



**Board of Directors**

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1: Laurent Souligny, Chairman; Walter Siemens, British Columbia; Charlie Van Arnam, Alberta; Frank Friesen, Manitoba. 2: Pieter Vanderpol, Canadian Poultry and Egg Processors Council (CPEPC); Raymond Laplante, Quebec; Peter Clarke, Nova Scotia. 3:Carolynne Griffith, Ontario; Tim Wiens, Saskatchewan; Frank Richardson, Northwest Territories. 4: Bill Gray, CPEPC; Robert Sexty, Consumers' Association of Canada; Don Burns, Prince Edward Island. 5: Ernie Unger, CPEPC; Gordon Hunter, New Brunswick and Bruce Simmons, Newfoundland.



## REPORT FROM THE CHAIRMAN

The Canadian Egg Marketing Agency, together with its industry stakeholders, can surely claim the year 2000 as one of the most successful ever. The success we enjoyed was borne from hard work, hard work throughout the year and preceding years. There were significant developments that assisted the Agency in its leadership role managing Canada's egg supply. Of course, these successes occurred because members of the Board of Directors worked well together and the provincial boards remained committed to a national marketing system for eggs.

I became the Chair of the Agency in March, following an extremely turbulent year. The Agency was without a quota order, pending the results of a hearing before a panel of National Farm Products Council. Two provinces, Manitoba and Saskatchewan, opposed the quota order, which called for a four percent national increase in the allocation. At the end of the day, Council did approve the quota order and while CEMA was relieved by the result, we fully realized serious tensions remained between CEMA and the egg marketing boards in the two provinces.

The complaints by Saskatchewan and Manitoba did highlight, as the Council panel itself pointed out, the critical need for the Agency to develop a

long-term quota plan. This work had indeed already started with the signing of the St. Andrew's Accord in 1999, though it was recognized at the time that the Accord, with its 22 action items, was of necessity an interim measure and more permanent solutions were required.

We made a great deal of progress in 2000 finding those solutions. A Quota Allocations Committee with producer representatives from all 10 provincial boards and the Northwest Territories was struck. The Committee held eight meetings, most of them over two days, to propose allocations formulas for both table shell egg market quota and eggs for processing. My heart-felt thanks go to the Committee's Chairman Robert Sexty who demanded from his Committee members nothing less than hard work, perseverance and fair consideration of all ideas.

As a result of the Committee's deliberations, an Agreement was reached and a quota order for 2001 approved by our Board of Directors and National Farm Products Council. Not everybody got everything they wanted from the Agreement. We can expect a period of growth as we implement the Agreement in 2001 and adjustments in the way we do business will undoubtedly be required. As the whole industry is adjusting to changing markets, so too must the Agency change.

Significantly, in 2000, financial peace returned to the Agency. I was fortunate to become chair immediately after many of the issues that led to some provinces withholding levies from CEMA were resolved. All of the levies outstanding have been returned to us.

In 2000, the Agency struggled with over-placement of birds in one province, Manitoba. I do not want to dwell on the misunderstandings that led to over-placement nor on the intense, sometimes angry discussions that ensued. What is significant and needs to be remembered is that by mid-year, the situation was resolved with a systematic plan in place to reduce placed birds. The plan was implemented and flocks were brought in line with the allocation. This

satisfactory resolution occurred because all parties wanted to ensure continued stability of our supply management system; and that resolve remains.

In short, we are working very well together. Over the year, all provincial boards are working more closely to encourage growth of our industry.

We have set a firm foundation for the challenges that await us in 2001. One of our biggest challenges will be developing a renewed Federal-Provincial Agreement (FPA). Our Quota Allocations Agreement provides substance for the renewal. But we will need to have both provincial boards and provincial governments on side to establish a renewed FPA. To do this, all parties will have to remain open-minded and some compromise will be necessary. I ask that all those who will be involved in this process to remember the benefits of a stable and national supply management system. We must continually improve and in an effort to do so, we must make the base upon which our industry is built even stronger.

Another challenge we must manage in 2001 is the need to increase consumption of eggs in Canada so our industry can expand. We must look to our marketing and promotional programs to help us achieve this end and expansion of these programs may be necessary. We have a good story to tell about eggs. They are nutritious and scientists now recognize the benefit of regularly including eggs in the diet.

In 2001, we must also complete our new Cost of Production study. On-farm surveys were completed in 2000 and the data must now be analyzed to develop a new COP. I thank the producers who participated in the survey — I know the survey takes a lot of your time. Nonetheless, it is essential that the surveys be completed so we can have a Cost of Production Formula that truly reflects our costs.

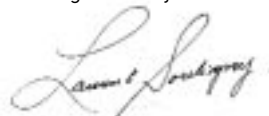
We will also face challenges internationally. We can expect further multilateral trade talks on

agriculture following the stock taking at the World Trade Organization in March, 2001. Our supply management system depends on effective over-quota tariffs and the ability to control access to our markets, so it is important that our over-quota tariffs and access levels remain at their current levels. In the past, Canada has given up so much access to others but has gotten very little in return.

The Canadian Egg Marketing Agency remains committed to a strong national supply management system for eggs. It is obvious to me that our provincial and territorial board partners and other stakeholders are equally committed. In 2000, the value of a national system proved itself as people came to the table and willingly stayed to discuss the many issues that affect us.

I'd like to extend my thanks to my colleagues on the Board of Directors for their advice, wisdom and for working the long hours it takes to thoroughly understand the matters that come before us. Members of the Executive Committee always made themselves available when I asked, and that was frequently on very short notice. My job as Chairman has been made easier because of them.

I'd also like to extend my thanks to our Executive Director David Clemons. Although he has been with us for less than a year, he has learned about our industry quickly and is able to focus our discussions on the priorities that need to be dealt with. Finally, I'd like to thank the staff at CEMA because they are the ones that keep our Agency running on a day-to-day basis. They are an important part of our supply management system.



**Laurent Souligny**  
Chairman of CEMA



## REPORT FROM THE EXECUTIVE DIRECTOR

This is my first annual report for CEMA. I joined CEMA in March 2000 following a career in association management, government and marketing. I was told that CEMA had many challenges and the egg industry was in the process of change, in large part due to increased consumption of eggs in all forms by Canadians. I was told that CEMA had dealt with adversity better than with success! A major challenge was what I expected, and I found it.

I was fortunate to have two excellent Chairmen to guide me, both the outgoing and the incoming. Moreover I was delighted to find a highly competent staff who understood the operations and policies of the Agency well and were able to explain the intricacies of the egg business to me. They were naturally anxious about their own futures in view of the recent turmoil, but I am pleased to report that we are now a well balanced and cooperative team. A patient Board has let me take the time to learn the ropes.

What I have learned is that the change taking place in the industry is dynamic and very large in scope. Increased use of industrial product required new ways to allocate production quota. Financially, the Agency was stretched beyond its capacity to supply this market in the traditional ways. Negotiating

new, solid supply and pricing agreements based on the new allocation remains a major challenge for all involved.

Changes in our industry also require sophisticated information systems. Modifications to our custom-designed computer programs were completed in 2000 to keep up with these changes and additional modifications are likely to be ongoing.

In 2000, we moved forward with our food safety work through revisions to our HACCP Start Clean – Stay Clean program, membership in the Canadian Partnership for Consumer Food Safety Education, and our messages on food handling in our marketing materials. We will press forward to have Start Clean – Stay Clean recognized as HACCP-based by government. I personally am actively involved in building a much more productive collaboration with the various parts of government related to food safety, based on my earlier experience and knowledge.

CEMA has one of the finest marketing programs of any commodity organization. New advertisements were developed for 2000 and we adjusted our research strategy to have focus group testing conducted earlier in the year. This allows us to use the results in our marketing activities for the rest of the year and early the following year. I was delighted by a standing ovation for our TV spots at the International Egg Commission meetings in September.

Nutritional research continues to show the benefits of eggs in more and more ways. We knew they have the best quality protein available; we knew they were loaded with vitamins and minerals. And this year, we learned certain of their micronutrients may be important in the development of the brain. Eggs may even help improve memory! We will continue to insist that nutrient labels portray the egg as the powerhouse of goodness that it is.

Research is important to our future and we entered discussions with the other poultry agencies on developing a national council for poultry research. We explored various options in 2000 and continue to pursue the goal of establishing a national council in 2001. A joint poultry research officer will be able to offer expertise to all of the Council members,

suggesting ways to secure funding and prioritize research projects, at a modest shared cost.

We maintain our alliance with the Canadian Federation of Agriculture and the other national supply management organizations in our consultations with government on the agricultural negotiations at the World Trade Organization. Support from the federal government was evident, but we remain vigilant. The future of our industry depends on controlling access to our markets.

Consumers want to know more about agriculture and the way food is produced. We must continue to monitor changing consumer attitudes about eggs and about agriculture in general to ensure that our product is trusted by Canadians.

We began a study in 2000 to identify the major risks faced by the Agency. It will be completed in 2001 and specific action plans developed to reduce risk to the Agency, producers, and all the individuals who comprise the industry.

Financially, we ended the year on solid ground and we look forward to a similarly successful year in 2001. However, as our industry changes, the demands on our staff at CEMA will increase. We will continue to provide training and update our electronic information systems to accommodate these changes. However, I anticipate that success in marketing, especially with a much broader range of products, will lead to more staff and costs than current arrangements will support. The first step is ensuring staff resources are used as effectively as possible, and this is underway. The next step will have to be financial.



