

CHICKEN FARMERS OF CANADA

2018 ANNUAL REPORT



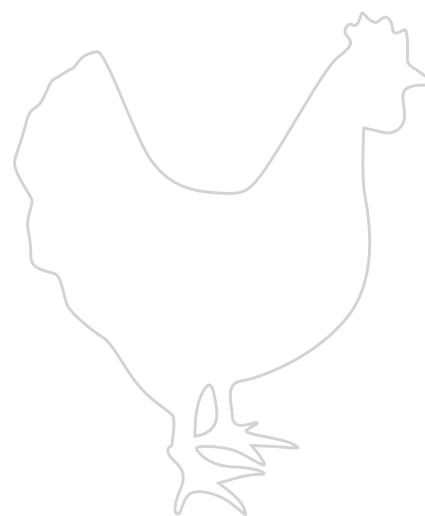


tel: 613-241-2800 | fax: 613-241-5999 | e-mail: cfc@chicken.ca

www.chicken.ca | www.chickenfarmers.ca

Table of contents

about us	2
report from the chair & executive director	4
board of directors & committees	6
staff changes & updates	8
operating agreement & allocation	12
governance	13
strategic planning	14
monitoring & enforcement	21
corporate social responsibility	22
market watch 2018	24
government relations	32
trade & policy	38
on-farm food safety	46
antimicrobial resistance & use	48
animal care	50
poultry research	54
sustainability	56
branding & consumer relations	58
public relations strategy	66
independent auditor's report	72
financial statements	74
notes on financial statements	78



For presentation to the Minister of Agriculture and Agri-Food Canada, the Honourable Marie-Claude Bibeau, and the Farm Products Council of Canada.

Designed in-house.



about us

our mandate

Chicken Farmers of Canada (CFC) 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. This evolving risk management system we operate under is commonly known as "supply management."

our vision

Canadian Chicken: Consumers' preferred and trusted protein.

our mission

To lead and grow a sustainable Canadian chicken industry, while strengthening trust and enhancing value for Canadians.

Under supply management, CFC:

- » Meets with farmers, processors, further processors and members of the restaurant trade from across the country meet every eight weeks to decide, based on market demand, just how much chicken to raise
- » Monitors compliance with provincial quota allocations – making sure each province raises as much chicken as they agreed to
- » Monitors the inter-provincial or market development trade of chicken

Our second responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. CFC plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove our producers continue to grow the high quality chicken that Canadians trust.

Through programs such as our *Raised by a Canadian Farmer* Sustainability Excellence, *Raised by a Canadian Farmer* On-Farm Food Safety Program, *Raised by a Canadian Farmer* Animal Care Program and other biosecurity initiatives, CFC works closely with government partners and industry stakeholders to keep the industry innovative and responsive.

Through our government relations program, CFC strives to ensure that key decision makers in government fully understand the views of Canada's chicken farmers and that these are taken into account when important agriculture and trade policy decisions are made.

our 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, CFC and its stakeholders work together on behalf of Canada's chicken industry, from farmer to consumer.

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.

CFC



Report from the chair & executive director

This year, we are taking this opportunity to celebrate with our fellow farmers, industry partners, and stakeholders in this, our 40th year, which is an opportunity we could not pass up.

Over the last four decades, we have all worked to make the Canadian chicken industry the very best it can be. We can celebrate that we continue to be world leaders in food safety, animal care, and quality. We can celebrate the stability of our supply management system – where everyone who participates can benefit.

Our product is in high demand and consumption continues to grow as more and more Canadians include chicken in their healthy lifestyles.

Our anniversary reminds us of how far the Canadian chicken industry has come in the last 40 years. In that time, we have quadrupled our production and consumers are eating more than twice as much chicken as they did then. With another year of solid, record growth, chicken continues to be the number one meat in Canada.

We continue to tell, and live, a Canadian success story that is the envy of many.

One of the main reasons for our success is our ability to evolve and adapt in times of change. This is partly due to our rigorous strategic planning process which helps provide the Canadian chicken industry with clear, common goals for the coming year – and for the future – ensuring a solid direction and purpose for all industry stakeholders.

Throughout the planning process we count on our partnerships, on collaboration, and on cooperation throughout the chicken industry value chain. The Board itself plays a huge role in establishing the annual goals for the chicken industry, within the larger context of the five-year strategy for CFC.

The previous five-year strategy just ended at the end of 2018, and we have embarked on a new direction, one governed by the new five-year strategy that launched on January 1st of this year.

Before, during, and after the strategic plan steering committee was formed we consulted with the provincial boards and industry stakeholders to make sure we were all on the same page, and ready to plot a course for success together. It is essential for our ongoing success to collaborate and to gain alignment on matters of mutual interest.

That new strategy has been launched and will be used as the basis for establishing and evaluating the annual goals for the organization. Thinking strategically and taking actions that will lead and grow a sustainable Canadian chicken industry are now part of our organization's mission.

Our fantastic product continues to be the first choice of Canadians. Canadians want Canadian chicken, and it's our job to produce the chicken that they are asking for. The *Raised by a Canadian Farmer* brand helps them find it.

We grew again in 2018, the 9th year in a row! A remarkable increase of 5.1% over 2017. That level of growth is directly linked to the efforts we all make on behalf of our Canadian success story.

The International Trade file took up a lot of our focus and resources in 2018, as we dealt with countless hours of meetings around NAFTA (now CUSMA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

We look to 2019 to be equally as busy, with the poultry working group to address mitigation measures from the CUSMA and CPTPP agreements, and monitoring trade negotiations that can impact our import control pillar.

Canada's chicken industry has evolved, and stayed relevant, in the face of many challenges. Some of those challenges are ongoing, while others we get to see in the rear-view mirror.

Together, the CFC Board, and all its Committees, have done so much work to take on and overcome those challenges. Thank you to all Directors, and especially the Executive Committee members, and to all staff for your hard work and support.

We'd also like to thank the Farm Products Council for their support and advice over the past year and wish a warm welcome to Brian Douglas their new Chair. Alongside the Members Maryse Dubé, Mike Pickard, and Yvon Cyr, we look forward to another year of collaboration within the respective mandated roles of each organization.

The past growth in consumption, the work to reduce fraudulent imports, the development of the brand and quality food safety and animal care programs, are some examples of the great work accomplished. We have faced these challenges, grown together, and are looking at a bright future together.

As long as we continue to collaborate and build these strategic ambitions together, the Canadian chicken industry can continue to grow – and be the trusted and preferred protein of Canadians.

over the last four decades, we have all worked to make the canadian chicken industry the very best it can be.

board of directors & committees



board of directors

From left to right

Chair: Benoît Fontaine (Quebec)

Derek Janzen (British Columbia)

Dennis Steinwand (Alberta)

Nick Langelaar (Saskatchewan)

Leonard Klassen (Manitoba)

Tim Klompmaker (Ontario)

François Cloutier (Quebec)

Marc Cormier (New Brunswick)

Nick de Graaf (Nova Scotia)

Barry Uyterlinde (Prince Edward Island)

Paul Dunphy (Newfoundland & Labrador)

Yvan Brodeur (Canadian Poultry and Egg Processors Council)

Craig Evans (Canadian Poultry and Egg Processors Council)

Don Kilimnik (Further Poultry Processors Association of Canada)

Paolo DiManno (Restaurants Canada)

committees



committees

executive committee:

Chair – Benoît Fontaine
1st Vice-Chair – Derek Janzen
2nd Vice-Chair – Nick de Graaf
Executive Member – Tim Klompmaker

finance committee:

Chair – Barry Uytterlinde
Yvan Brodeur
Dennis Steinwand

policy committee:

Chair – Tim Klompmaker
François Cloutier
Marc Cormier
Craig Evans
Derek Janzen

production committee:

Chair – Nick de Graaf
Rick Kaptein (Ontario, alternate)
Lucy McKee (CPEPC, alternate)
Dennis Steinwand
Marco Volpé (New Brunswick, alternate)

governance committee:

Chair – Dennis Steinwand
Don Kilimnik
Tim Klompmaker

consumer relations committee:

Chair – Leonard Klassen
Paolo DiManno
Ron teStroete (Nova Scotia, alternate)

representatives:

Canadian Federation of Agriculture (CFA):
Leonard Klassen

Canadian Poultry Research Council (CPRC):
Rick Kaptein (Ontario, alternate)

National Farm Animal Care Council (NFAACC):
Nick de Graaf

National Farmed Animal Health and Welfare
Council (NFAHWC): Marco Volpé



staff changes & updates

There has been an internal office reorganization at CFC to ensure staff alignment with the new 5-year strategic plan and 2019 priorities set by the CFC Board of Directors. Some changes have already taken effect while others will take effect as of successfully filling new positions accordingly.

Human Resources & Administration and Finance units

Effective June 4, 2018, Lori Piché has been promoted from Compliance Officer and moved into the role of Director of Finance at CFC, replacing Didier Paultre upon his departure.

Jolyn Bourque, who covered Isabelle Dean's maternity leave period as Administration Coordinator, has accepted a new position within the Finance unit as the Financial Coordinator. This role will report to Lori Piché.

Jae Yung Chung's title has changed from Senior Financial Officer to Senior Financial Analyst.

Maria Elena Baisas' title has changed from Bookkeeper to Financial Officer.

The Administration Coordinator position has been abolished and the Translation & Office Coordinator position, for which we are currently hiring, will take on some of the remaining administrative tasks, in addition to the main translation coordination. This role will report to Lisa Riopelle.

Lisa Riopelle has been promoted from Senior Human Resources & Administration Officer to Director of Human Resources & Administration.

Trade unit

Yves Ruel has been promoted from Manager of Trade & Policy to Associate Executive Director and will act as Second in Command to the Executive Director. He will continue to run the Trade & Policy unit.

Executive and Communications units

The Consumer Relations Coordinator position will be abolished and we are currently hiring for a new position within the Communications unit, that of Senior Creative Content Officer. This role will report to Lisa Bishop-Spencer, Director of Brand & Communications

Erin Callary has accepted a new position within the Public Affairs unit as the Public Affairs Coordinator. Aline Porrior, Public Affairs Officer, will be moving from the Communications unit to the Public Affairs unit. These roles will report to Lauren Kennedy.

Lauren Kennedy has been promoted from Senior Government Relations Officer to Director of Public Affairs.

All CFC managers' titles will be changed from Manager to Director.

new to the coop

Christine Power joined CFC on July 3, 2018 as the Director of Animal Care & Sustainability. Christine is a Doctor of Veterinary Medicine and has a Master of Science in Food Safety Epidemiology. She comes to us with an extensive managerial background working with the Canadian Food Inspection Agency (CFIA).

Jennifer Gardner, Animal Care & Research Officer, now reports to Christine Power, within the Animal Care & Sustainability unit.

Leaving the coop

Didier Paultre, Manager of Finance and Administration, resigned from CFC on June 1, 2018 to go back to Haiti to help with the family business.

Dally-Diane Nzinahora, Translation Coordinator, resigned from CFC on July 27, 2018 to take some time for herself and focus on a new career path.

Jessica Singh's contract ended on October 16, 2018, with Jessica Heyerhoff returning from maternity leave to carry on her role as Communication and Policy Coordinator.

Anniversaries

20 years

May 4 – Yves Ruel

15 years

August 5 – Jennifer Gardner

10 years

May 18 – Lisa Riopelle

September 8 – Maria Elena Baisas



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

cfc 40th anniversary

Chicken Farmers of Canada celebrated 40 years on December 28, 2018.

Over the last four decades, we have all worked to make the Canadian chicken industry the very best it can be.

We can celebrate that we continue to be world leaders in food safety, animal care, and quality.

We can celebrate the stability of our supply management system – where everyone who participates can benefit.

The 1978 founding of the Canadian Chicken Marketing Agency, which we now know as Chicken Farmers of Canada, was the product of years of hard work and cooperation.

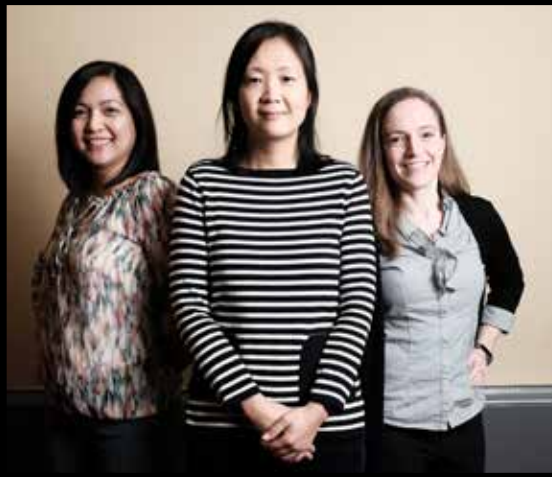
This hard work brought organization to farmers and promoted efficiency while sustaining a competitive industry.

Consumers found themselves enjoying a reliable, steady supply of high-quality, reasonably-priced chicken, and farmers were securing a favourable income for their work. And this continues today.

Our product is in high demand and consumption continues to grow as more and more Canadians include chicken in their healthy lifestyles.

Our anniversary reminds us of how far the Canadian chicken industry has come in the last 40 years.

In that time, we have quadrupled our production and consumers are eating more than twice as much chicken as they did then.



cfc staff

finance

Maria Elena Baisas
financial officer

Jae Yung Chung
senior financial analyst

Lori Piché
director of finance



executive

Nicole Faubert
executive assistant

Michael Laliberté
executive director

Lauren Kennedy
director of public affairs



Human Resources & Administration

Bibiane Rietveld
meeting & recording coordinator

Lisa Riopelle
director of human resources & administration

Jolyn Bourque
administration coordinator



food safety & animal health

Caroline Wilson
food safety officer & internal auditor

Steve Leech
director of food safety & animal health

Jessica Heyerhoff
communication & policy coordinator



brand & communications

Karen Ronayne
graphic designer

Marty Brett
senior corporate communications officer

Erin Callary
consumer relations coordinator

Lisa Bishop-Spencer
director of brand & communications

Elyse Ferland
senior consumer relations officer

Aline Porrior
public relations officer



market information & systems

Kyle Deslauriers
market analyst

Jan Rus
director of market information & systems

Denis Nadeau
business systems analyst



trade & policy

Tara Molloy
trade & policy analyst

Yves Ruel
associate executive director



animal care & sustainability

Christine Power
director of animal care & sustainability

Jennifer Gardner
animal care & research officer

operating Agreement & Allocation

Early in the year, the board established the Medium Term Growth Target for the A-151 to A-156 block of periods at 3%. This target is non-binding but gives the Board and industry an indication of what is expected in terms of growth for the coming year.

The Board continued setting two allocations at the same meeting which means that the Anticipated Growth Rate and the allocation for a set of two allocation periods are set at alternating meetings. The allocation for periods A-151 and A-152 was set at the March 2018 meeting, the allocations for periods A-153 and A-154 were set in July and the allocations for A-155 and A-156 were established at the last board meeting of the year in November.

the program should and should not be, a final decision was not made, and program development is expected to continue into 2019.

With common seasonal underproduction during the summer months in general and the experiences of summer 2017 in particular fresh in mind, Directors decided to relax the overmarketing sleeve for allocation periods A-150 and A-151 from 102% to 104% to give provinces additional flexibility in fully producing their allocations.

As in previous years, CFC participated in three Canadian Hatching Egg Producers' (CHEP) advisory committee meetings. This committee's role is to advise the CHEP Board of Directors on expected chicken demand and production required to meet that demand in future years and assisting CHEP in producing the right number of hatching eggs. The committee's recommendations were consistent with the growth experienced by the industry in recent years.

The committee's recommendations were consistent with the growth experienced by the industry in recent years.

All Atlantic provinces except for Prince Edward Island continued receiving kilograms under the Atlantic Canada Safeguard Agreement in 2018. In the spring of 2018, CFC received a request from Farm Products Council of Canada to include this agreement into the Operating Agreement as it is an

important part of the allocation methodology. Amending the Operating Agreement often is a complicated and time-consuming process and discussions were held on the best process to be followed. The goal is to incorporate the Atlantic Canada Safeguard Agreement by making it an addendum to the Operating Agreement, and seek the approval from all signatories in 2019.

Discussions around a small-scale farmers program continued throughout 2018, including deliberations at the Policy Committee and consultations with provinces. Although there appears to be a better understanding of what



Governance

As part of Chicken Farmers of Canada's (CFC) ongoing commitment to improvement, CFC Directors implemented new best committee practices in an effort to bring consistency and effectiveness of CFC's standing and ad-hoc committees. Directors also modified the policy with regards to the election of committee Chairs, with a new requirement that only Directors can fulfill the role.

In 2018, CFC updated its Whistleblower Policy to identify the role of the Board when a Director or staff is in violation. To comply with the Federal Labour Code and human rights requirements, CFC Directors also implemented a Discrimination & Harassment Policy. Both these policies apply to Directors, Alternates, and to staff.

It is the Board's responsibility to ensure that an Executive Director performance review happens, since the Board has the ultimate responsibility for the strategy and performance of an organization. The Board exercises this responsibility through its Executive Director, who is entrusted with the organization's day-to-day management, within the guidelines and direction set by the board. In 2018, Directors reviewed the Executive Director's performance evaluation process based on a number of leading practice principles. The new process was implemented in late 2018.

Another key initiative included the implementation of Board and Director evaluations. For the past few years, Directors take time after each meeting to review the board meeting effectiveness and to suggest improvements. In addition to maintaining the board meeting evaluations, Directors implemented the following:

- » Directors' self-evaluation
- » Directors peer-to-peer evaluation
- » Chair evaluation
- » Board effectiveness evaluation

The purpose of these evaluations is to identify areas of improvement including professional development opportunities and to determine how well the Board of Directors performs as a whole. These evaluations were initiated in late 2018 and are to be completed early in 2019.

