports 2015-2016 (Mkg)

	2016	2015
Imports Regulated by the TRQ		
Global TRQ	82.2	78.2
Supplementary Imports	3.6	6.8
Total TRQ Access as a % of Production	7.77%	7.95%
Other Imports		
Duties Relief Program (DRP)	71.4	96.3
Imports to Re-Export (IREP)	13.8	16.9
Spent Fowl	99.1	103.0

Fraudulent Spent Fowl Imports

Spent fowl are old egg-laying hens that are processed for their meat once they reach the end of their production cycle. Whereas broiler meat is subject to import controls when entering Canada, spent fowl is not; there is no restriction on the amount that can be brought into Canada. A few years ago, some unscrupulous Canadian importers realized that it was practically impossible to visually distinguish between spent fowl meat and broiler meat, especially in the form of boneless cuts. Consequently, unaccounted imports of boneless broiler meat started making their way into the Canadian market, bypassing import controls by being fraudulently declared as spent fowl at the border. This not only takes away jobs and revenue from Canada's chicken farmers and processors, it also put Canadian consumers at risk due to broken food chain traceability.

CFC has been diligent in finding ways to stymie the flow of illegally imported broiler meat. In 2014, with CFC's support, Trent University researchers successfully developed a forensic DNA test that can accurately verify whether a product contains chicken, spent fowl or a combination of both. Since then, CFC has been promoting this test to the Canadian Food Inspection Agency (CFIA), Agriculture and Agri-Food Canada (AAFC) and Canada Border Services Agency (CBSA) as a means of stopping the fraudulent import activity.

This year, the tireless efforts of both CFC Directors and staff started to pay off, and the resolution of intentionally mislabeled broiler meat imports began

to gain traction with the genuine engagement of government officials and departments. On August 3rd, an emergency meeting of the House Standing Committee on International Trade was called to discuss ongoing import control issues, including both the Duties Relief Program (discussed in the section below) and spent fowl imports. After questioning government officials from CBSA, AAFC, and Finance Canada about the bureaucratic impediments to exploring the viability and applicability of the DNA test, committee members called for the swift development of an action plan and a timeline to move forward on this issue.

The following week, CFC responded to a request from the Honourable Lawrence MacAulay, Minister of Agriculture and Agri-Food, to send him a letter elaborating on this import control issue. The Minister was particularly struck by the food safety and traceability challenges that result from products being imported as one good and then being marketed within Canada as another. If there were to be a chicken meat-related food safety recall in the United States, broiler meat imported from there that was mislabeled at the border would not be captured by the Canadian Food Inspection Agency's recall efforts, and could result in cases of serious illness.

On August 17th, shortly after this communication with the Minister, CFC and Trent University staff met with AAFC, CFIA and CBSA officials to discuss the DNA test. Overall the meeting was positive, with government officials appearing keen on further exploring the feasibility of using the DNA test to verify spent fowl imports with the university researchers.

Since this meeting, the government has been working with the developers to assess the test's scientific validity and eventually conduct a feasibility study on its full implementation as a means of import verification. During the Senate Committee on Agriculture and Forestry meeting on September 29th, Minister MacAulay further assured committee members that AAFC officials are working with their CBSA colleagues and U.S. counterparts to create a spent fowl verification program, which would likely use the DNA test to ensure program integrity.

In mid-August, CFIA announced a three-day suspension of three American cold storage facilities that served as export dispatch locations for Canada-bound "spent fowl" exports. On September 6th, one of these

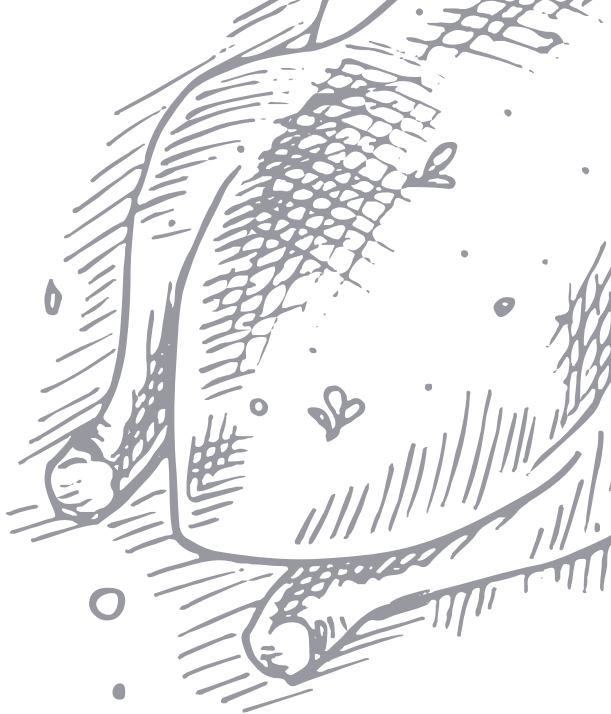
establishments was suspended until further notice. CFIA confirmed that these suspension actions were related to irregularities with shipments not conforming with regulations and thus posing potential food safety risks. Since these suspensions occurred, there has been a notable decline in spent fowl imports.

While spent fowl imports continued to increase significantly until the end of July, with imports reaching 68.7 Mkg compared to 52.5 Mkg for the same period in 2015, the government efforts have slowed the growth in the second half of the year. Despite the decline in monthly imports since August, the imports in 2016 still reached 99,081,599 kilograms compared to 103,103,435 kilograms in 2015. Boneless breast meat continued to represent 54% of all “spent fowl” imports, a significant risk for mislabeled imports. The suspected causal link between increased verifications, the suspension of a U.S. cold storage warehouse and the decline in imports validates CFC’s suspicion of significant import fraud over the past few years.

Misuse of the Duties Relief Program

The Duties Relief Program (DRP) is a program administered by CBSA that permits Canadian processors to import products intended for domestic processing and subsequent re-export for sale in foreign markets. The program is designed primarily for industrial and manufacturing goods, and has rules that reflect the realities of those sectors. For instance, imported components can be kept in Canada for up to four years, and there is a permissible level of substitution with domestic products. In addition, meat products can be marinated prior to being re-exported. None of these rules are adequate for the Canadian chicken sector as they all result in market distortions.

The Import for Re-export Program (IREP), which is administered by Global Affairs Canada (GAC), is an analogous program that has been designed specifically for the Canadian food processing sector while supporting Canada’s domestic supply management system. The rules of IREP are appropriate for perishable agricultural and agri-food goods, and provide adequate safeguards to address the potential for market-distorting diversions. For instance, under IREP re-export must take place within three months, high-value imported products, such as boneless



chicken breasts, cannot be substituted, and marinated products are not permitted due to concerns regarding diversions into the domestic market. IREP also has stringent verification processes in place to ensure that these rules are being respected.

Given the existence and proper functioning of IREP, CFC has been advocating that the Canadian government exclude chicken products from the DRP, citing analytical evidence that points to program misuse. CFC Board members and staff have brought this concern to parliamentarians and government officials at every possible occasion, such as the House of Commons Standing Committee on International Trade meeting on February 25th and again on September 20th, the CFC Lobby Day on May 31st, and at the House of Commons Standing Finance Committee’s pre-budget meeting on October 26th.

Although these efforts have not yet brought about the exclusion of chicken products from the DRP, the Canadian government has indicated that it has taken CFC’s concerns seriously. At the House of Commons Standing Committee on International Trade meeting on August 3rd, CBSA officials mentioned that they had been conducting program verifications, and that they believed their enquiries had brought about a decrease in imports through that program. On November 18th, the Canadian government announced that the CBSA’s verifications had led to the identification of five companies that were not complying with the DRP regulations. These companies have been fined and had their DRP licenses suspended.

CFC looks forward to participating in these consultations, and working with the Canadian government to further improve the predictability of chicken imports.

