

For presentation to the Minister of Agriculture
and Agri-Food, the Honourable Lyle Vanclicf,
and the National Farm Products Council

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Chicken Farmers of Canada

Suite 1007, 350 Sparks Street, Ottawa, Ontario K1R 7S8

Tel.: (613) 241-2800 Fax: (613) 241-5999

E-mail: cfc@chicken.ca

Web site: <http://www.chicken.ca>

ISSN 1491-4395



Printed on Canadian recycled stock. Designed by Mantle & Overall Communications
Cover illustration by Chris Van Es. Printed by The Lowe-Martin Group

About Chicken Farmers of Canada

Chicken Farmers of Canada (CFC) is a national farmer-run organization. Our main responsibility is to ensure that our farmers produce the right amount of chicken to meet the needs of the marketplace. The system we operate under is commonly known as supply management.

Our organization is completely funded through levies that farmers pay according to the amount of chicken marketed. We do not receive any government subsidies.

To supply the Canadian marketplace, farmers in each province meet approximately six times a year to determine the needs of the market, with input from processors, further processors, retailers and the restaurant trade.

A 14-member board of directors determines our directions and policies. The board is made up of farmers appointed each year by the 10 provincial marketing boards. Non-farmer directors – one from the restaurant industry, another from the further processing industry and two representing the processing industry – are appointed for two-year terms by their respective national associations.

Another important responsibility is to ensure that key decision-makers in the federal

government fully understand the concerns and interests of Canada's 2,800 chicken farmers, taking them into account when important agriculture and trade policy decisions are being made.

We also make sure that the voice of Canadian chicken farmers is heard on the international scene.

In addition, CFC takes care of various regulatory issues. We monitor compliance with quota allocations. For example, we license farmers, processors, transporters, dealers and retailers engaged in interprovincial movement of live birds, and we issue export licences to exporters for chicken that is produced specifically to meet export opportunities.

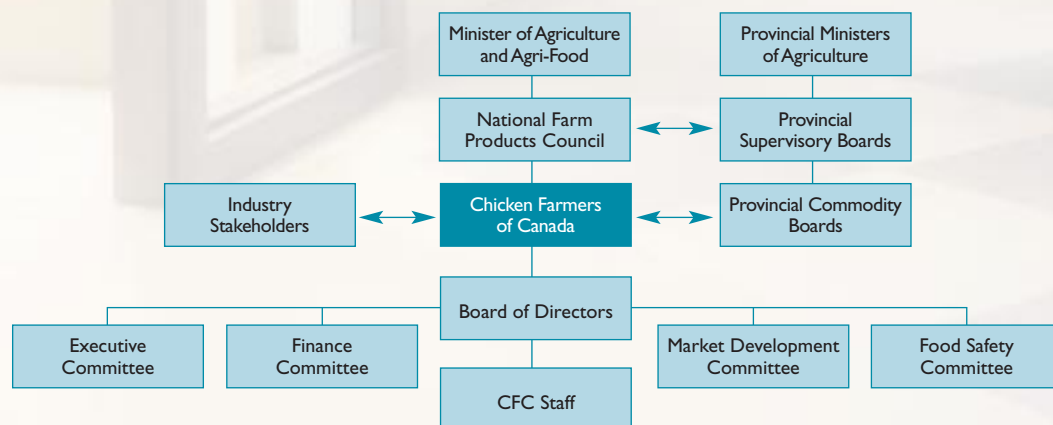
We encourage co-operation throughout the chicken industry – and promote the consumption of chicken in Canada.

We were established in 1978 under the *Farm Products Agencies Act* through an agreement of the federal government, provincial agriculture ministers and chicken farmers.

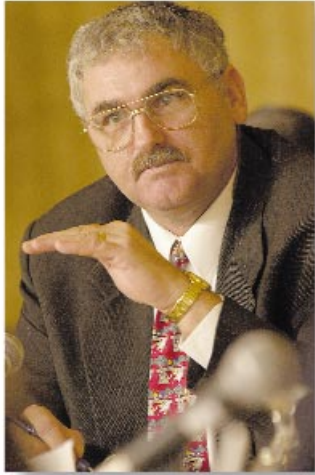
Our organization is located in Ottawa and is staffed by 18 employees.

We conduct our business in both official languages, English and French.

CFC Organizational Structure



The Foundation of Strategic Growth: The Federal-Provincial Agreement



It was my goal in last year's annual report that we would have the new Federal-Provincial Agreement (FPA) signed by all 10 provinces by the end of 2000. I can now honestly say that the process to achieve this goal is near completion. Getting the new FPA done is CFC's #1 priority, and it will remain our top strategic plan priority until its successful conclusion.

Throughout 2000, we received written comments and held countless meetings on the FPA with provincial chicken boards, provincial governments, provincial supervisory boards, provincial agriculture ministers, National Farm Products Council, the Canadian Poultry and Egg Processors Council, the Further Poultry Processors Association of Canada, and the federal minister of agriculture.

"Our mission: to build a consumer-driven Canadian chicken industry that provides opportunities for profitable growth for all stakeholders."

The teamwork approach worked well throughout the year, and all parties expressed their commitment to bringing this agreement to a conclusion as soon as possible. I would like to take this opportunity to say thank you to all those parties who have worked hard to finalize the new FPA.

This agreement provides the *legal framework* for the Canadian chicken industry. It creates a stable and predictable policy environment, within which farmers, processors, further processors and the marketers of chicken can invest with confidence to assure the continued growth of our industry.

This agreement, which recognizes the way we conduct business today in the Canadian chicken industry, is the half of the **foundation** to build on for the future. The other half of that **foundation** is a WTO agriculture agreement that maintains CFC's ability to operate our orderly marketing system for chicken. The key tool in this regard is an effective over-quota tariff that allows Canada to determine the level of chicken imports.

I am proud to lead an industry that is a

Canadian success story. We have grown 60 per cent in the last 10 years, and that is unheard of in the agriculture community. To continue the success of this very progressive and dynamic industry, we need to continue to work closely as an industry to fulfil our mission:

"To build a consumer-driven Canadian chicken industry that provides opportunities for profitable growth for all stakeholders."

At this time I would like to express my sincere thanks to the CFC Board of Directors, and in particular to the members of the Executive Committee, for their hard work and dedication to the Canadian chicken industry and for their continued support to me as Chairman.