CFC commits to ongoing professional development for Directors and staff. Throughout 2018, several Directors completed the Institute of Corporate Directors Essentials Program for non-profit organizations.

In May, an orientation seminar for new Directors, Alternates, staff, and industry stakeholders was held to bring newcomers up to speed on the governance, priorities, and the functions of CFC.

The governance seminar focused on the type of organization that CFC is, with an in-depth discussion of its role and responsibilities. Throughout the year, CFC met with the Farm Products Council of Canada (FPCC) on governance-related issues related to the Federal-Provincial Agreement and regulations. The objective has always been to maintain a beneficial relationship with FPCC based on the respective mandated roles of each of the organizations.

As per the FPCC Auditor Appointment Guidelines – established in 2010 – BDO Canada LLP entered the 3rd year as the Governor-in-Council appointed auditors for the term of 2016–2020.

cfc directors implemented new best committee practices in an effort to bring consistency and effectiveness of cfc's standing and ad-hoc committees.

strategic PLanning

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

development of the next five-year strategic plan (2019–2023)

2018 was the final year of the current CFC five-year strategic plan, and a new Five-Year Strategic Planning Steering Committee was formed in late 2017 to survey the industry, define its mission, articulate its vision, and plot a course for success in strong partnerships, new possibilities, and to make recommendations for future priorities.

The nine-member, industry-wide Strategic Planning Steering Committee included:

- » Benoit Fontaine, Chicken Farmers of Canada Chair (Quebec farmer)
- » Ed Benjamins (Ontario farmer, provincial board Chair)
- » Pierre-Luc Leblanc (Quebec farmer, provincial board Chair)
- » Ghislain Ouimet, St-Hubert (Foodservice)
- » Jason Born (Alberta farmer)
- » Richard Davies, Olymel (Quebec processor)
- » Cheryl Firby, Maple Leaf Foods (Ontario processor)
- » Jason Schedewitz, Loblaws (Retailer)
- » Ron teStroete (Nova Scotia farmer)

The committee completed its work and made its recommendation to the board to help with the ongoing evolution of our industry. That new five-year strategy was unveiled and the Board used it as the basis to review and form the annual strategic plans for the coming year

5-year strategic plan and guiding principles

The 2019–2023 strategic plan is guided by the following strategic ambitions:

external

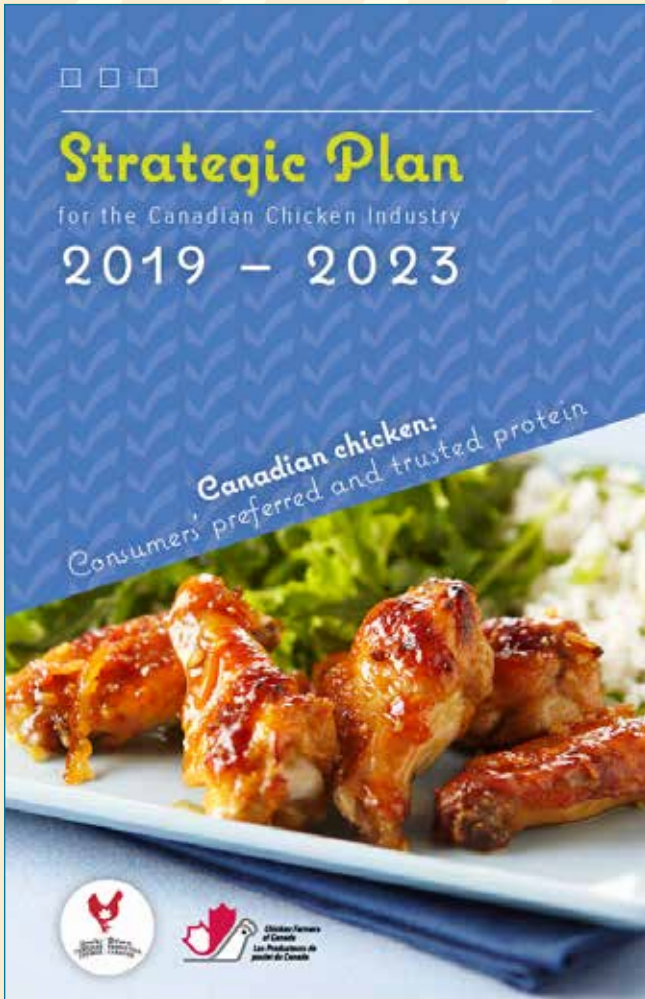
- » Belief among Canadians that chicken is a safe and healthy source of protein, raised by farmers they can trust
- » Broad consumer, retail, and food service support and recognition for the brand *Raised by a Canadian Farmer*
- » Standardized, science-based, on-farm food safety and animal care programs throughout the chicken industry value chain, which are recognized by government, are transparent and supported by consumers, farmers, and the chicken industry value chain
- » Demonstrated support from the government for supply management and its three pillars (import control, production discipline, and producer pricing)
- » Sustainable and profitable growth – increase consumption
- » Promotion of the truth about our industry, neutralizing the impact of vegan activist tactics

internal

- » A deep understanding, throughout the chicken industry value chain, of consumer wants/expectations
- » A fact-based allocation process resulting in greater industry alignment
- » Advocating and lobbying efforts for shared values by CFC, with the support of an engaged and collaborative chicken industry value chain
- » Elimination of the preventative use of antibiotics important to human medicine
- » Collaboration throughout the chicken industry value chain
- » Environmentally responsible, sustainable farming, and value chain practices
- » An industry commitment to innovation through continuous improvement, and research and development
- » Recognition of CFC as a leader in governance and organizational effectiveness

Strategic Plan

Canadian chicken:
Consumers' preferred and trusted protein



Consumer Trust

Objective:

Be the most trusted Canadian protein provider

Context:

Consumers will believe and know that farmers and CFC are reliable sources of information and that the Canadian chicken and industry value chain practices are sound. Consumers will believe that CFC and the industry value chain have best-in-class animal care/welfare, food safety, and sustainability practices.

Goals:

1. Consumers love and trust Canadian chicken farmers
2. Expose and eliminate myths



Key Result Area
Two

Collaboration

Objective:

Meaningful collaboration with stakeholders to gain alignment on matters of mutual interest

Context:

1. Build trust with the chicken industry value chain
2. Recognize the need to align the chicken industry value chain around opportunities, innovation, and challenges from a value chain perspective
3. Communicate and deliver unified, coordinated industry strategies

Goals:

1. **Increased Collaboration – Provincial Boards**
2. **Increased Collaboration – Government/Supervisory Body**
3. **Increased Collaboration – Chicken Industry Value Chain**

Key Result Area
Three

Supply Management System

Objective:

Enhance the flexibility and effectiveness of the supply management system while maintaining its integrity

Context:

1. Effectiveness of the national allocation system to meet market needs
2. Strong public and political trust
3. Maintenance of the integrity of the three pillars of supply management recognizing that CFC operates in a Federal-Provincial sharing of regulatory authority
4. Flexibility and transparency

Goals:

1. **Continue to ensure the integrity of the import control pillar of supply management for chicken**
2. **Improve the effectiveness of the allocation system**
3. **Build strong political trust and public support for Canada's chicken farmers and for the benefits of supply management**
4. **Effectively respond to changing consumer markets**
5. **Trade negotiations do not result in increased import market access**



Key Result Area
Four

Sustainability

Objective:

To advance a sustainable chicken industry value chain in Canada

Context:

1. Social: On-Farm Food Safety Program, Animal Care Program, and Antimicrobial Use/Antimicrobial Resistance
2. Environmental
3. Economic
4. Innovation
5. Effective governance

Goals:

1. **Social – Maintain leadership in the development and implementation of science-based management practices that reflect and address shared Canadian values and perceptions for public health and animal care**
2. **Environmental – Improve the overall environmental performance of the chicken industry value chain**
3. **Economic – Continue to look for ways to create value for producers, processors, further processors, retailers and food service**
4. **Continuous improvement**
5. **Enhanced governance within CFC**

Key Result Area
Five

Consumption

Objective:

Sustainably grow consumer demand for Canadian chicken

Context:

1. A deeper understanding of consumers and consumer values
2. Understanding shifting trends

Goals:

1. **Build on the success of the national branding program for chicken and increase uptake at retail and food service**
2. **Understand consumers more fully to enable the chicken industry value chain to serve them more fully and increase consumption**
3. **Sustainably grow per capita consumption of Canadian chicken by one kilogram per year**

Annual strategic planning exercise

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.

Directors reviewed progress made in 2018 on various key issues, conducted an environmental scan, and reviewed the draft action plans for the coming year. This included discussions around the goals and priorities for the 2019–2023 strategic plan.

During the session, the group conducted breakout sessions to discuss the top priorities for 2019. Several critical priorities were identified:

- » AMR/AMU (antimicrobial resistance and use)
- » Branding
- » Government Relations Strategy
- » Import Controls
- » Pathogen Reduction Strategy
- » Public Relations Strategy

This priority-setting process provides a well-paved path to the future, buttressed by the support and cooperation of all partners.

strategic planning – CRITICAL PRIORITIES

AMR/AMU

Deliverables:

- » Implementation of the preventative Category II ban
- » Re-assessment of the Category III elimination goal
- » Surveillance of antimicrobial use and resistance
- » Collaboration with stakeholders to implement the AMU strategy

branding:

Deliverables:

- » An increased number of signed retailer, processor, and foodservice agreements
- » Delivery and implementation of a redesigned and refined traditional, digital and social media marketing plan to build brand awareness and reinforce healthy image
- » Expansion outside of conventional TV by adding specialty network TV to reach millennial audiences
- » Consumer research to measure success and leverage information to encourage increased participation by retailers and processors

government relations strategy

Deliverables:

- » For 2019, the goal of the CFC Government Relations strategy will be Educate, Advocate, and Celebrate. Educate Parliamentarians and decision makers about the Canadian chicken industry; Advocate on behalf of our farmers, our system of supply management, and for our issues; and Celebrate the successes of the industry

import control

Deliverables:

- » World Trade Organization tariff rate quota (TRQ) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) TRQ allocations that minimize the impacts on the chicken sector
- » Government action on closing the import control loopholes: Duties Relief Program, Mislabeled spent fowl imports
- » An improved process to assess supplementary imports for market shortages requests

pathogen reduction strategy

Deliverables:

- » Direction on a pathogen reduction strategy, specifically *Salmonella Enteritidis*

public relations strategy – supply management messaging

deliverables:

- » A multi-faceted public campaign to educate and engage Canadians on pro-farmer messaging, and incorporate positive supply management messaging within
- » A robust social media strategy to increase CFC's farmer and supply management messaging
- » Response to media criticism, as appropriate
- » Future needs evaluation and planning

OTHER PRIORITIES

animal care programs

deliverables:

- » Implementation, maintenance and certification of the *Raised by Canadian Farmer* Animal Care Program (Conventional production)
- » Implementation, maintenance and certification of the *Raised by Canadian Farmer* Animal Care Program (Free Range production)
- » Targeted in-house research
- » Pursue government recognition of Animal Care Programs

chicken standards

deliverables:

- » A comparison of chicken production standards between Canada and other suppliers to the Canadian market

collaboration

deliverables:

- » Communicate CFC's strategic priorities
- » Build alignment with the chicken industry value chain
- » Collaboration between CFC and Canadian Hatching Egg Producers
- » Poultry Sustainability Value Chain Roundtable

consumer relations strategy – health messaging

deliverables:

- » A strategy to promote health benefits and versatility of chicken
- » Participation within Nutrient Rich Alliance

consumer relations strategy – overall consumer approach

deliverables:

- » Implementation of an online and social media strategy that promotes the brand, and chicken as a whole, and increases consumer engagement with CFC, including recipes, instructional content, promotions, myth busting, etc.
- » Examine the feasibility of a joint provincial strategy on addressing consumer myths
- » Increased collaboration with National-Provincial Communications Working Group
- » A fourth National Chicken Month campaign
- » Research
- » Future needs evaluation and planning

effectiveness of the allocation setting

deliverables:

- » Agreed set of fact-based factors
- » Identification of allocation-related key data

food safety

deliverables:

- » Maintain Federal-Provincial-Territorial On-Farm Food Safety Program (OFFSP) recognition
- » Reviewed OFFSP cleaning and disinfecting requirements

Governance

Deliverables:

- » Performance evaluations
- » Professional development
- » Assessment of current governance practices
- » Young Farmers Program

Life cycle assessment

Deliverables:

- » Promote the results of the Life Cycle Assessment (LCA) across the chicken value chain
- » Identify preliminary environmental goals arising from the results of the LCA report and shape initial strategies

Market information collaboration

Deliverables:

- » Collaboration with provincial boards on market info and data
- » Collaboration with Agriculture and Agri-Food Canada on market info and data

Market intelligence

Deliverables:

- » Data gathering and analysis

Public relations strategy – farmer promotion

Deliverables:

- » A multi-faceted public campaign to educate and engage Canadians on animal care, sustainability and farming practices overall, including food safety and antimicrobial use
- » A robust social media strategy to increase CFC's farmer-themed presence
- » An enhanced and brand-leveraged Swimming Canada sponsorship
- » Media training sessions for farmers and provincial representatives

Research

Deliverables:

- » Canadian Poultry Research Council (CPRC) and CFC research portfolios: identify annual priorities, review and prioritize submissions, advise on final decisions
- » CFC issues research contract with selected party on CFC-specific project and monitors progress

Trade

Deliverables:

- » Maintain the effectiveness of the three pillars of supply management
- » Monitor trade negotiations and inform CFC members
- » Communication with Canadian farm groups, business groups and think tanks to develop a better understanding of supply management

Vegan activism strategy

Deliverables:

- » An increased number of meetings between CFC, Canadian Poultry and Egg Processors Council, and restaurant/retail partners, that focus on the solid programming offered by the industry to deliver on animal care, antibiotic usage and sustainability (to build trust in industry's ability to proactively and responsibly address key issues of importance to these audiences)
- » Increased content on the Let's Talk Chicken website
- » Ongoing meetings and retainer with public relations consultancy to assist with initiatives and manage reactive strategies
- » An expanded toolkit for value chain partners to use with their employee and consumer base
- » A media relations (and some advertising) strategy that proactively pushes information regarding industry animal care programs
- » Increased speaking opportunities and sponsorships of retail and restaurant events and trade shows
- » Photography database of images of barns, birds, farmers and program features for inclusion on sites, etc.

monitoring & enforcement

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

auditing the system

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 2018, staff completed the audits of provincial chicken boards for compliance with CFC policies and regulations for periods A-142 to A-145, which were initiated in 2017 covering the dates of February 19 to September 30, 2017, and completed the audits of periods A-146 to A-149, which are from October 1, 2017 to May 12, 2018.

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 external auditors for periods A-142 to A-145, which were initiated in 2017 and completed the audits for periods A-146 to A-149.

The audit report for periods A-142 to A-145 was presented and approved by the Board of Directors in March 2018 and the audit report for periods A-146 to A-149 was presented and approved by Directors in November 2018.

market development

In February 2018, CFC assessed market development levies of \$94,937 to a primary processor for marketing 94,937 kilograms live weight equivalent of market development production it received during period A-143, other than in accordance with the CFC Market Development Policy and the licence it holds. Those levies were remitted in full in 2018.

overmarketing assessment

The following assessments were presented and approved by the Board of Directors in 2018:

Audit period	provincial board	Levy Assessed
A-146/A-147	Manitoba	\$52,752
A-146/A-147	Ontario	\$6,548
A-146/A-147	New-Brunswick	\$5,040
A-146/A-147	Nova Scotia	\$36,047
A-148/A-149	British Columbia	\$319,560
A-148/A-149	Ontario	\$199,650

The above levies have been paid in full.

Manitoba Chicken Producers has an outstanding balance of \$21,626 from overmarketing levies assessed in 2017 and this will be discussed by the Board of Directors in 2019.

specialty production

There were no levies assessed in 2018.

inter-period quota transfers

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

In 2018, Chicken Farmers of Canada received one inter-period quota transfer request of 718,789 kg live weight from Quebec and one request of 183,500 kg live weight from Nova Scotia. There were no inter-period transfers in the three previous years.

corporate social responsibility

Chicken Farmers of Canada 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 and staff donations, we continue to support the mission of the Ottawa Food Bank.

The annual Chicken Challenge food donation program provided another \$50,000 worth of frozen chicken products to the Ottawa Food Bank. This was the ninth 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, \$4,500 was collected through yearlong staff donations and 50% matching Chicken Farmers of Canada donations. Altogether, nearly \$54,500 was donated in 2018. This brings the total contribution to the food bank since we became partners and supporters in 2007 to over \$544,500!



other causes

Chicken Farmers of Canada sponsored and supported several other causes and organizations throughout the year. These included:

1. \$10,000 for sponsorship of the Canadian Young Farmers Forum
2. \$2,500 for the 2017-2018 program year of Forum for Young Canadians
3. \$2,750 to the Cystic Fibrosis 'Lawn Summer Nights' event
4. \$2,500 to sponsor Canadian alpine ski racer, Valérie Grenier
5. \$1,750 to the Morguard Golf Tournament in support of children's charities
6. \$1,000 to the charity golf tournament held by United Way
7. \$250 to sponsor Welch's 'Betting against cancer' Grand Casino charity event

NEED YOU TO
FILL PLATES.
NOUS À REMPLIR
ASSIETTES.
OTTAWAFOODBANK.CA



Ottawa Food Bank
Alimentation

679873



CFC Executive Director,
Michael Laliberté,
presenting cheque
to the Ottawa Food
Bank CEO, Michael
Maidment

market watch 2018

Canada's chicken farmers produced 1,265.2 million kg (Mkg) in 2018, a remarkable increase of 5.1% over 2017. This was the ninth year in a row of continued year-over-year growth in the Canadian chicken industry.

