

**Consumed**  
with

*Passion*

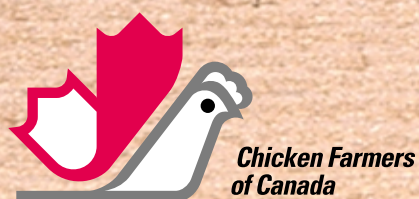


Chicken Farmers  
of Canada

2001 Annual Report



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



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## **TABLE OF CONTENTS**

About Chicken Farmers of Canada	1
The Challenges Ahead	2
Success Through Partnership	3
Federal-Provincial Agreement	4
Strategic Plan – Results and Challenges	6
The Canadian Chicken Market in 2001	8
Monitoring the System	12
Trade & Policy	14
Food Safety	16
Government Relations	17
Signs of Success	18
CFC Board of Directors 2001	20
CFC Staff	21
CFC Committees & Meetings 2001	22
Auditor's Report and Financial Statements	23

# 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.

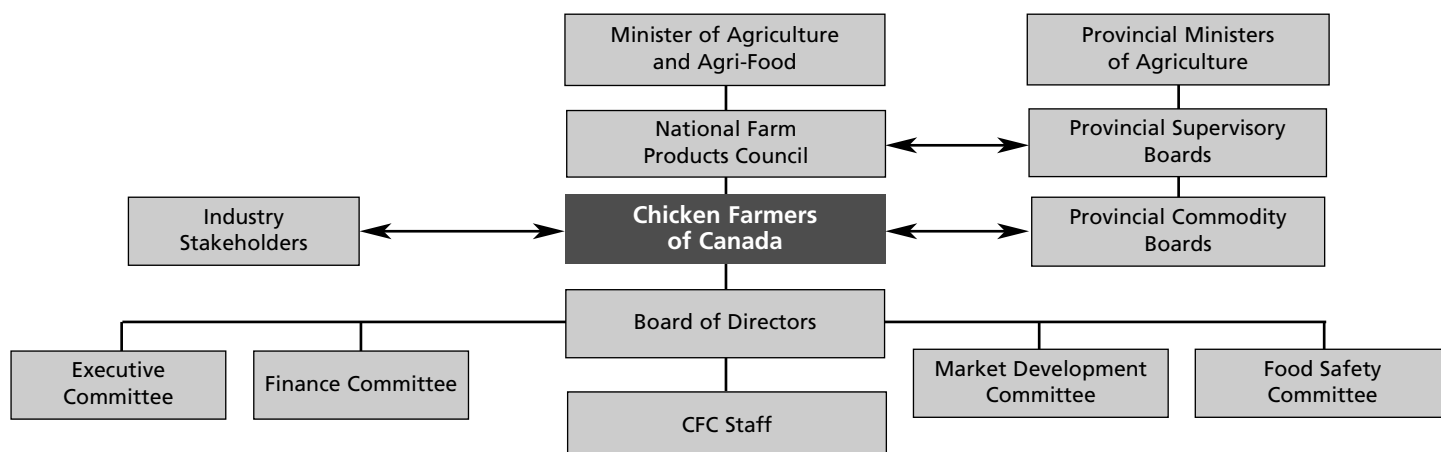
We encourage co-operation throughout the chicken industry — and promote the consumption of chicken in Canada.

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 Challenges Ahead

**The past year** has been a pivotal one for Chicken Farmers of Canada and the Canadian chicken industry, as we signed the new Federal-Provincial Agreement for Chicken.

I would like to thank the many people across the country in government and industry who worked diligently over the past several years to bring CFC's top priority to such a successful conclusion.

CFC delivered on many of its other priorities during 2001 as well.

Chicken production in Canada increased 5.3% in 2001 to about 920 million kilograms. As a result, we have realized our 30-kilogram per capita consumption goal. I congratulate the entire industry for their hard work in being able to reach our market expansion goal two years ahead of schedule.

Chicken Farmers of Canada also collaborated with the Canadian Turkey Marketing Agency, Canadian Egg Marketing Agency, Canadian Broiler Hatching Egg Marketing Agency and Canadian Poultry and Egg Processor Council as founding members of the Canadian Poultry Research Council (CPRC).

At CFC, we understand the importance of research and believe that CPRC will allow the chicken industry to do the research that is needed. To support CPRC, CFC has created a 2 million-dollar National Research Fund.

The CFC Market Development Committee played the key role in designing and implementing a Market Development Policy to supply dark meat to Canadian chicken product manufacturers. At the request of Ministers, CFC developed the policy to negate the need for special supplementary imports.

We held our annual strategic planning session in early October to set direction and prioritize the issues for the next twelve months for CFC. One issue that will be at the top of the agenda is World Trade Organization (WTO) agriculture negotiations.

After six days of intense negotiations in November 2001 at the 4th WTO Ministerial meeting in Doha, the WTO successfully launched a new round of global trade talks.

Agriculture will play a central role in the negotiations. The main issues on the table include agriculture, services, intellectual property, dispute settlement, environment, competition policy and e-commerce. Overlying these negotiating areas is a demand and agreement to provide special and differential treatment for developing countries.

The agenda that has been agreed to is very aggressive, with the negotiations to be concluded by January 1st, 2005.

CFC will be working very closely with government representatives and other agriculture organizations to ensure that the interests of chicken farmers, the chicken industry and in fact the whole Canadian agriculture sector, are advanced in the negotiations.