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Indeed, based on the official data released to date, the activity under the DRP slowed down in 2016 with 71.4 Mkg imported compared to 96.3 Mkg in 2015. CBSA's verifications and the suspension of companies coincide clearly with the reduction of imports through this program in the latter part of the year.

The government also announced that it will be holding consultations on the DRP and IREP regarding potential changes to these programs. CFC looks forward to participating in these consultations, and working with the Canadian government to further improve the predictability of chicken imports.

Specially Defined Mixtures

The term "specially defined mixture" (SDM) refers to meat products that contain up to 87% chicken and a minimum of 13% of some other food item. The inclusion of this other ingredient re-classifies the meat product for import purposes. For instance, a package of chicken wings that also contains sauce that makes up 13% of the overall package weight is usually no longer considered chicken for import purposes.

This has resulted in the creation of products that have been designed explicitly to circumvent import controls and permit the influx of more foreign chicken meat into the Canadian market, thus displacing domestically-produced chicken. CFC continues to take every opportunity to advocate that the

Canadian government adopt the simplest solution to this problem, which would be to reinstate the sauce and cooking requirements that already exist in Canada's negotiated WTO schedule into the Customs Tariff. CFC looks forward to pursuing its ongoing work with the Canadian government to bring this issue to a successful conclusion.

TRQ Allocation

The global TRQ access commitment for 2016, which is set at 7.5% of the previous year's production level, was 83.3 Mkg, up from 80.2 Mkg in 2015. Of this 83.3 Mkg, 82.8 Mkg was imported, which represents 99.33% of the total global TRQ. An additional 3.5 Mkg was issued in import-to-compete supplementary imports, which brings the total imports under TRQ to 86.3 Mkg or 7.8% of the previous year's production.

The issuance of supplementary imports shows once again that modifications must be made to the classification of products that are considered as specially defined mixture simply by adding sauce, therefore, generating additional imports. Those additional imports undermine the economic activity generated by the Canadian chicken sector and CFC continues to advocate against imports exceeding Canada's international trade commitments.





Food Safety & Animal Care

Chicken Farmers of Canada's AMR and AMU Initiatives

The issues of antimicrobial resistance and use (AMR and AMU) remain at the forefront of CFC's work, with Directors assigning it as a critical priority in 2016. Throughout 2016, CFC continued to focus on the key elements in the industry-wide Antimicrobial Use Strategy, including surveillance, education, research, and reduction.

In late-2015 and early-2016, CFC coordinated meetings of an expert working group to evaluate the next steps in CFC's responsible antibiotic reduction strategy for the Canadian chicken industry. The working group was comprised of farmers, veterinarians, feed mills, hatcheries, processors, and academia, and their recommendations were distributed broadly in an industry-wide consultation.

With the knowledge and feedback from this process, Directors made a decision on the next steps of the Antimicrobial Use Strategy to work towards reducing the preventive use of Category II and III antibiotics. To accomplish this, work plans on key action items have been developed, which will be necessary to ensure that future reduction steps are done successfully, while protecting bird health and welfare.

- » Renewed regulatory approval process for feed alternatives
- » Understanding the production and economic impacts of reduced use
- » Education of farmers and industry and disseminating good production practices required for reduced use
- » Working with the supply chain to ensure quality results
- » Re-assess the reduction strategy in 2018

These action items will guide CFC's work on AMR and AMU throughout 2017.

This decision follows from the voluntary ban by the industry in 2014 of the preventive use of Category I antibiotics (those most important to human medicine), and the desire to determine what further reductions could be made in a responsible manner. Surveillance by the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) has already shown promising results from that 2014 ban. A CIPARS bulletin released in August by the Public Health Agency of Canada (PHAC) showed that not only was the ban successful

in reducing the use of Category I antibiotics, but that resistance levels to these antibiotics had also decreased.

On the topic of surveillance, CFC continued in 2016 to collaborate with CIPARS for on-farm surveillance of both antimicrobial resistance and use. The information garnered from this surveillance has been valuable in informing the industry's overall strategy and allows us to better understand the issues of AMR and AMU. For example, from this surveillance we now know that the majority of antimicrobials used in poultry production are not used in human medicine at all, but it also shows areas for improvement to help guide CFC's reduction strategy.

Throughout 2016, CFC continued to collaborate with the federal government on other initiatives. The creation of a pan-Canadian framework to address antimicrobial resistance is being led by PHAC and CFC is participating on the stewardship working group. A report is planned to be presented to the Federal-Provincial-Territorial Health and Agriculture Ministers this coming summer.

Modernizing the regulatory approval process for feed alternatives is an important objective for Canadian chicken farmers so that they may have access to the same antibiotic alternatives that are available in other jurisdictions. CFC is collaborating with the Animal Nutrition Association of Canada (ANAC) to participate in the regulatory modernization process with the Canadian Food Inspection Agency (CFIA) and Health Canada's Veterinary Drugs Directorate (VDD). The progress made to-date on this is promising, and CFC continues to collaborate with the government to ensure it remains a priority.

While CFC's AMU strategy is focussed on reduction and not "Raised without the use of antibiotics" (RWA), an important change was made by CFIA to the RWA definition. RWA claims on meat, poultry, and fish now allow for the use of chemical coccidiostats. Although the use of ionophores continues to not be allowed as part

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of the claim, this brings the RWA definition in Canada effectively in line with that of the United States. CFC thanks its federal partners for making this happen.

As a key component of the overall AMU Strategy, CFC worked on a number of different communication and education tools for both industry stakeholders and consumers. A series of educational white-board style videos have been produced to explain the issues of AMR and AMU, as well as what the chicken industry is currently doing to address these issues. These have been posted on the CFC and provincial boards' websites, and have received a good response through social media. A print brochure was also created to complement the video content and has been shared at trade-shows and meetings with retailers and foodservice representatives.

Animal Care

Canadian chicken farmers take pride in their long-standing progressive and innovative approach to animal care as demonstrated by CFC's third-party audited, mandatory Animal Care Program that safeguards our flocks.

CFC's Animal Care Program has been evolving since it was created in 2009 and 100% of Canadian chicken farmers are now certified. The elements that make this a credible program include:

- » Our program has standards that are based on the *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys*
- » Our program uses one national standard that ensures consistency of requirements and record-keeping for all chicken farmers in Canada
- » Our program includes annual farm audits
- » Our program is mandatory
- » Our program uses enforcement mechanisms in cases of non-compliance
- » Our program offers the additional assurance of being third-party audited

A great milestone was achieved in 2016 with the completion of the new *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys*. CFC worked with the National Farm Animal Care Council (NFACC) to update the code which is an important document to outline the standard of care expected on chicken farms across Canada.

NFACC released two short videos in 2016 to explain more about the Codes and the Code process. These

are published on their website, along with the full Code, at www.nfacc.ca/codes-of-practice. CFC has been a member of NFACC since 2006, and Rudy Martinka, the Director from Saskatchewan, is the representative on the NFACC Board. NFACC welcomed three new associate members in 2016, broadening the already wide diversity of members collaborating on the common goal of advancing farm animal welfare in Canada.

NFACC leads the Code development process in a way that is unique worldwide – bringing together diverse stakeholders including researchers, veterinarians, national animal welfare organizations, farmers, transporters, and processors to determine what the national standards should be based on the latest science. The process includes a full scientific review of current literature and a public consultation period whereby all Canadians had the opportunity to contribute to the final Code.

NFACC oversees another process called the Animal Care Assessment Framework (ACAF). While the Codes are vital in developing national guidelines for the care and handling of farm animals, a mechanism is needed to demonstrate that Codes are being followed in order to build confidence throughout the value chain; this is what the ACAF provides. The ACAF describes a credible process to follow when developing or revising an animal care assessment program based on the Codes.