Chicken is the number one meat protein choice for Canadians, due to being lean, healthy, and offering high nutrition value and density. Early estimates show that the per capita consumption (PCC) of chicken in 2018 was 34.6 kg per person, signifying an increase of 1.5 kg from the year before. Meanwhile, PCC estimates for beef were 25.4 kg per person, up 0.3 kg from 2017, and estimates for pork saw PCC at 21.4 kg per person, reflecting no change over 2017.

The average live price paid to Canadian farmers in 2018 was \$1.552 per kg, which represented a \$0.02 increase over 2017. Frozen chicken inventories on January 1st, 2018 were 44.5 Mkg. The closing inventories for the year were 53.1 Mkg. Storage stock volumes were at their highest in the summer, reaching their peak in July.

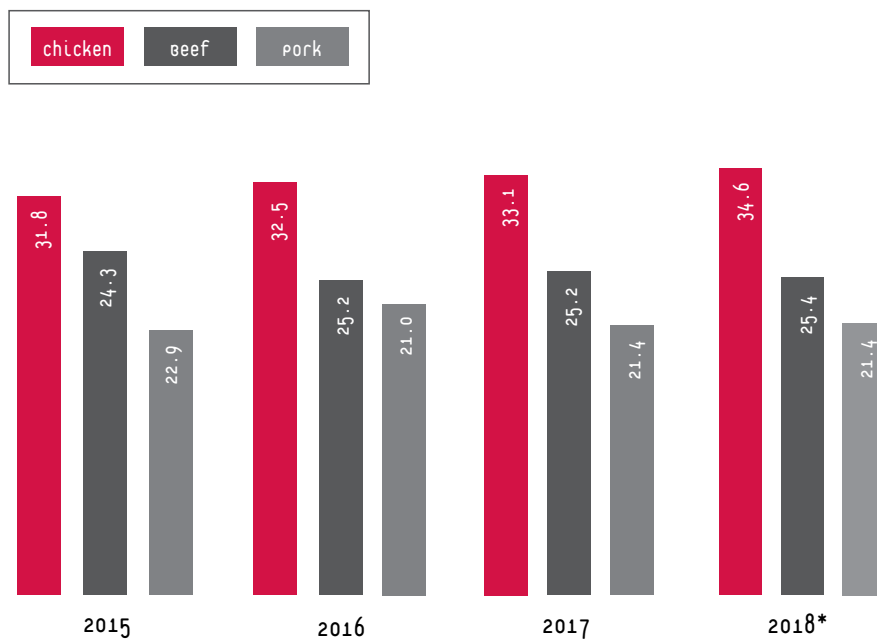
policy update

new specialty production breed

This year, the policy committee approved of a new specialty production breed. The Alberta Filipino special dual is a new breed of Taiwanese chicken with yellow tough-textured flesh. Like all other specialty production, the Alberta Filipino special dual will be marketed with head and feet attached.

While this remains a very small segment of total Canadian chicken production, since the first specialty allocation in A-126, the total Canadian allocation for specialty production has increased by 44%.

per capita consumption (kg)



*estimate

provincial production

The year 2018 covered eight periods, which ran from period A-147 (November 26, 2017 to January 20, 2018) to A-154 (December 23, 2018 to February 16, 2019). Allocation setting percentages above base came in high in the first half of 2018, with a 7% allocation for period A-147. Periods A-148 and A-149, in the late-winter and spring, were both set at 5%. Representing the summer, periods A-150 and A-151 were set at 4% and 5%. Towards the fall and winter 2018, periods A-153 and A-154 were set at 4.5% and 3.5%.

Canadian chicken farmers produced 1,265.1 Mkg of in 2018. Last year, production was 1,203.8 Mkg, which means that an additional 61.3 Mkg (+5.1%) of chicken was produced in 2018. Production under the Chicken Farmers of Canada's Market Development Program amounted to 37.5 Mkg, a decline of 1.3 Mkg from last year. Meanwhile, the Specialty Program saw 8.8 Mkg of production, up 1.1 Mkg from last year.

Production in 2018 was strong from beginning to end. There was 108.3 Mkg of chicken produced in January 2018, up 8.1% from the year prior. The month with the largest year-over-year increase was April 2018, with 107.0 Mkg of chicken produced, marking an increase of 9.2% over 2017. A reason for this strong increase was due to the 2017 Easter holiday falling on April 16, 2017, which resulted in lower production during that month. Meanwhile, strong and uninterrupted production occurred during that same timeframe in 2018, which exaggerated the increase over 2017. As production made its way into the summer, peak production arrived in August 2018 with 108.1 Mkg, an increase of 5.0% over August 2017. Despite summer being the most demanding season for chicken, October 2018 is where production reached its all-time-high for the year with 109.3 Mkg, up 5.9% over October 2017.

provincial production of chicken (000 kg eviscerated)

Province	2018	2017	% CHANGE
british columbia	186,061	171,927	8.2%
alberta	122,525	115,202	6.4%
saskatchewan	45,972	45,398	1.3%
manitoba	51,510	50,212	2.6%
west	406,069	382,739	6.1%
ontario	426,378	401,413	6.2%
quebec	335,697	328,259	2.3%
central	762,075	729,672	4.4%
new brunswick	33,557	32,560	3.1%
nova scotia	42,562	40,797	4.3%
prince edward island	4,505	4,211	7.0%
newfoundland & Labrador	16,413	13,850	18.5%
atlantic	97,036	91,417	6.1%
CANADA	1,265,180	1,203,828	5.1%

allocation growth over base*

	BASE ALLOCATION (MKG)	DOMESTIC ALLOCATION (MKG)	% GROWTH OVER BASE
british columbia	174.5	181.8	4.2%
alberta	121.5	128.8	6.0%
saskatchewan	44.0	45.6	3.6%
manitoba	51.2	53.2	3.9%
ontario	420.3	443.3	5.5%
quebec	331.7	345.9	4.3%
new brunswick	34.1	35.5	3.9%
nova scotia	42.8	44.4	3.8%
prince edward island	4.5	4.7	4.4%
newfoundland & Labrador	16.9	17.5	3.7%
CANADA	1,241.6	1,300.7	4.8%

*periods A-147- A-153

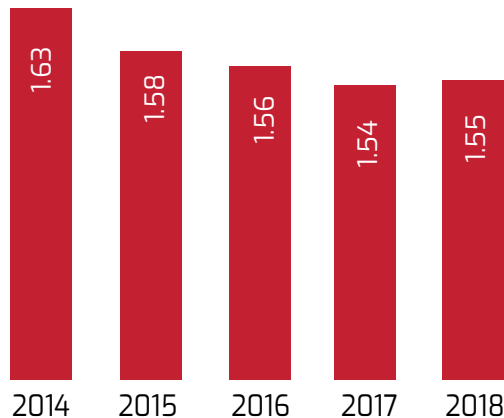
quota utilization

	FROM		TO	ALLOCATION (MKG EVIS.)	PRODUCTION (MKG EVIS.)	QUOTA UTILIZATION %
A-147	NOVEMBER 26, 2017	-	JANUARY 20, 2018	184.6	186.7	101.1%
A-148	JANUARY 21, 2018	-	MARCH 17, 2018	188.1	191.4	101.7%
A-149	MARCH 18, 2018	-	MAY 12, 2018	192.5	194.8	101.2%
A-150	MAY 13, 2018	-	JULY 7, 2018	194.4	193.0	99.3%
A-151	JULY 8, 2018	-	SEPTEMBER 1, 2018	199.7	197.1	98.7%
A-152	SEPTEMBER 2, 2018	-	OCTOBER 27, 2018	194.5	195.8	100.7%
A-153	OCTOBER 28, 2018		DECEMBER 22, 2018	197.1	202.6	102.8%
A-154	DECEMBER 23, 2018		FEBRUARY 16, 2019	187.9	N/A	N/A

producer prices

On average, the producer live price for 2018 was \$1.552 per kilogram, which represents a 1.7-cent increase over 2017. At the national level, the live price reached its peak in 2018 during period A-151 (July 8, 2018 to September 1, 2018), with a price of \$1.614. On the flipside, period A-148 (January 21, 2018 to March 17, 2018) experienced the lowest price, at \$1.489 per kilogram.

canadian weighted average producer price (\$/kg live)



While period A-148 experienced the lowest producer price in the last seven years, 2018 saw the producer price gain some upward momentum, back to prices seen in 2015 and 2016. There are several input costs that contribute to the live

price. One of the more significant costs is feed, which often includes either corn or soybeans. Production and supply of these feed ingredients has been steadily increasing around the globe over the last few years, which has put downward pressure on feed grain prices. Despite the strong production and supply of feed ingredients, strong demand led to a small increase in feed costs towards the latter part of 2018, which would explain part of the increase to the live price.

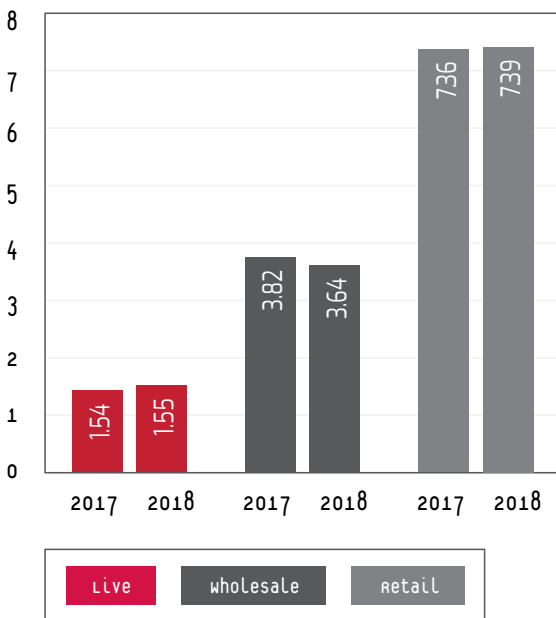
wholesale prices

Express Markets Inc. (EMI), a price discovery company, provides wholesale complex pricing for four main cuts of chicken: breasts, wings, legs, whole birds, along with a market composite. On average, the market composite in 2018 stood at \$3.64/kg, falling \$0.18 from 2017. The most significant decline was in the wing complex, which decreased from an average price of \$5.55/kg in 2017, to \$5.03/kg in 2018. Another notable drop was seen in the breast complex which fell \$0.35, bringing the average price to \$5.70/kg. The leg complex had the third largest drop, falling \$0.28 to \$2.46/kg – percentage-wise this represented the sharpest drop, at 10.4%. Lastly, the whole bird complex had the lightest movement, only falling \$0.02 over 2017, bringing the average price to \$3.75/kg.

Retail prices

The retail price of chicken, as reported by Statistics Canada, averaged \$7.39 per kg in 2018, up \$0.03 (+0.5%) from 2017. Prices were on a downtrend from January to June 2018, reaching a price of \$7.07 per kg, down \$0.18 from June 2017. As mid-summer demand picked up, from July onward, the retail price followed a strong upward trend. Retail prices reached \$7.58 per kg by November 2018, where it retreated slightly down to \$7.52 in December 2018, as the seasonal low of winter began.

price comparison (\$/kg)



Statistics Canada retail prices for pork monitor both bacon and pork chops. The average pork chop price in 2018 was \$12.14 per kg, falling \$0.21 from 2017. Meanwhile, the average price for bacon was \$13.78 per kg, up \$0.05 from 2017.

The retail price of beef declined overall, seeing this decline cascade into every cut monitored by Statistics Canada. The prime rib roast is the most expensive beef cut monitored by Statistics Canada. Prime rib roast prices averaged \$30.61 per kg in 2018, down \$0.70 from 2017. On the other hand, ground beef, the more affordable

cut, averaged a price of \$12.03 per kg in 2018. The price of ground beef fell \$0.21 per kg in 2018. The Consumer Price Index (CPI) for fresh and frozen chicken averaged 159.6 in 2018, up 1.3 points from 2017. Meanwhile, the CPI for beef and pork increased by 1.2 points, bringing their average index to 178.0 and 141.4, respectively.

Imports

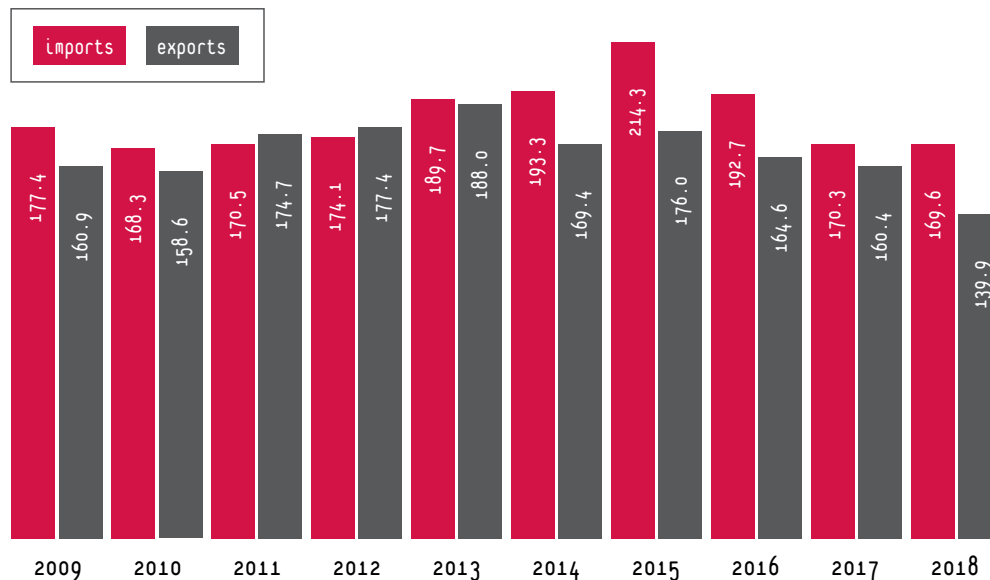
The Tariff Rate Quota (TRQ), managed by Global Affairs Canada (GAC), was set at a level of 90.1 Mkg in 2018, with a 0.5 Mkg holdback, which brought the volume to 89.6 Mkg. Actual TRQ import volumes for 2018 reached 89.2 Mkg.

Volumes of bone-in chicken parts account for 40% of the total volume imported in 2018. Boneless chicken parts also account for 40% of the total volume. Processed chicken represented 20% of the total volume, while live and whole eviscerated volumes represented marginal volumes.

Imports of chicken from the United States accounted for 66.9% of total TRQ imports, with a volume of 59.7 Mkg. Brazil is the second largest exporter of chicken to Canada, followed by Thailand, respectively sending volumes of 12.6 Mkg and 11.1 Mkg. Imports from Europe have been gradually increasing year-over-year, with Hungary representing a modest 4.2% of imports in 2018, followed by Germany, which represented 1.4%. Canada imported chicken from a number of other countries, such as Great Britain, France, Chile, and Israel.

GAC is tasked with managing and monitoring the Import to Re-Export Program (IREP). The program allows chicken processor to import chicken duty-free, with the agreement that they will further process the product and then turn around and export it. In 2018, there was 19.8 Mkg of chicken imported through IREP, representing an increase of 1.3 Mkg (+6.9%) over 2017.

canadian chicken imports and exports (million kg, AAFC)



While GAC manages IREP, the Canadian Border Services Agency (CBSA) manages a similar program called the Duties Relief Program (DRP). Those participating are allowed to import chicken and have a four-year timeframe to re-export the chicken as a further refined product. DRP volumes have been on a steady decline since their 2015 volume of 96.3 Mkg. In 2018, DRP volumes stood at 41.9 Mkg, representing a 54.3 Mkg (-56.4%) decline since 2015, and a 6.7 Mkg (-13.8%) drop from 2017.

In 2017, Canadian chicken farmers were producing a volume that was lower than consumer demand. The latter was in large part due to the demand that was previously filled by mislabeled chicken imported as spent fowl. Once volumes of mislabeled chicken entering Canada declined, Canadian chicken farmers reacted to the demand by increasing production levels. The resulting chicken supply void led to a high volume of TRQ imports in 2017, including supplementary imports, during the high demand season of the summer. In contrast to 2017, TRQ imports in 2018 were stable and followed the healthy range quite closely.

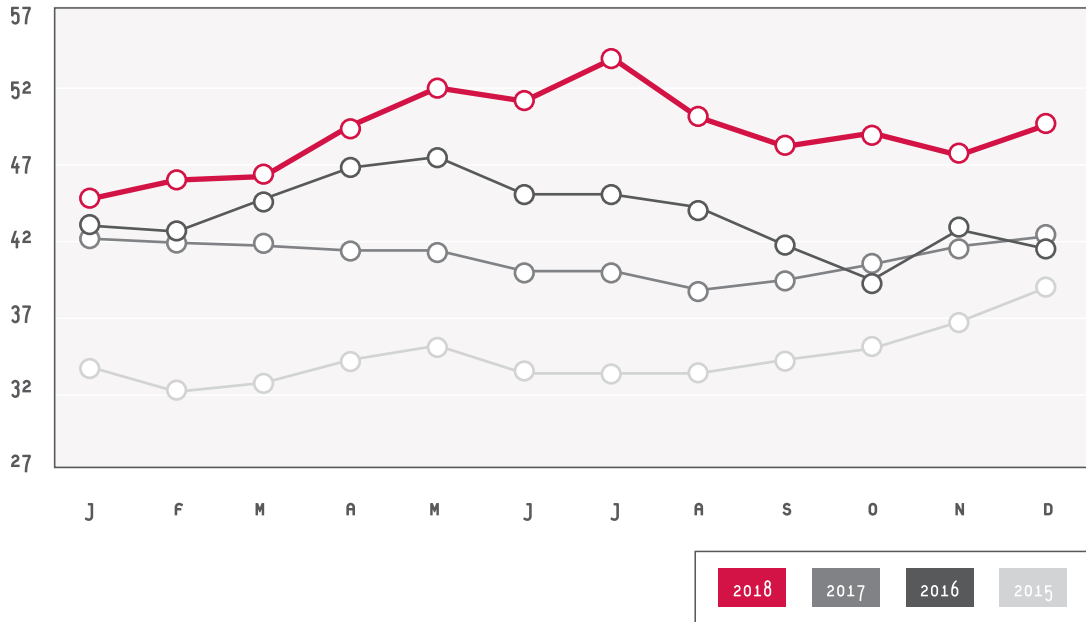
Spent fowl imports reached 82.8 Mkg in 2018, up a small 1.8 Mkg (+2.2%) from 2017.