To Minister of Agriculture and Agri-Food, the Hon. Lyle Vancilief, who had an open door policy, and National Farm Products Council Chairperson Cynthia Currie, I say thank you on behalf of the Directors of Chicken Farmers of Canada for your guidance and continuing support.

As Chairman, I have been fortunate to be able to work very closely with a dedicated and hard-working staff. I tip my hat to each and every one of you for your continuing work to help move the Canadian chicken industry forward. And to Mike Dugate, General Manager of CFC, your commitment to our organization – well, I would put it as outstanding. I would like to also thank you for your broader view in dealing with every issue that arises.

Our industry will continue to grow and change in the future and our job will be to manage that change for the betterment of the Canadian chicken industry. I believe in my heart that we are up to the task at hand.

As Chairman, I have enjoyed the opportunity to be able to talk with farmers, industry and government personnel across this great country of ours.

A stylized, handwritten signature of David Fuller in dark ink.

David Fuller
Chairman



Maintaining Our Strategic Growth: Capacity Building

Here we grow again. Chicken consumption rises to yet another new high. In 2000, Joe Canadian ate 29 kilograms of chicken – 1.7 kilograms more than in 1999. Two years ago, CFC set a goal of 30 kilograms per person by 2003 to achieve its strategic plan vision of chicken as the #1 meat in Canada. That vision is now clearly within our grasp.

We can all be proud of the significant growth we have delivered. However, for me the most satisfying accomplishment in 2000 was CFC's operationalization of the strategic planning process. Led by David Fuller, the CFC Board of Directors has fully embraced the concept of establishing a vision, setting priorities, and ensuring that the activities of CFC focus on the direction that has been set.

In May, CFC held a governance seminar for Directors, the result of which has been increased clarity in the roles and responsibilities of the Board, committees and individual Directors. CFC Directors also agreed to make changes to improve CFC's decision-making process.

In September, CFC held a strategic planning meeting to review CFC's 2000 objectives and performance and to establish the goals and action plans for the upcoming year. Building on the May governance discussions, Directors added a fourth vision area to CFC's strategic plan – *Organizational Capacity*. Our vision is "to enhance the capacity of the CFC Board and staff so that CFC is recognized for the quality of its fact-based decisions, which take into consideration the views of all stakeholders." Based on the directions set in September, the Board of Directors set its budget in November so that resources are allocated appropriately to deliver on the 2001 priorities. We have now firmly entrenched CFC's planning and budgeting process as an annual exercise.

CFC derive our collective and individual workplans and activities by the direction set by the Board. The strategic plan and priorities act as a compass to ensure that we do not allow

ourselves to lose sight of our strategic direction in dealing with the day-to-day demands we face.

CFC staff have relished the challenge to think strategically. On behalf of farmers and industry, these 17 dedicated individuals tackle a wide spectrum of tough issues head on. They understand the importance of building the rapport that they have with Directors, provincial board staff, industry stakeholders and government officials. I applaud them for getting the job done and even more for doing it with commitment, warmth, humour and camaraderie.

Throughout 2000, CFC's strategic compass has been firmly pointed in the direction of the new FPA. CFC staff have been working extremely hard on all aspects of this massive project, which has involved everyone in the chicken industry to one

"Organizational Capacity: to enhance the capacity of the CFC Board and staff so that CFC is recognized for the quality of its fact-based decisions, which take into consideration the views of all stakeholders."

degree or another over the past year. The importance of concluding the FPA as quickly as possible cannot be understated. With CFC taking the lead, we have made an enormous amount of progress. With the text of the agreement finalized, it has now come down to a question of political will. And I believe that will is there. We just need to focus on the finish line and pull together over the final few strokes. Without a doubt, it is the foundation of our strategic growth.

In closing I would like to thank David Fuller and the Board of Directors for their commitment to work together in the best interests of the Canadian chicken industry. I would also like to thank all of you who have shared your expertise and wisdom with me, encouraged, challenged and assisted me. It is a pleasure to work with you all.



Mike Dugate
General Manager



The Federal-Provincial Agreement (FPA)

Despite an enormous effort by CFC to have the new FPA signed by all 10 provinces by December 31, 2000, a small number of outstanding issues need to be addressed before we expect to sign it in early 2001.

The FPA is now a much shorter agreement, covering the fundamentals of creating a comprehensive system through an amalgamation of federal and provincial powers. Attached to the FPA as schedules are an Operating Agreement and the Proclamation (federal marketing plan).

From April through November, significant progress was made on the text as it went through many revisions. Most of the final provisions were ironed out at a meeting of provincial commodity boards, supervisory boards and CFC in September. By November, the text had been finalized, and the CFC Directors approved the text and authorized the Chairman to sign the agreement.

Some of the delay in finalizing the agreement was caused by developments in British Columbia and Alberta.

On April 5, 2000, the BC Supreme Court determined that the BC Chicken Marketing Board (BCCMB) could not participate in the

National Allocation Agreement (NAA) or the Liquidated Damages Assessment Agreement. This effectively took BC out of the national allocation system. Since that time, the BCCMB has worked hard to reinstitute an orderly marketing system in BC. In mid-August, the BCCMB implemented a new sweeping regulation that returned confidence and accountability to the industry in BC. However, an appeal of this new regulation by BC processors has delayed BC's full reintegration into the national system.

In December 1999, Alberta submitted its notice of withdrawal from the FPA and, on March 30, 2000, its notice of withdrawal from the NAA, both effective December 31, 2000. In submitting its notices, Alberta clearly indicated that its intent was to ensure that all provinces were operating on a level playing field. Alberta did not withdraw either of its notices in 2000 and is now also outside the national system.

CFC remains confident that both British Columbia and Alberta clearly appreciate the merits of the national system and that they will sign the new FPA along with the other eight provinces.



The Strategic Plan

At a strategic planning Board meeting in mid September 2000, CFC Directors reviewed CFC's 2000 objectives and performance and established the goals and action plans for 2001. By reviewing performance and setting priorities annually, CFC Directors maintain the focus established with our Strategic Plan, and enable CFC staff to allocate budgets and resources, and prioritize the issues facing chicken farmers and the Canadian chicken industry in the year to come.

CFC's strategic goals were grouped under the strategic plan vision areas of *System Performance*, *Food Safety and Market Expansion*. In September, Directors added the fourth vision area of *Organizational Capacity*.