CFC's Animal Care Program is based on the previous version of the Code and we are now working through the ACAF process to revise the program according to the new Code. While this process takes place, new standards from the Code are being incorporated into the Animal Care Program as highly recommended items until they become mandatory with the release of a new program manual. To ensure farmers are up-to-date about the Code and new requirements to come, CFC prepared a number of communication documents to explain the process and describe the steps moving forward for a full program revision.

At the same time, CFC is petitioning for a government recognition protocol for animal care, similar to the recognition protocol in place for on-farm food safety. The objective is to have the animal care recognition protocol implemented through Agriculture and Agri-Food Canada's Next Agricultural Policy Framework.

Continuous improvement is a hallmark of our on-farm programs and this was again demonstrated with the initiation in 2016 of third-party audits for both the

Animal Care Program and On-Farm Food Safety Assurance Program. CFC is contracting NSF-GFTC (Guelph Food Technology Centre) to conduct comprehensive audits by using PAACO-certified auditors (Professional Animal Auditor Certification Organization). The third party audits cover not only implementation of the program on-farm, but also consistency of auditors across the country, and effective implementation of the management system by provincial boards and at CFC.

Reports from these audits will be used to address any non-conformances within the system. They will ensure that the integrity and implementation of our on-farm programs remain at the highest standard. Industry reports will be shared with processors, retailers, and restaurants and will provide an overall assessment of the effectiveness of program implementation at the farm level, of auditor consistency, and of management system performance.

A critical part of protecting the health and welfare of chickens, on-farm, is performing timely euthanasia with a proper technique. CFC worked throughout 2016 with the Poultry Industry Council to finalize a practical guide to on-farm euthanasia of poultry, describing the importance of euthanasia and the necessary steps to perform it in a humane manner. This useful resource was distributed to all Canadian chicken farms and is also available online.

To ensure that individuals are available in each province to provide euthanasia training to farmers, CFC organized two train-the-trainer sessions in 2016. These one-day sessions were led by Dr. Mike Petrik of the Poultry Industry Council and included a classroom component as well as a hands-on portion so that trainers would be comfortable explaining and evaluating others' technique.

National Farmed Animal Health and Welfare Council

The National Farmed Animal Health and Welfare Council (NFAHWC) is a unique advisory group which is funded jointly by federal and provincial governments and industry stakeholders. The Council provides advice on topics of importance to animal agriculture to all stakeholders, including senior government officials. Marc Cormier, the Alternate Director from New Brunswick, represents CFC on the Council.

The Canadian Animal Health Surveillance System (CAHSS) is an initiative of the Council with a vision for effective, responsive, and integrated animal health

surveillance in Canada. CAHSS brings together stakeholders from all sectors, in animal and public health, to share information and address gaps associated with the multiple surveillance activities currently planned or underway. CAHSS held a number of workshops in 2016 and CFC participates on the champions group, with Mike Dungate as our representative.

Farmed Animal Health and Welfare 2020 is a document that guides the Council's work and provides a list of strategic directions and priorities for all stakeholders. Throughout 2016 Council continued its development of a reporting system to allow stakeholders to report initiatives which impact progress on the outcomes and priorities in the strategy. Each year the Council hosts a forum to discuss current issues and at the 2016 forum several stakeholders presented about their work to address the strategy priorities.

A large portion of the 2016 forum was dedicated to antimicrobial resistance. The Council formed a committee in 2015 (CFC was a member) to develop recommendations on antimicrobial stewardship in Canada, and the final report from that work was published in 2016. The 15 recommendations in the report provide advice to stakeholders in food animal agriculture and also will provide input to the development of the pan-Canadian antimicrobial resistance strategy which is being led by PHAC.

All of the Council's reports and advisory statements can be found on their website at www.ahwcouncil.ca.

On-Farm Food Safety

CFC continues to implement the On-Farm Food Safety Assurance Program (OFFSAP) from coast to coast, with 100% of farmers being certified. OFFSAP emphasizes animal health, cleanliness and safety throughout each step of the production cycle, and mandates biosecurity measures to protect animal health and prevent flock infections from outside sources.

CFC received official recognition of the program from CFIA in 2013 and is proud to continue to uphold that recognition through regular review audits. The most recent audit took place in early 2016 and was successfully completed, indicating that our program remains current, technically sound, and consistently implemented.

Along with the Animal Care Program, OFFSAP is now undergoing regular third-party audits from NSF-GFTC which cover on-farm implementation, auditor

CFC continues to implement the On-Farm Food Safety Assurance Program (OFFSAP) from coast to coast, with 100% of farmers being certified.

consistency, and adherence to the management system at both provincial and national levels. The first set of third-party audits took place in 2016.

Pathogen Reduction

CFC is participating on a new Federal/Provincial/Territorial government and industry working group on the control of *Salmonella* and *Campylobacter* in poultry. This new group is an amalgamation of two previous initiatives – the Pathogen Reduction Initiative and the *Salmonella* Enteritidis (SE) Working Group.

The newly formed working group will identify risk management strategies to control *Salmonella* and *Campylobacter* in poultry products by linking the recommendations of the SE working group with the results of the Microbiological Baseline Study from the Pathogen Reduction Initiative.

As part of the recognition process and CFC's commitment to continuous improvement, the OFFSAP manual is reviewed a minimum of every three years and recommendations from the FPT Working Group will be considered in this review process.

Canadian Poultry Research Council

The Canadian Poultry Research Council (CPRC) launched a new website in 2016 with a fresh new look, and more up-to-date content about research projects and results. The site includes an update to their online eBulletin, and a new page "Where are they now?" to provide updates on previous scholarship recipients. The CPRC Poultry Scholarship program was created in 2006 to assist postgraduate students who are involved in poultry research, and many continue to contribute to the poultry industry today.

In 2016, CPRC also began updating the National Research Strategy for Canada's Poultry Sector. This document was first published in 2012, and has formed the basis for the research structure of the Poultry Science Cluster, as well as guiding decisions for annual funding of projects. The update will seek input from farmers through the national and provincial representative organizations, the scientific community including university and government, and other industry stakeholder organizations representing a broad range of value-chain members.

There were some changes around the CPRC Board table this year. Tim Keet of Saskatchewan (representing CFC) is now the CPRC Chair. Helen Anne Hudson (Egg Farmers of Canada) is Vice-Chair and Erica Charlton (Canadian Poultry and Egg Processors

Council) was elected as the third member of the Executive Committee.

To support the continuous improvement of our on-farm program, a primary focus of CFC's research programs is animal welfare, covering topics such as leg health, lighting and transportation. Over half of research funds allocated through CPRC have been directed towards issues of animal welfare and bird health. These research projects have helped shape changes to on-farm programming requirements.

Each year, CPRC issues a general call for proposals for research projects that address various poultry industry priorities, and seven projects were approved at their June 2016 meeting of CPRC Directors. Some of the projects include:

- » The effect of barn sanitation on performance, microbiological and processing traits of commercial broilers
- » A national survey on foodborne pathogen prevalence, antimicrobial resistance and antimicrobial use in broiler breeders
- » Researching alternatives to antibiotics using a novel technology to mitigate enteric inflammatory disease
- » Research on an effective vaccine for necrotic enteritis in broilers

Again in 2016, CFC issued a separate call for a project through CPRC that will address an issue of particular interest to the chicken industry. This year's selected project is being conducted by Martine Boulianne of the University of Montreal to determine on-farm best management practices for improving gut health in antibiotic-reduced flocks, focussing on control of coccidiosis and *Clostridium perfringens*.

Work is on-going 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. To this end, four researcher profiles have been added to the CFC website to highlight the extensive work done by these individuals and their research teams, focusing on priority topics for the poultry industry. Their body of work is impressive, and CFC is proud to have supported it through CPRC.

CFC, 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. Since its inception, CPRC has allocated over \$4.2 million to foster poultry research, and these funds have been leveraged to over \$23 million.

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Sustainability

Maintaining public trust in our industry is critical to continue doing business.