**David H. Clemons**

**Executive Director of CEMA**



## 01 SWIFT SALES, CHANGING MARKET

It might be an understatement to say that the Canadian egg market was active, changing and even contradictory in 2000. And as 2000 opened, so too did it close.

The first part of the year was marked by sluggish table disappearance coupled with an increase in table imports. As had been anticipated, demand for processed product continued to climb even though supplies were up.

It's not unusual to have large volumes early in the year as Christmas demand for eggs flattens. However, year 2000 posed unusual challenges with increases in production. The supply of Grade A product was up 2.2 percent in the first 17 weeks compared to year-ago-levels and early estimates pointed to a decline in table disappearance of 3.2 percent compared to the previous year. Despite the large volumes available domestically and the apparent decline in demand for table eggs, global table imports did increase early in the year.

## SALES TO PROCESSORS INCREASE

Shell egg imports for breaking did fall in the first part of the year but egg product imports increased, mostly as liquid whole egg and liquid egg yolk. In total, processed product was on the rise. As had been anticipated in 1999, CEMA's sales to egg processors also increased in response to the changing market. CEMA sales were up by 15.9 percent in the first 17 weeks, compared to year-ago-levels. This was on top of the 8.2 percent increase recorded the year before.

Per capita consumption data for 1999 released by Statistics Canada in May 2000, confirmed the changing trends that CEMA was seeing in the market place early in 2000. Per capita consumption fell 1.2 eggs in 1999 compared to 1998, a disappointment after three consecutive years of increases. Sales in total dozens increased but not to the same degree as the Canadian population. Furthermore, processed egg product displaced 17 million dozen shell eggs in 1999 over 1998, causing the shell market to fall 4.67 percent.

CEMA concluded the change was attributable to increased use of processed product in the hotel, restaurant and institutional trade as data pointed to strong, even increasing, sales of fresh shell eggs at retail.

CEMA sales to egg processors remained steady throughout the year, up by 7.8 percent compared to 1999. However, the use of imports for processing needs did decline somewhat in 2000, suggesting CEMA is being successful in its goal to fill breaker requirements with Canadian eggs.

## TABLE MARKET SHOWS STRENGTH

Half way through the year, CEMA saw some strengthening of the domestic table market as the apparently declining table disappearance started to turn around. By year's end, table disappearance was up by 1.5 percent. Through the year, imports of table eggs were up as well by 48,875 boxes of 15 dozen, or 9.0 percent.

Table disappearance combined with consistently good sales at retail as reported by AC Nielsen suggests there is room for growth in the table market. However, this will be tempered by the continued

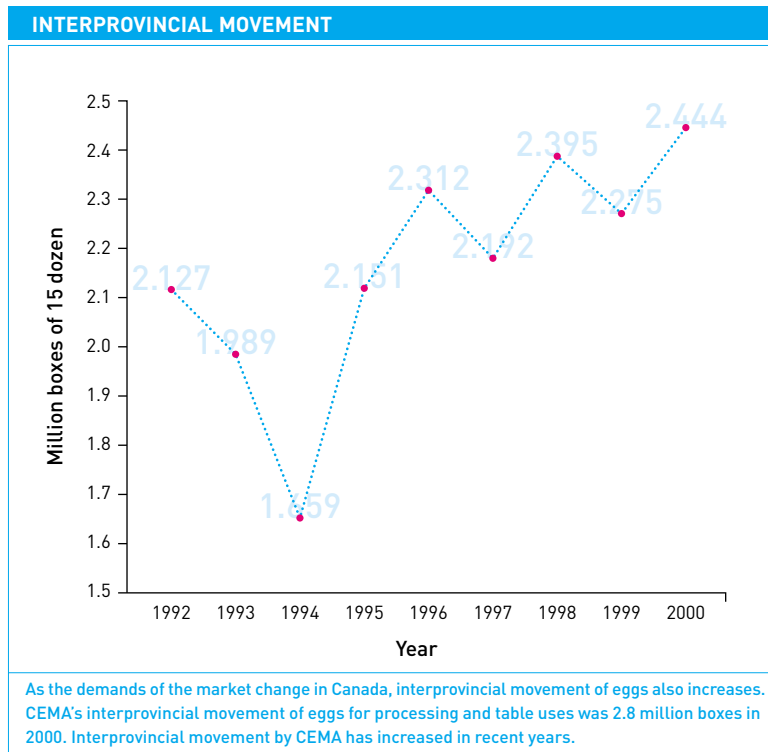
### 2000 INTERPROVINCIAL MOVEMENT

SELLERS:	BUYERS:												TOTAL SALES	
	BC	AL	SK	MN	ON	PQ	NB	NS	PE	NF	NWT	YK		
BC	X 17,161		0	1,622	0	0	0	0	0	0	0	0	0	18,783
AL	261,670	X 63,306	11,311	3,862	0	0	0	0	0	0	25,012	17,844		383,005
SK	0	581,174	X 14,254	2,807	0	0	0	0	0	0	4	2		598,241
MN	95,397	174,073	102,946	X 140,632	273	0	0	0	0	0	0	0		513,321
ON	0	0	0	490	X 772,737	0	4,730	0	0	0	0	0		777,957
PQ	0	1,378	0	0	326,109	X 2,406	0	0	1,231	0	0	0		331,124
NB	0	0	0	0	0	782	X 20,782	2,305	5,001	0	0	0		28,870
NS	0	0	0	0	30	0	75,214	X 3,776	9,578	0	0	0		88,598
PE	0	0	0	0	0	0	0	498	X 0	0	0	0		498
NF	0	0	0	0	0	23	0	0	0	X 0	0	0		23
NWT	0	63,076	0	0	0	0	0	0	0	0	X 0	0		63,076
YK	0	0	0	0	0	0	0	0	0	0	0	X 0		0
<b>TOTAL PURCHASES</b>	<b>357,067</b>	<b>836,862</b>	<b>166,252</b>	<b>27,677</b>	<b>473,440</b>	<b>773,815</b>	<b>77,620</b>	<b>26,010</b>	<b>6,081</b>	<b>15,810</b>	<b>25,016</b>	<b>17,846</b>	<b>2,803,496</b>	

Data in boxes of 15 dozen. CEMA table movement included. Subject to revision. As of December 31, 2000

demand of processors for eggs and the increased penetration of processed product into the hotel, restaurant and institutional markets.

The egg markets in 2000 demonstrated the ever-increasing need to manage egg supply in Canada as markets change quickly. More challenges are expected in 2001 as the industry responds to customer requirements for different kinds of eggs and egg products.







## 02 MEETING THE CHALLENGE

The Canadian Egg Marketing Agency and its partners entered 2000 facing some of the most difficult challenges ever faced by them. All aspects of the Agency's operations came under scrutiny with provincial egg boards raising objections by continuing to withhold levies, threatening to do so or surpassing approved quota limits. Often bitter debates on allocations fuelled the fire that had smouldered at least since 1998. But as the year 2000 closed, withheld levies had been received, production was brought back to previously agreed to levels and a new agreement on quota allocations had been reached. What a difference a year can make!

With Canada's egg markets changing so rapidly, it is no wonder the industry faced difficulties. The processed egg market has grown faster than the table market and, in 1999, accounted for almost 25 per cent of all the eggs consumed in Canada. Demand for processing eggs was high in 2000 and though final statistics are not yet available, we fully expect the processed market share to continue to increase.

## NATIONAL LAYER ALLOCATIONS, 1995 – 2000.

	1995	1996	1997	1998	1999	2000	
						JAN. – FEB.	MAR. – DEC.
<b>BC</b>	2,268,083	2,268,083	2,274,686	2,278,791	2,338,293	2,338,293	2,445,708
<b>AL</b>	1,459,037	1,459,037	1,459,037	1,459,037	1,512,475	1,512,475	1,606,637
<b>SK</b>	780,811	780,811	780,811	780,811	821,676	821,676	833,033
<b>MN</b>	2,124,430	2,124,430	2,124,430	2,124,430	2,920,605	2,920,605	2,920,605
<b>ON</b>	6,820,832	6,820,832	6,823,344	6,823,344	7,327,319	7,327,319	7,605,684
<b>PQ</b>	3,007,222	3,007,222	3,027,225	3,028,158	3,209,145	3,209,145	3,481,319
<b>NB</b>	389,507	389,507	389,507	389,507	401,029	401,029	423,783
<b>NS</b>	738,637	738,637	738,637	736,637	746,357	746,357	757,146
<b>PE</b>	119,542	119,542	119,542	119,542	124,938	124,938	125,404
<b>NF</b>	362,058	362,058	332,940	332,940	336,997	336,997	349,769
<b>NWT</b>	X	X	X	X	115,000	115,000	115,000
<b>Total</b>	<b>18,070,159</b>	<b>18,070,159</b>	<b>18,070,159</b>	<b>18,073,197</b>	<b>19,853,834</b>	<b>19,853,834</b>	<b>20,664,088</b>

Note: The allocation for Manitoba includes Eggs for Processing and Export Development Quota  
The allocation for Ontario includes Eggs for Processing Quota.

Canada's egg markets have changed rapidly, necessitating increased allocations in the latter part of the 1990s.

Because the processed egg market continues to return substantially less than the table market, significant adjustments in the way CEMA and its provincial board partners produce for these markets have been required.

CEMA entered the year with a “temporary” quota order, one that extended that of 1999 by 60 days. We wanted to fully understand the requirements of the Canadian markets before deciding new allocations. We received very good cooperation from our processor customers in determining total processed egg requirements.