Under *System Performance*, the most critical goal for 2000 was the implementation of a new FPA. An enormous amount of progress was made on this issue, which is the foundation of the entire organization. The CFC *On-farm Food Safety Assurance Program* was the key focus under the *Food Safety* vision area. The program has now been implemented and work is now focusing on Canadian Food Inspection Agency recognition and the validation of farms. CFC took a huge step forward in meeting its *Market Expansion* goal of achieving per capita consumption of 30 kg by

The critical priorities for CFC in 2001 are:

- Federal-Provincial Agreement
- Board governance
- Market information
- On-farm Food Safety Assurance Program (OFFSAP)
- Research
- Non-ICL production program
- Export policy

2003. With per capita consumption of chicken rising to 29 kg in 2000, the goal is well within our reach but only with the support and co-operation of the rest of the industry.

Looking ahead, CFC Directors determined the eight critical priorities for CFC in 2001.

Strategic planning provides necessary direction to CFC staff. By maintaining the Strategic Plan, CFC establishes its goals for the future with the blueprints of how to achieve them.

CFC's Directors are to be commended for their vision to plan for the future and for their drive to succeed.



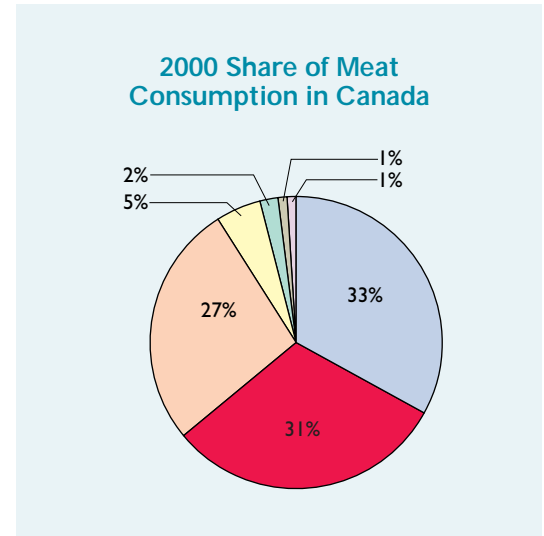
The Canadian Chicken Market in 2000

On Target for 30 kg by 2003

Y2K may have been a bust for Doomsday watchers, but chicken had a spectacular Millennium year in 2000, setting a new high for Canadian chicken consumption at 29 kilograms per person. CFC is well ahead of schedule for its strategic market expansion goal of achieving a per capita consumption (PCC) of 30 kg by 2003, because Canadians ate 1.7 kilograms more chicken per person in 2000. Production experienced a corresponding increase of 4.3 per cent, which continues the growth of 1999.

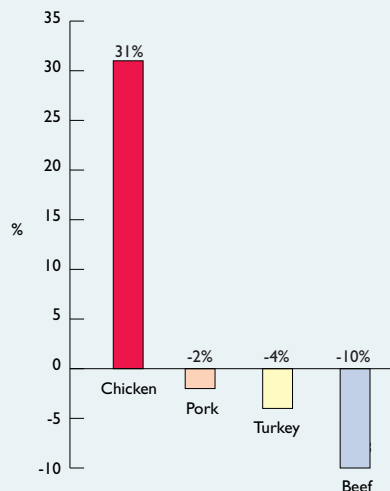
Total Canadian chicken consumption reached 897.6 Mkg in 2000 – an increase of 5.1 per cent over 1999.

Preliminary industry information indicates that beef's PCC is expected to fall from 31.0 kilograms in 1999 to 30.4 kilograms in 2000. Pork is expecting to decrease its PCC from 27.4 kilograms in 1999 to 25.5 kilograms in

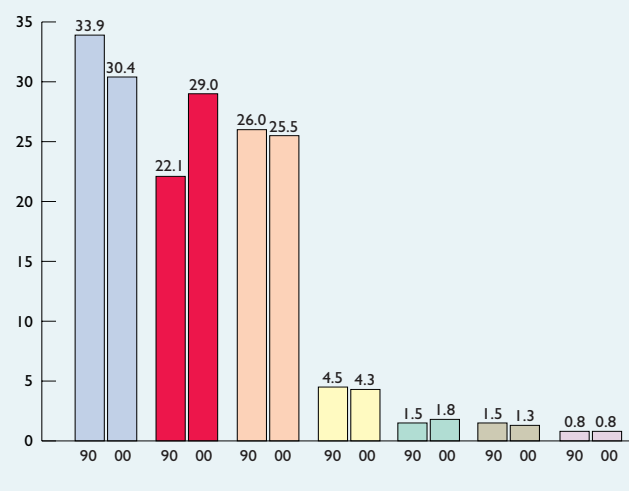


2000. Turkey's per capita consumption is expected to increase 0.2 kg to 4.3 kilograms in 2000. Even with chicken's 1.7 kg increase, total meat consumption fell by 0.6 kilograms in 2000, the first decrease since 1996.

Change in Per Capita Consumption between 1990 and 2000 (%)



Per Capita Consumption 1990 & 2000 (kg)



Beef Chicken Pork Turkey Fowl Veal Lamb

As a result, chicken has increased its share of total meat consumption in Canada from 24% in 1990 to 31% in 2000. The continuing and growing demand for chicken has moved chicken past pork into second place closely behind beef.

At the current rate of strategic growth, and with the other meat commodities on the decline, chicken stands to be the number one meat in Canada. This was the ultimate goal when it was projected that 30 kg by 2003 would be a competitive but attainable target.

Provincial Production

In 2000, Canada's total chicken production equalled 874.2 Mkg – an increase of 4.3 per cent. All provinces increased production compared to the previous year.

Western Canada continued to lead the country in growth, increasing production by 6.3 per cent over 1999. Saskatchewan had the largest year-over-year growth at 23.7 per cent. This growth was based on the province's *exceptional circumstances* agreement under the National Allocation Agreement – which allows it to nearly double production over four years.

Manitoba grew by 4.1 per cent and British Columbia and Alberta rose by 6.3 per cent and 3.0 per cent, respectively. Quebec and Ontario increased 2000 production 2.4 per cent and 4.0 per cent, respectively, over 1999. For Central Canada, this represents an overall increase of 3.3 per cent.

Prince Edward Island reported a 9.5 per cent increase in 2000 compared to 1999, pacing the Atlantic region, which increased production by 4.0 per cent. Nova Scotia, New Brunswick, and Newfoundland increased production 3.6 per cent, 4.7 per cent and 1.9 per cent, respectively, over last year.