This requires that we:

1. Do the right thing on our farms
2. Have a trusted assurance/verification system
3. Communicate with customers and consumers

Our industry has made huge strides in terms of “doing the right thing” and “having a trusted verification system.” To communicate about this in a better and more comprehensive way, CFC has developed its first Sustainability Report, which will be released in early 2017.

The report is structured according to the values of the Canadian chicken industry, and describes the progress that has been made to-date in these areas.

CFC's sustainability values:

1. Protecting bird health and welfare
2. Producing safe chicken for Canadians
3. Preserving the health of the land and of our farms
4. Providing value to Canada, and affordable food to Canadians through supply management

To further CFC's work on preserving the health of the land, an environmental and social life cycle assessment (LCA) of Canadian chicken was initiated early this year. LCA is an internationally recognized approach to assess the impacts and efficiencies associated with the entire supply chain, which for the chicken sector will include breeders, hatcheries, farms, feed mills, all the way through to transport and processing.

The study aims to quantify the environmental impacts and evaluate the socioeconomic performance of the Canadian chicken sector. This will help to identify areas within the supply chain where improvements can reduce resource usage. The environmental LCA data will be used to compare chicken with other protein sources and also to assess current and historical performance.

The LCA study will be conducted throughout 2017. The end use of this data is for communication to stakeholders and consumers about the environmental

and social performance of the industry, as well as for information and education on areas in the supply chain where improvements can be made.

Throughout 2016 CFC participated in national discussions on public trust/social license in Canada's agri-food industry referred to as the 'Canadian Journey to Public Trust.' Regional consultation sessions took place in March and April in Regina, Toronto, Ottawa, and Moncton. Approximately 250 leaders from all sectors of Canada's food system participated in these discussion sessions, and input from these regional sessions was brought to a national summit in Ottawa in May. A final report and recommendations on a path forward was reviewed by FPT Agriculture Ministers at their meeting in Calgary in July and included as a key component of the *Calgary Statement*. Championed by Chantelle Donahue, Kim McConnell, and Drew Black, CFC and the other poultry sectors played a key role in providing seed funding for the formation of a Public Trust Steering Committee. The Committee launched in early 2017 and CFC remains actively involved in the work.

The initiation of the Poultry Sustainability Value Chain Roundtable by the National Poultry Group had its genesis at the top-to-top meeting during the Canadian Poultry and Egg Processors Council convention in June. Work on a charter for the roundtable was done with Agriculture and Agri-Food Canada.

The objective of the Roundtable is to bring together key senior Canadian poultry sector representatives with senior federal and provincial governments and allied value chain partners, particularly those that have a direct relationship with consumers. Roundtable members will discuss common issues, with a focus on sustainability and public trust, and encourage collaborative action by industry and government. CFC is looking forward to co-chairing this important forum and advancing the poultry industry's work on sustainability and public trust.



Our industry has made huge strides in terms of “doing the right thing” and “having a trusted verification system.”



Branding & Consumer Relations

“Raised by a Canadian Farmer” Brand

CFC’s “Raised by a Canadian Farmer” brand was launched in late 2013. The brand strategy has focused on the message that Canada’s chicken farmers raise chicken that contributes to a healthier diet for Canadian families with fresh, nutritious chicken, which is low in fat and healthy.

To support the brand, a large scale traditional and digital promotional campaign was created to address Canadian consumers’ desire to know the origin of their chicken and reinforces the already healthy image of Canadian chicken. The logo is made available to Canadian retailers, primary processors and foodservice operators.

The branding program was founded based on years of market research and expert marketing strategy analysis, which is used on an on-going basis to monitor and manage brand awareness, likeability and consumers’ desire to know the origin of their chicken.

Brand-Building Marketing Programs

In 2016, the program continued its two-pronged marketing approach – increasing awareness and building image among consumers and co-branding (participant marketing programs) with retailers, primary processors and foodservice operators. The programs worked in harmony to efficiently heighten visibility of the “Raised by a Canadian Farmer” brand and increase prominence and importance of Canadian chicken among consumers.

Participant Marketing Programs:

Licensing agreements are currently held with the following 18 processors, retailers and foodservice operators, with others signing on regularly.

Foodservice

- » Mary Brown’s Inc.
- » Montana’s Cookhouse
- » Prime Pubs
- » Swiss Chalet
- » Tortoise Restaurant Group Inc., specifically Turtle Jack’s restaurants

Retailers

- » Federated Co-op
- » Fiesta Farms
- » Kudrinkos
- » Sobeys

Primary Processors

- » Eden Valley Farms
- » Granny’s Poultry
- » Maple Leaf Prime
- » Maple Lodge Farms
- » Retail Ready Foods Inc.’s LiberTerre chicken
- » Sunrise Farms
- » Twin Maple Products’ Yarrow Meadow Certified Organic Chicken
- » Yorkshire Valley Farms



Promoting the Program

In 2016, the national, integrated marketing program was refreshed with new advertising creative, with a brighter look and feel. Messaging more strongly emphasized the call to action, “Ask for the “Raised by a Canadian Farmer” label at your local grocery store.”

Four waves of traditional integrated marketing campaigns included TV, print and supporting digital and social media components including contest-drivers and e-blasts through Rogers Media and Québec Groupe Média. Three national consumer contests were featured to generate additional interest and drive consumers to the *chicken.ca/poulet.ca* websites and convert subscribers to CFC’s promotional newsletters.

A unique marketing program was also launched nationally with Swiss Chalet, and included co-branded TV ads, flyers with coupons, e-blasts and placement on dining room menus. The flyers totaled a distribution of 9.5 million with a strong redemption rate of 4–8%, while e-blasts were distributed to 3 million guests.

To close the year, a pilot test ran in French Quebec, leveraging the popularity of Chef Ricardo Larrivée. This test will continue into the first quarter of 2017 and preliminary results were very promising – home page click-through rates were 5.4% after four weeks – well exceeding the benchmark norm of 1% and Ricardo Media’s industry average of 0.27%.

Overall Results

Brand awareness research conducted at year-end reported a very strong increase in consumer awareness to 32% (+ 5 percentage points from 2015) and likeability of the television advertising continued to be impressive (79%). Almost six-in-ten consumers said they were more likely to purchase fresh Canadian packaged chicken after watching the TV ad.

The majority (88%) of Canadian shoppers/chicken consumers believe it is important that Canadian chicken be labelled as Canadian. Eight-in-ten (79%) Canadian shoppers/chicken consumers say it is important to them that they buy Canadian chicken, and 75% say they will look for the “Raised by a Canadian Farmer” logo the next time they buy fresh chicken.

2017 Initiatives

Our brand strategy has been adjusted to “Chicken is part of a healthier diet and it’s raised by farmers you can trust.”

Social Media Strategy

CFC continues to build, grow and engage its online communities and enhance its online presence.

Our core focus is to build and grow online relationships and brand advocates for CFC in the Canadian marketplace and for chicken as the protein of choice.

The Strategy’s objectives are:

- » To facilitate and participate in dialogue
- » To encourage purchase of chicken by consumers
- » To increase consideration for chicken above other meats
- » To increase chicken’s share of voice in the Canadian social media space and the quality of conversation pertaining to chicken
- » To increase positive opinion about chicken
- » To generate insights that will help to drive business for chicken in Canada
- » Enable real time conversations by influencer team during any time crisis communications programs are implemented

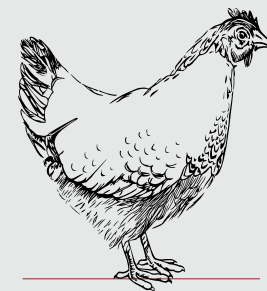
Social media also continues to play an important role in interacting with consumers and creating excitement around the “Raised by a Canadian Farmer” brand. CFC traditionally concentrates on obtaining organic followings on its social platforms, versus merely contesting and obtaining paid followings. This results in a loyal fan base that works to promote both chicken and chicken farmers.