In the latter part of 1999 and early in 2000, CEMA met several times with processors to establish a guaranteed supply level of 157,801 boxes a week, a 24.4 percent increase from the previous commitment level. With that, the Board of Directors approved a new quota allocation reflecting a national increase in regulated hens of 810,274. This production was to be marketed by provincial boards and CEMA, directed to either table or processed markets and entitled to Cost of Production pricing. Provincial shares of the increased national allocation were determined according to the St. Andrews’ Accord, developed as a result of extensive discussions among CEMA and provincial boards in 1999.

### NFPC HEARING HELD

Shortly after the allocation was approved by the Board of Directors, some provincial boards and their governments expressed dissatisfaction with the allocation. Saskatchewan and Manitoba appealed to National Farm Products Council which supervises CEMA and Council refused to approve a new quota order. The old order expired leaving CEMA without a quota order. Members of the Federal-Provincial egg marketing plan, however, did not take advantage of this unique situation and instead, opted to work through the differences in order to ensure continued market stability.

Despite attempts among Council, CEMA, Manitoba and Saskatchewan to resolve the allocation concerns informally, a formal hearing was held May 2 and 3. Numerous interventions were filed by

provincial egg boards and provincial supervisory boards. Following the hearing, Council ruled to approve the quota order but it also strongly urged the Agency to move quickly in addressing the requirements of the changing Canadian egg marketplace.

Resolution was also required regarding the over placement of birds in Manitoba. Manitoba had exceeded its placement of Grow For birds. The Agency and other provincial marketing boards wanted Manitoba to conform to the quota allocated by CEMA. CEMA and Manitoba Egg Producers (MEP) discussed the allocation extensively during a meeting hosted by MEP in Winnipeg. The result was a plan to reduce placed birds and bring flocks in line with the allocation determined by CEMA by the end of October. MEP then worked systematically to meet the requirements of that plan.

Concern regarding the future of Grow For programs generally led CEMA to arrange internal audits of the programs operating in Manitoba and Ontario. We wanted to evaluate the security of the programs and ensure they were not using the national supply management system to finance production. Both Grow For systems were audited to determine accuracy, authorization and completeness of transactions. Manitoba has implemented many of the audit recommendations resulting in improved system controls.

### COMMITTEE STRIKES NEW PACT

The Board recognized the need to find new mechanisms for allocating production so producers throughout the country could fairly share in the market. A Quota Allocations Committee was struck to examine these matters and develop a concept for allocations that would address the requirements of both table and processed markets. The first meeting was held in May and resulted in the Board of Directors adopting a Quota Allocations Agreement in November. The Committee held eight meetings during that time period, most of them held over two days.

The Agreement determined what volumes will be covered by the Cost of Production Formula, how to allocate any growth in the table market and how to allocate Eggs For Processing, which will not receive the Cost of Production price.

The Agreement establishes a National Table Shell Egg Market Quota which will be made up of eggs eligible for full Cost of Production pricing. A need to change the level of this quota will be triggered by a significant fluctuation in table disappearance, measured on the basis of a three-year rolling average. A fluctuation requiring a change in the number of layers nationally by 100,000 or more would be considered significant enough to warrant a change in the National Table Shell Egg Market Quota. Fifty percent of any increase will be allocated to provinces on a pro rata basis while the other half will be provided to "short provinces", those with a ratio of layers to population below the national weighted average. By developing this agreement, the Committee was able to respond to concerns by some provinces that large

GROWTH IN CEMA SALES TO PROCESSORS VS. IMPORT PERMITS ISSUED FOR THE PROCESSING SECTOR.				
	CEMA Sales to Processors	% Change from Previous Year	Global and Supplemental Permits Issued	% Change from Previous Year
<b>1996</b>	5,042,384	n/a	1,118,579	n/a
<b>1997</b>	5,124,177	1.6%	1,584,693	41.7%
<b>1998</b>	5,340,011	4.2%	1,869,024	17.9%
<b>1999</b>	5,689,300	6.5%	2,142,442	14.6%
<b>2000</b>	6,131,380	9.7%	1,580,666	-26.2%

To fulfill their requirements, Canadian egg breakers must import eggs. As their requirements have increased, so too have their imports. Our goal is to meet domestic requirements while recognizing our trading obligations under the NAFTA and WTO.

**AS A RESULT OF  
ACHIEVING THIS  
AGREEMENT, A NEW  
QUOTA ORDER WAS  
SECURED.**

portions of their market are being filled by producers in other provinces. In addition, this method responds to the desire of all Canadian regulated egg producers to share in national market growth. Decreases in the quota will be applied on a pro rata basis.

The Agreement also establishes an Eggs For Processing quota directed at the growing domestic processing sector. The quota will be allocated only when demand is substantiated. Any new production will be contingent on contracts being successfully

negotiated between provincial boards and breakers. CEMA must approve the contracts which can be legally enforced by both CEMA and the provincial boards. In addition, Eggs For Processing production must comply with Canada's international trade obligations, cannot be priced below CEMA's industrial product and cannot be used to displace the table market. Eggs For Processing quota is not transferable to Table Shell Egg Market Quota.

As a result of achieving this Agreement, a new quota order was secured. It maintained the national allocation covered by COP to 19.8 million birds and established Eggs For Processing in five provinces, if the required contracts can be negotiated and other criteria met.

While development of the Quota Allocations Agreement went a long way to improving relationships between CEMA and the provincial boards, other significant developments occurred through the year signaling renewed partnerships.

### **LEVY DISAGREEMENTS RESOLVED**

Marketing boards in Alberta and Quebec paid levies that had been withheld from CEMA. Disputes emerged in 1998 and 1999 over both operational and administrative issues, resulting in the withholding of levies. However, CEMA demonstrated its willingness to address these concerns by changing administrative structures and facilitating allocation discussions. It became clear in the latter part of 1999 that all parties were willing to move quickly to stabilize orderly marketing. In March, Quebec board paid industrial product levy that had been withheld from January to July 1999. Shortly afterwards, Alberta board began to remit industrial product levy again after having stopped payments in mid-1999, and paid CEMA any owed amounts.

CEMA worked extensively with the newest member of the Federal-Provincial marketing plan, the Northwest Territories, to develop a territorial marketing board administration and to develop a service contract between CEMA and the new NWT Board. Following the signing of the service contract in the spring, NWT began remitting industrial product levies to the Agency. In addition, administration levies owed were paid to CEMA. Finally, NWT producers decreased their flock sizes to within the 115,000 quota allotted to the NWT in 1999 when it officially became a legal partner in the national egg marketing plan.

### **NEW FPA TO BE NEGOTIATED**

The Agreement stemming from the work of the Quota Allocations Committee forms a solid foundation upon which to develop a new Federal-Provincial Agreement on egg marketing. 2001 promises to see extensive discussions among the signatories to the current agreement. CEMA will be an active partner in these discussions along with federal and provincial ministers, supervisory boards and the provincial-territorial egg marketing boards.



## 03 BUILDING BUSINESS PARTNERSHIPS

The Canadian Egg Marketing Agency's Industrial Products Program represents about 90 percent of the Agency's budgetary expenditures. It is a fundamental part of the supply management system and it requires CEMA, on behalf of producers across the country, to purchase eggs and sell them to the two major markets.

Through its Industrial Products Program, CEMA achieves two goals. One goal is to ensure that all regions of the country have a stable supply of fresh shell eggs and this necessitates the interprovincial movement of eggs. Our second goal is to supply the requirements of Canadian egg breakers, who process eggs into liquid, frozen and dried form for further sale to food manufacturers, for pharmaceutical requirements and now directly for sale at retail. As the needs of the country's 16 breakers increase, our relationship with these egg processors becomes increasingly important in maintaining market stability.

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In 2000, CEMA and breakers amended their supply and pricing agreement following negotiations. While discussions progressed, contracts signed in 1998 remained effective. An agreement was reached in the spring that CEMA would guarantee a supply of 157,801 boxes a week.

CEMA met regularly with its customers directly and through their national organization on several occasions in 2000 to discuss the challenges faced by our sectors as supply management meets growing demands.

#### **COST-BENEFIT ANALYSIS UNDERWAY**

Another major undertaking in 2000, was the development of a cost-benefit analysis to examine the cost effectiveness of various methods of grading and identifying eggs for the Industrial Products Program. The objective was to determine whether it was more cost effective to ship dyed eggs that had been sized and candled to breakers or to ship eggs nest-run, a grade for eggs that have not been candled or sized. Currently, both methods are used in the Program. To assist in the analysis, nest-run eggs were removed from breaking plants and shipped to independent grading stations for grading. Further tests are to be conducted in 2001 and as a database is built, we will be able to determine in a concrete way if CEMA is receiving fair value for the eggs it purchases.

On the horizon for 2001 will be further discussions on the best ways to manage the growing industrial product volumes.



## 04 PROMOTING EGGS, PROMOTING GOODNESS

It's a great product, if we don't mind saying so ourselves. The Canadian Egg Marketing Agency is proud of the product it promotes to Canadians and our advertisements, retail promotions and nutrition communications tools show it.

One of nature's most nutritional packages, eggs are versatile, easy to prepare and suitable for any time of day. Eggs have the highest quality protein of any food and are one of the least expensive sources of protein available.