2000 Provincial Production of chicken (Millions of kg Eviscerated)

Province	2000	% change over 1999
British Columbia	137.0	6.3
Alberta	79.8	3.0
Saskatchewan	24.0	23.7
Manitoba	36.6	4.1
West	277.4	6.3
Ontario	284.6	4.0
Quebec	243.1	2.4
Central	527.7	3.3
New Brunswick	24.0	4.7
Nova Scotia	30.5	3.6
Prince Edward Island	3.3	9.5
Newfoundland	11.3	1.9
Atlantic	69.1	4.0
Total	874.2	4.3

Farmer Prices

Farmer prices are set by the provincial boards for each quota period. In 2000, the Canadian weighted average price ranged from a high of \$1.16 per kilogram in period A-32 to a low of \$1.129 per kilogram in period A-35. The year began with the farmer price at \$1.136 per kilogram during period A-30 and ended the year at \$1.144 per kilogram in period A-36.

The Canadian weighted average farmer price is calculated based on annual provincial production volumes. The Canadian weighted average price for 2000 was \$1.14 per kilogram which is \$0.008 per kilogram less than in 1999. In 1990 the Canadian farmer price was \$1.21 per kilogram a difference of \$0.07 from 2000.



Quota Periods

A-31	13 February 2000	08 April 2000
A-32	09 April 2000	03 June 2000
A-33	04 June 2000	29 July 2000
A-34	30 July 2000	23 September 2000
A-35	24 September 2000	18 November 2000
A-36	19 November 2000	13 January 2001

Wholesale Prices

In 2000, the average wholesale price in Canada was \$2.41 per kilogram, down 4 cents per kilogram from the \$2.45 average price per kilogram reported in 1999. Wholesale prices fluctuated marginally throughout the year, with Quebec's monthly average wholesale price for whole birds in January at \$2.39 per kilogram. During the year, the price reached a low of \$2.26 per kilogram in July and increased in each succeeding month until November and a high of \$2.41 per kilogram. The year ended with the wholesale price at \$2.38 per kilogram.

Retail Prices

The average 2000 Consumer Price Index (CPI) for chicken increased 0.2 per cent over 1999. On a monthly basis, retail prices decreased in the first two months of the year compared to December of 1999. Over the next two months the CPI rose compared to the previous months.

Retail prices decreased in May and June compared to the previous months and then increased in July and August. The CPI fell again in September only to rise in October. In November the CPI fell again, and it remained unchanged in December. Retail prices reached a yearly low in February and a yearly high during October.

Retail prices in December 2000 were 0.9 per cent lower than in December 1999. Statistics Canada's CPI publication monitors price changes for chicken at the retail counter, but takes into account only whole bird price fluctuations.

Imports

A total of 79,036,160 kilograms of chicken and chicken products were imported into Canada in 2000, as reported by the Department of Foreign Affairs and International Trade (DFAIT). DFAIT is responsible for issuing import permits for chicken and products made primarily of chicken.

Under Canada's NAFTA obligations, the tariff-rate quota (TRQ) for chicken is automatically set at 7.5 per cent of the previous year's production. The 2000 TRQ, 63,530,850 kilograms, based on 7.5 per cent of last year's production, was 3,642,825 kilograms larger than in 1999.

In 2000, 63,344,083 kilograms of chicken and chicken products were imported into Canada under the TRQ. That amount represents a fill rate of almost 100 per cent.

With Canadian chicken production increasing almost 36 Mkg in 2000 to 874.2 Mkg. The 2001 TRQ will be 65,780,325 kg as reported by DFAIT.

Approximately 28.5 per cent of the imports were brought in during the first quarter of 2000, 26.6 per cent in the second, 28.7 per cent in the third and 16.2 per cent in the fourth.

Chicken parts accounted for 88.6 per cent of TRQ imports, as compared to 92.7 per cent last year. In comparison, further processed product and whole eviscerated chicken accounted for 10.3 per cent and 0.1 per cent, respectively, of the 2000 TRQ imports, while representing 6.7 per cent and 0.1 per cent of the TRQ in 1999.

DFAIT also issued additional import permits under the "import to re-export" program. This "import to re-export" provision allows importers to import chicken and chicken products into Canada in order to further process the product. Under this provision, all products that are imported must be exported. The "import to compete" program allows chicken to be imported only to produce processed chicken products that are not on Canada's Import Control List. This would include specialized products such as chicken dinners.

A portion of the Minister's decision in February 2000 resulted in special supplementary imports of approximately 2 Mkg being issued in excess of the 7.5 per cent market access requirement. It is important to bear in mind that not only did the overall level of imports increase, but the manner in which the imports were administered changed as well. Thus, some year-to-year comparisons require additional explanation.

We can see this below, as it appears that supplementary "imports to compete" decreased. In fact, they were simply reported differently in 2000 than in 1999. The decrease in the "import to compete" category is a result of DFAIT's decision to include a large portion of these imports from 1999 in the overall TRQ, thus not showing them as a supplementary import in 2000.

Supplementary Imports

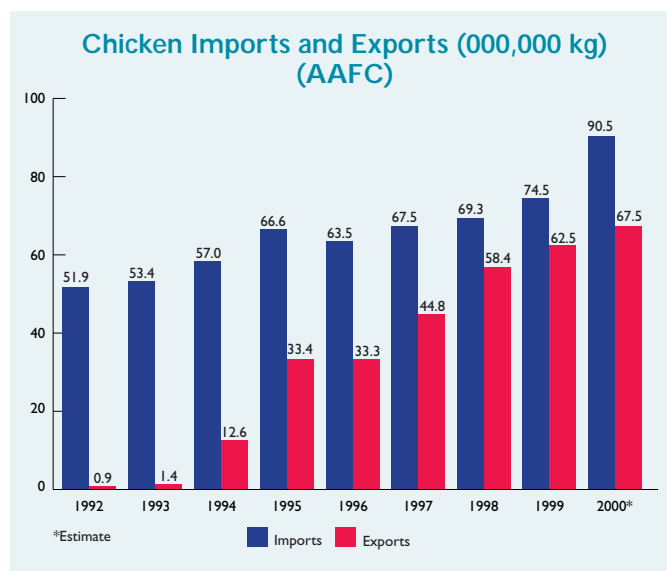
	2000	1999	% Change
Import to compete	2,098,110	3,385,406	-38%
Import to re-export	13,465,961	7,034,096	91%
Imports for Market Shortages	128,006	0	N/A
Total	15,692,077	10,419,502	51%

In addition, "imports to re-export" rose by an incredible 91 per cent. This may represent an untapped export market opportunity for Canadian produced and processed chicken.