I would like to express my appreciation to the CFC Board of Directors for its continued dedication to the Canadian chicken industry and support to me as Chairman.

My comments of appreciation would be incomplete if I neglected to recognize the valued support extended to me by the Executive Committee for its efforts on behalf of farmers and industry.

I wish to thank Agriculture Minister Lyle Vancilief, Agriculture and Agri-Food Canada officials, as well as Cynthia Currie and the National Farm Products Council for their continued assistance, cooperation and support throughout the year.

As Chairman, I am indebted to CFC staff for its guidance, dedication and support throughout the year.

As for our General Manager, Mike Dungate, I would like to extend my heartfelt thanks for his continued dedication and extraordinary commitment to the Canadian chicken industry.

As Chairman, I would like to add that I have enjoyed being part of this dynamic industry and having contributed to the challenges over the past year. We must continue to work together, from farmer to consumer, if we want our industry to sustain its momentum.

As we look forward to 2002, two things are clear: We have many choices to make and we have many challenges to meet. I am confident that CFC will rise to all of them. ●





# Success Through Partnership

**As I reflect over my tenure** at CFC, I am struck by the quiet changing of the guard that is occurring in the Canadian chicken industry.

In the 2001 National Survey of Canadian Chicken Farmers, we learned that 47 percent of farmers are under 45 years old and that more than 21 percent of farmers have been quota holders for less than 5 years. The next generation has certainly arrived.

Since I joined CFC in January 1996, the Board of Directors has expanded from 12 to 14 members, with the only constant faces at the CFC table being Waldie Klassen, David MacKenzie and Pearl Cooper (David Fuller rejoined the board in March 1996, after an 18-month sabbatical). Each new Director has brought a slightly different perspective on the issues facing CFC and it is the synergy created by these unique perspectives that has permitted us to rise to the top among agriculture organizations.

Among my provincial board manager colleagues, the change has been just as significant: Art Stafford, Roger King, Bill Doyle, Bob French and Frank Dormody have been ably succeeded by Jim Beattie, Lloyd Johnston, Bill Bearss, Catherine Bielak and Christa Legge. Serge Deschamps will be moving on in April. At times, I do not think that we realize the complexity of their jobs and the enormous efforts they make to provide coherence – not only within their provinces, but for the whole Canadian chicken industry. They are to be applauded for their dedication.

At the CFC staff level the change is even more pronounced. Only Juliet, Paula, Michael, Yvon and Johanne have currently served the industry longer than I have. Of the other twelve staff members, five have joined CFC in the past year and three more will be joining us shortly. Our new recruits have all hit the ground running. They have brought outside experience, new ideas and enthusiasm – they have rejuvenated our passion.

The most impressive part of this significant turnover has been our ability to maintain and enhance the services that we provide to our farmers and to the industry. Our proud alumni - Cynthia Currie, Denis Desrosiers, Erin Scullion, Nicole Beauchamp, Giuseppe Caminiti, Yves Labbé, Chantal Lafontaine and many others have all

made significant contributions to CFC. We have not rested on their laurels; neither have we forgotten our history. As the world changes around us, we continue to evolve and stay relevant.

CFC's relevance starts with our Board of Directors. David Fuller and his team must be given the credit for establishing and implementing a forward-looking strategic plan, and for having the courage to take on the risk that comes with getting outside one's comfort zone. Without a doubt, their leadership will be called upon again.

2001 has been an extremely successful year – with a new FPA, a solid governance structure and tools, 30 kilograms per capita consumption, the creation of the Canadian Poultry Research Council and a Market Development Policy.

CFC is not an island. For us to succeed, we rely on the cooperation of many others. I have appreciated the contribution of CRFA, FPPAC and CPEPC, of our fellow organizations in the CFA family, of federal and provincial governments, of NFPC in particular, and of David Wilson and Lynn Starchuk, without whom the new FPA would not have been possible.

The torch has been passed to the new guard. With the winning team we have pulling together, with the passion and positive attitude that *you all* bring to our industry, 2002 should certainly bring as much success as 2001. ●



# The Federal Provincial Agreement

**CFC** has delivered on its top strategic plan priority.

After three years of intensive consultations, discussions and negotiations, the new Federal Provincial Agreement for Chicken (FPA) enshrines the current national allocation system for chicken, coordinated by CFC.

The landmark agreement was concluded with a signing ceremony of provincial board chairs on July 16, 2001 at the Fort Garry Hotel in Winnipeg. The ceremony was witnessed by Agriculture Minister Lyle Vanclief and Manitoba Minister Roseann Wowchuk who, along with their provincial counterparts, had signed the agreement in Whitehorse on June 28.

While CFC took the lead in shepherding it through, the new FPA would not have been possible without the cooperation and hard work of a lot of people.

Minister Vanclief took a leadership role with his provincial counterparts while NAASA and NFPC, under the guidance of Reg King and Cynthia Currie, also played key policy roles. David Fuller and his fellow provincial board chairs, along with CFC, provincial board staff and their legal counsels partnered heavily on the details to ensure the FPA's success.

The new FPA is a three-part agreement:

The FPA itself covers the purpose and objectives of the national system, outlines the commitments of the parties and provides the terms of membership. It also terminates the 1978 Federal-Provincial Agreement.

The CFC Proclamation makes up Schedule A, which sets out CFC's marketing plan and its authority regarding membership, quotas, licences and levies.

Schedule B is the Operating Agreement. This is the core of the FPA, providing the specific provisions for managing the national allocation system for chicken.