In 2000, television advertisements were once again the anchor to describe the egg story. Developed in the last half of 1999, the five English and five French advertisements debuted a new creative for CEMA January 24. The advertisements focussed on eggs' benefits, always with a sense of natural honesty and

THE CANADIAN EGG  
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ADVERTISEMENTS, RETAIL  
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TION COMMUNICATIONS  
TOOLS SHOW IT.

good humour. They spoke to our humanity in a stressful lifestyle, our embarrassing moments and our softer selves whether we watched a harried man accidentally going to work on a Saturday, a young husband missing out on a potentially romantic morning or a biker buying eggs for Bunny Bread. Whether we were told of eggs' nutritional goodness in chocolate cake or invited to the Dinner of Champions, we understood the power of eggs in our diets and our lives.

In 2000, CEMA introduced a provincial advertising kit as part of its marketing programs. The kit was a resource for provincial egg boards to use in their own efforts to extend the national campaign. It offered creative for truck signage, billboards, transit shelters, magazines and newspapers, all with the same tone of the television advertisements. CEMA found the advertising kit was a cost efficient way to bring the national advertising effort to media other than television. Use of the advertising kit is being repeated in 2001.

In the latter part of 2000, CEMA, with the support of the provincial egg boards, developed three new advertisements, each suitable for broadcast in either English or French Canada. These advertisements began airing early in 2001.

## RETAIL PROMOTIONS

Developing new recipes for distribution at retail remains a cornerstone of the Agency's marketing activities. Recipe booklets provide consumers with new ideas about using eggs in their meals. The recipes, together with other activities such as contests promoted in the booklets, encourage consumers to purchase eggs when they are most open to doing so: at the grocery store.

The high quality of our retail promotions was recognized among marketing professionals in the 2000 Canadian Promotion Awards. Our recipe booklet collection from 1998 to 1999 won an honourable mention in the category for Long-Term Promotional Marketing Campaign.

In 2000, CEMA created five booklets, each with six new recipes. Between 800,000 and 1.2 million copies were printed of each booklet. Distribution occurred through 2,000 stores and selected magazines.

Our *Go For The Goodness* campaign kicked off our retail promotions for 2000, beginning with its two phases, one starting in January and the other starting in March. In addition to the recipe booklets, consumers were provided with an opportunity to win a vacation for a family of four.

*Eggs Around The Clock* was the feature of our May/June promotion. The promotion reinforced the advertising image and offered consumers the opportunity to show off their egg creative skills by submitting recipes which had the potential to be judged by one of the country's best chefs. Preferred recipes were selected by home economists according to originality and simplicity and one recipe per province was tested. The top recipe was then selected and the winner awarded the time of his or her life: a gourmet getaway for four. In this campaign, CEMA's recipe booklet, which included information about the contest, was circulated through *Homemaker's* and *Madame au foyer* magazines.

The fall promotion, *Crack Open A Meal*, then followed emphasizing the versatility of eggs for any meal occasion: breakfast, lunch, snack and dinner. We took advantage of the advertisement to promote our 1999 hard-cover cookbook, *Get Cracking*, at a special price. Booklets were distributed in *Canadian Living* and *Coup de pousse* magazines as well as through retail stores.



We ended the year with *Celebrate The Season*, starting in November. The recipes focussed on preparing meals ahead of time during the holiday rush and using eggs for many kinds of entertaining. A contest overlay featured a chance for consumers to win one of 20 food processor-blenders.

### **NUTRITION: THE NEWS KEEPS GETTING BETTER**

CEMA's Nutrition Programs also promote the good news about eggs. And why not? All the time, more is learned about the wonderful merits of eggs. They have the highest quality protein of any food and are loaded with vitamins and minerals. They are rich in choline, an essential nutrient that is now believed to augment brain function, especially memory. Some studies even suggest the choline found in eggs may reduce the symptoms of dementia. In addition, research has shown that the addition of 1.3 egg yolks per day to the diet increases blood lutein and zeaxanthin, two carotenoids that improve vision.

CEMA's goal is to make sure that consumers and the health professionals who counsel them appreciate the value of eggs in the diet. Our nutrition resources are distributed to health professionals on a regular basis through conferences and trade shows so that Canadians are kept up to date with the latest scientific information about eggs. In addition, we produce consumer pamphlets about eggs and health and make them available to health professionals for distribution to their clients.

To ensure our publications accurately reflect scientific findings, CEMA relies on the expertise found on its Nutrition Advisory Panel. The panel of five health experts representing the different regions of Canada provides objective counsel to the Agency on the merits of eggs in a balanced diet.

In 2000, CEMA issued two editions of its *Nutrition In Your Practice* newsletter. Each issue was distributed to over 10,000 health professionals to keep them up to date on scientific findings related to nutrition and health.

Again in 2000, CEMA made use of the service *Physicians' Hotline*, a catalogue of various resources available to Canadian physicians. Thousands of orders were made for CEMA resources as a result of this service. The resources offered through the catalogue emphasized the importance of healthy lifestyles, including balanced diets, and the need to minimize fat in the diet for the sake of heart health.

*Cholesterol Clues: Solving the Puzzle of Cholesterol and Healthy Eating* was developed as our main resource explaining that saturated fat and trans fat, not cholesterol, are the major causes of the high blood cholesterol associated with heart disease. The brochure shows that the link between dietary cholesterol and blood cholesterol is weak at best and the easiest way to reduce high blood cholesterol is to reduce saturated fat in the diet. The information in this brochure is based on Canada's Guidelines for Healthy Eating, developed by Health Canada.

*Eggs For Your Baby* was also a new publication in 2000, providing information to new moms about feeding babies and how and when to introduce eggs to babies. Like all of CEMA's nutrition resources, *Eggs For Your Baby* is based on scientific information produced by credible third parties. The information in the brochure was based on a statement jointly produced by the Canadian Paediatric Society, Dietitians of Canada and Health Canada. It includes information on allergies, nutritional requirements of healthy infants and recipes.

### **CEMA'S NUTRITION**

### **PROGRAMS ALSO**

### **PROMOTE THE GOOD**

### **NEWS ABOUT EGGS.**

### **AND WHY NOT?**

## PROGRESS WITH PARTNERS

CEMA works closely with a variety of partners to ensure the largest audience possible. In our retail promotions, we frequently partner with Dairy Farmers of Canada and promote both the goodness of eggs and dairy products. In addition, we partner with kitchen supply manufacturers and hotel-resorts whose products are offered as gifts in our contests.

In 2000, we were fortunate to form an alliance with Danby Products. One hundred thousand of our egg cooker sets were purchased and placed in microwaves sold across Canada during the fall and winter. The promotion reinforced using eggs in microwaved meals and snacks. We also developed an alliance with Sears Canada for the distribution of egg recipe boxes.

Once again in 2000, CEMA sponsored Nutrition Month in March with Dietitians of Canada. Eggs played a big role in the 2000 campaign whose theme was Great Food Fast. We were able to show the diversity of eggs, how quickly they could be prepared in so many recipes and how they could be used for all meal occasions. Together with its sponsors, Dietitians of Canada developed a recipe book which included six of CEMA's egg recipes. We will once again be sponsoring Dietitians of Canada in their 2001 campaign, which focuses on Myths and Fallacies in Nutrition, as well as the campaign to be launched by l'Ordre professionnel des diététistes du Québec.

A great deal of the success of the national effort is due to the work and cooperation of the provincial egg marketing boards. Together, we adopt a national approach to promoting eggs to Canadians, ensuring consumers hear and read the same messages. Marketers with CEMA and the provincial boards meet twice a year to review strategies and develop a common approach to our promotional activities.

In 2000, two such workshops were held. The spring workshop served as a creative brainstorming session in which new ideas for innovative programs were examined. The fall workshop provided our Canadian marketers with the opportunity to learn from other egg marketers around the world and was held in conjunction with the Marketing Conference of the International Egg Commission in Tucson, Arizona. The expertise of the Canadian delegation was recognized by this international community with a resounding standing ovation for our television commercials.

CEMA also takes its good news message about eggs to schools. Frequently, teachers want information about eggs and about the way they are produced. This information is made available to them through CEMA and the provincial egg boards. Our booklet and video, the *Extraordinary Egg*, our *Egganatomy* poster describing the physical structure of the egg and the activity books for younger students remain among our most popular resources for teachers. *The Educating Egg* catalogue is made available to teachers so they are aware of the educational resources available.

Finally, CEMA's promotional efforts wouldn't be complete without the use of the internet. Together with CEMA's information technology experts, our marketers have developed an extensive electronic library about eggs at [www.canadaegg.ca](http://www.canadaegg.ca). Easy-to-find and easy-to-prepare recipes for all meal occasions, nutritional facts about eggs and other foods too, production information and even an interactive egg quiz grace the pages of our web site. In 2000, it was updated regularly as the Agency produced new resources and promotions.

When it comes to eggs, the news is indeed good. Just as Canada's egg farmers are proud to produce this wonderful food for Canadians, so too are the Agency and the provincial egg boards proud to promote it!



## 05 RESEARCH: FOUNDATION FOR THE FUTURE

Sound scientific research is the foundation of the Canadian egg industry. The research in the Canadian egg industry takes many forms — research on production practices, the nutritional merits of eggs and the best ways to promote eggs to Canadians. The goals are to produce safe eggs, increase profitability of the industry and use the best animal husbandry practices possible.

For every dollar invested in egg research, a benefit of about \$80 is generated to the agri-food industry. Recognizing that it makes sense to invest in egg research, CEMA and the provincial egg marketing boards, through their supply management system, ensure a supportive environment for research conducted by both government institutions as well as private enterprise.