A modest increase in spent fowl imports came from the parts category, which increased by 4.5 Mkg (+11.7%) over 2017. Within the category, the bone-in parts subcategory had the most significant increase, rising 3.7 Mkg (+17.8%) from 2017. The boneless parts subcategory also saw a modest increase of 1.3 Mkg (+7.6%) over 2017. On a percentage basis, the “other” category had the largest growth, increasing 0.8 Mkg (+38.8%) from 2017 – this was attributed solely to the boneless subcategory, which was the only subcategory to see imports in 2018.

exports

Agriculture and Agri-Food Canada data shows that 141.5 Mkg of chicken was exported in 2018, representing a decline of 18.9 Mkg (-12.6%) from 2017. The largest volume decline came from Chapter 21, which fell 6.0 Mkg (-50.8%) over 2017. Exports of Mechanically-Separated Meat (MSM) were down 5.0 Mkg (-20.8%). In addition to exporting to the United States, Canada also ships chicken to the Philippines, Taiwan, Jamaica, Cuba, Tajikistan, Armenia, Haiti, Kazakhstan, South Africa, and a number of other destinations.

storage stocks (mkg)



storage stocks

Total frozen storage stock volumes in January 2018 stood at 44.5 Mkg. By the end of December 2018, closing volume reached 53.1 Mkg. Volumes were at their highest in July 2018, with a volume of 53.3 Mkg, which was 13.5 Mkg higher than July 2017. From a provincial perspective, the majority of the increase came from Ontario, which saw a 6.4 Mkg increase in storage levels for December 2018 over 2017.

The cut-up and further processed categories led the growth in 2018, respectively seeing increases of 5.5 Mkg and 2.3 Mkg over 2017. Within the cut-up category, it was the other sub-category that carried most of the growth in storage stocks, up 4.4 Mkg over 2017. Meanwhile, the breast-other sub-category also saw noteworthy growth, increasing 1.6 Mkg from 2017. Leg storage stocks within the cut-up category also increased a modest 1.1 Mkg.

interprovincial movement

Chicken Farmers of Canada, along with the provincial chicken marketing boards, monitor the interprovincial movement (IPM) of live chicken. IPM data comes on a weekly and monthly basis and is reviewed by external auditor every four periods. Total IPM in 2018 amounted to 92.5 Mkg (live weight), which is 2.8 Mkg more than 2017. The majority of IPM volumes are destined for New Brunswick, which saw a volume of 61.5 Mkg, accounting for 66.5% of all IPM in Canada. Quebec also represents a large part of the IPM, with 20.7 Mkg entering the province in 2018, or 22.3% of all IPM.

interprovincial movement of live chickens (in kilograms live weight)

TO

	NB	NS	ON	QC	SK	AB	TO TOTAL
NS	20,116,219						20,116,219
PE	1,040,399	4,894,829					5,935,228
QC	40,324,914		4,889,061				45,213,975
ON	30,076			20,655,047			20,685,123
SK						126,216	126,216
AB					420,320		420,320
FROM TOTAL	65,511,608	4,894,829	4,889,061	20,655,047	420,320	126,216	92,497,081

FROM



industry snapshot

	B.C.	ALB.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	N.L.	TOTAL
number of producers	316	253	64	121	1,244	740	38	87	8	6	2,877
average farm size (000 kg live weight)	801	658	977	579	464	616	1,201	666	766	3,722	1,045
federally-inspected plants	9	4	2	2	19	7	2	1	0	1	47
provincially-inspected plants	15	68	1	3	26	5	1	10	6	3	138
average producer price (\$/kg live weight)	1.624	1.590	1.582	1.585	1.515	1.523	1.625	1.614	-	-	1.552

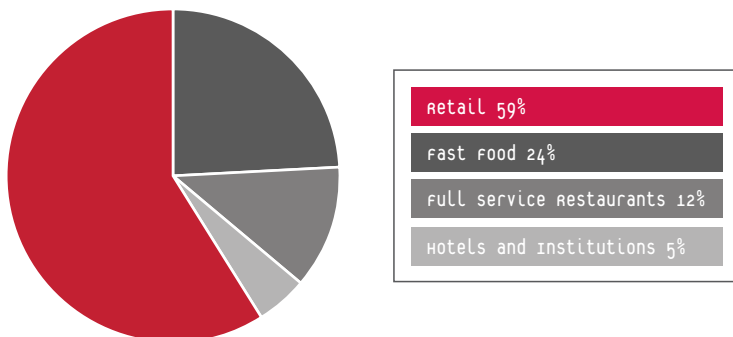
sources: CFC, AAFC, CFIA, provincial boards, provincial ministries of agriculture

estimated chicken consumption in various market sectors (MKG)

	2008	2009	2010	2013	2014	2015	2016	2017
RETAIL	621	637	639	647	677	686	698	713
FAST FOOD	247	236	242	234	246	269	280	293
FULL SERVICE RESTAURANTS	99	99	99	105	112	114	135	140
HOTELS AND INSTITUTIONS	56	54	54	57	60	61	64	66
TOTAL	1,023	1,026	1,034	1,043	1,095	1,131	1,177	1,213

source: further poultry processors association of canada

estimated chicken consumption in various market sectors





Eastern Ontario farm tour with MPs, Hill staff, and Swimming Canada

government relations

One of the driving forces of Chicken Farmer of Canada's (CFC) operations is how we interact and engage with the federal government, and with provincial and municipal governments as well. Our government relations team is focused on representing Canada's 2,800 chicken farmers and working on the issues facing our sector. A lot of the work we do is not possible without the support of Parliamentarians, their staff, and the federal public service.

Our day-to-day lobbying outreach can range from meeting with Parliamentarians, to hosting events around Parliament Hill, to participating in government consultations. The effort we put towards education, awareness, and advocacy is showing. 2018 was a year rife with lobbying on NAFTA, the Canada Food Guide, the implementation of the CPTPP, and promoting our on-farm programs and our life cycle assessment. We are confident our message was spread throughout Parliament Hill and beyond.

We are especially thankful for the efforts put forward in 2018 by the Minister of Agriculture and Agri-Food and staff, the Canada-U.S. Relations team based out of the Prime Minister's Office, and staff and officials at Global Affairs Canada and Health Canada.

House of commons committees

As with past years, CFC was given opportunities to present to House and Senate committees.

Unfortunately, many invitations never came to fruition in 2018. Either the invitation was too last minute, or the presentation got cancelled due to votes in the House, and these invitations did not result in any committee appearances. Thankfully, committees accept submissions even when stakeholders don't appear, and CFC was able to provide input on studies done by the Standing Committee on Health, the Standing Committee on Finance, and the Standing Senate Committee on Agriculture and Forestry.

Annual Lobby Day

CFC hosted another successful Lobby Day on May 29, 2018, with delegates spreading out over Parliament Hill, and they participated in over 90 meetings with over 100 people, including Ministers, Parliamentary Secretaries, MPs, Senators, and Hill staffers, discussing how they can better help and support the Canadian chicken industry.

This annual event is an important activity in the CFC government relations strategy, by building relationships, discussing our issues, and creating awareness of our industry and our brand.

Lobby Day allowed farmers and provincial boards to have constructive, thoughtful conversations with MPs and Senators and their staff regarding some hot topics, such as Canada's import control issues, antimicrobial resistance and use, and our key lobbying items from 2018 of NAFTA, CPTPP, and the Canada Food Guide.

CFC representatives were able to meet with some key players on our files, such as the Minister of Agriculture and Agri-Food, the Minister of Health, the President of the Treasury Board, and other leading Parliamentary Secretaries and Opposition critics.

For the first time since the facility opened in 2015, CFC hosted the annual Lobby Day reception in the Sir John A. Macdonald Building in the Parliamentary Precinct. The event was well attended by Parliamentarians and staff, and guests enjoyed the chicken canapés and Canadian beverages.



Minister Lawrence MacAulay

Farm Tours

CFC hosted two farm tours with MPs in 2018. Board Director Marc Cormier welcomed Minister of Health Ginette Petitpas-Taylor and Chair of the Agriculture Committee Pat Finnigan to his farm in New Brunswick in early September. Marc and his brother Serge talked about the importance of supply management to Canada's rural areas and our overall economy, while stressing how the system ensures food security across the country. The group also discussed the proposed changes to the Canada Food Guide and how chicken must remain an integral part of Canadians' diets.

CFC also hosted a farm tour with MPs, Hill staff, and Swimming Canada athletes in mid-November east of Ottawa. MPs Francis Drouin (ON), Robert Kitchen (SK), Wayne Easter (PEI) and Luc Berthold (QC) got an opportunity to learn about CFC's On-Farm Food Safety and Animal Care programs, while seeing the everyday operations in the barn that raise Canadian chicken safely, sustainably, and with care. The family farm we visited also showed the guests how supply management has allowed generations of their family to continue raising chicken and eggs, while being able to keep investing in their farm.

canadian federation of agriculture summer meeting and ministers' roundtable

CFC representatives were in Vancouver, British Columbia at the end of July to attend the Canadian Federation of Agriculture's (CFA) summer meeting, combined with the CFA/Federal Provincial Territorial (FPT) Ministers' roundtable.

The CFA summer meeting provided a good opportunity for Directors and industry representatives to discuss the issues facing their sectors and determine a forward approach for the coming year in agriculture.

During the meeting, CFA members received an update on international trade from the NAFTA Chief Negotiator and discussed the government's Agri-Food Economic Strategy Table with the Chair of the Table, Murad Al-Katib.

review, the Agri-Food Economic Strategy Table's recommendations, and the cannabis industry.

new industry showcase

In lieu of an annual fall reception, CFC hosted an industry showcase in November for Parliamentarians and their staff, with a goal of educating guests in a different way about the many aspects of the Canadian chicken industry. From talking about our Animal Care Program, to showing examples of what chickens eat and explaining how chickens are processed, farmers were on hand to talk about the work they do every day in order to raise high-quality chicken for Canadians. CFC Directors and guests seemed pleased with this new, more interactive event.

party conventions

CFC staff and representatives attended the Liberal and Conservative party policy conventions both held in Halifax, in April and August respectively. CFC representatives attend these biennial events in hopes of building relationships with Parliamentarians, their staff, and grassroots members, while ensuring the voice of the Canadian chicken industry is heard.

The Liberal convention was attended by Chicken Farmers of Nova Scotia Chair Tim Ansems and CFC staff Lauren Kennedy. The convention heard keynote speeches from a variety of speakers such as Prime Minister Justin Trudeau, former Premier of Ontario Kathleen Wynne, and an Agriculture panel featuring former Agriculture and Agri-Food Minister Lawrence MacAulay, during which he highlighted the growth in the Canadian chicken industry.

In the lead up to the Conservative convention, riding associations across the country were asked to put forward proposed policy resolutions to be debated amongst delegates at the convention. Controversially, among them was one that called for the dismantling of supply management. Once at the Convention, the resolution was to be discussed and voted on in a breakout workshop, but due to time constraints,

from talking about our animal care program, to showing examples of what chickens eat and explaining how chickens are processed, farmers were on hand to talk about the work they do every day in order to raise high-quality chicken for Canadians.

CFA also presented an overview of its federal government priorities, including its pre-budget consultation submission and the proposed Producing Prosperity Campaign in the lead up to the 2019 federal election.

Following their summer meeting, the CFA held a roundtable with Federal, Provincial, and Territorial Ministers to discuss emerging issues in agriculture across the country. The roundtable featured opening remarks from former Agriculture and Agri-Food Minister Lawrence MacAulay,

as well as the host-Minister of Agriculture, Lana Popham. The key discussion topic was the Agri-Food Economic Strategy Table and how the FPT governments can address the barriers to growth and better collaborate with industry on the strategy.

FPT Ministers then met for the remainder of the week to address trade issues, the ongoing BRM

CFC

this never happened. Many SM-5 producers and staff attended the convention in Halifax in hopes of speaking to delegates about the importance of voting against this resolution. In addition, the SM-5 hosted a popular reception that evening that was attended by delegates, MPs, and Conservative leader Andrew Scheer.

GIVING BACK

Once again in 2018, Chicken Farmers of Canada were proud sponsors of Canada's Agriculture Day. This important day recognizing Canada's farmers, processors, and all members of the value chain brings together Parliamentarians, consumers, students, and other supporters in Ottawa and across the country to hold a broader conversation about the food we eat.

For the second year in a row, CFC were sponsors of Lawn Summer Nights, a lawn-bowling tournament to raise funds for Cystic Fibrosis. The goal of the event is to create a platform

for Cystic Fibrosis Canada that engages young professionals in over 20 cities through a peer-to-peer philanthropy experience. Staffers, lobbyists, and many others from the Hill community participate in this fun event every year. To date, Lawn Summer Nights has raised over \$2.7 million dollars to fight Cystic Fibrosis in Canada.

CFC was also proud to be a returning sponsor of the United Way of Prescott-Russell's annual golf tournament, hosted by MP Francis Drouin. This event brings together golfers and non-golfers alike to support the great work the United Way does.

HEALTHY EATING STRATEGY

Since late 2017, CFC and other agriculture groups have been paying close attention to the proposed changes called for within Health Canada's Healthy Eating Strategy. Encompassed in this strategy were changes to the front-of-package labelling requirements,

Chicken fits.

CANADA'S FOOD GUIDE

chicken.ca
chickenfarmers.ca

Produced by a
CANADIAN
FARMER

Élevé par un
PRODUCTEUR
CANADIEN

Canada's new Food Guide recommends that protein foods should be consumed regularly.

That's where chicken comes in. It's an excellent source of protein, as well as potassium, zinc, iron, B-vitamins, phosphorus and more!



NDP leader, Jagmeet Singh and PEI Director Barry Uyerlinde serving chicken at the FCM Annual Conference and Trade Show

and the Canada Food Guide. With both, the government aims to address the growing prevalence of unhealthy Canadian diets, and the resulting, rising rates of obesity, heart disease, and chronic illness.

Within the front-of-package labelling consultation, Health Canada proposed a nutrition symbol that would be on the front of food packages that would help quickly identify foods that are high in saturated fat and/or, sugars and/or, sodium – characterizing any food containing more than 15 per cent of their daily values as unhealthy.

With the proposed changes, poultry meats and poultry meat by-products that are not ground are conditionally exempt from the proposed labelling. Therefore, we stressed to Health Canada that this could mean that nutritious products, like many further processed chicken products, would be required to have these warning labels, and therefore would discourage their consumption. We recommended Health Canada consider emphasizing protein-rich, and foods high in other essential nutrients on a front-of-package label, instead of those deemed harmful.

With the proposed changes to the Canada Food Guide, CFC was concerned that their emphasis on plant-based proteins over animal proteins could have a severe impact on Canadians' diets. As a result, we worked with the Minister of Health, her staff, the Standing Committee on Health, and other Parliamentarians, to highlight the importance of keeping chicken and poultry in general an important part of the Food Guide. The new guide is expected to be released in 2019 in two phases.

federation of canadian municipalities annual conference & trade show

Once again this year in June, CFC, along with Egg Farmers of Canada, Turkey Farmers of Canada, Dairy Farmers of Canada, and the

Canadian Hatching Egg Producers, sponsored the Federation of Canadian Municipalities (FCM) Annual Conference and Trade Show.

FCM represents over 2,000 municipalities from coast to coast to coast, including Canada's largest cities, small urban and rural communities, in addition to provincial and territorial municipal associations.

As in past years, the SM-5 attends and sponsors the conference to bring attention to the important role supply management plays in Canada's rural and urban communities. CFC staff, alongside PEI Director Barry Uyterlinde and farmers and staff from the other groups served up delicious chicken, turkey, dairy, and egg treats throughout the weekend at our trade show booth. Our theme for the weekend was "Canadian Farmers: The foundation of our communities," and we were able to discuss trade, food sovereignty, and food safety with visiting delegates. Once again, the SM-5 booth proved to be one of the most frequented booths of the weekend, even receiving a visit from Conservative party leader Andrew Scheer, MP Lisa Raitt, and NDP leader, Jagmeet Singh.

On the Saturday afternoon, the SM-5 group took a study tour group of 36 delegates to Seaview Poultry Farm, a chicken and egg farm about an hour from downtown Halifax. Delegates had an opportunity to visit both barns and see the animal care and food safety standards in place. Following the tour of the barns, delegates were treated to a rustic food tasting experience highlighting the food produced by each SM-5 group, paired with local wine. Feedback from the tour indicated it was the best tour of the conference and an excellent way to highlight the importance of agriculture in our communities.

once again, the SM-5 booth proved to be one of the most frequented booths of the weekend, even receiving a visit from conservative party leader Andrew Scheer, MP Lisa Raitt, and NDP leader, Jagmeet Singh.