## The importance of the agreement

The signing of the new FPA by ministers, provincial supervisory boards, provincial commodity boards and CFC signals a renewed commitment by government and industry to the evolving orderly marketing system for chicken in this country.

For the first time in more than 10 years, the new FPA brings all 10 provinces within the national system. BC had been operating outside the old agreement since 1991 and Alberta since 2000.

The chicken industry now has a stable policy environment within which farmers, processors, further processors and the marketers of chicken can invest with confidence.

This agreement also provides the legal framework for the Canadian chicken industry. Now, because operational changes can be made without additional ministerial approval, the chicken industry has the ability to respond more quickly to future market needs. Moreover, this agreement underscores the federal government's international trade position, backing Canada's right to use the marketing systems of its choice.

The Canadian chicken industry has long been a success story, known for its responsiveness within its evolving supply management system, especially on supply, trade and food safety issues.

With this new FPA, our system can continue to benefit all those who participate. It is a fully cooperative system that gives chicken farmers market power in the face of a rapidly concentrating agri-food industry both in Canada and around the world.





### **A piece of history**

In 1978, the Canadian Chicken Marketing Agency (CCMA) was established, under the *Farm Products Agencies Act*, with the signing of the first Federal Provincial Agreement. CCMA officially changed its name to Chicken Farmers of Canada (CFC) in 1998.

The 1978 Federal-Provincial Agreement had mandated a "top-down" allocation system whereby CFC's national supply management committee determined the needs of the market place and CFC apportioned the resulting production volume to provinces following a strict market sharing formula.

In the mid-1990's, a change in philosophy began to evolve, and after several incarnations starting with the National Allocation and Pricing Agreement in 1995, the "bottom-up" allocation system was fully implemented in 1998 with the creation of the National Allocation Agreement (NAA).

Under the "bottom-up" approach to supply management, the provincial chicken boards have the responsibility of consulting with their clients to determine the provincial market requirements. These requirements are all submitted to CFC and if the overall national supply is appropriate, CFC approves the provincial requirements.

As a result of the "bottom-up" system, the Canadian chicken industry has become more market-responsive, addressing the specific needs and concerns of consumers, producers and processors. This is an important change, which with this new FPA, is being wholeheartedly endorsed by the industry. ●



# Strategic Plan

## Results and Challenges

**In 1999**, Chicken Farmers of Canada undertook the task of setting important and ambitious goals for itself. By defining its mission, articulating its vision and plotting a course for success, CFC raised the bar for the entire chicken industry.

In this, our third year within this groundbreaking plan, CFC has experienced great success, built strong partnerships, explored new possibilities and set high standards for itself.

### CFC's Mission Statement

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

Throughout the last three years, CFC has aimed to become the leader in system performance, food safety and quality, market expansion and organizational capacity. In this effort, the organization has seen many successes.

### CFC's Strategic Vision Statements

- Optimize the growth, profitability and stability of the industry.
- Become #1 in the world of food safety, systems and controls.
- Consistently meet or exceed the quality expectations of consumers.
- Enhance the public's positive attitude of Canadian chicken.
- Leave the smallest possible imprint on the environment.
- Be #1 in per capita meat consumption in Canada.
- Build exports as part of the industry strategy for growth.
- 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.

Within the key 2001 goals of our Strategic Plan, there were several that were of paramount importance. We set out to obtain a new Federal Provincial Agreement, enshrining our market-responsive management system.

We aimed to increase Canadians' consumption of our versatile product. We explored the development of a national research program in our industry and we worked to create a greater capacity for our board to serve its membership. Each of these was a significant task and each was achieved.

### 30 kgs per person – two years ahead of schedule

In our vision to become the number one meat consumed by Canadians, CFC set, in 1999, a goal to increase the consumption of chicken to 30 kilograms per person by 2003. This was the number that the Board believed would place our product in the running for the most consumed meat in the country.

We are pleased to announce that we have achieved our goal two years ahead of target!

Canadians consumed chicken in record numbers last year. Per capita consumption was up for the 7th year in a row – proof once again that Canadians love their chicken. This is a great milestone and yet another sign that our industry is one of constant growth and consistent, stable performance.

### Market Development Policy

In February 2000, the Minister of International Trade requested that the Canadian chicken industry develop a domestic program to supply Canadian manufacturers of chicken products that are not on the Import Control List with competitively priced Canadian dark meat.

CFC took the lead and initiated the design of the Market Development Policy (MDP) with the clear intent of negating the need for special supplementary imports.

The MDP replaces the previous Export Policy. It was approved at CFC's November Board of Directors meeting and was put into effect January 1, 2002.

### Canadian Poultry Research Council

At its strategic planning meeting in the fall of 2000, the Board of Directors mandated that research must become a critical priority for CFC in the coming year.

CFC, in cooperation with other poultry industry partners, agreed in early February to establish the Canadian Poultry Research Council (CPRC) to create and



implement important programs for poultry research and development. On November 8, 2001, the Canadian Poultry Research Council was established formally.

### **Partners in Research**

**Canadian Broiler Hatching Egg Marketing Agency (CBHEMA)**

**Canadian Egg Marketing Agency (CEMA)**

**Canadian Poultry and Egg Processors Council (CPEPC)**

**Canadian Turkey Marketing Agency (CTMA)**

**Chicken Farmers of Canada (CFC)**

This continued to be an integral priority for CFC and the Board again underlined the importance of supporting research at its most recent strategic planning meeting.