Twitter Parties

CFC hosted evening Twitter parties to support active campaigns throughout the year. These Twitter parties generated a laudable average impression reach of 40 million people, and 236 million impressions by the end of the year.

Chicken Chats

CFC hosted 10 daytime Twitter chats which focused mainly on health topics such as Canadian chicken as part of a healthy diet, generating 178 million impressions. Topics included Heart Month, Nutrition Month, stress busting meal ideas, celiac awareness month, food safety tips, spicy chicken suppers, Labour Day activities and eats, back-to-school, healthy harvest meals with chicken and healthy holidays. February to June, and September to November, chats generated between 14 and 18 million impressions each, while



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our core BBQ season (July and August) were an impressive 20 and 24 million. Again, these are daytime chats, and numbers for this timing are exceptional.

Brand Ambassadors

Each year, CFC commissions socially active partners, “Brand Ambassadors”, across Canada. These partnerships promote ongoing CFC initiatives, recipes and also support the brand strategy while increasing CFC’s visibility on social media.

- » Simplystacie.net
- » Thebewitchinkitchen.com
- » Frugalmomeh.com
- » Wooloo.ca

Usage and Attitudes Study

CFC has conducted Usage and Attitudes (U&A) Study every three years since 1999. The data is used widely by industry and assists in determining strategic direction for the industry. This information provides CFC with an understanding of the factors influencing consumption, as well as an ongoing capacity to track trends and developments.

A survey of 2,019 Canadians was completed online between May 3rd to May 12th using Leger Marketing’s focus group platforms and online panel, LegerWeb.

Key Insights Include (General)

- » Chicken continues to be the favourite food choice among Canadian primary shoppers, and nearly all (86%) Canadian primary shoppers eat chicken at least once per week when preparing meals at home.
- » One-quarter of Canadian primary shoppers are consuming more chicken in general, as well as more boneless, skinless chicken when comparing consumption to one year ago.
- » Chicken breast remains a household favourite among most Canadian primary shoppers and their families.
- » Although Canadian primary shoppers are discouraged by listeriosis/other blood borne bacteria, avian flu/other animal disease, or animal welfare concerns, the majority of Canadian primary shoppers are not worried that consuming chicken at home or at a restaurant poses a risk.



Price of Chicken

- » The majority (94%) of Canadian primary shoppers are encouraged to eat more chicken when prices are better.
- » It is extremely important to nearly all (96%) Canadian primary shoppers that the chicken they buy is at an affordable price. Canadian primary shoppers are likely to buy more chicken than normal if the chicken is on sale.
- » Canadian primary shoppers are willing to pay more for chicken raised without antibiotics and chicken that is raised ethically as well as chicken from Canada.

Origin of Chicken

- » Only half of Canadian primary shoppers know the origin of their chicken, however, the majority (84%) want to know which country their chicken is from.
- » Two-thirds of Canadian primary shoppers would like to have an official quality assurance label on the package. Most Canadian primary shoppers would like to see a label showing whether it is Canadian or imported (87%), and showing it is from their province (84%).
- » It is important to Canadian primary shoppers that their chicken is bought locally and maintains high quality.

Promotion Research Agency

CFC is pursuing the merit of establishing a Promotion Research Agency (PRA) for chicken under Part III of the *Farm Products Agencies Act*. The key benefits of establishing a PRA for chicken include the collection of a matching levy on imports to allow for an increase in promotion and research activities.

In 2016, CFC held informal consultations with provincial commodity boards and met with Farm Products Council of Canada seeking clarification regarding the levy calculation methodology and the process leading to the establishment of a PRA for chicken. Should the CFC Board of Directors determine that there is merit to pursuing the establishment of a new agency, consultation to consolidate farmer and industry support will be initiated, with the objective of submitting an application to Farm Products Council of Canada in 2017. If not, CFC Directors will consider the best means of funding the branding strategy in 2018 and beyond.



Swimming Canada Partnership

CFC has partnered with Swimming Canada since 2013 to create positive, consumer identification with fresh, Canadian chicken as a choice of a healthy lifestyle. Swimming Canada, an organization representing competitive and recreational swimming in Canada, realigned its image with us to disseminate healthy lifestyle information, which included messaging about the nutritional benefits of fresh Canadian chicken and the cardiovascular benefits of swimming.

CFC is “the official protein of swimming in Canada,” and supports all Swimming Canada initiatives, both at the competitive and recreational levels. Sponsorship activities include consistent brand recognition throughout all communications and events, including major profile on online properties and promotion through social media, signage at events, hospitality opportunities at events, branding in mailers, broadcasts, newsletters, and more.

2016 Rio Olympics and Paralympics



In 2016, the Rio Olympics and Paralympics presented an excellent opportunity for chicken to support Canada's swimmers and to send off Canada's swimming Olympians and Paralympians in style.

Chicken Farmers of Canada gave each of the competitive swimmers, their coaches and

support staff, a special edition 2016 Lucky Loonie, in recognition of farmers' and athletes' partnership for healthy living. The Lucky Loonie, a specially-minted coin from the Royal Canadian Mint, has been issued for each Olympic and Paralympic Games since a loonie was buried beneath the hockey rink for the 2002 Winter Games. It worked then too as both the men's and women's teams won gold that year.

And the results were astounding! Canada enjoyed its best success ever in the pool and was an historic event for Canadian swimmers.

Here are some of the numbers that made the Olympic Games one to remember:

6	Medals for Canada in swimming: 1 gold, 1 silver and 4 bronze
15	Finals swims, more than double the 7 in 2012
14	Canadian Records broken in the pool
4	Medals for Penny Oleksiak, making her the most decorated athlete in a single summer Olympic Games
1	Olympic Record: Oleksiak's 52.70 100 m freestyle
24	Years since Canada's previous swimming gold medal
5,348	Penny puns made throughout the Games

And the success carried over to the Paralympic Games as well as our athletes continued to show their colours in the pool. Led by Benoît Huot and Aurelie Rivard, the Paralympians posted some great numbers of their own:

45	Finals swims for Canada at the Paralympic Games
8	Medals for Canada at the 2016 Paralympic Games: 4 gold, 2 silver, and 2 bronze
29	Canadian records set by Canadian swimmers
5	Paralympic records set by Canadian swimmers
2	World records set by Aurelie Rivard
2	Number of flags carried by swimmers at Olympic/Paralympic Closing Ceremonies (Penny Oleksiak, Aurelie Rivard)
20	Total number of Paralympic medals for Benoît Huot
5	Number of Paralympic Games Huot competed in



CFC received a thank you video from the Olympic and Paralympic swimmers thanking CFC for their support and the Lucky Loonies they provided. The video featured Penny Oleksiak, who won gold at Rio, showing off her Lucky Loonie!



2016 FINA Championship in Windsor

2016 also saw the World Short Course Swimming Championships, held in Windsor, Ontario. CFC sponsored the hospitality suite and ran a contest to bring a swim family to the championships. The winners were the Hiresescu family from Ontario. Swimming Canada produced an exciting video outlining the family's Windsor trip and the importance of swimming at such a young age.

During the competition, CFC was invited to participate in a Partner Summit with fellow Swimming Canada sponsors. This was a time to take a look at the past year, how it affected Swimming Canada, and by extension, how it affected CFC. Both parties discussed ways to keep moving forward together, as well as establishing goals for the upcoming year.

The Farm Video

Back in March, CFC launched its new promotional video to the Board of Directors, called *The Farm*, and we are happy to report that the campaign was a digital success!

The "farm" is typically used as a training ground, where young athletes cut their teeth, and prove they're ready for the big leagues. But in the video we created, *The Farm* is taken a bit more literally; it's where CFC, the official nutritional sponsor of Swimming Canada, helps a young Olympian get in fighting form for the games. It featured Hilary Caldwell, and she wrote a blog about it as well, which was in *The Huffington Post*.