**FOR EVERY DOLLAR  
INVESTED IN EGG  
RESEARCH, A BENEFIT  
OF ABOUT \$80 IS GENER-  
ATED TO THE AGRI-FOOD  
INDUSTRY.**

Provincial egg boards contribute in total about \$550,000 a year to research and extension. Quota for the approximate 180,000 layers is granted, not purchased, and eggs from these layers are marketed through the national supply management system, including into CEMA's Industrial Products Program. In addition, private enterprises invest in egg research and development in their drive to continuously improve the Canadian egg.

Despite these contributions on the part of industry, there has been a substantial decline in the allocation of financial, human and physical resources to poultry research, education and technology transfer in the past two decades as governments — federal and provincial — have become increasingly concerned about the burden to the taxpayer. This has been directly felt by producers who frequently turn to European or United States extension services for information. As a result, a national initiative to develop a Poultry Sector Research Strategy began in 1998 among scientists and all sectors of the egg and poultry industries.

In 2000, significant efforts were made on the part of CEMA, other marketing agencies for poultry, processors and research scientists to establish a Canadian Poultry Research Council. The Council would ensure research money was used in the most efficient way possible, would make maximum use of public funds and provide technical expertise to producers. While formation of the Council was not realized in 2000, significant headway was made in defining its objectives and scope. Consequently, development of a Council or similar national research centre in 2001 is on the horizon.

Throughout the year, CEMA maintained a research fund which ended the year with approximately \$2.3 million. The goal is to maintain a minimum balance in the fund of \$2 million and to use the income generated from the principal balance to finance research. No money was released from the fund in 2000 as CEMA wants to better define its research priorities, criteria for awarding research grants and policies for establishing and maintaining research flocks.

## **MARKET RESEARCH TELLS US HOW WELL WE'RE DOING**

In addition to production research, Canada's egg producers also conduct market research to determine how well our products are selling and the best messages to use in promoting eggs. The success of our marketing programs can only be measured by consumers. While we all have personal opinions about what we like or don't like, what we think will "work" to sell more eggs and what won't, the truth is only found in reliable, objective measurement.

To measure retail sales in 2000 and beyond, AC Nielsen designed a package specifically to address CEMA's needs. This package includes the Market Track program which uses three years of egg data to track egg consumption trends. Market Track has recorded increased retail sales on a national basis in both 1999 and 2000, showing that, despite increased sales in processed product, interest in fresh table eggs is still high among grocery shoppers. CEMA also uses AC Nielsen's Homescan and Egg/Dairy Case Study reports to learn more about consumption patterns.

Annually, CEMA completes studies on its advertisements, which start airing in January, to guide us in the creative development of subsequent advertising campaigns. In 2000, we decided to move the timing of research forward to March, rather than the late fall when advertisement production for the

following year is well on its way, so results could be used to guide development of the 2001 campaign. The results of the focus groups in Toronto, Montreal and Calgary showed that audiences generally understood both the explicit and implicit messages of the advertisements. Although some messages were not as clearly understood as others, the researchers did not recommend any changes. Rather than wait for production of 2001 advertisements, CEMA decided to take advantage of the results right away. Minor modifications were made to two of the 2000 advertisements, for subsequent flights of TV ads.

In addition, CEMA completed two telephone surveys to measure consumers' awareness of our advertisements, their level of exposure to the advertisements and how well they heard the messages. Again this research indicated consumers were hearing positive messages about the goodness and versatility of eggs as well as their ease of preparation.

THE SUCCESS OF OUR  
MARKETING PROGRAMS  
CAN ONLY BE MEASURED  
BY CONSUMERS.



## 06 GROWING A NATURALLY SAFE FOOD

Providing Canadians with the safest food possible is the goal of Canada's egg producers and of CEMA. Through our Start Clean – Stay Clean program, CEMA field inspectors deliver a HACCP-based on-farm food safety program to regulated egg producers, rating farms against objective criteria.

The program was the first of its kind in the world for commercial egg production. It has been well received by Canada's regulated egg producers with 96 percent participating in it. Start Clean – Stay Clean is also highly regarded among producers of other commodities. In fact, development of on-farm food safety programs for other commodities has been modeled, in many respects, after CEMA's program.

The program, based on globally recognized HACCP principles for producing and processing safe food, is reviewed annually by CEMA's field inspectors and HACCP Team. Criteria are regularly adjusted to reflect changes in production practices and new scientific knowledge. In 2000, CEMA adjusted the program to focus on the importance of maintaining a properly functioning cooler on the farm, controlling

pests and maintaining records of production practices. Annual workshops are held for our field inspectors and HACCP Technologist to ensure they have the skills required to deliver the program.

As Start Clean – Stay Clean is HACCP-based, CEMA, together with the Canadian Federation of Agriculture and others, is seeking official accreditation of on-farm food safety programs by the Canadian Food Inspection Agency. It is CEMA's view that such accreditation will provide the additional credibility deserved by these programs. Several meetings were held in 2000 with government officials — federal and provincial — to discuss program recognition through an accreditation procedure. These discussions will continue in 2001. In addition, CEMA is meeting regularly with representatives of the other feather agencies to determine what areas of our respective on-farm food safety programs can be standardized.

Though numerous measures are taken to ensure safe eggs, at times eggs can be associated with human illness, particularly when food is handled or prepared improperly. In 2000, CEMA worked closely with government officials after it was learned that people who had eaten certain egg-containing bakery products in one region had fallen ill because of *Salmonella enteritidis* bacteria. Consumers within that local area were advised not to consume the bakery products by government health personnel and as a precaution, CEMA moved quickly to divert eggs from the farm supplying the bakery to breakers for pasteurization. CFIA conducted environmental tests on the farm, with the full cooperation of the producer, and found the same kind of bacteria. Consequently, CEMA and CFIA cooperated to recall the eggs from the market.

Because proper handling of food is so important to food safety, CEMA maintains a membership in the Canadian Partnership for Consumer Food Safety Education. The goal of the partnership is to educate consumers about the importance of preparing food properly thereby reducing food-borne illness. Development of fact sheets on safe preparation of food, a web site and public displays are used to communicate these messages.

Egg farmers produce one of nature's safest foods. A hard calcium shell protects the interior of the egg. A membrane sticks to the inside of the shell and another surrounds the egg white to provide yet two more layers of protection. The goal of Canadian egg producers is to make sure this naturally safe food stays that way from inside the farm gate to the consumer's plate.

THE GOAL OF CANADIAN  
EGG PRODUCERS IS TO  
MAKE SURE THIS NATU-  
RALLY SAFE FOOD STAYS  
THAT WAY FROM INSIDE  
THE FARM GATE TO THE  
CONSUMER'S PLATE.



## 07 FUTURE PROMISES MORE CHALLENGES, MORE OPPORTUNITIES

Since its inception in 1972, national supply management has enjoyed success. Egg producers, together with stakeholders across Canada, cooperated through the years to manage challenges and secure the Canadian egg industry. Whether we reduced production to better align supply with demand in the mid 1970s, dispelled unfounded fears about dietary cholesterol in the 1980s or met the financial challenges of abruptly changing markets in the early 1990s, CEMA and the provincial marketing boards remained successful as they managed change for the good of national supply management.

We know yet more challenges exist on the horizon. Just as our industry is changing, so too is society. An increasingly urban society is questioning every aspect of agriculture, from the way food animals are treated to the way supplies are managed and food sold. This provides the agriculture industry as never



before with a tremendous opportunity to explain its business. Ideally, CEMA can play a leading role to ensure that our producers respond to these challenges in a timely and affordable way.

#### COMPARISON OF NY METROPOLITAN AND TORONTO CONSUMER PRICES — GRADE 'A' LARGE

Date	New York	Toronto	Canadian Price Advantage
12 Jan 00	2.23	1.73	0.50
16 Feb 00	2.27	1.73	0.54
15 Mar 00	2.07	1.72	0.35
12 Apr 00	1.83	1.73	0.11
17 May 00	1.81	1.73	0.08
14 Jun 00	1.73	1.72	0.01
12 Jul 00	1.84	1.72	0.12
16 Aug 00	2.25	1.76	0.49
13 Sep 00	2.36	1.75	0.61
11 Oct 00	2.21	1.76	0.45
15 Nov 00	2.63	1.76	0.87
13 Dec 00	2.27	1.76	0.51
<b>Average</b>	<b>2.13</b>	<b>1.74</b>	<b>0.39</b>

Note: Prices in Canadian \$ per dozen for the third week in each month  
Source: USDA, AAFC.

Retail prices for eggs in Canada compare well to those in the United States thanks to Canada's supply management system for eggs

#### COMPARISON OF NORTHERN CALIFORNIA AND VANCOUVER PRICES — GRADE 'A' LARGE

Date	Northern California	Vancouver	Canadian Price Advantage
15 Jan 00	2.88	2.08	0.80
19 Feb 00	3.11	2.08	1.03
18 Mar 00	2.92	2.03	0.89
15 Apr 00	3.06	2.08	0.98
20 May 00	2.91	2.03	0.88
17 Jun 00	3.04	2.18	0.86
15 Jul 00	2.95	2.05	0.90
19 Aug 00	3.01	2.12	0.89
16 Sep 00	2.98	2.10	0.88
14 Oct 00	2.85	2.04	0.81
18 Nov 00	3.08	2.14	0.94
16 Dec 00	3.26	2.11	1.15
<b>Average</b>	<b>3.00</b>	<b>2.09</b>	<b>0.92</b>

Note: Prices in Canadian \$ per dozen for the third week in each month  
Source: USDA, AAFC

## SUPPLY MANAGEMENT FOR A CANADIAN AGRICULTURE

Egg producers have long understood the benefits of supply management: stable supplies, stable prices and an infrastructure that enhances food safety and animal welfare. Our independent cost of production surveys provide a formula upon which prices are based, forming the foundation of a safety net which returns to the average producer his/her costs over time.