In keeping with this development, CFC announced that it would create a 2 million-dollar CFC National Research Fund to support projects that work to improve Canadian chicken on many different levels.

CFC's objective is to work to build this fund to 10 million dollars, which would confirm our commitment to support and encourage research and education within our industry.

### **Board Governance**

CFC worked this year to develop new and innovative ways to build the Board's capacity to provide maximum efficiency and maintain a high standard of governance.

In so doing, several guiding principles were adopted, leading to the creation of formal documents that the Board will use to maximize its input throughout the coming years. These include:

- A manual outlining the policies adopted and implemented by CFC
- An orientation manual to help current and future Board members better understand CFC and its operations
- Clear CFC rules of procedure and conflict of interest guidelines
- A redefined description of the mandates and membership of CFC committees

By developing these governance practices, CFC will experience a new level of commitment and dedication from all its participants, thereby enhancing the overall impact of the organization throughout the industry.

### **What's in store for next year?**

At its Strategic Planning Session in Elora, Ontario in the fall, CFC's Board of Directors and all members of the management team took advantage of an opportunity to celebrate the successes of the last year and to design important strategies for the next.

The mission was to evaluate the current and future priorities of CFC. Together, members were able to assemble a series of plans to further the growth and development of the chicken industry.

As a result of these meetings, CFC has developed a three-part approach to meeting our visions this year, incorporating confidence, integrity and contingency planning into this year's series of action plans.

### **Critical Priorities for 2002**

- Allocation and market information
- Monitoring and Enforcement
- Consumer Focus – product specifications
- On-farm Food Safety Assurance Program validation
- Contingency Management Manual
- Antimicrobial Resistance
- Promotion/Education campaign
- Benchmarking

CFC's role in 2002 promises to be an exciting one filled with exceptional activities that will help us realize the visions outlined within the Strategic Plan. Now, three years into our comprehensive plan, we will be initiating a full review and continue to plan our path towards the future.

This priority-setting process provides us all with a well-paved path to the future, buttressed by the support and cooperation of our entire industry. We look forward to an exciting year. ●

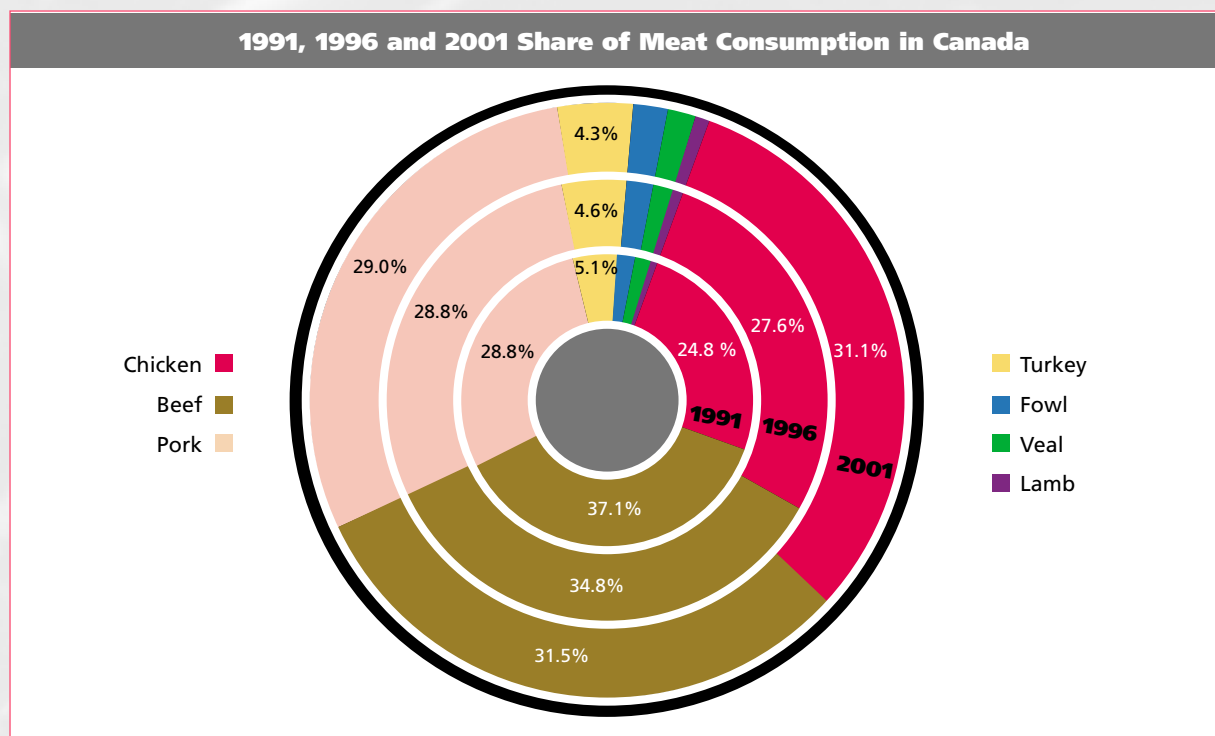
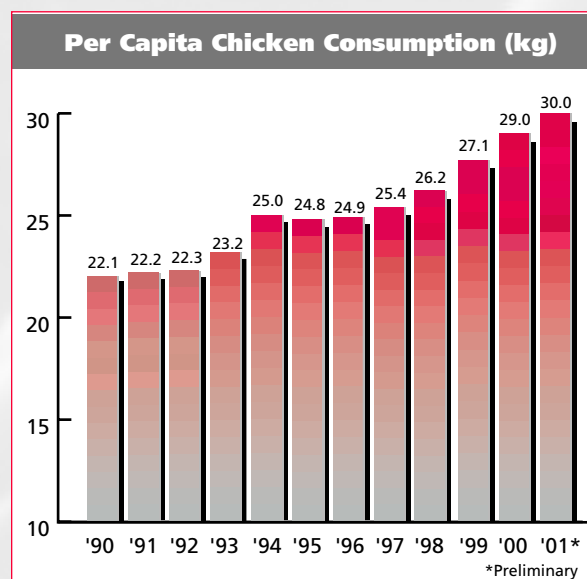
# The Canadian Chicken Market in 2001