"The most amazing thing was learning all about Derek's daily routine as well as his hard work and dedication on the farm and in his community. Throughout the year, Derek works hard to raise thousands of chickens, providing Canadians with lots of the fresh, delicious chicken they love.

It was great to see the birds roaming around freely throughout the barn, and I was also happy to learn that their feed is mostly grain. It's good to actually see where your food is coming from. We had a really enjoyable day and got some cool effects from some of the farm equipment too. It's wonderful to be a part of this partnership and to know that they are behind me one hundred percent!"

The video was promoted through various platforms and outlets, generating the following results:

- » On YouTube, the video has had over 1,800 views in English and 1,140 views in French.
- » CFC partnered with the following mommy bloggers: *Simply Stacie*, *Life on Manitoulin*, *Wooloo*, *Le Cahier* and *Frugal Mom Eh*, as well as blogger networks *Yummy Mummy Club* and *Maman Pour La Vie*. All of the influencers posted a blog about the video and ran a month-long contest, an initiative that gained a total of 968,388 impressions.
- » Hilary Caldwell's blog post for *The Huffington Post* resulted in 2,890,000 impressions.
- » Through Twitter, CFC was able to drive and measure engagement with the video in both languages, as well as the blog posts. The video got 147,899 views and our Twitter cards linking to our blog post received over 451,182 impressions.
- » Similar to Twitter, CFC used Facebook to measure engagement with the video and the blog posts. Our Facebook ads linking to our website gained 5,726 impressions and the video ads generated 177,229 views in English, 148,499 views in French and 42,921 views in a bilingual ad setup.
- » CFC was able to direct consumers to *The Inside Coop* blog post featuring *The Farm* video. This resulted in 20,636 website clicks, with a 60% engagement rate.

In addition to this video, and the ones mentioned above, CFC also produced cook-off videos featuring farmers and swimmers for National Chicken Month. All these videos were showcased at our Parliamentary Reception in November. During this event, CFC hosted Paralympian, Benoît Huot, who showed off his newly-acquired bronze medal from the Rio Games.

Event Heat Sheets continue to be popular at swimming events and 2016 saw another year 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. There was also a digital cookbook created with chicken recipes chosen by all the winners so far!

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.



Public Relations Strategy

Since 2013, the Public Relations (PR) strategy has expanded to not only provide accurate, responsive, 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.

The strategy had several key goals for 2016 which included:

- » To be positioned as the face of trustworthy, hardworking, Canadian chicken farmers and supply management as the framework that helps them produce Canada's favourite protein
- » To address criticisms before and as they become public, to respond in a timely fashion, and that attempts are made to ensure balance in reporting
- » To build on the communication efforts to have a clear call to action for Canadians to show their support for Canadian chicken farmers and supply management
- » To build up the profile of Canadian chicken farmers in the media and to provide content through the chickenfarmers.ca website

2016 was a year of ongoing growth for the PR strategy. It undertook many projects, but also created a stable base to grow from.

With this in mind, one of the first initiatives of the year was the launch of #IHeartChickenFarmers campaign. #IHeartChickenFarmers had the goal to promote and inform consumers about the hard work and dedication chicken farmers bring to their work, their farms, as well as their communities. This initiative was launched with a video made during the 2015 Blogger Familiarization Tour. The video was a big hit on Twitter and was heavily promoted by CFC and the bloggers who were on the tour.

The premise of #IHeartChickenFarmers is that by following the hashtag on Twitter and/or Instagram, participants and observers were able to witness first-hand the dedication chicken farmers bring to their chickens, their farms, and their communities. All posts using the hashtag are featured in rotation on our #IHeartChickenFarmers web page.

In 2015, Chicken Farmers of Canada (CFC) began creating more infographics as these have become an important tool for informing the public about the chicken sector. These infographics were very

well received, and were some of the most retweeted items throughout 2016. Based on to their popularity, there will be a push to develop and create more in 2017. Topics included:

- o Wheel of Chicken
- o Issues Facing the Chicken Industry
- o Canadian Chicken is Affordable
- o Keep Chicken Canadian

National Chicken Month

In September, we held the first National Chicken Month and it was a great success! Throughout the month, consumers across the country were talking about the importance of Canadian chicken and the benefits it brings to Canada. Here are just some of the activities that took place:

Chefs d'Œuvres Videos

The most successful portion of Chicken Month was the Chefs d'Œuvres videos. Leveraging on the partnership with Swimming Canada, two Canadian chicken farmers were put to the test in a cook-off versus Canadian Olympic and Paralympic athletes.

The first video had Erna Ference, an Alberta chicken farmer, battling it out with Yuri Kisil, an Olympic swimmer.

- » On Facebook, the video was viewed over 98,000 times in just over a week
- » The video received a total of 200,000 views (both in English and in French)
- » It also was popular on Twitter, with over 9,000 impressions in a week

At the end of the week, with only a nine vote difference, Erna Ference and her Lime Chicken Salsa were crowned the winners.

The second video featured Quebec chicken farmer, and current CFC Chair, Benoît Fontaine, and Paralympic swimmer, Benoît Huot.

In September, we held the first National Chicken Month and it was a great success!



- » On Facebook, the video (both English and French) received 290,000 views in just a week and was shared 98 times
- » The French video views surpassed the English ones by 5,000
- » This video also received the highest voter turnout

The results were tabulated and Benoît Fontaine and his Chicken Caprese won by a landslide!

The videos were very popular, especially on Facebook, an effective platform for pushing and promoting similar types of videos. Due to the Olympic and Paralympic blackout rules and restrictions, we were not able to run the videos throughout the whole month. Future videos, with no restrictions in place, could result in higher video views and consumer engagement.

Pool Peep Colouring Contest

Children were also able to participate in the festivities with the wildly popular Pool Peeps colouring page. This was extremely successful on Twitter, with the contest receiving over 36,000 impressions and a further 50,000 on Facebook. 50 entries were coloured and sent to CFC for judging.

Three winners were chosen: Tara Urbach, Cadence Tully, and Nico Mitrovic. They were sent prize packs featuring CFC swag, Swimming Canada gifts, and a set of Pool Peeps.

Twitter Party

On September 21st, CFC and SJ Consulting hosted a Twitter Party in honour of Chicken Month with the title Love your Chicken, Love your Farmer – #IHeartChickenFarmers. Consumers chatted about their love for chicken, shared recipes, and learned about the great work chicken farmers do for Canadians.

As usual, our Twitter Party was very successful, garnering over 30 million impressions and a reach

of just over 1 million. It also allowed many of the chicken.ca followers to get a glimpse of what they can find on chickenfarmers.ca and the type of information that is shared by @TheInsideCoop. The party expanded @TheInsideCoop's network, a continuous focus point for 2017.

In addition to the Twitter Party, CFC placed some Twitter ads in order to drive traffic towards our webpage where consumers could find information on the ongoing initiatives throughout the month. The ads ran from September 15th to 30th, garnering 213,000 impressions and an average of 1,000 clicks.

All in all, our first ever National Chicken Month was a success! CFC was happy to see Canadians taking advantage of this month to learn more about agriculture, farming and of course, the yummy recipes they can create with chicken. We are already looking forward to next year's National Chicken Month and to have Canadians say #IHeartChickenFarmers!

Videos and Blog Posts

2016 saw a rise in the creation of multimedia tools, especially videos. In addition to the videos mentioned above and the ones created by Swimming Canada (including The Farm with Hilary Caldwell), CFC posted a couple of more educational videos for consumer use. One of them was Animal Care Program (ACP) video, with Tim Klompmaker. The video explains the benefits and the importance of the ACP.

Similarly, a series of whiteboard style videos were created on CFC's Antimicrobial Strategy. The video was separated into five sections:

- » Are we actually eating antibiotics in chicken?
- » What is antibiotic resistance?
- » Can farmers use antibiotics?
- » The majority of antibiotics used in poultry production are not used in human medicine
- » What can consumers do to keep bacteria at bay?