Trade & Policy

With the conclusion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the new Canada-United States-Mexico Agreement (CUSMA), 2018 was a busy year for trade – and disappointingly, one that saw the Government of Canada concede access into the domestic chicken market in both agreements. Canada also entered into free trade negotiations with Mercosur.

Given that Brazil, the world's largest chicken exporter, is a member of that trade bloc, this negotiation presents significant risk to the domestic chicken sector. Although movement at the World Trade Organization (WTO) has been incremental for the past few years, a newly-elected chair of the Agricultural Committee is bringing a renewed energy to the negotiation process, which could mean more activity at the WTO on issues of concern to Canada's chicken farmers.

comprehensive and progressive Agreement on Trans-Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is the name given to the Trans-Pacific Partnership during its renegotiation following the United States' departure in early 2017, was concluded on January 23. Despite efforts from Chicken Farmers of Canada (CFC) and from other poultry, dairy, and egg sectors to have the original concessions reconsidered, unfortunately the access granted by Canada under the original TPP was not recalibrated to reflect the departure of the U.S. from among the original members.

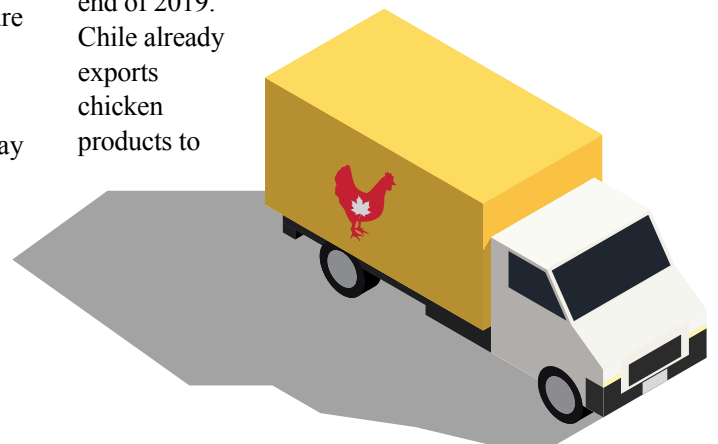
A minimum of six countries had to ratify the agreement before setting into motion the 60-day count down to its implementation. Canada was the fifth country to announce ratification on October 29, and on October 30, Australia

became the sixth CPTPP member country to officially deposit its ratification of the agreement. Mexico, New Zealand, Japan, and Singapore had already tabled notice of their ratifications, and Vietnam tabled its notification on November 15. Brunei, Malaysia, Peru, and Chile have yet to conclude their ratifications.

The CPTPP thus entered into force on December 30th in 2018. Consequently, year two of the agreement's implementation commenced two days later, on January 1, 2019, at which time Canada's chicken market opened up to an additional 7.8 million kilograms (Mkg) of duty-free imports from fellow CPTPP countries, thus increasing the overall Canadian access level to an expected 102 Mkg.

Once fully implemented, the CPTPP will provide an additional 26.7 Mkg of market access to CPTPP members. From among the existing CPTPP members, Chile is currently the only country that can fill this new import access. Although Chile had not completed its ratification of the agreement by the end of 2018, it is expected to be in a position to take full advantage of its unfettered access to Canada's entire 2019 CPTPP chicken TRQ long before the end of 2019.

Chile already exports chicken products to



Canada, albeit in limited volumes so far, but it has global exports exceeding 100 Mkg annually, so it is well situated to re-direct some of its exports to supply 100% of this newly created duty-free access.

The CPTPP will be implemented over a period of 19 years during which time it is expected that other CPTPP members will develop their chicken exporting capacities; it is equally likely that the CPTPP will welcome new members, such as Thailand, which has already signalled its interest in joining the trade pact. Thailand is currently Canada's third largest source of chicken imports.

canada- united states- mexico- agreement

Initiated in August 2017, the renegotiation of NAFTA was a major element of the Canadian trade agenda in 2018. Along with other poultry, egg, and dairy sector representatives, CFC representatives closely monitored the trilateral negotiations, attending every formal round of talks and every bilateral and trilateral meeting at the ministerial level. During the sixth round of the NAFTA negotiations, which took place in Montreal from January 21 to January 29, 2018, CFC jointly hosted a reception with its fellow supply management sectors in support of the government's position that supply management is an important part of Canadian agriculture that cannot be negotiated away. Those negotiating sessions also provided opportunities to meet with representatives from provincial governments who were also paying close attention to the talks.

From April onward, the talks were pursued almost exclusively at the ministerial and chief negotiator levels through a series of bilateral and trilateral meetings in Washington D.C., instead of through formal rounds held on a rotating basis in the three member countries. Canada's Foreign Affairs Minister Chrystia Freeland made multiple visits to Washington D.C. to meet with her



counterparts, U.S. Trade Representative Robert Lighthizer and Mexican Secretary of Economy Ildefonso Guajardo. CFC executive members and staff were present at every negotiating session, monitoring the talks through regular briefings from Canada's chief and agricultural negotiators, as well as from ministerial staff.

Following a very intense negotiating schedule, Canada, Mexico, and United States finally concluded the new agreement on September 30, 2018. In Canada, this new agreement is known as the Canada-United States-Mexico-Agreement, or CUSMA. It was formally signed on November 30, 2018.

following a very intense negotiating schedule, Canada, Mexico, and United States finally concluded the new agreement on September 30, 2018. In Canada, this new agreement is known as the Canada-United States-Mexico Agreement, or CUSMA. It was formally signed on November 30, 2018.

Ratification of the agreement is expected to move swiftly through Canada and Mexico's domestic processes; however, the timeline for ratification and implementation in the U.S. remains uncertain due to the recent Democratic take over the U.S. House of Representatives, and the resulting political stalemate.

Given that the U.S. had originally tabled a demand for the dismantlement of the

entire supply management system, the impact of this new trade agreement could have been far worse for the Canadian chicken sector. Nonetheless, the U.S. still managed to secure 62.9 Mkg of country-specific access to the Canadian chicken market, a further 12.7 Mkg than that which was provided in the original NAFTA. These gains are significant for the U.S. chicken industry because not only did they secure additional access, but also the concessions made by Canada restrict all the CUSMA access to products originating from the U.S. alone. Chicken products originating from the U.S. will benefit from increased and guaranteed access to the Canadian market without having to compete with others such as Brazil and Thailand, Canada's second and third largest sources of chicken imports.

combined impacts of the CPTPP and the CUSMA

Once both agreements are fully implemented, the CUSMA and the CPTPP will increase Canada's total market access from 90.1 Mkg, or 7.5% of Canadian production, to 129.6 Mkg, which represents 10.7% of Canadian production

(2017). This increase in access is expected bring about annual losses of \$240 million in contributions to the Canadian economy, as well as 3,100 jobs nation-wide. Overwhelmingly, these impacts will be felt in rural communities.

In recognition of these losses, the Government of Canada has convened a national poultry and egg working group to ensure our sectors are fully and fairly supported to adjust to these increasing levels of market access and to continue to succeed despite them. Through the working group, CFC representatives have brought forward the following strategies to assist our producers as they adjust to the government's concessions:

- » An investment tax credit program that would support producers as they invest in further improvements to their operations
- » A market development fund that would help promote Canadian-raised chicken
- » A TRQ allocation methodology designed to ensure minimal market distortions
- » The enforcement of Canadian production standards on imports
- » The resolution to two major import control loopholes that have been disrupting Canadian chicken production for years: the misuse of the Duties Relief and Drawback Program (DRP) and the fraudulent importation of mislabeled broiler meat
 - The DRP must update its rules governing the import and re-export of chicken products by banning the substitution and marination of imported chicken cuts and reducing the allowed time to re-export from the current four years. Furthermore, applicants who have been barred from the Import for Re-Export Program (IREP) should not be eligible to participate in the DRP
 - The DNA test that can distinguish between broiler meat and spent fowl must become a part of regular border control processes to ensure that chicken is no longer being fraudulently imported into Canada under the guise of mislabelled spent fowl



The Government of Canada must also commit to ensuring that no more access to the domestic chicken market is conceded in future trade agreements, such as the ongoing free trade talks with Mercosur, or in any future WTO discussions. CFC looks forward to working with the government to design and implement these approaches, and thus support Canada's chicken producers as they adjust to the new trade environment.

ongoing canada-mercotur negotiations

In March 2018, Canada formally entered into trade negotiations with the Mercosur trade bloc, which is comprised of Argentina, Brazil, Paraguay and Uruguay. CFC's main concerns lie with Brazil, which dominates the global trade in broiler meat, and to a lesser extent with Argentina. While Argentina's chicken sector is considerably smaller than Brazil's, with a 2018 production of 2.18 billion kilograms (Bkg), the country has already grown its exports from 158 Mkg in 2016 to 187 Mkg in 2018, and it is looking to continue to grow its exports going forward.

Brazil is not only the second largest producer of chicken in the world after the United States, with

13.6 Bkg of production in 2017, it is also more importantly the world's largest exporter with 3.85 Bkg exported that same year. Comparatively, Canada's total 2017 production was just under 1.2 Bkg, more than 11 times less than Brazil's domestic production and with a third the size of Brazil's export volume. Brazil is already Canada's second largest source of broiler meat imports after the U.S., with 14.3 Mkg of imports entering the Canadian market in 2017.

Given the low cost of production in Brazil and the volatility of the Brazilian real, Brazilian chicken products could easily flood the Canadian market. Given this reality, it is imperative that Canada maintains its tariff rate quota and over quota tariff at current levels to ensure the integrity of its import controls and the on-going development of our Canadian chicken sector.

world trade organization

The World Trade Organization (WTO) was founded in 1995 in order to ensure the smooth and predictable flow of global trade by serving as the forum for trade negotiations, dispute settlement and policy monitoring. However,

The ambassador's energetic approach could see more activity at the WTO on issues that are of concern to the supply management sector in general, and CFC in particular.

in the past few years, it has struggled to perform its duties as internal disputes have stymied even agreement on the organization's work plan. This past year saw the situation become increasingly complicated as the U.S. continued to retreat from its former leadership role there, citing the need to reform various aspects of

the organization, such as its Dispute Settlement Appellate Body, as well as its concerns with China's continued designation as a developing country.

Agricultural negotiations at the WTO have been at the crux of the organization's failure to move forward on several agenda items. However, on April 9th, the Agricultural Committee elected a new chairperson, Ambassador Deep Ford

from Guyana, who has committed to making substantive progress on all three pillars of agriculture, namely domestic support, market access, and export competition. Ambassador Ford held monthly thematic sessions from September to December, the results of which he then used to develop his 2019 work plan, which includes an intense schedule of monthly meetings that will begin in early 2019. The ambassador's energetic approach could see more activity at the WTO on issues that are of concern to the supply management sector in general, and CFC in particular.

CFC Alternate Directors Rick Kaptein (Ontario) and Marco Volpé (New Brunswick) attended the WTO Public Forum in Geneva, Switzerland from October 1 to 5, 2018, accompanied by CFC Trade & Policy Analyst, Tara Molloy. CFC representatives were joined by fellow supply management representatives from Egg Farmers of Canada, Turkey Farmers of Canada, Canadian



Hatching Egg Producers, and Dairy Farmers of Canada. During their time in Geneva, the CFC delegates deepened their understanding of the multilateral trading system and gained insights into Canada's own trade priorities.

In addition to attending sessions on the challenges and benefits of the multilateral trading system, CFC representatives also participated in a panel session jointly presented by the supply management sectors, the Canadian Federation of Agriculture, the Young Farmers' Federation of Uganda, and the Norwegian, Swiss and U.S. Farmers' Unions, entitled "Towards Sustainable Agriculture: What Role Can Trade Play?". This well-attended session fostered discussions regarding how national and international policies can serve to help or hinder farmers in surmounting the many challenges they face.

CFC representatives also had a busy agenda of side meetings with several important stakeholders in the WTO system, including Deputy Director General, Alan Wolff, and Agricultural Committee Chairman, Ambassador John Deep Ford, as well as Canada's Ambassador, Stephen de Boer, who provided an overview of Canada's current efforts to help the WTO Membership work through their internal organizational obstacles.

import controls

Throughout 2018, Chicken Farmers of Canada directors and staff have continued to work with government representatives and officials to resolve the import control issues that have long troubled the Canadian chicken sector. These include the misuse of the Duties Relief Program, the importation of broiler meat as mislabelled spent fowl, and specially defined mixtures – the creatively-packaged chicken products that have been developed explicitly to circumvent import controls.

In 2017, the Office of the Auditor General of Canada (OAG) reported that the Canada Border Services Agency (CBSA) and Global



Affairs Canada (GAC) had not been adequately managing the limits on quota-controlled goods coming into Canada. The OAG also found that the Duties Relief Program's control framework was ineffective, allowing some supply-managed products to leak into the Canadian market without the applicable duties being paid. CFC welcomed the OAG report as it echoed concerns that the chicken sector has been bringing up with government officials for many years.

The OAG recommended that CBSA and GAC work together to enforce tariff rate quotas more effectively, and that CBSA and Finance Canada cooperate on improving DRP user compliance with program requirements. In response to the OAG's report, the CBSA committed to reviewing their processes and made the verification of supply-managed product imports a 2018 national priority. CFC is pleased with the work undertaken by CBSA to address these procedural gaps and looks forward to further collaboration with the Agency to continue to strengthen Canada's import controls.

duties relief program

The CBSA-administered Duties Relief Program (DRP) permits Canadian processors to import goods destined for domestic processing and subsequent re-exportation without having to pay the applicable customs tariff. This program was designed for the industrial and manufacturing sectors and its rules reflect those sectors' realities. 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. However, given that these rules allow for a level of market distortion, they are woefully incompatible with perishable supply management products.

This incompatibility has been highlighted in CBSA's recent verification of DRP participants importing supply-managed goods. Of the 26 verifications conducted by the CBSA, 21 companies were found to be non-compliant, resulting in 15 DRP license suspensions or cancellations, and the assessment of approximately \$177 million in previously unpaid duties.

Since 2015, there has been a steady decrease in the level of imports conducted through the DRP, mainly due to increased verification efforts from CBSA. In 2018, 41.9 Mkg was imported through the DRP compared to the 48.6 Mkg imported in 2017.

For many years, CFC has been requesting that chicken and other supply management products be excluded from the DRP altogether, and instead be consigned to the Import-to-Re-export Program (IREP) administered by GAC, which is designed specifically for these

goods. The rules governing IREP ensure that appropriate safeguards are in place to mitigate the potential for market-distorting diversions. For instance, under IREP re-export must take place within three months, imported products cannot be substituted, and marinated products are not permitted due to concerns regarding the possible leakages to the domestic market.

However, in the CUSMA, Canada agreed that supply management products would remain eligible for all its import for re-export programs, including the DRP. In light of this concession, following the ratification of CUSMA, CFC will work on ensuring that DRP users who are using the program to import, and re-export supply-managed products are subject to the same eligibility criteria and rules that governs the users of IREP.

Mislabelled broiler meat imported as spent fowl

Broiler meat is subject to import controls when entering Canada; spent fowl meat – the meat from egg layers that have reached the end of their productive cycle – is not and can be imported into Canada in unlimited amounts duty free or at very low rate of duty. Some years ago, some Canadian importers realized that the two products are impossible to distinguish visually and began fraudulently importing boneless broiler breast meat by mislabelling it as spent fowl. This activity has not only meant revenue losses for the Canadian chicken sector, job losses for the Canadian economy, and lost duty revenue for the Canadian government, but it has also put Canadian consumers at risk due to the broken chain of food system traceability.

Imports by type (kg)

	2018	2017
Global imports	89,228,118	84,968,707
Supplementary import permits	-	5,508,899
Imports to compete (supplementary)	6,667,041	6,252,464
Imports to re-export (IREP)	19,833,168	18,554,738
Duties relief program (DRP)	41,930,000	48,666,000
Total	157,658,327	163,950,808
Imports of spent fowl	82,798,770	81,000,376

source: Global Affairs Canada, AAFC

Further to its commitment to prioritize issues surrounding the importation of supply-managed goods, the CBSA has taken actions to address the issue of broiler chicken imports that have been incorrectly classified as spent fowl. Since mid-2017, CBSA has reviewed 68 importers of spent fowl, and found 25 per cent of them to be non-compliant. The review has resulted in the assessment of \$118 million in previously unpaid duties.

In an effort to prevent these mislabeled imports, early this year the department of Agriculture and Agri-Food (AAFC), the Canadian Food Inspection Agency (CFIA), and the CBSA collaborated with Trent University and CFC on a blind validation of the DNA test that can differentiate between broiler meat and spent fowl meat. CBSA has expressed an interest in using the DNA test as proof of tariff circumvention, especially in light of the many incidences of non-compliant broiler meat imports that their review uncovered.

In the coming year, AAFC will explore with CFIA and CBSA the feasibility of rolling out a pilot project on actual spent fowl shipments. CFC is encouraged by the steps the government has taken to move this file forward and looks forward to its eventual resolution.

In 2018, imports of spent fowl increased slightly to 83 Mkg from 81 Mkg in 2017. The continued strength in spent fowl import volumes highlight the importance of fully implementing the DNA test to ensure no more mislabelled imports occur, resulting in greater food safety and economic contribution in Canada.

specialty defined mixtures

A product that packages chicken meat with other ingredients that comprise 13 per cent or more of the overall package weight is

known as a “specially defined mixture” (SDM). SDMs are not considered chicken for import control purposes. Some Canadian companies had previously identified this as an opportunity to circumvent trade rules. By simply adding sauce to a box of chicken wings, these companies were able to develop products whose sole purpose is to evade import controls; such activities are known as “tariff engineering”.