## Chicken Consumption Reaches All-Time High

Chicken consumption in Canada reached an all-time high in 2001. Preliminary data indicates that the average Canadian consumed 30 kilograms of chicken in 2001, one kilogram more than the year before. That means CFC achieved its goal of 30 kg by 2003 two years ahead of schedule.

Total Canadian chicken consumption in 2001 is estimated at 941.2 million kilograms, 6.1% higher than last year.

Preliminary industry information also indicates that the average Canadian ate 30.4 kilograms of beef, one kilogram less than in 2000. Per capita pork consumption is expected to drop by about half-a-kilogram to 28 kilograms, while turkey consumption remained stable at 4.2 kilograms. Overall, total per capita meat consumption in 2001 is expected to be around 96.6 kilogram, slightly lower than in the year before.





## 2001 Provincial Production of Chicken

(millions of kg eviscerated)

Province	2001	% Change Over 2000
British Columbia	140.16	2.3%
Alberta	84.77	6.3%
Saskatchewan	27.75	15.5%
Manitoba	38.85	6.2%
<b>West</b>	<b>291.53</b>	<b>5.1%</b>
Ontario	303.04	6.5%
Quebec	258.53	6.3%
<b>Central</b>	<b>561.57</b>	<b>6.4%</b>
New Brunswick	25.96	8.2%
Nova Scotia	31.97	4.9%
Prince Edward Island	3.27	-2.2%
Newfoundland	12.54	10.9%
<b>Atlantic</b>	<b>73.74</b>	<b>6.7%</b>
<b>Canada</b>	<b>926.83</b>	<b>6.0%</b>

## Provincial Production

Canada's total chicken production in 2001 reached 926.8 million kilograms, an increase of 6.0% compared to the previous year. All provinces, P.E.I. excepted, increased their production in 2001 from a year ago.

On a regional basis, the increase was the most pronounced (6.7%) in Atlantic Canada, followed closely by Central Canada. Within the Atlantic region, Newfoundland posted the biggest increase followed by New Brunswick and Nova Scotia. Production in P.E.I. decreased 2.2% in 2001.

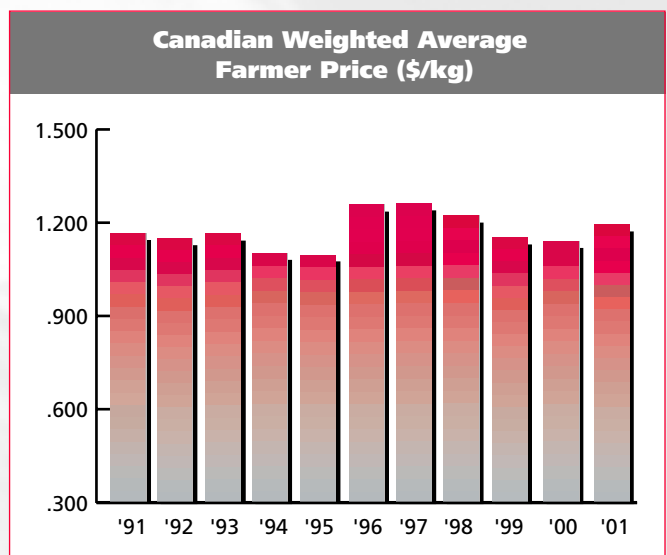
Production in Ontario and Quebec rose by 6.5% and 6.3% respectively, averaging 6.4% growth. Production in Western Canada grew by 5.1%. Saskatchewan had the largest year-over-year growth at 15.5%. This growth was based on Saskatchewan's exceptional circumstance agreement under the National Allocation Agreement, which allows it to nearly double production over a four-year period. Increases in British Columbia, Alberta and Manitoba were 2.3%, 6.3% and 6.2%, respectively.

## Quota Periods

A-37	14 January, 2001	10 March, 2001
A-38	11 March, 2001	05 May, 2001
A-39	06 May, 2001	30 June, 2001
A-40	01 July, 2001	25 August, 2001
A-41	26 August, 2001	20 October, 2001
A-42	21 October, 2001	15 December, 2001

## Farmer Prices

The Canadian weighted (based on annual provincial production volume) average farmer price in 2001 was \$1.194 per kilogram, 5.3 cents higher than in 2000. The farmer price was at its lowest point of \$1.156 in period A-37 at the beginning of the year, and increased throughout the year to \$1.226 in period A-42. The weighted average farmer price in Central Canada began the year in period A-37 at \$1.15 per kilogram, increased 2 cents in periods A-38 and A-39 and 1 cent in the following 3 periods to reach \$1.22 per kilogram in period A-42.