Despite prices that speak to the benefits of supply management in Canada, CEMA and the other national supply management agencies for dairy, chicken and turkey do, from time to time, come under criticism in the media, from lobbies who want access to United States imports and from politicians. These critics never speak about supply management's contribution maintaining the family farm and an independent, safe domestic food supply.

Coupled with this domestic sentiment are international financial interests, many of them multinationals, whose goal is to gain access to as many markets as possible, including the supply-managed ones in Canada. They argue in support of globalized agriculture through negotiations under the auspices of the World Trade Organization. They press Canada to reduce border tariffs on eggs and egg products and to increase the access currently provided to Canadian markets at zero-tariff. Canada's egg producers remain steadfastly opposed to these goals.

In international trade talks, supply management has been fortunate to have the support of our federal government. In 2000, the Canadian government tabled market access and domestic support proposals before the

IN 2001, CEMA WILL CONTINUE TO WORK WITH ITS COLLEAGUES IN THE OTHER NATIONAL SUPPLY MANAGEMENT ORGANIZATIONS AS WELL AS THE CANADIAN FEDERATION OF AGRICULTURE TO ENSURE THE CANADIAN GOVERNMENT WORKS HARD IN SUPPORT OF ITS EGG, DAIRY AND POULTRY SECTORS IN CANADA.

World Trade Organization. These were largely supportive of domestic supply management, recognizing the role of tariff rate quotas and the need for countries to offer as much market access as Canada already has offered. As a member of the Cairns group, Canada signed Cairns proposals on export competition, domestic support and export restrictions. However, the Canadian government, to its credit, refused to sign the Cairns proposal regarding market access. CEMA was pleased the Canadian government made this decision as the Cairns market access paper clearly did not meet the requirements of supply management.

In 2001, CEMA will continue to work with its colleagues in the other national supply management organizations as well as the Canadian Federation of Agriculture to ensure the Canadian government works hard in support of its egg, dairy and poultry sectors in Canada.

#### **NUTRITION LABELING: THE OPPORTUNITY TO INFORM**

As consumers become increasingly concerned with the role of food in their health, the agriculture industry responds to the demands for more useful information on packaging. In 2000, CEMA consulted with Health Canada on nutrition labeling and the use of health claims on packages. CEMA wants to ensure that labels and claims accurately reflect the nutrition powerhouse that is found in eggs.

Unfortunately, claims proposed by Health Canada and the mandatory labeling regime announced by the Minister at the end of 2000, fall short in reflecting the latest scientific research which shows that dietary cholesterol does not impact negatively on public health. Eggs are low in saturated fat and have zero trans fat. Despite this, under the current proposal, egg cartons will not be able to carry health claims regarding low fat diets and the prevention of heart disease. Furthermore, the proposed mandatory label puts cholesterol on the core list of nutrients and suggests establishing a percent daily value for its consumption. CEMA has strenuously objected to these proposals stating they are contrary to the scientific evidence that dietary cholesterol is not a public health issue.

Some consumers, too, want to see more production-related information on labels or packaging. There is the perception by some that foods labeled "organic" are more nutritious and possibly safer. Demands in Europe for food free of genetic modification have crossed the Atlantic. "Free run" or "free range" eggs mean different things to different people but there is the belief by some that these eggs are more "natural" than eggs from birds housed in conventional systems.

These consumer demands for different production methods provide our industry with the opportunity to fill niche markets. In doing so, however, we must be careful not to inadvertently suggest food grown according to generally accepted production standards is somehow of lesser quality, nutritional value or safety. Increased costs associated with the investment required to change production methods will have to be addressed as well, quite possibly through the Cost of Production Formula.

## **PURSUING ANIMAL WELFARE**

Perhaps the most significant developments in animal welfare in 2000 were with the proposed amendments to the Criminal Code as it pertains to animal welfare. Though the Bill brought before the House of Commons also dealt with amendments on other subjects, such as disarming a police officer, the media's attention focussed on the changes to animal welfare.

CEMA met with senior officials in the Department of Justice and the Justice Minister's office to express our concern that the amendments did not go far enough in protecting legitimate farm practices. Similar proposed amendments may be brought forward again in 2001. If they do not adequately address CEMA's concerns, CEMA will once again make a submission to the Department.

CEMA did observe increased media attention, much of it obviously generated by animal activists, on animal welfare issues both in Canada and the United States. We expect this attention will increase in the next few years.

CEMA and Canada's egg producers remain committed to protecting the welfare of farm animals. In 2000, CEMA agreed to serve as the secretariat for revisions to those portions of the Recommended Code of Practice for the care and handling of poultry. The Agency believes development and revision of these voluntary codes, supervised by the Canadian Agri-Food Research Council, is the best way to protect farm animal welfare in Canada. The Poultry Code revisions will bring together diverse interests representing the egg industry, the Canadian Federation of Humane Societies and the scientific community to reach a science-based consensus about the most appropriate guidelines for practices involving laying hens.

## **MANAGING RISK FOR THE FUTURE**

To ensure the egg industry is prepared to manage all of the challenges to be posed in the coming years, CEMA commissioned a risk audit in 2000. Results of that audit will be compiled in the first part of 2001 and specific action plans developed for managing risks identified.

The need to manage risk will increase as issues raised by an urban society must be addressed. Canada's primary egg sector has experienced the trend toward fewer farmers and larger production units as has the rest of Canada's agricultural industry, though supply management ensures the consolidation occurs in an orderly fashion with stable prices. The realities of producing food are unknown to the majority of Canadians; the need to explain, indeed promote, what we do will intensify.

CEMA is well positioned to take leadership in managing tomorrow's challenges. Just as we worked collaboratively with provincial boards and other industry stakeholders on yesterday's challenges, so too will we work cooperatively for a successful egg industry in tomorrow's environment.

**CEMA AND CANADA'S EGG  
PRODUCERS REMAIN  
COMMITTED TO PROTECT-  
ING THE WELFARE OF  
FARM ANIMALS.**

### NUMBER OF REGISTERED PRODUCERS PER PROVINCE

PROVINCE	2000	99	98	97	96	95	94	93	92	91	90
BC	132	113	136	140	142	144	144	147	153	153	154
AL	170	167	171	176	186	192	196	202	214	216	228
SK	68	74	74	76	76	77	76	78	79	79	79
MN	178	181	194	208	207	211	214	218	219	225	231
ON	407	430	446	466	499	541	570	589	612	632	652
PQ	111	115	117	128	129	136	144	144	149	161	171
NB	18	18	18	18	18	18	18	18	18	19	19
NS	24	24	25	27	30	30	34	35	35	36	38
PE	19	18	18	18	18	18	19	19	21	24	25
NF	15	15	17	18	18	20	20	21	24	32	29
NWT	5	2	0	0	0	0	0	0	0	0	0
<b>CANADA</b>	<b>1,147</b>	<b>1,157</b>	<b>1,216</b>	<b>1,275</b>	<b>1,323</b>	<b>1,387</b>	<b>1,435</b>	<b>1,471</b>	<b>1,524</b>	<b>1,577</b>	<b>1,626</b>

As of Dec 31/00

Egg production has seen the same trends as the rest of Canada's agriculture: larger farms and fewer farmers. The realities of producing food are unknown to the majority of Canadians.

### AVERAGE NUMBER OF LAYERS PER PRODUCER

PROVINCE	2000	99	98	97	96	95	94	93	92	91	90
BC	17,798	17,067	16,814	16,277	16,019	15,750	15,513	15,123	14,818	14,788	14,673
AL	9,342	8,742	8,695	8,289	7,844	7,599	7,444	7,296	7,036	6,916	6,454
SK	12,160	11,103	10,913	10,273	10,274	10,140	10,274	10,010	10,104	10,001	9,829
MN	16,243	12,134	11,271	10,213	10,263	10,068	9,927	9,745	9,891	9,614	9,349
ON	18,504	16,272	15,644	14,642	13,674	12,608	11,945	11,553	11,347	10,941	10,560
PQ	29,828	27,905	26,146	23,657	23,467	22,112	20,883	20,883	20,589	18,997	17,856
NB	22,816	22,279	21,999	21,639	21,369	21,639	21,639	21,639	22,081	20,919	20,906
NS	31,197	29,854	29,479	27,356	24,621	24,621	22,965	22,309	22,738	22,106	20,943
PE	5,767	6,941	6,854	6,641	6,641	6,641	6,292	6,292	5,809	5,618	5,375
NF	20,698	22,466	19,584	18,496	18,497	18,103	18,103	17,241	15,394	13,016	14,339
NWT	23,000	57,500	0	0	0	0	0	0	0	0	0
<b>CANADA</b>	<b>17,596</b>	<b>15,821</b>	<b>15,126</b>	<b>14,176</b>	<b>13,658</b>	<b>13,028</b>	<b>12,589</b>	<b>12,281</b>	<b>12,096</b>	<b>11,685</b>	<b>11,285</b>

As of Dec 31/00 Note: Grow For and Special Permit allocation are not included.

## FINANCIAL ANALYSIS

The Canadian Egg Marketing Agency is a body corporate established by parliamentary proclamation and the Farm Products Agencies Act. Its Board of Directors consists of one representative from each of the provincial egg marketing boards and the egg marketing board of the Northwest Territories. In addition, there is one director representing consumers and one each from the hatching, grading and breaking sectors. Annually, the Chair is elected by the directors and an alternate named to fill the vacant director's position. The Agency must be financially self-sufficient, though its operations are not-for-profit, and its activities are monitored by National Farm Products Council, which, in turn, reports to the Minister of Agriculture and Agri-Food.