This issue was addressed through the recently concluded CUSMA, where the SDM definition was updated to include the sauce and cooking requirements that already exist in Canada’s negotiated WTO schedule. Once the CUSMA is put into effect, this change will be reflected in Canada’s Custom Tariff. This is a positive outcome for the Canadian chicken sector, as it should put an end to some of the tariff engineering that was permitting some importers to circumvent import controls.

TRQ update

The global Tariff Rate Quota (TRQ) access commitment for 2018, which is set at 7.5% of the previous year’s production level, was 90.1 Mkg, up from 86.1 Mkg in 2017. Global imports amounted to 89.2 Mkg with some allocation not being imported and hold backs of 0.5 Mkg resulting from Global Affairs Canada’s verifications. In addition to the global imports, a total of 6.6 Mkg in supplementary import-to-compete allocations were given for non-ICL products. Based on the total imports under the TRQ in 2018, the import level for chicken products including supplementary import-to-compete reached 95.9 Mkg, representing 7.98% of our previous year’s production. It is unfortunate that supplementary imports continue to be issued above and beyond Canada’s generous international trade commitments.

on-farm food safety



This year marks 20 years since the *Raised by a Canadian Farmer* On-Farm Food Safety Program (OFFSP) was first developed, and Chicken Farmers of Canada (CFC) continues to implement the program from coast to coast. The program 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.

The program also maintains full recognition from the federal, provincial, and territorial governments for on-farm food safety programs and is subject to regular reviews to do so. Beyond the requirements for this recognition, OFFSP undergoes a third-party audit from NSF International in the same way that the *Raised by a Canadian Farmer* Animal Care Program does. Compliance and engagement with the program remains high, with 100% of farmers maintaining their certification. This is yet another

component of the value and assurances offered through the *Raised by a Canadian Farmer* brand.

pathogen reduction

Pathogen reduction in poultry is a high priority for both government and industry, and in fact CFC deemed it to be a critical priority for the organization in 2019. CFC is participating on a government-industry working

group to proactively examine surveillance and mitigation measures for pathogens at different levels in the value-chain, particularly *Salmonella Enteritidis* (SE).

The focus of the working groups has been to reduce the potential for foodborne illness from poultry products, with specific attention being placed on SE due to its importance as a public health concern. Underscoring the significance of this issue, the Canadian Food Inspection Agency sent a notice to industry in March of a new requirement to reduce salmonella to below detectable limits in frozen raw breaded chicken products.

This working group will continue to examine surveillance options and management protocols to reduce SE throughout 2019. At the same time, CFC will continue to communicate about proper cooking and safe food handling practices to consumers.

compliance and engagement with the program remains high, with 100% of farmers maintaining their certification. This is yet another component of the value and assurances offered through the *raised by a canadian farmer* brand.



RESILIENCE

Antimicrobial Resistance & Use



The issues of antimicrobial resistance and use (AMR and AMU) remain at the forefront of Chicken Farmers of Canada's work. We are implementing an antimicrobial use strategy to meet consumer expectations while protecting the health and welfare of birds, and Canada's chicken farmers continue to evolve their production practices in response to consumer preferences. This is a key area of our on-going work to improve the value and assurances offered through the *Raised by a Canadian Farmer* brand.

As part of the AMU strategy (bit.ly/2EJ48il), the preventive use of Category II antimicrobials was eliminated at the end of 2018. This follows the successful elimination of the preventive use of Category I antibiotics in 2014. The third phase of the strategy is a goal to eliminate the preventive use of Category III antimicrobials by the end of 2020; CFC will be conducting a review of this goal in 2019 to ensure the industry is prepared. The strategy is built on the foundations of reduction, surveillance, stewardship, and research and innovation. It maintains the use of ionophores (those antimicrobials not used in human medicine), along with antibiotics for disease treatment to maintain the health and welfare of birds.

strengthening antimicrobial use and oversight

The main focus of work in 2018 was preparing the value chain for the second step in the AMU reduction strategy – the elimination of Category II antibiotics for disease prevention by the end of the year. To this end, CFC published two magazines to support and educate farmers and value chain stakeholders in preparing for this next step. The first edition (bit.ly/2E1bKSi) included information on the strategy and timelines, the importance of getting involved, and provided perspectives from industry experts and practical advice on barn management. The second magazine (bit.ly/2NOXIII) featured more video content and set out to support producers by focusing on key aspects of on-farm management, specifically brooding.

For clarity and consistency, it was necessary to formalize the definitions of therapeutic versus preventive use and extensive consultations were held throughout 2018 with the poultry veterinary community to accomplish this. These were reflected in the *Raised by a Canadian Farmer* On-Farm Food Safety Program update (bit.ly/2tWYMEc), which was distributed to all farmers as an amendment to the program to reflect the Category II elimination.

Modernizing the regulatory approval process for viable microbial products (probiotics, prebiotics) is another key area that CFC continues to work on to set farmers up for success in a reduced antimicrobial use environment. These are important tools that can play a role in successful gut health management and CFC has been working with government and value chain stakeholders for a number of years to improve access to, and accurate labelling of, these products in Canada. CFC was pleased with the steps that Health Canada took this year to increase the flexibility in classification and permissible label claims, and this should provide greater confidence to animal health product companies to enter the Canadian market. More work is still needed to expand the list of permissible claims, and CFC will continue to collaborate with government and value chain stakeholders to find solutions that meet both government and industry goals.

To ensure the success of the AMU strategy overall, the entire value chain continued to work together throughout 2018 to address the challenges presented by a national strategy. For example, management practices at the broiler breeder, hatchery, and farm level have all been reviewed with the lens of ensuring bird health and welfare specifically in antibiotic reduced flocks. Surveillance is also ongoing, by both industry and government, to monitor compliance with, and the impacts of, the reduction strategy. The Canadian Integrated

Program for Antimicrobial Resistance Surveillance (CIPARS) continues to monitor antimicrobial use and resistance levels, and this information will be especially useful going forward, as CFC conducts an assessment in 2019 of the Category III elimination goal.

coordinated efforts

Governments are also actively focused on the issue of antimicrobial use and resistance, and important regulatory changes came into effect this year which complement CFC's AMU strategy work. As of December 1st, all medically important antimicrobials (Category I, II, and III) required a veterinary prescription and were no longer available over the counter. CFC's AMU strategy encourages increased veterinary oversight of antimicrobial use, and this regulatory change helps to encourage that. At the same time, all claims for growth promotion were removed from drug labels and this also dovetails well with CFC's efforts to ensure responsible use of antimicrobials.

The objectives and approach of CFC's strategy are consistent with the Canadian government's Pan-Canadian Framework on Antimicrobial Resistance and Antimicrobial Use. In 2018, CFC continued to collaborate with government on the development of the forthcoming Pan-Canadian action plan and will continue to work with government on this identified priority.

animal care



This is at the heart of what we do. We understand that people care deeply about their food, about knowing where it comes from and how it was raised, and our farmers and their families are no different. This is why Chicken Farmers of Canada has developed and implemented a robust animal care program to demonstrate the level of care on Canadian chicken farms.

The *Raised by a Canadian Farmer* Animal Care Program has been in place since 2009, and it remains the only program capable of ensuring that animal care standards are implemented and audited on all chicken farms in Canada:

- » Our program has credible foundations in that it is based on the Code of Practice and has been recognized by the National Farm Animal Care Council for meeting the requirements of their assessment framework
- » Our program includes annual farm audits and third party audits, ensuring accountability on every farm
- » Our program is mandatory in all 10 provinces, ensuring participation and compliance from all farmers
- » Our program has strict enforcement measures in cases of non-compliance
- » Our program is reviewed regularly and is continuously improving and evolving as we learn

continuously improving

Chicken Farmers of Canada has been working diligently to update the *Raised by a Canadian Farmer* Animal Care program. To do this, CFC worked through the National Farm Animal Care Council's (NFACC) (bit.ly/2JcZwqn) Animal Care Assessment Framework, adding to the credibility and transparency of the review process. A diverse group of stakeholders met

several times throughout 2017 and 2018 to revise the program and bring it in line with the new Code of Practice requirements. The resulting program manual (bit.ly/2EXoVA9) has been recognized by NFACC and audits with the new standards will begin January 1st, 2019.

The full program manual, as well as a list of updates (bit.ly/2IXIXhH), was distributed to farmers ahead of the implementation date. Changes have been made in the following areas:

section 1 - worker's and management

- » Codes of conduct
- » Training and records

section 3 - environment

- » Air quality and lighting

section 5 - bird monitoring and handling

- » Proper handling practices

section 6 - health care practices

- » Flock Health Plan
- » Mortality
- » Euthanasia

section 7 - emergency management and preparedness

- » Contingency plan

section 8 - catching and loading

- » Farm building and design
- » Flock evaluation



Flock care post-catching

On an annual basis, CFC conducts management reviews, internal audits, witness audits of auditors and third-party audits of the entire program. Each of these initiatives helps to ensure effective implementation and to refine the program.

Third party audit

To further demonstrate to customers and consumers the commitment of farmers and the effectiveness of the programs, the *Raised by a Canadian Farmer* Animal Care and On-Farm Food Safety Programs are third-party audited by NSF International. NSF is an internationally recognized third-party certification body that uses PAACO (Professional Animal Auditor Certification Organization) certified auditors and is accredited by the American National

Standards Institute to ISO 17065. Each year, third party audits are conducted at the national office, three to four provincial board offices, on a sample of farms in every province, and on CFC's on-farm auditors. In 2018 this was amended to include all auditors, each of whom undergo two witness audits from NSF.

For the third year in a row NSF's assessments demonstrated that CFC has effectively and consistently implemented the *Raised by a Canadian Farmer* Animal Care and On-Farm Food Safety programs. These results, combined with having a mandatory program for all farmers, help to ensure the credibility of the program and the confidence that processors, retailers and restaurants need to support one national approach.

NFACC and the codes

The National Farm Animal Care Council (NFACC) (bit.ly/2Tqs2cq) is the only organization in the world that brings together animal welfare groups, enforcement, government and farmers under a collective decision-making model for advancing farm animal welfare. NFACC leads the Code development process in Canada, which determines what the national animal welfare standards should be based on the latest science and practical experience.

CFC has been a member of NFACC since 2006, and Nick de Graaf, the Director from Nova Scotia, is CFC's representative on the NFACC Board.

A big focus of NFACC's work in 2018 was updating of the Transport Code. The scope of the various commodity Codes ends at the farm gate, and the Transport Code covers animal welfare practices of all species in transit. With multiple commodity groups involved, this is a complex undertaking that requires the experience and expertise of numerous stakeholders. The Code update process always begins with a full scientific review of priority welfare issues, and this was published in March. With this as the foundation, the Transportation Code development process is now underway and is expected to be complete in 2023.

Other activities for NFACC this year included the release of a new video (bit.ly/2TFyOdC) to talk about how the Codes are used in Canada, and a full review of the Code public comment period. A report was published from this review with recommendations on how to enhance the way public feedback is invited, received, and incorporated into the Code development process.

NFAHWC

The National Farmed Animal Health and Welfare Council (NFAHWC) was formed in 2010 and is a unique advisory group funded jointly by federal, provincial and industry/non-government stakeholders. The Council's

main role is to develop recommendations on key policy areas for consideration by federal and provincial governments, and by industry. Marco Volpé, the New Brunswick alternate, represents Chicken Farmers of Canada on the Council.

The Council spent time in 2018 evaluating their role and how they can continue to evolve to meet the needs of stakeholders. While the Council has primarily been an advisory body to-date, their role will be changing over the coming years to take on more project and program management. To this end, an Executive Director was hired, Dr. Megan Bergman, who will provide direction and manage the Council's increasing activities. As an example of this evolving role, the Council is working to take on the administration of the Canadian Animal Health Surveillance System (CAHSS), which is currently led by the Canadian Food Inspection Agency.

The Council published two new advisory reports (bit.ly/2VJtK5y) in 2018 – Animal Welfare Law in Canada, and the Slaughter Establishment Study. A report was also drafted outlining the many activities that are underway to enhance antimicrobial stewardship, demonstrating progress on the Council's 2016 Antimicrobial Stewardship in Food Animals in Canada report. Webinars will be held in the Spring of 2019 to highlight these stakeholder activities and progress on the recommendations and to invite discussion on the development of the Pan-Canadian Action plan.

The Council's 8th annual forum was held in November and this year's theme was "Partnership and the Next Generation of Canada's Farmed Animal Health and Welfare Systems." This was the most well-attended forum to date and continues to be great opportunity for idea sharing and networking among industry and government representatives.

Throughout 2019 Council will be working on enhancing their outreach and utilizing web-based tools to further facilitate communication and consultations.

Raised by a Canadian Farmer

**MEANS EVEN
MORE NOW**



Chicken farmers are proud to raise the Canadian chicken you trust!

Canadians want fresh, high-quality Canadian chicken and our farmers are proud to raise it to some of the highest standards for food safety, animal care, and sustainability.

That's what "Raised by a Canadian Farmer" means.

poultry research

Research and innovation is the foundation that provides farmers with the information and tools to be able to protect bird health and welfare. It allows our industry to grow as we look for ways to make our quality product even better and respond to evolving consumer preferences.

Chicken Farmers of Canada (CFC) is a founding member of the Canadian Poultry Research Council (CPRC) which fosters innovation, science, and education in poultry research. Since its inception, CPRC has allocated over \$4.4 million to foster poultry research, and these funds have been leveraged to over \$25 million. Rick Kaptein the Alternate from Ontario is the CFC representative on the CPRC Board.

poultry research cluster

Since 2013 the Canadian Poultry Research Council had been administering the second poultry science cluster (bit.ly/2SPGI1K), part of the growing Forward 2 Program. The program ran for 5 years and came to an end in March this year, with all 17 projects being completed. Highlights of some of the results can be found (bit.ly/2C7Rzg8).

Wasting no time, CPRC worked throughout 2017 and 2018 to submit an application for the new research cluster program through Agriculture and Agri-Food Canada (AAFC) as part of the Canadian Agricultural Partnership Program. If successful, this cluster would be more than twice the size of the previous one, both in terms of the number of projects and the amount of funding. The AAFC Cluster is a way to significantly leverage industry funding as the federal government will support projects at a rate of 70%, and will allow another 15% to be covered by provincial funding.

The new cluster application includes 29 different research activities under 4 different themes:

- » Antimicrobial resistance and use
- » Poultry health and welfare
- » Food safety
- » Sustainability

A key component of this cluster activity will be the inclusion of a knowledge and technology transfer (KTT) activity, to ensure that research findings are shared throughout the industry. If successful, the demands of administering such a large project with activities spread across the country will be significant. In anticipation of this, and to continue to improve in delivering on its mandate, the CPRC Board approved a staff expansion for a position in research support. CPRC Directors also approved moving to new office space in 2019.

Another activity for CPRC this year was the restructuring of their scholarship program, with a goal to coordinate a number of different scholarships in partnership with various sponsors. CPRC is currently working with Aviagen to pilot the new program and will be issuing a call for applications in 2019. The scholarship program began in 2006 and each year one postgraduate student studying an aspect of poultry science at a Canadian University receives the \$5,000 award. The most recent scholarship recipient was Camila Marcola, a PhD student at the University of Alberta whose research is looking at the chicken gut microbiome and aims to identify commensal microbes that could improve poultry performance and disease resistance. A full listing of scholarship recipients and where they are now can be found (bit.ly/2XJwRME) on the CPRC website.



APRI research chair

In 2018, CFC partnered with the Atlantic Poultry Research Institute, Dalhousie University and the province of Nova Scotia to establish an Industry Research Chair position focusing on Sustainable Antibiotic Reduction. Dr. Deborah Adewole has been selected to fulfill this position and she began her new role in August at Dalhousie University's Faculty of Agriculture located in Truro, Nova Scotia. In this role, Dr. Adewole is primarily responsible for research and technology development in nutrition/nutrigenomics related to the production of chickens without antibiotics, and will conduct research and development activities that support responsible use of antimicrobials for chicken production.

sustainability

Sustainability is important to Canadian consumers. They want to know where their food comes from and they want to know that the work behind producing it is environmentally, economically and socially sustainable – chicken farmers deliver.

Chicken Farmers of Canada released a new Sustainability Report (bit.ly/2CsaTUG) this year which reaffirms the objectives and values of our Sustainability Excellence Commitment that was initially launched in 2016.

The four key sustainability values are:

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

A notable addition to this revised report is the results from the recently completed life cycle assessment (LCA). Groupe Agéco, a consulting firm specialized in the agri-food sector and LCAs, was commissioned to perform both an environmental and social LCA of Canadian chicken. An LCA is an internationally recognized approach to assess the impacts and efficiencies associated with the entire supply chain, which for the chicken sector includes breeders, hatcheries, farms, feed mills, all the way through to transport and processing.

Guided by the International Organization for Standardization (ISO 14040/14044), the environmental LCA reported the footprint of Canadian chicken through three main indicators: carbon footprint, water consumption and

non-renewable energy use. The social LCA is based on the internationally recognized UNEP/SETAC Guidelines and provided a qualitative assessment of the industry's socioeconomic performance.

These positive findings add to the strong value and assurances provided by, and demonstrated through, the *Raised by a Canadian Farmer* brand.