## Wholesale Prices

The average wholesale price for broiler chicken in 2001 in Canada was \$2.57 per kilogram, up 15.6 cents from the \$2.41 average price per kilogram reported in 2000. Quebec's monthly average wholesale price for whole birds was \$2.41 per kilogram in January, increased gradually to reach a peak of \$2.55 per kilogram in September and dropped sharply to \$2.44 in October, \$2.40 in November and \$2.36 in December.

## Retail Prices

The average Consumer Price Index (CPI) for chicken in 2001 increased 5.0% compared to 2000. Retail prices remained relatively stable during the first half of the year but increased between July and October, followed by a sharp drop in November. Retail prices

closed off the year at a level that was 3.9% higher than in December 2000 (Statistics Canada's CPI publication monitors price changes for chicken at the retail counter, but only takes into account whole bird price fluctuations).

Retail prices for chicken have increased 16.2% since 1992. In comparison, retail beef and pork prices increased 28.2% and 22.4% over the same timeframe, while the average price for all items combined increased 16.4% during this period.

## Imports

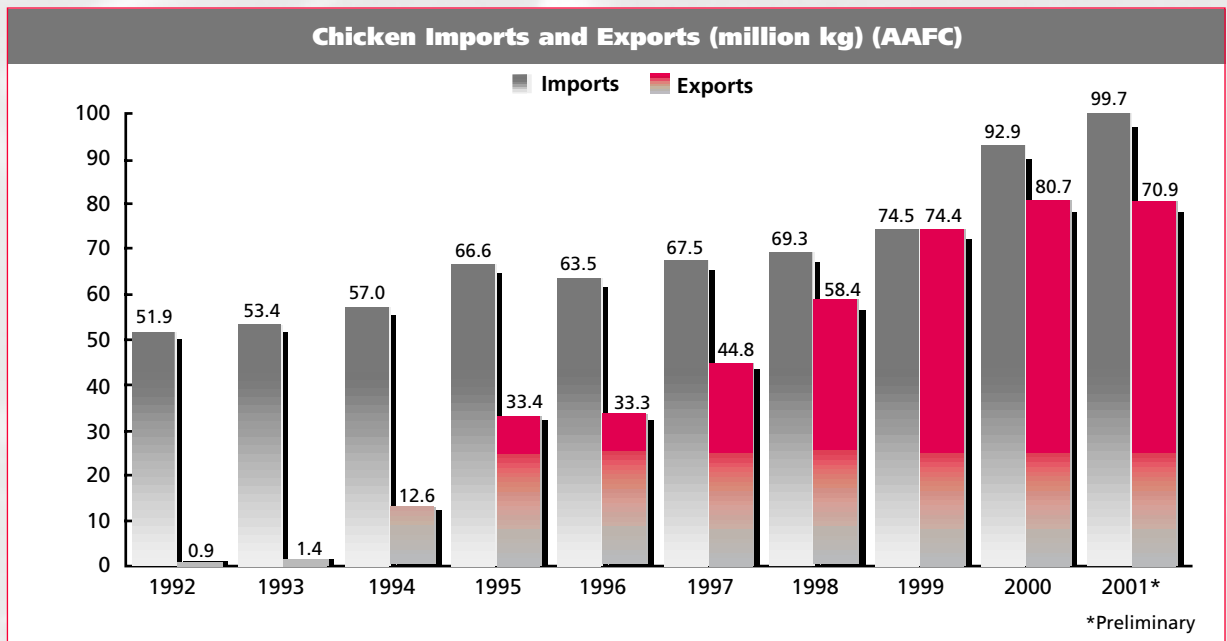
A total of 89,001,323 kilograms of chicken and chicken products (including imports to be re-exported) was imported into Canada during 2001, as reported by the Department of Foreign Affairs and International Trade (DFAIT). DFAIT is responsible for issuing import permits for chicken and products made primarily of chicken. Under Canada's NAFTA obligations, the tariff-rate quota (TRQ) for chicken is automatically set at 7.5 percent of the production in the previous year. The TRQ for 2001 was calculated as 65,780,325 kilograms, 2,249,475 kilograms higher than in 2000.

Year-end statistics show that a total of 65,168,616 kilograms of chicken and chicken products were imported into Canada under the TRQ, which amounts to a fill rate of 99.1%. With Canadian chicken production increasing by 52.5 million kilograms to 926.8 million kilograms in 2001, the TRQ for 2002 will be set at approximately 69.5 million kilograms.

Approximately 23.6% of the imports under the TRQ were brought in during the first quarter of 2001, 25.3% during the second quarter, 24.8% during the third quarter and 25.3% during the fourth quarter.

Chicken parts accounted for 87.5% of TRQ imports, as compared to 88.6% in 2000. Further processed chicken products, live chicken and whole eviscerated chicken accounted for 12.1%, 0.2% and 0.2%, respectively, of the 2001 TRQ imports, while representing 10.3%, 0.9%, and 0.2% of the TRQ in 2000. DFAIT also issued additional import permits under the "import to re-export" and the "import to compete" programs.

The "import to re-export" program allows imports of chicken and chicken products into Canada in order to further process the product. All products imported under





this program must be exported. In 2001, a total of 21.0 million kilograms was imported under this provision, up significantly from the previous year.

<b>Supplementary Imports</b>			
	<b>2001</b>	<b>2000</b>	<b>% change</b>
Import to compete	541,601	451,130	20%
Import to re-export	21,005,832	13,465,961	56%
Import-Special	2,285,274	1,645,344	39%
Import for Market Shortages	0	128,006	-100%
<b>Total</b>	<b>23,832,707</b>	<b>15,690,441</b>	<b>52%</b>

The "import to compete" program permits chicken imports for Canadian manufacturers to produce processed chicken products that are not on Canada's Import Control List. This list includes specialized products such as chicken dinners. Imports under this program totalled 0.5 million kilograms, slightly higher than the year before.