CFC received six requests for supplementary imports during the year. The federal government issued permits for 128,006 kg under the supplementary imports for market shortages.

Exports and Storage Stocks

It is estimated that exports in 2000 will reach 67.5 Mkg, an increase of 7.7 per cent over the 62.5 Mkg exported in 1999. Exports represented approximately 7.7 per cent of domestic production in 2000. In comparison, the total imports of chicken and chicken products equalled 90.5 Mkg.



Storage stocks were 22.2 Mkg on January 1, 2000, and ended the year at 21.9 Mkg, a reduction of 0.3 Mkg. During the year, storage stocks ranged from a high of 25.1 Mkg in July to a low for the year of 20.8 Mkg in November.

Sources: Agriculture and Agri-Food Canada and the Department of Foreign Affairs and International Trade (DFAIT)

Monitoring the System



Monitoring & Enforcement

Pursuant to paragraph 3.3 of CFC's Monitoring and Enforcement Policy, staff conducts audits at the end of every four consecutive production periods to verify the accuracy of the information provided to CFC by the provincial commodity boards. During 2000, staff completed the audits of periods A-26 to A-33, which run from May 9, 1999, to July 29, 2000. The audits were performed at provincial commodity boards and primary processors, except for British Columbia, for periods A-30 to A-33.

Staff conducted a special investigation into the activities of certain export licence holders for periods A-23 to A-29, where processors under-exported or used product claimed by other processors (double-counted) to meet their export commitments. Five licence holders were liable to pay an export levy for non-compliance with CFC's export policy. In order to recognize the disruption caused to the domestic market by the under-exports and double-counted exports, the Board of Directors directed staff to pursue

a resolution of outstanding levies with the processors. A Settlement Agreement was developed and approved by CFC Directors, after which it was signed by CFC, and the five licence holders signed agreements that resolved all matters relating to their failure to export over periods A-23 to A-29.



Liquidated Damages Assessment

Prior to May 2000, all 10 provinces had signed a long-term liquidated damages assessment (LDA) agreement. As a result of the April 5, 2000 British Columbia Supreme Court decision that BC could not participate in the LDA, nine provinces signed a new agreement in May 2000, which expired at the end of period A-35 (December 18, 2000).

As Alberta had provided CFC with a notice of withdrawal from the Federal-Provincial Agreement (FPA) effective January 1, 2001, only eight provinces signed an LDA agreement in August 2000 covering assessment period 18 (A-36 and A-37).

During 2000, the assessment of periods A-22 to A-29 was completed. CFC imposed and collected liquidated damages for assessment period 12 (A-24 and A-25) from Chicken Farmers of Saskatchewan in the amount of \$18,234, Manitoba Chicken Producers in the amount of \$45,767, and Chicken Farmers of Ontario in the amount of \$61,096. CFC also imposed and collected liquidated damages for assessment period 14 (A-28 and A-29) from the New Brunswick Chicken Marketing



Board in the amount of \$36,683 and the PEI Poultry Meat Commodity Marketing Board in the amount of \$8,237.

Interprovincial Movement

It is important for provincial chicken farmer organizations to know how much of the chicken raised in their province is actually slaughtered out of province. Thus, CFC keeps track of the number of live chickens that move in inter-provincial trade and reports the figures weekly to each chicken board.

Interprovincial Movement of Live Chickens (in kilograms live weight)

Province	2000	
	Into	Out of
British Columbia	–	–
Alberta	250,000	–
Saskatchewan	–	250,000
Ontario	19,254,000	8,340,000
Quebec	8,209,000	19,622,000
New Brunswick	557,000	541,000
Nova Scotia	5,029,000	–
Prince Edward Island	–	4,546,000
Newfoundland	–	–
Total	33,299,000	33,299,000

2000 Inter-Period Quota Transfers

Province	Number of Requests	Total Kg (Live weight)
Saskatchewan	1	150,000
Quebec	1	330,000
New Brunswick	2	230,700
Nova Scotia	1	100,000
Total	5	810,700

In 2000, the total reported movement was 33.3 Mkg live weight compared to 32.0 Mkg in 1999.

In 2000, CFC received five requests for inter-period quota transfers totalling 810,700 kilograms (live weight). This compares to 11 requests for 2,813,690 kilograms (live weight) in 1999.

The inter-period quota transfer policy gives additional flexibility to meet market needs.

Production and Food Safety

Canadian On-farm Food Safety Program

The Canadian On-farm Food Safety (COFFS) Program is a producer-led, industry/government partnership that provides national commodity groups with the opportunity to develop and implement national on-farm food safety initiatives. Each commodity develops its own program but builds-in consistency with Hazard Analysis Critical Control Points (HACCP) definitions and principles and the Canadian Food Inspection Agency's (CFIA) Food Safety Enhancement Program.

The COFFS Working Group met on numerous occasions in 2000. The main subject of discussion was the negotiation of a protocol for CFIA to recognize the on-farm food safety programs developed by the national commodity groups.

In particular, CFC is seeking assurances that the existing program, which was developed in conjunction with CFIA representatives, will meet the requirements of future recognition protocols.



CFC On-farm Food Safety Assurance Program

In 1999, CFC implemented the final stage of its *On-farm Food Safety Assurance Program* (OFFSAP). In 2000, we completed the implementation phase and the dissemination of the requirements to the farmers.

CFC has taken the initiative and embarked on this project because it recognizes the determination of Canadian chicken farmers to improve the quality and safety of their production. CFC also recognizes that to fully benefit from the implementation of such a program, official recognition must be obtained.

OFFSAP is basically composed of two distinct elements: a Code of Good Production Practices (GPP) and the application of the HACCP principles to chicken production.

The Code of GPP is not really innovative because it is a consolidation of nationally and internationally recognized good husbandry practices that are already followed by Canadian chicken farmers. It covers the whole production cycle, that is, from the preparation of the chicken barn following the exit of the preceding cycle of birds up to the catching and shipping of market-weight birds. This code, **developed by farmers – for farmers**, is the result of a consensus among Canadian farmers living different realities across the country.



The HACCP approach is fully incorporated into CFC's OFFSAP. National and international recognition would not be possible otherwise. OFFSAP standardizes the on-farm food safety system and provides a means for producers to implement a program collectively as well as to address potential food safety hazards that could occur.