Each video mentioned above was accompanied by a blog on the topic and promoted via social media. They received a good response and were well liked by consumers. Due to the popularity of this tool, 2017 will see an increase in video creation to keep consumers engaged and interested in our sector.

2016 also saw an increase in blog posts on chickenfarmers.ca. These blogs covered a wide range of topics, including mythbusting, consumer prices, animal care, family farms, farmer's share and even a couple of fun contests. For the most part, these were well received by the public. 2017 will see a continual increase in blogs as well as a push to promote them on a regular basis.

Federation of Canadian Municipalities

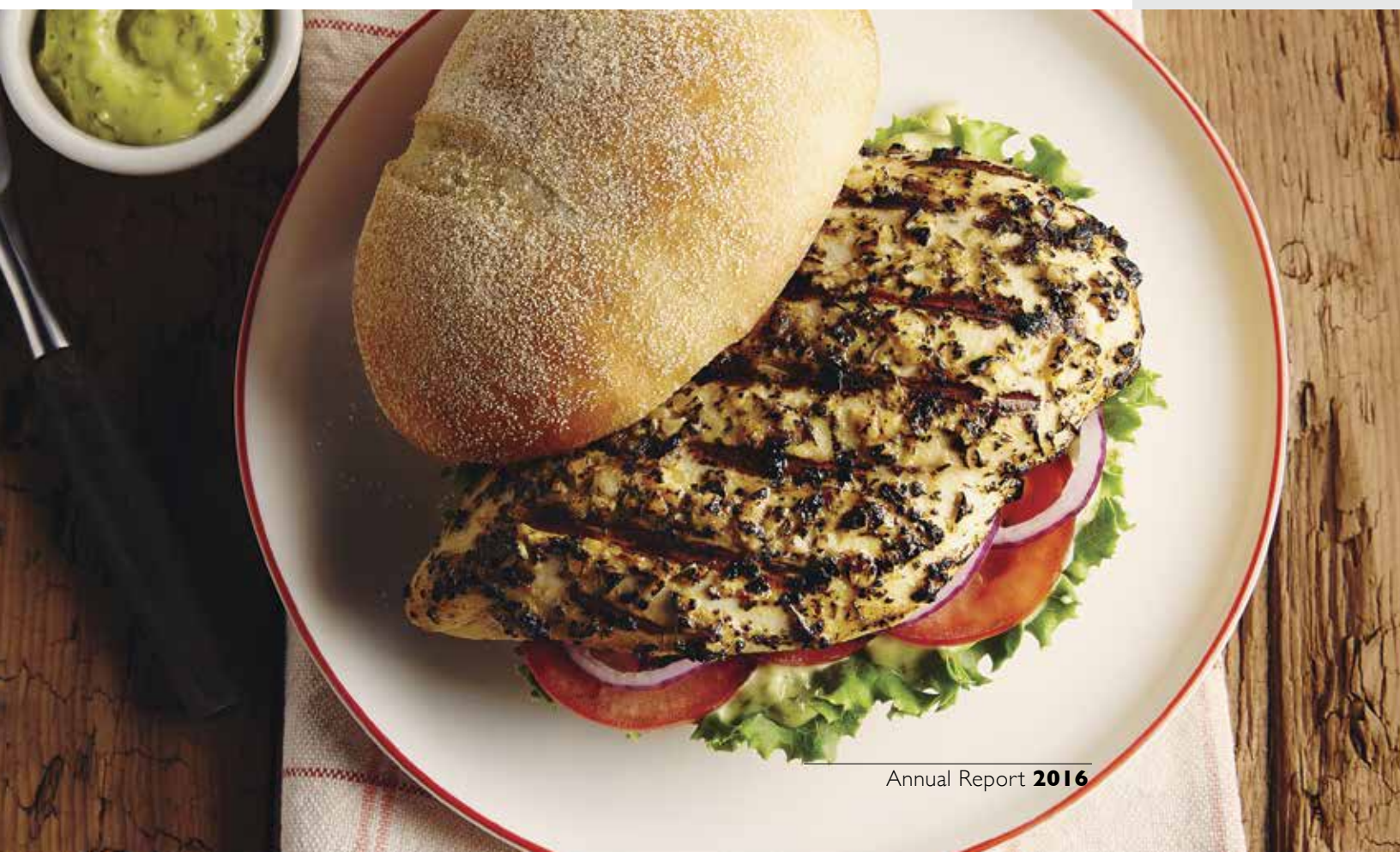
For the third year in a row, CFC, along with Egg Farmers of Canada, Turkey Farmers of Canada, and Canadian Hatching Egg Producers, sponsored the Federation of Canadian Municipalities (FCM) Annual Conference and Trade Show, held in Winnipeg from June 2nd to 5th.

FCM is the national voice of Canada's municipal governments – representing over 2,000 municipalities from coast to coast to coast.

This year's conference theme was "Municipalities: The Heart of Canada." It outlined how a united municipal sector is helping shape Canada's future.

By sponsoring a booth and kiosk at the trade show, the poultry groups showcased how Canada's supply-managed farmers contribute to the vibrancy of communities from coast to coast, and how they are connected in a way that allows the sectors to contribute in a unique way to Canada's future. Local farmers and industry staff served up delicious chicken, turkey, and egg treats throughout the weekend, proving to be the most popular booth at the trade show.

Over the four-day conference, FCM offered Study Tours for delegates interested in learning more about certain industries. On Saturday afternoon 30 delegates visited AgDon Farms, a chicken farm 35 minutes outside of Winnipeg. Don and Agnes Neufeld gave delegates an introduction to their farm, family history, and biosecurity, before showing off their flocks through a viewing window into the barn.





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Independent Auditor's Report

To
The Minister of 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 statement of financial position as at December 31, 2016, 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, 2016, 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.

Other Matter

The financial statements of Chicken Farmers of Canada for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on February 25, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Ontario

February 24, 2017



CHICKEN FARMERS OF CANADA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 1,835,675	\$ 1,974,874
Short-term investments (Note 2)	3,720,084	100,000
Accounts receivable	1,130,551	1,247,083
Prepaid expenses	95,943	87,985
	<u>6,782,253</u>	<u>3,409,942</u>
LONG-TERM INVESTMENTS (Note 2)	9,687,702	13,281,243
TANGIBLE CAPITAL ASSETS (Note 3)	<u>277,897</u>	<u>310,864</u>
	<u>\$ 16,747,852</u>	<u>\$ 17,002,049</u>
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 737,068	\$ 412,507
Current portion of deferred lease inducement (Note 5)	<u>18,081</u>	<u>29,531</u>
	755,149	442,038
LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (Note 5)	<u>50,927</u>	<u>69,008</u>
	<u>806,076</u>	<u>511,046</u>
CONTRACTUAL OBLIGATIONS (Note 6)		
FUND BALANCES		
Internally restricted – Promotion Fund	-	1,194,024
Internally restricted – Research Fund	5,075,776	5,301,465
Unrestricted – General Fund	<u>10,866,000</u>	<u>9,995,514</u>
	<u>15,941,776</u>	<u>16,491,003</u>
	<u>\$ 16,747,852</u>	<u>\$ 17,002,049</u>

On behalf of the Board:

Barry Uytterlinde, Finance Committee, Director

Peter Vale, Finance Committee, Director



CHICKEN FARMERS OF CANADA
**STATEMENT OF CHANGES
 IN FUND BALANCES**
 FOR THE YEAR ENDED DECEMBER 31, 2016

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2016	2015
Balance, beginning of the year	\$ 1,194,024	\$ 5,301,465	\$ 9,995,514	\$ 16,491,003	\$ 16,331,500
Excess (deficiency) of revenues over expenses	(1,491,427)	(225,689)	1,167,889	(549,227)	159,503
Interfund transfer (Note 7)	297,403	-	(297,403)	-	-
Balance, end of year	\$ -	\$ 5,075,776	\$ 10,866,000	\$ 15,941,776	\$ 16,491,003