A total of 2.3 million kilograms of special supplementary import were issued in excess of the 7.5% market access requirement by DFAIT in 2001, compared to 1.6 million kilograms in 2000.

CFC did not receive any requests for supplementary imports for market shortages this year, and the federal government did not issue any permits under this provision.

## Exports

Chicken exports in 2001 are estimated at 78.9 million kilograms, a 2% increase over the 80.7 million kilograms that were exported in 2000. A large part (44%) of the Canadian chicken exports was shipped to Cuba, as has been the case in previous years. China, Hong Kong, Moldova and South Africa round out the top five destinations of Canadian chicken, together responsible for more than 75% of the total exports. Other important importers of Canadian chicken are the Philippines, Jamaica, U.S.A. and Russia.

## Storage Stocks

Storage stocks of chicken were 21.9 million kilograms on January 1, 2001 and ended the year at 28.3 million kilogram, an increase of 6.4 million kilograms. Inventories were below previous year's levels during the first half of 2001, remained stable around 25 million kilograms during the summer months and increased significantly in the last three months of the year, reaching record-high levels. At the end of the year, whole bird inventories were 0.2 million kilograms higher than the year before, and cut-up and further processed chicken product inventories were 4.3 and 1.9 million kilograms higher, respectively. ●

# Monitoring the System

## Monitoring & Enforcement

The June signing of the FPA has not only brought stability to the Canadian chicken industry, it has streamlined the Monitoring & Enforcement operation. Now, one document covers the 10 provinces, rather than the recent situation where there was a national agreement and two provincial ones for Alberta and British Columbia.

During 2001, staff completed the audits of periods A-34 to A-37, which run from July 30, 2000 to March 10, 2001. The audits were performed at the offices of the provincial commodity boards and the primary processors.

A Monitoring and Enforcement report was presented and approved by CFC Directors at its July 2001 meeting. Staff also conducted the audit of export documentation at three provincial commodity boards for periods A-38 and A-39, which run from March 11 to June 30, 2001.

Finally, six interprovincial licence holders were audited during 2001 which covered periods A-34 to A-37.

## Export Quota Levies

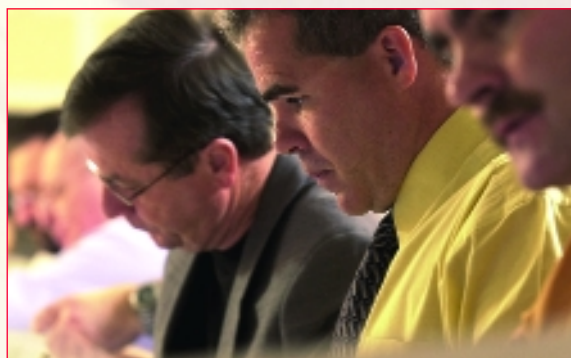
CFC imposed and collected export quota levies in the amount of \$3,876 from one processor for periods A-27 and A-28, which were from July 4 to October 23, 1999.

During 2001, one processor did not export the live weight equivalent that was produced in period A-38 (March 11 to May 5, 2001), and as such, CFC imposed and collected export levies in the amount of \$6,666.

## Liquidated Damages Assessment (LDA)

During 2001, the assessment of periods A-30 to A-35 was completed. CFC imposed and collected liquidated damages for assessment period 15 (A-30 and A-31) from the PEI Poultry Meat Commodity Marketing Board in the amount of \$3,798. CFC also imposed liquidated damages for assessment period 17 (A-34 and A-35) against Chicken Farmers of Saskatchewan in the amount of \$31,926, where the amount of \$15,963 was collected and the outstanding balance of \$15,963 will be paid to CFC in April 2002. An LDA report was presented and approved by CFC Directors at its July 2001 meeting.

Now that the new FPA is once again a national document, it was decided to replace the LDA program with one that was more legally sound called Overmarketing Levies. These are covered in sections 6.0 of the FPA Operating Agreement and section 8.0 of the Monitoring & Enforcement policy. Each provincial commodity board will be responsible for collecting the Overmarketing Levies from their producers for any chicken marketed in excess of their quota allotments. The levy will then be remitted to CFC by the provincial boards.





## 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 interprovincial trade and reports the figures weekly to each chicken board.

<b>Interprovincial Movement of Live Chickens (in kilograms live weight), 2001</b>		
<b>Province</b>	<b>Into the Province</b>	<b>Out of the Province</b>
British Columbia	-	-
Alberta	-	-
Saskatchewan	-	-
Manitoba	-	-
Ontario	24,926,000	8,841,000
Quebec	8,748,000	24,990,000
New Brunswick	839,000	573,000
Nova Scotia	4,585,000	240,000
Prince Edward Island	-	4,454,000
Newfoundland	-	-
<b>Total</b>	<b>39,098,000</b>	<b>39,098,000</b>

In 2001, the total reported movement was 39.1 Mkg live weight compared to 33.3 Mkg in 2000.

## 2001 Inter-Period Quota Transfers

In 2001, CFC received 6 requests for inter-period quota transfers totalling 3,316,704 kilograms (live weight). This compares to 5 requests for 810,700 kilograms (live weight) in 2000.