Conducting an LCA is part of CFC's strategy to support our industry's work in maintaining consumer and buyer confidence that supply chain risks are adequately addressed. This will help our industry determine which aspects of their production are most efficient, and where they can improve efficiencies, reduce environmental impacts, or improve social interactions along their entire value chains.

public trust steering committee

The Public Trust Steering Committee (PTSC) was established in 2017 with representatives of the fourteen Value-Chain Roundtables, following from the identification of public trust as a priority by Federal-Provincial-Territorial Agriculture Ministers, and consultations on the Public Trust Journey by industry leaders. Trust is becoming a defining issue for the entire Canadian agriculture and agri-food system, and the PTSC is a national forum for dialogue with industry and governments to encourage collaborative action in this area.

The main activity for the PTSC in 2018 was the submission of an application to the Canadian

Agricultural Adaptation Program to continue building the Public Trust Strategic Plan. The group was successful in securing funding and have now hired a consultant to run the project, which will go through to the end of March 2019. The project aims to:

- » Undertake research to:
 - Identify current and probable public trust issues
 - Inventory publicly accessible research on consumers' and influencers' attitudes and expectations
 - Analyze types of management approaches to public trust issues – what works and what does not, and extract and document best practices
 - Explore the benefits and approaches to using social and traditional media
 - Develop options for a mechanism for cross-industry communications consistency
 - Develop a public trust performance metrics system that would enable credible, consistent and ongoing performance reporting
 - Develop an alignment strategy to effectively manage the risk of inter-commodity competitiveness based on public trust issues.

Chicken Farmers of Canada contributed to the development, provided seed funding, and is an observer on the PTSC.

poultry sustainability value chain roundtable

Initiated in 2017, the Poultry Sustainability Value Chain Roundtable (bit.ly/2v6lCBo) brings together key senior Canadian poultry sector representatives with senior federal and provincial governments and value chain partners.

The objective of this roundtable is to provide a forum for collaborative action by industry and government. The group meets twice per year and the main areas of focus are:

- » Public trust
- » Food safety
- » Antimicrobial resistance and use
- » Animal care
- » Research and innovation
- » Consumer preferences

Nick de Graaf, CFC's Director from Nova Scotia, and Michael Laliberté represent Chicken Farmers of Canada on the Roundtable, while Steve Leech is chair of antimicrobial resistance and use working group. Other working groups have been established to address challenges in the sector and develop action plans in strategic areas: common approach to public trust, global scan, and research coordination.

A global scan of the poultry sector in international markets was presented to the Roundtable in May and this assisted the group in identifying gaps that need further attention by the poultry sector in Canada (e-commerce and maintaining social license). Also at the May meeting, the Canadian Food Inspection Agency provided an update on its Pan Canadian Action Plan development, and Roundtable members were asked to identify existing and upcoming initiatives associated with AMR for inclusion in the action plan. Input was also sought on how to better gather surveillance data for both AMR and AMU in the poultry sector.

trust is becoming a defining issue for the entire canadian agriculture and agri-food system, and the PTSC is a national forum for dialogue with industry and governments to encourage collaborative action in this area.



branding & consumer relations



raised by a canadian farmer brand

Chicken Farmers of Canada (CFC)'s *Raised by a Canadian Farmer* brand successfully completed its 4th year of consumer advertising and integrated marketing. The core message was expanded to “Chicken is part of a healthier diet and it’s raised by farmers you can trust” to further engage Canadian consumers, to provide education opportunities, and to encourage increased consumption of Canadian chicken.

2018’s traditional marketing plan included a stronger digital component through integrated email marketing across Canada.

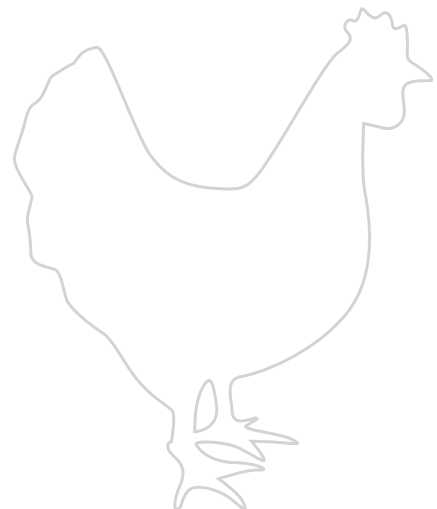
The brand was supported by a multi-platform, integrated traditional and digital marketing campaign, which addressed the importance of reinforcing the healthy image of Canadian chicken. The logo is made available to Canadian retailers, primary processors and foodservice operators.

The branding program was founded based on years of market research and expert marketing strategy analysis, which is used on an ongoing basis to monitor, measure, and manage brand awareness, likeability, and consumer engagement.

brand-building marketing programs

The multi-pronged marketing approach that has served the program well continued. Among consumers, the objective was to increase awareness of the brand and build its image. Among retailers, primary processors, and foodservice operators, efficient cobranding strategies were employed. Together, these programs effectively heightened the visibility of the *Raised by a Canadian Farmer* brand and increased prominence and importance of Canadian chicken among consumers. Performance measurement was a prime consideration for all activities and was used to track engagement on a campaign-by-campaign basis. Campaigns were adjusted throughout the year to maximize learning and strengthen campaign effectiveness.

Participant Marketing Programs: Licensing agreements are currently held with the following 26 processors, retailers and foodservice operators, with others signing on regularly.





foodservice

chorizo's
fat bastard burrito
harvey's
mary brown's inc.
montana's BBQ & bar
nando's
prime pubs
7-eleven
swiss chalet
tortoise restaurant group inc.,
specifically turtle jack's
restaurants
wild wing

retailers

walmart
sobey's
federated co-op
fiesta farms
kudrinkos
vince's market

primary processors

blue goose
eden valley farms
granny's poultry
maple leaf prime
maple lodge farms
retail ready foods inc.'s
liberterre chicken
sunrise farms
twin maple produce yarrow meadow
certified organic chicken
yorkshire valley farms

promoting the program

In 2018, brand new creative was launched to further the reach of *Raised by a Canadian Farmer* beyond the primary audience of Women 25-54 to millennials, as well as develop a more contemporary and distinctive image to support on-going brand-building. The new creative aired nationally across three media outlets:

Rogers Media, Québecor Groupe Média (TVA) and Ricardo Media, using multiple, integrated platforms of TV, digital, email marketing, and print. *Raised by a Canadian Farmer* ads tested a new broadcast format of 'Fade to Black', where the full 30-second commercial ran first, followed by 3-second teaser ads in following commercial breaks.

Here are some of the 30-second commercials:

[\(\[bit.ly/2HIUvJa\]\(https://bit.ly/2HIUvJa\)\)](https://bit.ly/2HIUvJa)

[\(\[bit.ly/2XliXdz\]\(https://bit.ly/2XliXdz\)\)](https://bit.ly/2XliXdz)

These, and others, are also available on the CFC YouTube channel: [\(\[bit.ly/2XKW7SA\]\(https://bit.ly/2XKW7SA\)\)](https://bit.ly/2XKW7SA)

CFC also continued to feature four seasonally-themed contests to generate additional interest and drive consumers to the chicken.ca/poulet.ca websites and convert subscribers to CFC's promotional newsletters. Messaging continued to emphasize the call to action "Ask for the *Raised by a Canadian Farmer* label at your local grocery store." Contest results continued to surpass digital benchmarks and achieve

outstanding engagement through conversion to CFC's e-newsletter, which enabled us to strengthen our proprietary digital assets.

CFC repeated its popular foodservice program with Swiss Chalet which included co-branded TV ads, flyers with coupons and placement on dining room menus.

The *Raised by a Canadian Farmer* Foodservice Participant Program will continue to focus on cost effective, turnkey solutions among large in-home and out-of-home foodservice operators in Canada.

CFC again participated in a fall wave of advertising in French Quebec with a full-page ad in Ricardo magazine and a return to the successful sponsorship of the Comfort Food section on ricardocuisine.com, the number one food and lifestyle website in Quebec. *Raised by a Canadian Farmer* was also a sponsor of the top-rated French TV program, Boomerang, on the TVA network.

Overall results

Brand awareness research conducted at year-end reported several impressive increases, which speak to the strong strategic elements and powerful new creative.

- » Awareness of the *Raised by a Canadian Farmer* brand increased for the third consecutive year. Close to four-in-ten consumers (37%, up 2 percentage points from 2017 and a significant increase from 27% at the launch of the program in 2015).
- » Likeability of the television advertising with our new creative increased to 84% (78% in 2017).
- » And likelihood to purchase fresh Canadian packaged chicken increased to over six in ten consumers (63%, +11 percentage points versus 2017), after watching the TV ad.

Additionally, *Raised by a Canadian Farmer* advertising scores were typically higher with younger audiences (Millennials and Gen Z) across key variables, reflecting the relevance and engagement of the new creative.

2019 Branding Initiatives

Mid-way through the year, CFC's branding agency conducted a comprehensive review of national TV media outlets and recommended we expand to specialty TV in line with evolving consumers' viewing habits. 2019 media plans will include a fourth media outlet (Corus) to enable a stronger millennial reach.

To this end, the campaign will be expanded to reach both our core audience of Women 25-54 and Adults 22-37 using more mass media tactics, employing conventional and specialty TV channels, increasing the quality of prime-time TV programs, introducing Corus Entertainment (Food Network, Showcase, and Women's Network) to the lineup for its strong appeal to both audiences, and increasing the *Raised by a Canadian Farmer*'s digital footprint with a new email marketing program. In 2019, we will double our quarterly digital marketing programs, building on campaign results. CFC will advertise weekly in the iconic Food Network Canada e-newsletter for three weeks each campaign in addition to continuing with the Chatelaine e-mail marketing program. In Quebec we will advertise in both the Ricardo and Coup de Pouce e-newsletters.

The 2019 marketing plan will also feature four full campaign flights in French Quebec vs. three in the prior year.

The *Raised by a Canadian Farmer* Foodservice Participant Program will continue to focus on cost effective, turnkey solutions among large in-home and out-of-home foodservice operators in Canada.



consumer research

A quick check into the current knowledge and awareness of Canadians as to how chickens are raised revealed a few telling details:

- » Many Canadians say they “don’t know” when asked about how chickens are raised for meat in Canada (numbers ranged from 19% to 45% in response to statements or questions about specific conditions or situations)
- » Millennials are the most likely to agree that statements being tested were true, even though some were myths (Millennials answered “true” the most in all eight statements and ranged from 39% to 76% with their assertion)
- » More than four-in-ten (44%) Canadians agree that ‘chickens are raised on family farms’ is true. Only three-in-ten Canadians agree ‘chickens are raised without added hormones or steroids’ (30%) and ‘chickens are raised without antibiotics’ (28%) is true.

Another study, into consumption and support for dairy, poultry, and egg products revealed:

- » Consumption of cheese, chicken, eggs, beef, pork, and lamb has remained relatively consistent since 2014 with milk seeing the only slight decline. However, perceptions of affordability have decreased considerably with beef, pork, eggs, chicken, and milk

seeing at least a 10% drop. More than 8 in 10 Canadians are eating cheese, milk, chicken, and eggs at least once per week or more often.

- » Most Canadians (nearly 9 in 10) say that Canadian government support for farmers is important to them. This is slightly higher compared to 2014 (88% vs. 84%).
- » While prior awareness of the supply management system was relatively low (4 in 10 aware), once aware, more than 8 in 10 Canadians feel the system is important.
- » Comfort with Canadian products is far greater than the comfort with farmed products outside our country. This higher level of comfort is aligned with the more than 8 in 10 Canadians who trust Canadian farmers (including their quality standards), feel good buying from Canadian farmers, and prefer to buy local.

additional research

Towards the end of this year, CFC conducted a research study that explores Canadians’ attitudes towards dietary lifestyles, Canadian origin, trust in Canadian farmers, and the reliability of information from vegan activism groups.

Here are some highlights:

moderation diet and Lifestyle is most Admired

- » The majority (85%) of Canadians believe a moderation diet (a diet that includes all foods in moderation, including meat) is the healthiest of the diet and lifestyles listed. Some of the reasons given for eating a moderation diet include, its healthy, its beneficial to eat in moderation and its balanced.

canadians trust canadian farmers

- » Nine-in-ten (92%) Canadians trust the farmers in their country, and six-in-ten Canadians trust farmers from the USA and Europe. Outside of North America and Europe, however, trust for farmers decreases.
- » The vast majority of Canadians trust Canadian farmers and the quality standards of the food that comes from them. Canadians are also proud about buying Canadian food and food from Canadian farmers. Eight-in-ten Canadians admit to worrying about food from countries other than Canada.

vegans find activist groups reliable for information about animal welfare and best farming practices in Canada

- » Eight-in-ten Canadians have heard of at least one of a list of specific activist organizations, with more than two-thirds having heard of PETA. Of those who have heard of one of the groups, two-thirds (62%) believe these groups are a credible source of information, however this number jumps to 87% among vegans.
- » When it comes to looking for information about animal welfare and best farming practices, the majority say they would look to farmers as a reliable source of information, followed by family / friends, doctors and online sources. On the other hand, vegans are less likely to turn to farmers for this information, and most likely to look to activist groups.



buying canadian is important to most Canadians

- » When thinking about purchasing chicken, beef or dairy, Canadians are most likely to choose Canada, over many other countries (including U.S., Brazil, China, Mexico, India, Europe, and Chile), when it comes to highest quality, best price, best food safety standards, and best animal care standards.
- » More than eight-in-ten Canadians say they trust Canadian made chicken, beef and dairy, over many countries (including U.S., Brazil, China, Mexico, India, Europe, and Chile).

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.

brand Ambassadors

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

Simplystacie.net

Thebewitchinkitchen.com

Powered-by-mom.com

Marieevcaplette.com

Marginaleetheureuse.com

Twitter parties

CFC hosted evening Twitter parties to support active campaigns throughout the year. These Twitter parties generated an average impression reach of 37 million people, and 150 million impressions by the end of the year.

chicken chats

CFC hosted 10 daytime Twitter chats which focused on health topics including Canadian chicken as part of a healthy diet, generating 154 million impressions. Topics included Heart Health Month, Nutritious spring meals, Balancing meals with in season greens, Healthy Mother’s Day Brunch, Healthy Father’s Day Barbecue Meals, Safe and Healthy Outdoor Dining, Back-to-School, National Chicken Month, Healthy One-Pot Meals, Healthy Soups, Stews and Casseroles.



Trade shows and outreach

The focus of CFC’s outreach activities is to continue to increase our credibility, capture consumer interest, and raise awareness of the *Raised by a Canadian Farmer* brand and what it stands for. As well, there is a greater incorporation of trust messaging regarding the food safety, animal care and sustainability programs, now that they have been embedded within the *Raised by a Canadian Farmer* identity.

Trade shows are a great opportunity to have direct interaction with audiences that are sometimes more difficult to reach. Health professionals continue to be a target audience for CFC, but the outreach program is being expanded to reach foodservice and restaurateurs, grocers, and other retailers.

In 2018, we attended the following:

- » Restaurants Canada
- » Dietitians of Canada
- » Canadian College and University Food Service Association (CCUFSA)
- » Restaurant Realities
- » Grocery Innovations Canada
- » Diabetes of Canada
- » Breakfast on the Farm





Outreach to health professionals increased in 2018, given the upcoming revisions to the Canada Food Guide and its lack of proactive inclusion of meat protein. This is part of our ongoing strategy to ensure health professionals have the information and the tools they need about the importance of meat protein, specifically chicken, within a healthy diet.

support them. This talk was very well received, with numerous people coming to us after lunch to ask further questions.

Following the Restaurant Realities Redefined event, CFC attended the Diabetes of Canada Annual Conference and Meetings event in Halifax Nova Scotia. CFC sponsored a branded delegate lounge, and also had a booth during the conference to answer questions and provide information on our Nutrient Factsheet Program. There were approximately 3,000 people at the conference, and we received a lot of questions and interest in our Nutritional Factsheets. This four-day conference attracts many different types of Healthcare Professionals, including dietitians, pharmacists, and community outreach professionals.



In October, CFC was invited to participate in the Restaurant Realities Redefined, a fusion of the Canadian Restaurant Investment Summit (CRIS) and the Canadian Foodservice Summit in Toronto, Ontario. The event brought 250 restaurant industry executives together to explore the changing industry and the future challenges that may arise. We co-sponsored an information booth with

Egg Farmers of Canada (EFC) and the Canadian Poultry and Egg Processors Council. Through this sponsorship, we also received a speaking opportunity. Robin Horel from Canadian Poultry and Egg Processors Council (CPEPC) spoke during the lunch on the robust animal care programs within poultry and eggs, reminding the audience that our organizations are here to

Later in October was the Grocery Innovations Canada Food Show put on by the Canadian Federation of Independent Grocers (CFIG). This large event attracted over 7,000 people from within the grocery and food service sector. CFC sponsored the delegate bags, and also attended as an exhibitor. CFC promoted the *Raised by a Canadian Farmer* brand and made more connections within the retail and food sector.

blogger tour

This past fall, Chicken Farmers of Canada, as a part of one of its strategies, held a blogger tour on a farm, to which we invited four prominent food and lifestyle bloggers. The tour went exceptionally well, with the bloggers emerging very impressed at how a chicken farm works.

The video covering the tour will be shown at the January 2019 CFC Board meeting. The video was widely promoted across social media channels at the end of December.

The bloggers have written about their experiences in the blogs listed below. These blogs are in English only. We were supposed to have conducted a tour in Quebec in French, as well, but circumstances beyond anyone's control prevented that from happening. We will consider doing it in 2019.

Some have more in-depth content about the tour, whereas others are more focused on the recipes. Nonetheless, the information about chicken farming is great.