One of the main outcomes of our program is the transfer of information between the farm and the next level in the food chain. In order to be part of a HACCP Gate-to-Plate continuum, each level in the food chain offers certain guarantees regarding food safety. In our case, this guarantee is provided by the Flock Information Reporting Form. It is to be noted that the "Flock Sheet" is designed to encompass not only food safety issues, but also the animal welfare aspects of live chicken production. This is part of the commitment made by Canadian farmers to produce the best and safest chicken.

The Flock Sheet was negotiated in conjunction with the processors, the farmers and the regulatory authorities of the CFIA. Since its inception, it has been adopted by the Canadian Poultry and Egg Processors Council (CPEPC), Canadian Turkey Marketing Agency (CTMA) and Canadian Egg Marketing Agency (CEMA).

Using a standard form, program auditors will either recommend the farmer for

OFFSAP Milestones in 2000

- Video completed and distributed
- Fact sheet completed
- Electronic versions of the manual, the Flock Sheet, and forms
- 2nd Edition of the manual distributed
- 2nd Edition of the Flock Sheet distributed
- Submission and approval of two applications to the COFFS program
- Food Safety Committee met three times

certification to the provincial board or help the farmer determine the areas where improvements are needed to qualify for the national program.

World's Poultry Congress

Montréal was the host city of the XXI World's Poultry Congress from August 20 to 24, 2000. The previous occasion when the Congress was hosted in Canada was back in 1927.

The Minister of Agriculture and Agri-Food, the Hon. Lyle Vanclief, recognized the success of Canada in the export marketplace. Global consumption is rising, and our reputation for high quality, safe products has remained constant. He stressed that it is imperative that the industry maintain the stringent regulatory and inspection systems that have brought us to where we are today and that only by fully implementing the HACCP principles at all stages of the industry will we continue to be a world leader.

One of the highlights for our farmers was Producer's Day, sponsored by the Chicken Farmers of Canada and other feather agencies. It was a busy day of panel presentations, poster sessions and commercial exhibits. Dr. Yves Labbé, Manager of Production and Food Safety for CFC, made a well-received presentation on CFC's OFFSAP *Safe, Safer, Safest*.



Trade and Policy



WTO

Although a comprehensive round of negotiations was not launched following the WTO Ministerial Conference in Seattle, agriculture and services were two areas where negotiations had to be initiated in 2000.

The WTO Agriculture Committee had four meetings in 2000, where 79 members presented 18 negotiating proposals. As a member of the Cairns Group, Canada was very active, submitting papers on export competition and domestic support as well as export restrictions and taxes. Canada also individually submitted a paper on market access, because the Cairns Group proposal contradicted the fundamentals of the Canadian position.

The development of Canada's negotiating proposals was based on Canada's Initial Negotiating Position. This was influenced by the Sectoral Advisory Groups on International Trade (SAGIT) and Canadian Federation of Agriculture (CFA) Trade Committee where CFC plays an active role.

The elaboration of these negotiating proposals has shown the difficulty of crafting positions that reflect the wide scope of interests in Canada's agriculture sector. But the hard work has also demonstrated the benefits of working together

in a forum such as the CFA Trade Committee to better understand one another and speak with a unified voice.

CFC Trade Position

Given the elaboration of Canada's initial negotiating position, and those of other countries at the WTO Agriculture Committee, CFC updated its March 1998 trade position in November 2000 to reflect the new issues that are being discussed and the greater level of detail that we see emerging from trade discussions.

Chicken Farmers of Canada has adopted an aggressive trade position, which focuses on achieving concrete and realistic results that target the most trade-distorting measures. We support eliminating export subsidies, increasing the discipline governing domestic support and seeking "real" improvements on market access.

What we want from trade talks is not a war of attrition, with the last farmer in the world left standing, but a co-operative approach that removes the discrepancies of the Uruguay Round, provides for a levelling of the playing field, and works to the benefit of all farmers.

It is imperative that government support for our orderly marketing system be maintained, including the defence of our negotiated international rights to maintain effective over-quota tariffs. The over-quota tariffs provide the stability that enables our industry to contribute to the Canadian economy by allowing the entire Canadian chicken industry to continue its phenomenal growth.

CFC has also initiated a review of the trade positions we share with our industry partners. Based on the revised CFC trade position, we are currently negotiating changes to the other industry positions in which we participate. These include the SM-5 trade policy position, the poultry industry trade position and the CFA trade statement.



International Activities

CFC was very active on the international trade front through its participation in the International Federation of Agricultural Producers (IFAP) World Farmers Conference, the North American-European Union Agriculture Trade Conference and the Cairns Group Farm Leaders Conference.

At the Cairns Group Conference, CFC hosted a farm leaders dinner. This provided CFC the opportunity to present its trade views and tell some of the most trade-liberalizing farm leaders that the most important goal of any agricultural trade negotiations should be to achieve real results for our farmers by levelling the playing field. Minister of Agriculture and Agri-Food, Lyle Vanclief has stated that a level playing field is Canada's key objective in these negotiations.

Market Development Program

As a result of an unanticipated increase in the demand for the import allocation of chicken during 2000, the Minister of Foreign Affairs decided to allow 2 Mkg of extra imports, beyond

the 7.5 per cent market access required under international trade obligations. In his decision, the Minister encouraged CFC to explore the feasibility of creating a domestic program to supply manufacturers of products not on the import control list (items that are covered under the TRQ; products not on this list are referred to as Non-ICL) with Canadian chicken.

CFC responded to this challenge by appointing the Market Development Committee to spearhead this initiative. From the outset, the committee has vigorously investigated a solution that would meet the needs of the industry while being profitable for all participants.

Throughout the year, work on the possibility of developing this program continued. At the November Board of Directors meeting, a report on the feasibility study of a domestic program to supply this product was presented to and approved by the CFC Board of Directors. The feasibility study reported the accomplishments of the Market Development Committee and concluded that a program to provide Canadian manufacturers with Canadian product could be developed and implemented for mid-2001.



Promotional and Communication Activities

New Office

CFC relocated to new office space in July of 2000. Our new location, in the Delta Office Tower on Sparks Street, gives us convenient access to hotel and conference facilities on-site. Designed with space and function in mind, the new office space was officially opened September 25.

The ribbon-cutting ceremony was performed by Agriculture and Agri-Food Minister the Hon. Lyle Vanclief, National Farm Products Council Chairperson Cynthia Currie, Murray Calder MP, and David Fuller, the Chairman of CFC's Board of Directors. On hand were members of the Board and the chicken industry and representatives from the Department of Foreign Affairs, Industry and Trade and from Agriculture and Agri-Food Canada, Health Canada and the Canadian Food Inspection Agency.