The Agency operates two funds: the Administration Fund and the Pooled Income Fund (PIF). The Board has directed the Agency to make efforts to maintain minimum balances in the unrestricted portions of these funds. The minimum balance set for the Administration Fund was \$1.5 million while the minimum for the Pooled Income Fund, used for Industrial Products Program transactions, was \$2.5 million. The PIF also has an upper limit of \$7.5 million.

The fund limits are established to allow the Agency to cushion the impact of market volatility. The revenues and expenses budgeted for the Administration Fund are not subject to a great deal of volatility. The Pooled Income Fund, on the other hand, can face substantial volatility depending on the volumes of industrial product and fluctuations in the Canadian dollar relative to the United States dollar, levies remitted by provincial egg boards and U.S. egg prices. The U.S. price is used as a base for pricing the Agency's industrial product sold to Canadian egg processing customers.

In 2000, the Administration Fund opened with a balance of \$4.8 million and experienced a loss through the year of (\$0.014 million) to close with a balance of just under \$4.8 million. The Pooled Income Fund opened at \$5.9 million and gained approximately \$2.3 million to end the year at \$8.2 million.

During 2000, the PIF experienced extreme fluctuations. Early in the year, industrial product declarations increased dramatically mainly due to an unanticipated drop in table disappearance and increased

supply. This, coupled with lower-than-projected U.S.-based selling prices led to losses of \$9.5 million through the first 28 weeks of the year. Action was required to restore the solvency of the Fund. In the interim, the losses were financed through external bank financing as well as through internal loans from the Administration Fund. It was also clear that additional levy was needed to finance the industrial product removal program and as a result, the industrial products portion of the levy was increased from \$0.144 to \$0.194 a dozen in week 29. With the much needed levy in place, the PIF deficit was eliminated and solvency restored to the Fund.

As a result of the experiences in 2000, the Board of Directors revised its recommended limits for the two funds in 2001. Acknowledging the stability normally associated with the Administration Fund, the Board reduced the minimum recommended balance to \$1 million. The range of the PIF, however, was moved upward to between \$5 million and \$12 million. This will provide the cushion necessary to handle unanticipated fluctuations in market conditions.

**Following is a summary of the factors impacting the PIF balance in 2000:**

- Industrial product volumes increased by 624,939 boxes or 10.3 percent, negatively affecting profitability by (\$8.1 million).
- The Canadian dollar increased slightly relative to the United States dollar by \$0.013 on average.
- The average buyback price was up by \$0.044 a dozen for a total of \$1.22 a dozen.
- Sales prices were up by \$0.01 on average, positively affecting profitability by \$0.9 million.

The PIF also has a portion of its balance that is restricted. It is used to operate the National Quota Exchange. At year's end, this restricted balance totaled \$0.247 million.

The Agency also reserves \$2 million as the minimum balance of a Research Fund. Interest earned may be used for research programs however, in 2000, no research grants were made from the fund. At the end of the year, the Research Fund rested at \$2.3 million.

Acknowledging the increased need to manage risks, the Board of Directors has also determined that a Risk Management Reserve Fund be established in 2001. An initial transfer of \$0.435 million will be made at the beginning of 2001. It is anticipated that \$1.5 million will be held in the fund by the end of 2001.

The Agency can look to 2001 with optimism as we enter the New Year with a slightly reduced whole levy rate of \$0.215 a dozen. Early in 2001, the Agency has already seen positive signs in terms of the PIF balance. Industrial product declarations are down 8.0 percent through the first seven weeks of the year. As well, the U.S.-based selling prices have been higher than projected. It is now anticipated that our selling prices will continue higher than projected, increasing our sales revenue. The result will be higher fund balances and the likely need to review the levy rate as we move through the year.



**Greg Pearce**

**Chief Finance and Operations Officer**

# AUDITORS' REPORT

Auditors' report to

**The Minister of Agriculture and Agri-Food  
Government of Canada**

**The National Farm Products Council**

**The Members  
Canadian Egg Marketing Agency**

We have audited the statement of financial position of the Canadian Egg Marketing Agency as at December 30, 2000 and the statements of operations and fund balances and cash flows for the fifty-three week period then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In the previous year, our audit opinion was qualified as a result of a scope limitation resulting from the inability to satisfactorily verify the completeness of the levy, service fees and contribution revenues of the Agency. In the current year, as described in note 2(f), the method used to calculate the levy, service fees and contribution revenues has been changed. This change allows for the collection of sufficient and appropriate audit evidence which enables us to satisfactorily verify the completeness of revenues.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 30, 2000 and the results of its operations, the changes in its fund balances and its cash flows for the fifty-three week period then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

**Chartered Accountants**

Ottawa, Canada

February 23, 2001

# STATEMENT OF FINANCIAL POSITION

December 30, 2000, with comparative figures for 1999 (In thousands of dollars)

	Pooled Income Fund	Administration Fund	2000 Total	1999 Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 4,679	\$ 1,752	\$ 6,431	\$ 2,448
Marketable securities	-	-	-	2,455
Accounts receivable (note 3)	9,180	1,262	10,442	13,501
Inventory	192	-	192	58
Prepaid expenses	-	422	422	288
	14,051	3,436	17,487	18,750
Restricted investments (note 4)	247	2,298	2,545	2,423
Capital assets (note 5)	-	741	741	724
	<b>\$ 14,298</b>	<b>\$ 6,475</b>	<b>\$ 20,773</b>	<b>\$ 21,897</b>

## LIABILITIES AND FUND BALANCES

Current liabilities:				
Accounts payable and accrued liabilities	\$ 6,116	\$ 1,681	\$ 7,797	\$ 11,184
Fund balances:				
Unrestricted	7,935	1,755	9,690	7,565
Restricted (note 4)	247	2,298	2,545	2,424
Investment in capital assets	-	741	741	724
	8,182	4,794	12,976	10,713
Commitments and contingencies (notes 7 and 8)				
	<b>\$ 14,298</b>	<b>\$ 6,475</b>	<b>\$ 20,773</b>	<b>\$ 21,897</b>

See accompanying notes to financial statements.

On behalf of the Agency:



Chairman of the Board of Directors



Chairman of the Audit Committee



# STATEMENT OF OPERATIONS AND FUND BALANCES

Fifty-three week period ended December 30, 2000, with comparative figures for 1999 (In thousands of dollars)

	Pooled Income Fund	Administration Fund	2000 Total	1999 Total
<b>Revenue:</b>				
Egg sales	\$ 46,473	\$ -	\$ 46,473	\$ 39,483
Levy, service fees and contributions	65,124	11,694	76,818	40,719
Net levy contribution (note 1(d))	6,460	-	6,460	26,940
Interest and other income	56	171	227	420
Other income — restricted (note 4)	13	111	124	121
	118,126	11,976	130,102	107,683
<b>Expenses:</b>				
Trade operations:				
Egg purchases	109,798	-	109,798	91,942
Buyback allowance	2,889	-	2,889	2,468
Transportation and handling	2,943	-	2,943	1,995
Food safety program	23	-	23	143
Bad debts	-	-	-	24
Third party verification	472	-	472	370
Interest	103	-	103	-
Other	60	-	60	7
	116,288	-	116,288	96,949
Marketing	-	5,678	5,678	5,710
Salaries	-	2,200	2,200	2,726
Professional fees and consulting	-	1,190	1,190	1,063
Meetings and travel	-	1,126	1,126	1,063
Public affairs and communications	-	314	314	384
Office and other administrative	-	429	429	523
Marketing research	-	125	125	158
Rent	-	234	234	288
Per diems	-	397	397	334
Amortization	-	255	255	213
Uncollected levy, service fees and contributions	(634)	43	(591)	1,079
Donations of eggs	194	-	194	179
	115,848	11,991	127,839	110,669
Excess (deficiency) of revenue over expenses	2,278	(15)	2,263	(2,986)
Fund balances, beginning of period	5,904	4,809	10,713	13,699
<b>Fund balances, end of period</b>	<b>\$ 8,182</b>	<b>\$ 4,794</b>	<b>\$ 12,976</b>	<b>\$ 10,713</b>

See accompanying notes to financial statements.

# STATEMENT OF CASH FLOWS

Fifty-three week period ended December 30, 2000, with comparative figures for 1999 (In thousands of dollars)

	Pooled Income Fund	Administration Fund	2000 Total	1999 Total
<b>Cash flows from (used in) operating activities:</b>				
Excess (deficiency) of revenue over expenses	\$ 2,278	\$ (15)	\$ 2,263	\$ (2,986)
Amortization, which does not involve cash	-	255	255	213
	2,278	240	2,518	(2,773)
Decrease (increase) in non-cash working capital	330	(926)	(596)	(115)
	2,608	(686)	1,922	(2,888)
<b>Cash from (used in) financing and investing activities:</b>				
Sale of marketable securities	892	1,563	2,455	327
Purchase of restricted investments	(11)	(111)	(122)	(92)
Purchase of capital assets	-	(272)	(272)	(378)
Disposal of capital assets	-	-	-	2
	881	1,180	2,061	(141)
Net change to cash	3,489	494	3,983	(3,029)
Cash, beginning of period	1,190	1,258	2,448	5,477
<b>Cash, end of period</b>	<b>\$ 4,679</b>	<b>\$ 1,752</b>	<b>\$ 6,431</b>	<b>\$ 2,448</b>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

Fifty-three week period ended December 30, 2000 (In thousands of dollars)

## 1. ACTIVITIES OF THE AGENCY:

### (a) Objective of the Agency:

In 1972, Parliament enacted the National Farm Products Agencies Act. The Canadian Egg Marketing Agency, a Statutory Corporation, was then established by proclamation. It, along with a Federal-Provincial Agreement, identifies the Agency's responsibilities including: to effectively manage the production, pricing, distribution and disposition of eggs in Canada and to promote the sale of eggs.