CHICKEN FARMERS OF CANADA
STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2016	2015
REVENUES					
Levy and fee revenue	\$ -	\$ -	\$ 8,227,012	\$ 8,227,012	\$ 7,945,702
Interest	6,581	94,154	170,336	271,071	285,124
Overmarketing and market development levies	157,319	-	-	157,319	265,581
Other revenue	-	-	11,170	11,170	3,385
	<u>163,900</u>	<u>94,154</u>	<u>8,408,518</u>	<u>8,666,572</u>	<u>8,499,792</u>
EXPENSES					
Amortization of tangible capital assets	-	-	79,056	79,056	77,609
Canadian Poultry Research Council	-	285,813	-	285,813	200,425
Committees	-	-	266,239	266,239	272,445
Communication	-	-	661,948	661,948	652,991
Corporate social responsibilities	-	-	57,828	57,828	60,369
Directors and alternates	-	-	1,101,781	1,101,781	1,216,410
Information technology	-	-	74,706	74,706	81,373
Membership fees	-	-	143,244	143,244	139,720
Office	-	-	427,855	427,855	441,875
Professional fees	-	-	599,202	599,202	384,544
Promotion activities	1,322,552	-	-	1,322,552	1,215,534
Salaries, benefits and travel	-	-	3,017,908	3,017,908	2,776,258
Special studies	332,775	-	533,190	865,965	687,824
Trade	-	-	71,516	71,516	114,290
Translation	-	-	133,306	133,306	131,926
	<u>1,655,327</u>	<u>285,813</u>	<u>7,167,779</u>	<u>9,108,919</u>	<u>8,453,593</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(1,491,427)</u>	<u>(191,659)</u>	<u>1,240,739</u>	<u>(442,347)</u>	<u>46,199</u>
NET INCREASE (DECREASE) IN INVESTMENTS	<u>-</u>	<u>(34,030)</u>	<u>(72,850)</u>	<u>(106,880)</u>	<u>113,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (1,491,427)</u>	<u>\$ (225,689)</u>	<u>\$ 1,167,889</u>	<u>\$ (549,227)</u>	<u>\$ 159,503</u>



CHICKEN FARMERS OF CANADA
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (549,227)	\$ 159,503
Items not affecting cash:		
Amortization of net premiums on investments	66,577	60,294
Amortization of tangible capital assets	79,056	77,609
Amortization of lease inducements	(29,531)	(19,205)
Loss on disposal of tangible capital assets	880	5,087
Change in unrealized loss/gain on investments	106,880	(113,304)
	(325,365)	169,984
Changes in non-cash working capital:		
Accounts receivable	116,532	(74,353)
Prepaid expenses	(7,958)	5,813
Accounts payable and accrued liabilities	324,561	(229,135)
Deferred lease inducement	-	20,420
	107,770	(107,271)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(300,000)	(3,027,477)
Proceeds from disposal of investments	100,000	3,631,000
Acquisition of tangible capital assets	(46,969)	(54,001)
	(246,969)	549,522
NET (DECREASE) INCREASE IN CASH	(139,199)	442,251
CASH, BEGINNING OF YEAR	1,974,874	1,532,623
CASH, END OF YEAR	\$ 1,835,675	\$ 1,974,874



CHICKEN FARMERS OF CANADA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

I. ACCOUNTING POLICIES

Purpose of the Organization	<p>Chicken Farmers of Canada (CFC) is a not-for-profit organization incorporated pursuant to the <i>Farm Products Agencies Act</i> and was established to ensure the orderly marketing of chicken in Canada. CFC is exempt from income taxes under section 149(1)(e) of the <i>Income Tax Act</i>.</p> <p>CFC charges levies to farmers based on chicken marketings in inter-provincial and export trade and receives fees in relation to intra-provincial trade.</p>
Basis of Accounting	CFC applies the Canadian accounting standards for not-for-profit organizations.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the estimated useful life of CFC's tangible capital assets and the related amortization expenses, and the net realizable value of accounts receivable.
Fund Accounting	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Research Fund reports interest earned on resources held for research purposes and expenses for research projects related to the poultry industry in Canada.</p>



I. ACCOUNTING POLICIES

(continued)

Revenue Recognition

CFC follows the deferral method of accounting for contributions.

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

Financial Instruments

Initial and subsequent measurement

CFC initially measures its financial assets and liabilities at fair value. CFC subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and short-term and long-term investments which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations in the year incurred.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indications of possible impairment.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Tangible Capital Assets

Tangible capital assets are accounted for at cost and amortized on the basis of their useful life using the straight-line method and following durations:

Office equipment..... 10 years

Computer equipment..... 3 years

Leasehold improvements..... Term of Lease



2. INVESTMENTS

SHORT-TERM INVESTMENTS

Guaranteed investment certificate (GIC)
Canada Housing Trust Bonds

	2016	2015
Guaranteed investment certificate (GIC)	\$ 100,000	\$ 100,000
Canada Housing Trust Bonds	3,620,084	-
	<u>\$ 3,720,084</u>	<u>\$ 100,000</u>

LONG-TERM INVESTMENTS

Guaranteed investment certificates
Canada Housing Trust Bonds

Guaranteed investment certificates	\$ 2,000,000	\$ 11,481,243
Canada Housing Trust Bonds	7,687,702	1,800,000
	<u>\$ 9,687,702</u>	<u>\$ 13,281,243</u>

CFC limits its investments to those authorized investments under the *Farm Products Agencies Act*.

Bonds are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds and GICs mature at face value on a staggered basis over the next six years (2015 – seven years). Interest rates for these securities range from 1.7% to 4.1% (2015 – 1.7% to 4.1%).

3. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 327,372	\$ 248,828	\$ 382,939	\$ 305,720
Computer equipment	256,707	188,992	231,199	161,773
Leasehold improvements	436,319	304,681	436,319	272,100
	<u>\$ 1,020,398</u>	<u>\$ 742,501</u>	<u>\$ 1,050,457</u>	<u>\$ 739,593</u>
Net carrying amount		<u>\$ 277,897</u>		<u>\$ 310,864</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 – \$21,149).



5. DEFERRED LEASE INDUCEMENT

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

	2016	2015
Balance, beginning of the year	\$ 98,539	\$ 97,324
Additions during the year	-	20,420
Amount amortized to expenses during the year	(29,531)	(19,205)
Balance, end of the year	69,008	98,539
Current portion	18,081	29,531
Long-term portion	\$ 50,927	\$ 69,008

6. CONTRACTUAL OBLIGATIONS

CFC entered into a lease agreement for its premises expiring in June 2020. CFC also has operating leases for various office equipment expiring, at the latest, in September 2020. Future minimum lease payments total \$710,659 and include the following payments over the next four years:

2017.....	\$203,954
2018.....	\$203,954
2019.....	\$200,406
2020.....	\$102,345

7. INTERFUND TRANSFERS

The Board of Directors of CFC has approved a transfer of \$297,403 (2015 – \$nil) from the General Fund to the Promotion Fund to cover the deficiency of the fund.

8. FINANCIAL INSTRUMENTS

Credit risk

CFC is exposed to credit risk on its accounts receivable. CFC monitors its accounts receivable regularly and do not expect to have any uncollectible amounts.

Interest rate risk

CFC is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest rate instruments subject CFC to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

9. EMPLOYEE FUTURE BENEFITS

Defined contribution plan

CFC has funded a defined contribution plan providing pension benefits to employees. The contribution is a net percentage of the employees' annual income. The total contributions made by CFC under this plan in 2016 was \$114,475 (2015 – \$105,826).

10. COMPARATIVE FIGURES

Certain figures for the previous year have been reclassified to conform to the presentation adopted in the current year.