Mr. Vanclief spoke about CFC's strategic plan and the ambitious but attainable goal of 30 kilograms per capita consumption of chicken by 2003. He also spoke about the FPA.

"A new federal-provincial agreement is certainly a step in the right direction in getting all the players on board. As you know, at the federal level, I am prepared to do my part in expediting the process to complete the new federal-provincial agreement."

"Supply management has brought stability to your sector and has provided the Canadian consumer with a constant supply of high quality poultry products at very reasonable prices. CFC can be proud of its work in achieving and maintaining that stability in the industry."

Membership Survey

The year 2000 was a year of planning and development for CFC's membership survey. CFC's Board of Directors approved the survey, which will be completed by telephone early in 2001.

Some of the goals of the survey are to:

- create a demographic profile of Canada's 2,800 chicken farmers;
- determine their communication preferences;
- obtain their feedback on the *Chicken Farmer*;
- assess their knowledge level and views on trade;
- solicit their views on CFC services.

Usage and Attitude Study

CFC's Board has agreed that CFC will carry out its third national study on in-home consumption of chicken in 2001. This study will show us whether consumers' views of chicken have changed since the 1998 study.

The information provided by this study will help CFC determine how attainable the goal of 30 kg by 2003 is, will track new and existing trends, and will identify issues that require action.

Government Relations

On November 27, 2000, Canadian voters elected a third consecutive Liberal government with a majority of 172 seats out of a possible 301. CFC's government relations program looks to inform key MPs about the issues facing the poultry industry and, in particular, our farmers.

A constant flow of communications is required to maintain the high level of understanding and co-operation with the various government departments that CFC and the chicken industry deal with on a daily basis.

Constituency Captain Network

The Constituency Captain Network had a busy year with the election and the recent addition of captains from the Canadian Turkey Marketing Agency, the Canadian Broiler Hatching Marketing Agency and the Canadian Egg Marketing Agency.

The network targets 112 ridings where farmers from one or all of these commodities make a major economic impact. It matches captains with their MPs to encourage grassroots communication in the riding.

Liberal Feather Caucus

Each year the four national poultry agencies bring Liberal MPs together at our Liberal Feather Caucus meetings, where we discuss our important issues. This year, as the WTO negotiations on agriculture inched forward, the caucus focused on trade and, in particular, chicken farmers' solid contribution to the Canadian economy.

Promotion

To promote our own sector, CFC continues to improve the BBQ kits, which are made available to all MPs. These kits, which can be used at most riding events, bring our organization to both rural and urban Canadians. The BBQ kits are an important tool that allows our message and logo to appear at political events across the country.

Canada Day

Eight times a charm! As in the previous four years, the proceeds of the sales from the "Great Canadian Chicken BBQ" were donated to the *Breakfast for Learning Program*. This year's donation was \$4,000.00.

To "spice" up the BBQ this year, CFC sponsored a chicken sandwich recipe contest in *Canadian Living* magazine. The winners, Stephanie Weins and Spencer Wren from Port Coquitlam, BC, used the grand prize as their honeymoon, joining CFC with two



of their friends at the Canada Day celebrations in Ottawa. The winning sandwich was cooked as the featured sandwich of the "Great Canadian Chicken BBQ" at Major's Hill Park.

Canadian Partnership for Consumer Food Safety Education

The Canadian Partnership for Consumer Food Safety Education (CPCFSE) is a public/private partnership that was created to educate consumers about their role in food safety.

Food safety is an issue that concerns each level in the process of bringing food from the farm to the table. CFC sees CPCFSE as a means of improving safety for consumers through education about the final stages of food handling and preparation, while the OFFSAP program is designed to handle food production safety so that the consumer has safe chicken products to work with.



CFC Board of Directors in 2000



David Fuller
Chairman
Nova Scotia



John Slot
1st Vice-Chairman
Ontario



Luc Turcotte
2nd Vice-Chairman
Quebec



Waldie Klassen
Executive Member
Manitoba



Paul Cook
Alternate
Nova Scotia



Wendy Jeske
British Columbia



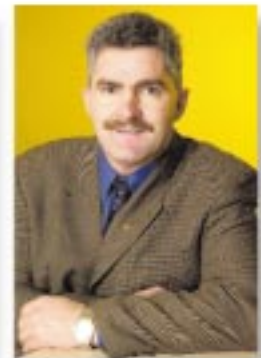
Reg Ference
Alberta



Dean Sully
Saskatchewan



David Mackenzie
Prince Edward Island



Yvon Cyr
New Brunswick



Martin Howlett
Newfoundland



Vijay Francis
Canadian Restaurant
and Foodservices
Association



Pearl Cooper
Canadian Poultry and
Egg Processors Council



Lem Janes
Further Poultry
Processors Association
of Canada



Phil Kudelka
Canadian Poultry and
Egg Processors Council



CFC Staff

(shown left to right)



Executive

Johanne Neeteson
Administrative Assistant

Juliet Marvin
Executive Secretary

Mike Dungate
General Manager



Finance

Kim Garamvolgyi
Bookkeeper

Michael Laliberté
*Monitoring &
Enforcement Officer*

Yvon Séguin
Manager of Finance



Communication & Promotion

Janet Hermer
Government Relations Officer

Chantal Lafontaine
Communication Assistant

Marty Brett
Communication Officer

Vacant
Manager of Communication

Production & Food Safety and Trade & Policy

Yves Labbé
*Manager of Production &
Food Safety*

Yves Ruel
Manager of Trade & Policy

Rob Troy
*Policy & Economic Analyst,
Trade & Policy*

Giuseppe Caminiti
*Statistical Officer,
Production & Food Safety*

Vacant
*Production &
Food Safety Assistant*



Administration & Human Resources

Nathalie Trépanier
Receptionist

Paula Doucette
*Manager of Administration
& Human Resources*

Lou Goley Niantié
Translator

CFC Committees 2000

Executive Committee

David Fuller, CFC Chairman, Nova Scotia *

John Slot, CFC 1st Vice-Chairman, Ontario

Luc Turcotte, CFC 2nd Vice-Chairman, Quebec

Waldie Klassen, CFC Executive Member, Manitoba

Market Development Committee

Pearl Cooper, CFC Director, Canadian Poultry and Egg Processors Council *

Yvon Cyr, CFC Director, New Brunswick

John Slot, CFC 1st Vice-Chairman, Ontario

Lem James, CFC Director, Further Poultry Processors Association of Canada

Food Safety Committee

Waldie Klassen, CFC Director, Manitoba, representing Western Canada *

John Slot, CFC 1st Vice-Chairman, representing Ontario

Pearl Cooper, CFC Director, Canadian Poultry and Egg Processors Council, representing the processors