### (b) Levy, service fees and contributions:

The provincial egg marketing boards have agreed to act as agents of the Agency for the collection, control and remittance of the levy, as recommended by the Agency and approved by the National Farm Products Council. Further amounts are paid to the Agency by the provincial boards to finance the national industrial product removal system pursuant to the supplementary Federal-Provincial Agreement and, in the case of Quebec and Alberta, through service fees payable pursuant to a commercial contract.

### (c) Removal activities:

The Agency purchases, at specified buy-back prices, all eggs that meet Agency specifications that have been declared as excess to provincial table market requirements. These eggs are then sold to domestic processors.

### (d) Service contract:

The Agency maintains a service contract with the Quebec provincial board.

The contract allows for the operation of a provincial industrial product removal program within the national system. As a result of national programs operated by the Agency, not all provincial declarations are recorded as sales by the provincial board. In Quebec, the provincial removal program was responsible for 99% (1999 – 99%) of their province's industrial product declarations. The difference 1% (1999 – 1%) represents product sold interprovincially by the Agency. The excess of national levies over the cost of removal of industrial product is recorded as net levy contribution.

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### (a) Basis of accounting:

The industrial product removal levy, service fees and contributions are allocated to the Pooled Income Fund. All transactions involving the buying and selling of eggs are recorded in this fund.

The administration levy, service fees and contributions and all administrative expenses are recorded in the Administration Fund.

### (b) Cash:

Cash includes deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of 90 days or less.

### (c) Marketable securities and restricted investments:

Marketable securities and restricted investments consist of Government of Canada bonds and are valued at the lower of cost or market.

### (d) Inventory:

Inventory consists of eggs which are valued at the lower of cost and net realizable value.

### (e) Capital assets:

Capital assets are recorded at cost. Amortization of capital assets is calculated using the straight-line method over their anticipated useful lives as follows:

Asset	Basis
Office equipment	10 years
Computer hardware and software	5 years
Leasehold improvements	over remaining term of lease

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fifty-three week period ended December 30, 2000 (In thousands of dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### (f) Revenue recognition:

Egg sales revenue is recognized on the date eggs are delivered to the customer.

Levy, service fees and contributions are recognized in the period of issuance, production or provision of service as applicable.

Levy revenue is calculated based on the weekly provincial bird issuance and a weekly per bird levy rate. Prior to 2000, levy revenue was calculated based on egg production and was charged on a cents/dozen basis.

### (g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenditures in the periods in which they become known.

## 3. ACCOUNTS RECEIVABLE:

	Pooled Income Fund	Administration Fund	2000 Total	1999 Total
Levy, service fees and contributions, net of allowances for uncollected amounts of \$710 (1999 — \$1,626)	\$ 5,930	\$ 830	\$ 6,760	\$ 10,927
Egg sales, net of allowances for uncollected amounts of \$142 (1999 — \$142)	3,202	-	3,202	2,107
Other	48	432	480	467
	<b>\$ 9,180</b>	<b>\$ 1,262</b>	<b>\$ 10,442</b>	<b>\$ 13,501</b>

## 4. RESTRICTED INVESTMENTS AND FUND BALANCES:

### (a) Restricted investments:

Restricted investments held by the Agency represent funds which have been restricted by the Board of Directors for the purposes described in notes 4(b) and 4(c). The carrying values and market values of the investments are as follows:

	Carrying value		Market value	
	2000	1999	2000	1999
<b>Pooled Income Fund:</b>				
Cash	\$ 36	\$ 24	\$ 36	\$ 24
Bonds	211	213	217	213
	247	237	253	237
<b>Administration Fund:</b>				
Bonds	-	2,186	-	2,186
T-bills	2,298	-	2,298	-
	<b>\$ 2,545</b>	<b>\$ 2,423</b>	<b>\$ 2,551</b>	<b>\$ 2,423</b>

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fifty-three week period ended December 30, 2000 (In thousands of dollars)

## 4. RESTRICTED INVESTMENTS AND FUND BALANCES (CONTINUED):

### (b) Restricted fund balance — Pooled Income Fund:

In 1995, the Agency was directed by the Board of Directors to set up a trust account to administer transactions for the National Quota Exchange (NQE) Program. The use of the funds is at the discretion of the Board of Directors. The transactions in the fund are as follows:

	2000	1999
Beginning balance	\$ 237	\$ 237
Interest income	13	13
Administration expense	(3)	(13)
<b>Ending balance</b>	<b>\$ 247</b>	<b>\$ 237</b>

### (c) Restricted fund balance — Administration Fund:

In 1997, the Agency was directed by the Board of Directors to set up a \$2,000 restriction in the Administration Fund. The restricted funds are to be used to fund research. The use of the funds is at the discretion of the Board of Directors. The transactions in the fund are as follows:

	2000	1999
Beginning balance	\$ 2,187	\$ 2,097
Interest income	111	108
Research activities	-	(18)
<b>Ending balance</b>	<b>\$ 2,298</b>	<b>\$ 2,187</b>

## 5. CAPITAL ASSETS:

	2000		1999	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	\$ 1,685	\$ 1,012	\$ 673	\$ 645
Office equipment	427	366	61	74
Leasehold improvements	9	2	7	5
	<b>\$ 2,121</b>	<b>\$ 1,380</b>	<b>\$ 741</b>	<b>\$ 724</b>

Cost and accumulated amortization amounted to \$1,894 and \$1,170 respectively in 1999.

## 6. DEMAND LOANS:

The Agency has a revolving demand loan facility with a total approved limit of \$5,000 at an interest rate of prime on the first \$2,500 and prime plus 0.5% on the remainder. The facility is secured by a general assignment of book debts and a demand debenture agreement. As at December 30, 2000, loans under this facility totalled \$Nil (1999 — \$ Nil).

## 7. COMMITMENTS:

The Agency is committed under the terms of an operating lease contract for the rental of premises (\$124 per year) and estimated operating costs (\$132 per year), as follows:

2001	\$ 256
2002	256
2003	256
2004	256
2005	256
2006 – 2007	512
	<b>\$ 1,792</b>

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fifty-three week period ended December 30, 2000 (In thousands of dollars)

## 8. CONTINGENCIES:

(a) In 1996, the Agency was named as defendant in a statement of claim in the amount of \$10,000. In 1998, the Agency was successful in a Supreme Court ruling on a constitutional issue of marketing eggs, produced in the North West Territories (NWT), into areas of regulated production. It is the Agency's view that the statement of claim was subject to the outcome of the Supreme Court ruling, but the statement has not yet been withdrawn.

(b) In 2000, the Agency and its Board of Directors were served with a Statement of Claim for \$18,000 in damages. The claim arose out of the termination of the processor contract by the Agency with Highland Produce Ltd. The plaintiff alleged that termination of the contract would deny them access to industrial product, which would result in the demise of their egg processing business. The action against the directors has been discontinued while the action against CEMA has been adjourned sine die.

## 9. CONCENTRATION OF CREDIT RISK — ACCOUNTS RECEIVABLE:

As described in note 3, the Agency's receivables are from two main sources: egg sales to Egg Processors and levy and service fees collected by Provincial Boards on eggs marketed. The Agency mitigates credit risk through credit evaluations and monitoring of the outstanding balances and the financial conditions of the Agency's customers.

Egg sales are dependent upon 2 groups of related companies. In 2000, these customers purchased 67% (1999 — 64%) of the eggs sold by the Agency.

## 10. SUPPLEMENTARY INFORMATION:

Year 2000 egg sales revenues and cost of sales are recorded on a net basis as net levy contribution, in accordance with service contracts in Quebec, and on a gross basis as egg sales and cost of sales, in the case of the other provinces, in accordance with the underlying Federal-Provincial Agreement. In 1999, egg sales and cost of sales in Ontario and Quebec were recorded on a net basis as net levy contribution and on a gross basis as egg sales and cost of sales in the case of the other provinces.

Had all the industrial product removal operations in Quebec (and in Ontario for 1999) been recorded on a gross basis, the Pooled Income Fund Statement of Operations would be as follows:

	2000	1999
<b>Revenue:</b>		
Egg sales	\$ 50,844	\$ 44,590
Levy, service fees and contributions	78,229	65,427
Interest and other income	56	155
Other income — restricted	13	13
	<b>129,142</b>	<b>110,185</b>
<b>Expenses:</b>		
Trade operations:		
Egg purchases	120,133	105,108
Buyback allowance	3,430	2,815
Transportation and handling	3,083	2,625
Food safety program	23	151
Bad debts	—	24
Third party verification	472	370
Interest	103	—
Other	60	7
Uncollected levy, service fees and contributions	(634)	1,062
Donations of eggs	194	179
	<b>126,864</b>	<b>112,341</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 2,278</b>	<b>\$ (2,156)</b>

## 11. COMPARATIVE FIGURES:

Certain 1999 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2000.

Year 2000 includes 53 weeks of activity while in comparison, 1999 had only 52 weeks.