Over the course of our paid campaign, the combined short ad impression rate was over 1.5 million. Full click throughs to the videos numbered around 500,000. Apart from a few, expected internet "trolls", feedback was positive.

5 Minutes for Mom: Sheet Pan Maple-Glazed Chicken Recipe... and a Canadian Chicken Farm Tour (bit.ly/2Tm4buL)

Extra Sparkles Please: Creamy Chicken Penne (bit.ly/2UyhEvG)

Renee M. Leblanc: Chicken Avocado Salad @ theinsidecoop (bit.ly/2C8zBKe)

Rock Recipes: Stuffed Chicken Thighs with Mozzarella Prosciutto & Quick Tomato Sauce (bit.ly/2Ho5B0n)

Click here to watch the Blogger tour on (bit.ly/2EM64Xh).

videos and other content

CFC developed a short myth busting video that will be featured on social media, across many different channels in 2019. We also worked with CPEPC to develop a similar video regarding processing, but that video is currently being reviewed by the CPEPC staff and Board. The video features common myths and misperceptions about chicken farming and will be made available once the final touches have been put on it.



public relations strategy

supply management

2018 marked a rise in attacks against supply management, mainly due to the ongoing NAFTA discussions and the finalization of CUSMA. Op-Eds, letters to the editor were submitted to various news outlets and posted on chickenfarmers.ca. In order to complement these initiatives, infographics and videos were updated to reflect numbers that were more recent in order to be shared on social media. As we've seen in the last years, infographics are popular with Canadians and help tell a story using compelling facts and strong images.

day in the life

In 2018, CFC was proud to launch the "Day In the Life" initiative, a compelling look at what a typical day on a chicken farm would be. In late 2017, CFC filmed the first videos of this series, profiling Steve DeVries from Ontario and Meggie Villeneuve from Quebec. These videos were released in early 2018 and immediately attracted attention from across the country. The simple storytelling and transparent look into these families' lives resonated deeply with Canadians. These two videos also opened the door to many different promotional outlets, including local news stories, interviews and social media campaigns. Steve and Meggie were also paired up with local swimmers in a campaign called "Love Your Farmer, Love Your Swimmer" promoted by Swimming Canada. The success of these videos ensured that CFC would look into producing more of these videos, profiling one farmer per province. You can view Steve's video (bit.ly/2HkzoXY) and Meggie's video (bit.ly/2IVJCOH).

In late spring 2018, CFC set out to film two more of these videos, profiling Tim Ansems from Nova Scotia and Barry Uyerlinde from

Prince Edward Island. These videos will be released in early 2019 with a big push on social media. CFC has already begun work on the next videos in this series, to be filmed in 2019.

downtown diner

On June 12th, Parliamentarians, staffers, and the public swung by the annual Downtown Dinner to meet with farmers and grab a quick bite, all while discussing Canadian agriculture. This annual pop-up diner hosted on Sparks Street in Ottawa welcomes everyone to enjoy a delicious treat made from dairy, poultry, and egg products.

Farmers from all across Canada were present to answer questions regarding supply management, farming and the on-going NAFTA negotiations. This was particularly important, as many wondered what the impacts of NAFTA would be on supply management farmers.

Farmers were also happy to see Prime Minister Justin Trudeau and Minister Lawrence MacAulay stop by for a bite all while reconfirming their government's strong support for Canada's successful supply management system.

social media and chickenfarmers.ca

Chickenfarmers.ca underwent an extreme facelift in 2018, as it launched a new look in January. This long overdue revamp included a newly organized resources section, an easier way to navigate through the website and a new platform to easily promote all the videos CFC produces. The new look and feel was very well received and will continue to help promote new materials created by CFC.

CFC also launched the finalized version of The Social Media Toolkit for Farmers. This document created by CFC outlines the basic use of social



Special guests at the annual Downtown Dinner.

media for farmers who may not know how social media works and is interested to know where to begin. The toolkit also included a list of all CFC social media accounts and some do's and don'ts when it comes to using social media. This popular tool prompted CFC to continue on this path by hiring farmer and social media guru Andrew Campbell in order to present to farmers how to promote farming on social media. His presentations in various provinces were well received and farmers found it very useful. CFC will continue to work with Andrew in the upcoming year to continue educating farmers on the benefits of using social media in order to promote chicken farming across Canada.

national chicken month

2018 marked Chicken Farmers of Canada's third annual National Chicken Month! Throughout the month, consumers across the country got talking about the importance of Canadian chicken and all the benefits it brings to Canada.

CHEFS D'OEUVRES

Leveraging on the partnership chicken farmers have with Swimming Canada, four Canadian chicken farmers were put to the test in a cook-off versus Canadian swimming athletes.

The first video had Cathy and Tatyana Keet, from Saskatchewan, battling it out with Martha McCabe and Savannah King, two Canadian swimmers. At the end of the week, Tatyana and Cathy were crowned the winners! Check out the cook off (bit.ly/2SMoTi4)

The second video featured Quebec chicken farmers brothers Félix and Anthony Morin against swimming champions Camille Bérube and Charles Francis. The results came in and Félix and Anthony won by a landslide with their chicken chili! See the heated round (bit.ly/2J0HVSD).



Winners of Canada's worst chicken chef contest, Malissa and James with chef Michael Blackie

CANADA'S WORST CHICKEN CHEF CONTEST

This year, we replaced the recipe contest with Canada's Worst Chicken Chef contest. Consumers had to submit their story in order to get a chance to win a trip for 2 to Ottawa, private cooking lessons with celebrity chef Michael Blackie and \$1,000 spending cash. Winners Malissa and James were chosen for their original entry and had a wonderful time with Chef Blackie. You can see their video entry here (bit.ly/2tVHWwA)!

TWITTER PARTY

On September 12th, CFC hosted a Twitter Party in honour of Chicken Month with the title #IHeartChickenFarmers. Consumers got a chance to chat about why they love chicken, share recipes and learn about the great work chicken farmers do for Canadians. The party garnered 33 million impressions and had a reach of 1.4 million.

INSTAGRAM GIVEAWAYS

This was by far the most popular contest during this year's National Chicken Month. Each week, in collaboration with Swimming Canada, consumers could like, tag a friend and comment on a picture of a swag prize pack for a chance to win. This was the first time CFC used this popular method to promote its messaging, as well as use Instagram as a method for contest, and it allowed CFC to grow that Instagram account to get more followers.

CANADIANS WANT CANADIAN CHICKEN

Now more than ever.



brand@chicken.ca | chicken.ca | chickenfarmers.ca



partnership with swimming canada

As you know, Canadian chicken is the “official protein of swimming in Canada”. Chicken Farmers of Canada (CFC) is a proud supporter of Swimming Canada and has been since 2012. 2018 marked a solid year with Swimming Canada as CFC collaborated on many projects with them. The *Raised by a Canadian Farmer* brand was present during all 2018 swimming competitions with the following onsite activations:

- » CFC pool-side board (2.5ft x 6ft)
- » Display of CFC logo on Videoboard
- » Full page black & white advertisement in heat sheets
- » PA Announcements acknowledging CFC as the official protein of Swimming Canada
- » Opportunity to present medals
- » Pool Peeps presented to each medallist (approximately 1,000 peeps)

Social Media activities reached a new high, including:

- » Recipe of the Week – Average reach of 4,200 people/post
- » Weekly Health Feature – Average reach of 4,000 people/post
- » Monthly Team Kitchen – Average reach of 3,500 people/post

In 2016, we jointly produced a fantastic video featuring Olympic medalist Hilary Caldwell. Called “The Farm”, the video features Hilary getting some extra ‘coaching’ from one of our farmers, Derek Janzen from B.C. In 2018, we filmed the sequel called “The Pool” where Derek took swimming lessons from Hilary. The video was popular, garnering over 134k impressions and reaching over 80k. You can see the video (bit.ly/2EVf1O6).

We also produced new content called “Love You Farmer, Love Your Swimmer” as we paired up our Day in the Life farmers with local swimmers. The campaign was quite successful, introducing some of our farmers to Canadians across the country. Be on the lookout for four more pair ups in 2019!

As far as we’re concerned, swimming is a life skill – not just a sport. While we love supporting athletes, we also love supporting kids and recreational swimmers while they learn this most important, fundamental, and necessary requirement for Canadian life.



New Young Farmers Program

2018 marked the creation of Chicken Farmers of Canada's (CFC) Young Farmers Program to bring together young farmers from across the country to learn about how the Canadian chicken industry works, and to share their experiences and knowledge, as well as to identify new leaders in the industry.

Young chicken farmers from family farms across the country will gain valuable experience to bolster their entry into the chicken industry and reinforce the timeless values that are the backbone of rural Canada. This Program will give them the tools and training to continue growing in the industry, with the long-term goal of having them play a larger role in promoting chicken farming in Canada.

Every year, five young farmers will be selected to partake in the 18-month program. In order to represent the chicken farmer population in Canada, CFC has installed a representative distribution of candidates from across the country – one representative from the Atlantic provinces, one from Ontario, one from Quebec and two from the Western provinces. By the time they complete 12 months of the program, they will be in a position to mentor the next group of five representatives – ensuring that there is always carry over and knowledge transfer.

Some of the activities these young farmers will partake in are as follows:

- » Attend the annual Canadian Young Farmers Forum Conference
- » Attend a communications and media training offered by CFC
- » Attend CFC's summer meeting
- » Present on their experience during the following year's AGM

This is only a snapshot of their activities, which include several other training sessions or meetings throughout the 18-month program.

The following young farmers were chosen for the 2019-2020 Program:

- » Nicholas Budd from New Brunswick as the Atlantic representative
- » Frédéric Emery Dufresne from Quebec as the Quebec representative
- » Jonathan Giret from Ontario as the Ontario representative
- » Tiffany Martinka from Saskatchewan as one of the Western representatives
- » André Poulin from Alberta as one of the Western representatives



Tél./Tel: 613-237-9331
Télec./Fax: 613-237-9779
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP
180 Kent Street
Suite 1700
Ottawa ON K1P 0B6 Canada

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

Opinion

We have audited the financial statements of Chicken Farmers of Canada (CFC), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CFC as at December 31, 2018, and its statements of operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CFC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing CFC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CFC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CFC's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 CFC internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CFC ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CFC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
March 1, 2019

CHICKEN FARMERS OF CANADA

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
cash	\$ 2,125,610	\$ 1,000,908
short term investments (Note 2)	1,200,000	3,035,343
accounts receivable	1,544,148	1,614,917
prepaid expenses	113,005	103,898
	4,982,763	5,755,066
Long term investments (Note 2)	11,392,969	9,954,594
tangible capital assets (Note 3)	196,205	209,243
	\$ 16,571,937	\$ 15,918,903
LIABILITIES AND FUND BALANCES		
CURRENT		
accounts payable and accrued liabilities	\$ 383,051	\$ 739,909
current portion of deferred lease inducement (Note 4)	14,909	29,531
	397,960	769,440
Long term portion of deferred lease inducement (Note 4)	6,487	21,396
	404,447	790,836
contractual obligations (Note 5)		
fund balances		
internally restricted - promotion fund	-	-
internally restricted - research fund	4,844,637	4,888,946
unrestricted - general fund	11,322,853	10,239,121
	16,167,490	15,128,067
	\$ 16,571,937	\$ 15,918,903

on behalf of the board:



Barry Myerlinde,
Finance Committee, Director



Yvan Brodeur,
Finance Committee, Director



Dennis Steinwand,
Finance Committee, Director

CHICKEN FARMERS OF CANADA

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2018

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2018	2017
balance, beginning of the year	\$ -	\$ 4,888,946	\$ 10,239,121	\$ 15,128,067	\$ 15,941,776
excess (deficiency) of revenues over expenses	(901,039)	(44,309)	1,984,771	1,039,423	(813,709)
interfund transfer (note 6)	901,039	-	(901,039)	-	-
balance, end of year	\$ -	\$ 4,844,637	\$ 11,322,853	\$ 16,167,490	\$ 15,128,067



CHICKEN FARMERS OF CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2018	2017
REVENUES					
Levy and fee revenue	\$ -	\$ -	\$ 9,109,424	\$ 9,109,424	\$ 8,638,359
Interest	-	97,923	194,662	292,585	270,293
overmarketing and market development levies	714,534	-	-	714,534	259,113
other revenue	-	-	6,380	6,380	7,600
	<u>714,534</u>	<u>97,923</u>	<u>9,310,466</u>	<u>10,122,923</u>	<u>9,175,365</u>
EXPENSES					
amortization of tangible capital assets	-	-	65,430	65,430	73,663
canadian poultry research council committees	-	95,318	-	95,318	201,712
communication	-	-	259,225	259,225	269,785
corporate social responsibilities	-	-	56,750	56,750	61,612
directors and alternates	-	-	1,368,814	1,368,814	1,479,909
information technology	-	-	67,528	67,528	115,187
loss on disposal of tangible capital assets	-	-	613	613	-
membership fees	-	-	219,899	219,899	228,430
office	-	-	405,425	405,425	419,774
professional fees	-	-	437,559	437,559	445,525
promotional activities	1,392,630	-	-	1,392,630	1,330,833
salaries, benefits and travel	-	-	3,013,173	3,013,173	3,133,918
special studies	222,943	45,000	754,032	1,021,975	973,572
trade	-	-	167,220	167,220	119,889
translation	-	-	123,884	123,884	160,916
	<u>1,615,573</u>	<u>140,318</u>	<u>7,321,221</u>	<u>9,077,112</u>	<u>9,751,460</u>
EXCESS [DEFICIENCY] OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(901,039)</u>	<u>(42,395)</u>	<u>1,989,245</u>	<u>1,045,811</u>	<u>(576,095)</u>
NET DECREASE IN INVESTMENTS	-	(1,914)	(4,474)	(6,388)	(237,614)
EXCESS [DEFICIENCY] OF REVENUES OVER EXPENSES	\$ (901,039)	\$ (44,309)	\$ 1,984,771	\$ 1,039,423	\$ (813,709)

CHICKEN FARMERS OF CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
excess (deficiency) of revenues over expenses	\$ 1,039,423	\$ (813,709)
items not affecting cash:		
amortization of net premiums on investments	76,936	68,749
amortization of tangible capital assets	65,430	73,663
amortization of lease inducement	(29,531)	(18,081)
loss on disposal of tangible capital assets	613	-
unrealized loss on investments	6,388	237,614
	<u>1,159,259</u>	<u>(451,764)</u>
changes in non cash working capital:		
accounts receivable	70,769	(484,366)
prepaid expenses	(9,107)	(7,955)
accounts payable and accrued liabilities	(356,857)	2,841
	<u>864,064</u>	<u>(941,244)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
purchase of investments	(2,703,357)	(3,685,512)
proceeds from disposal of investments	3,017,000	3,797,000
acquisition of tangible capital assets	(53,005)	(5,011)
	<u>260,638</u>	<u>106,477</u>
net increase (decrease) in cash	1,124,702	(834,767)
cash, beginning of the year	<u>1,000,908</u>	<u>1,835,675</u>
cash, end of the year	\$ 2,125,610	\$ 1,000,908

CHICKEN FARMERS OF CANADA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. Accounting policies

purpose of the organization

Chicken Farmers of Canada (CFC) is a not for profit organization incorporated pursuant to the *Farm Products Agencies Act* 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 *Income Tax Act*.

CFC charges levies to farmers based on chicken marketings in inter provincial and export trade and receives fees in relation to intra provincial trade.

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.

fund accounting

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

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

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

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

Revenue Recognition

CFC 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.

Investment income is recognized as revenue when earned.

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

	2018	2017
SHORT TERM INVESTMENTS		
guaranteed investment certificates (GIC)	\$ 1,200,000	\$ 200,000
Canada Housing Trust Bonds	-	2,835,343
	<u>\$ 1,200,000</u>	<u>\$ 3,035,343</u>
LONG TERM INVESTMENTS		
guaranteed investment certificates (GIC)	\$ 1,217,000	\$ 2,217,000
Canada Housing Trust Bonds	10,175,969	7,737,594
	<u>\$ 11,392,969</u>	<u>\$ 9,954,594</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 (2017 – seven years). Interest rates for these securities range from 1.7% to 3.8% (2017 – 1.7% to 4.1%).

3. Tangible capital assets

	2018		2017	
	cost	accumulated amortization	cost	accumulated amortization
office equipment	\$ 335,562	\$ 284,593	\$ 333,628	\$ 269,751
computer equipment	294,598	215,836	260,587	214,277
leasehold improvements	<u>436,319</u>	<u>369,845</u>	<u>436,319</u>	<u>337,263</u>
	<u>\$ 1,066,479</u>	<u>\$ 870,274</u>	<u>\$ 1,030,534</u>	<u>\$ 821,291</u>
net carrying amount		<u>\$ 196,205</u>		<u>\$ 209,243</u>

4. deferred Lease inducement

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

	2018	2017
balance, beginning of the year	\$ 50,927	\$ 69,008
amount amortized to expenses during the year	(29,531)	(18,081)
balance, end of the year	21,396	50,927
current portion	14,909	29,531
long term portion	\$ 6,487	\$ 21,396

5. 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 December 2021, and various other business contracts. Future minimum payments total \$395,568 and include the following payments over the three four years:

2019	\$ 309,226
2020	\$ 82,893
2021	\$ 3,449

commitments related to future hotel agreements

CFC has entered into multiple hotel agreements for 2019 and 2020 for which the organization would be subject to cancellation fees totaling \$200,514.

6. interfund transfer

The Board of Directors of CFC has approved a transfer of \$901,039 (2017 – \$1,317,039) from the General Fund to the Promotion Fund to cover the deficiency of the fund.

7. 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.

8. 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 2018 was \$146,806 (2017 – \$128,159).