David Mackenzie, CFC Director, Prince Edward Island, representing Atlantic Canada

Yves Campeau, provincial board Director, representing Quebec

Finance Committee

Reg Ference, CFC Director, Alberta *

David Mackenzie, CFC Director, Prince Edward Island

Phil Kudelka, CFC Director, CPEPC

* Committee Chairperson

Key Conferences and Meetings

At home

- Provincial chicken board annual meetings
- Anti-microbial Resistance Policy Advisory Committee meetings
- Cairns Group Farm Leaders Conference
- Canadian Broiler and Hatching Egg Marketing Agency Advisory Committee meetings
- Canadian Federation of Agriculture (CFA) annual and semi-annual meetings
- CFA Trade Committee meetings
- CFIA – Liaison through CPEPC Poultry Operations Technical Committee (POTC)
- CFIA – Canadian Poultry Disease Reporting System meeting
- Canadian Partnership for Consumer Food Safety Education meetings
- Canadian Poultry and Egg Processors Council (CPEPC) annual convention
- CPEPC Poultry Sector meetings
- CPEPC Poultry Operations Technical Committee meetings (POTC)
- Excellence 2000 Conference
- Further Poultry Processors Association of Canada annual and general meetings

- Liberal Feather Caucus reception
- NFPC meetings
- North America/European Union Farm Leaders Conference
- SM-5 trade meetings
- Tariff Rate Quota Advisory Committee meetings
- World's Poultry Congress Steering Committee meetings
- World's Poultry Congress

Abroad

- Delmarva Poultry Industry annual meeting, Ocean City, Maryland
- International Federation of Agriculture Producers (IFAP) – World Farmers Congress, Hanover, Germany
- International Poultry Exposition, Atlanta, GA
- National Chicken Council annual conference, Washington, DC
- National Chicken Council Marketing Seminar, Jacksonville, Florida
- USDA Agricultural Outlook Forum 2000, Washington, DC
- XIII World Meat Congress, Belo Horizonte, Brazil



Auditor's Report and Financial Statements

December 31, 2000

The Minister of Agriculture and Agri-Food
Government of Canada

The National Farm Products Council

The Members
Chicken Farmers of Canada

We have audited the balance sheet of Chicken Farmers of Canada as at December 31, 2000 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in Canada. 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 common with many agricultural products marketing agencies, the Organization derives revenue from levies and fees charged to producers based on their marketings, the completeness of which is not susceptible of satisfactory audit verification. Due to the structure of the chicken producers' levy and fees, our verification of these revenues was limited to the amounts recorded in the accounts of the Organization and we were not able to determine whether any adjustments might be necessary to the levy and fee revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of levy and fee income referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Canada as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Deloitte + Touche LLP

Chartered Accountants
February 9, 2001

Statement of Operations and Net Assets

year ended December 31, 2000

	2000	1999
Revenue		
Levy and fee revenue	\$ 4,579,464	\$ 5,030,040
Interest and other revenue	296,666	281,609
Liquidated damages (Note 3)	170,017	40,114
	5,046,147	5,351,763
Expenses		
Amortization	45,913	40,762
Committees	187,188	135,209
Communication	486,401	387,580
Directors and alternates	784,146	848,171
Membership fees	54,226	50,449
Office	470,004	378,123
Professional fees	311,869	150,939
Promotion activities	25,648	22,673
Salaries, benefits and travel	1,299,975	1,131,784
Special studies	239,547	144,643
Trade	122,793	223,971
Translation	101,156	73,276
	4,128,866	3,587,580
Excess of Revenue over Expenses	917,281	1,764,183
Net Assets, Beginning of Year	5,697,211	3,933,028
Net Assets, End of Year	\$ 6,614,492	\$ 5,697,211



Balance Sheet

as at December 31, 2000

	2000	1999
Current Assets		
Cash and short-term investments (Note 4)	\$ 6,104,700	\$ 5,146,186
Accounts receivable (Note 5)	752,579	810,865
Prepaid expenses	13,964	64,201
	6,871,243	6,021,252
Capital Assets (Note 6)	150,061	47,281
	\$ 7,021,304	\$ 6,068,533
Liabilities		
Accounts payable and accrued liabilities	\$ 406,812	\$ 371,322
Commitments (Note 7)		
Net Assets	6,614,492	5,697,211
	\$ 7,021,304	\$ 6,068,533

Approved by the Board

David Mackenzie
Finance Committee, Director

Phil Kudelka
Finance Committee, Director

Notes to the Financial Statements

year ended December 31, 2000

1. Activities of the Organization

Objective of the Organization

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

Levy and fee revenue

The Organization charges levies to producers based on chicken marketings in inter-provincial and export trade and receives fees in relation to intra-provincial trade.

2. Accounting Policy

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect application of the following policy.

Capital assets

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

Office equipment	10 years
Computer equipment	3 years

3. Liquidated Damages

Liquidated damages are assessed against provincial commodity boards on a periodic basis when applicable. During the year periodic liquidated damages relating to 1998 and 1999 were collected in the amount of \$170,017 (1999 – \$40,114).

4. Cash and Short-Term Investments

Cash and short-term investments, which include bank deposits, treasury bills and guaranteed investment certificates are valued at cost which approximates market value.

5. Accounts Receivable

Accounts receivable consist of levies and fees receivable from the provincial organizations, amounts due under agreements with Canadian Federation of Agriculture and accrued interest on investments.

6. Capital Assets

		2000		1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 219,282	\$ 100,190	\$ 119,092	\$ 22,674
Computer equipment	85,182	54,213	30,969	13,468
Leasehold improvements	–	–	–	11,139
	\$ 304,464	\$ 154,403	\$ 150,061	\$ 47,281

Additions to capital assets during the year amounted to \$149,694 (1999 – \$24,497).

Capital assets with a cost of \$124,980 (1999 – \$NIL) were disposed in 2000.

7. Commitments

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

2001	\$ 99,656
2002	99,656
2003	99,656
2004	99,656
Thereafter	566,378
	\$ 965,002

8. Statement of Cash Flows

As information relating to cash flows is evident from the other financial statements, these statements do not include a statement of cash flows.