<b>2001 Inter-Period Quota Transfers</b>		
<b>Province</b>	<b>Number of Requests</b>	<b>Total Kg (Live weight)</b>
Quebec	5	3,259,704
Nova Scotia	1	57,000
<b>Total</b>	<b>6</b>	<b>3,316,704</b>

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

The requested quota transfer into or out of the period is limited to the last week of the period and the first week of the following period. The maximum quota transfer request shall not exceed the equivalent of three days slaughter by the processor submitting the request. ●

# Trade and Policy

## World Trade Organization

CFC staff, on behalf of our farmers and the industry as a whole, keeps a close eye on the proceedings of the WTO. We work closely with our government representatives to ensure that the interests of our industry are advanced in the negotiations. As well, we work with other farm groups in Canada and internationally to listen to their views and to seek their support for our positions.

As agriculture is part of the WTO built-in agenda, negotiations started in March 2000, even though the WTO failed to launch a new round at its 3rd Ministerial Meeting in Seattle.

Phase I of the agricultural negotiations ran from March 2000 to March 2001. It consisted of countries submitting proposals containing their starting positions for the negotiations. In all, 45 proposals from 121 countries were submitted.

Phase II of the agriculture negotiations began in March 2001 and are scheduled to conclude in February 2002. Phase II meetings have been organized by issue (export competition, amber box, TRQ administration, etc.) and involve more in-depth technical discussions. The basis of the discussions has been the 71 informal non-papers submitted by WTO members as well as the 22 background papers prepared by the WTO secretariat.

## Doha Declaration

Six days of intense negotiations at the 4th WTO Ministerial meeting in Doha, Qatar produced an agreement to launch a new round of global trade negotiations. On November 14, 2001, after a one-day extension of the original talks, the "Doha Development Agenda" was launched.

Agriculture will be playing a central role in the new negotiations. The main issues on the table include agriculture, services, TRIPs (trade-related intellectual property), dispute settlement, environment, competition policy and e-commerce.

The Doha Declaration builds on the work already undertaken in the agriculture negotiations, confirms and elaborates the objectives and sets a timetable. Agriculture "modalities" or procedures are to be determined through negotiations by March 2003. Agriculture is then linked to the rest of the WTO negotiations agenda through the single-undertaking, which mandates that all negotiations are to end by January 1, 2005 and agreed to as a package.

Unfortunately, in setting this deadline to conclude the negotiations, the WTO has not only been overly ambitious, but unrealistic. This is underscored by the fact that negotiations on competition policy, environment, trade facilitation and government procurement will not start before the 5th WTO Ministerial conference to be held in late 2003 in Mexico.

A delay in concluding negotiations is not without precedent. For the Uruguay Round, which was launched in 1986, the two-year deadline quickly evaporated, and it was actually not until 1993 that the negotiations were concluded.

The difficulties in arriving at a consensus on the final negotiating agenda also reflect the significant challenges facing trade negotiators. Many experts close to the negotiations are predicting, at minimum, a one-to-two-year slippage in deadline dates. If the intensity of the mandated negotiations heats up, we are looking at a process that could mean that measurable results will 13 not be seen for eight or nine years.


To achieve an outcome that supports the Canadian agriculture industry, it is critical that the Canadian government aggressively promotes the Initial Negotiating Position agreed to by the industry in August 1999. If not, there is a significant risk that the result will favour the interests of other WTO members, or worse, simply perpetuate the inequities of the Uruguay Round.

## CFC Activities

CFC facilitates many ongoing discussions and participates on several technical committees with different government departments and other industry partners. We regularly deal with Agriculture and Agri-Food Canada, Foreign Affairs and International Trade on issues of importance to our chicken farmers and to the Canadian chicken industry as a whole.

CFC has made significant efforts to ensure that its trade principles and the content of other trade positions espoused by CFC such as those of the SM-5, the poultry industry and the Canadian Federation of Agriculture (CFA) were well communicated to foreign farm organizations and governments. CFC participated at the International Federation of Agricultural Producers (IFAP) commodity conference and took the opportunity to present a profile of the Canadian livestock industries to the IFAP Group on Meats.





CFC attended the Cairns Group of farm leaders meeting in Punta del Este, Uruguay, where Cairns farm leaders formulated their trade positions prior to the WTO ministerial conference. Although Cairns Group trade positions can be in contradiction with Canada's own trade principles, it is important to present our views on potential improvements to world trade without sacrificing the Canadian reality in today's global markets.

CFC participated in a working session between the general farm organization in Japan, JA Zenchu, and the SM-5 to discuss respective trade positions to gain a better understanding of respective realities and to identify common areas of our trade principles. This was a very enriching exercise that might lead to common work on specific trade issues.

A mission to Geneva was conducted at the same time as the North American – European Union (NA-EU) Agricultural Conference, which took place in Salzburg, Austria. This annual NA-EU meeting is meant to exchange views and experiences on the concentration of agriculture and the importance of market power for farmers. The CFA mission to Geneva gave CFC a chance to meet with Canadian representatives to the WTO, agricultural attachés from other countries and the WTO secretariat.

CFC took this opportunity to explain the benefit of well-administered Tariff Rate Quotas (TRQs) to both exporters and importers. One key point made to countries that maintain TRQs was that the use of dubious administration practices puts at risk the use of TRQs as a legitimate WTO tool to promote fair trade.

### **Import TRQ and CFC's Market Development Policy**

The TRQ for chicken was implemented in 1979 with only one objective – to support the national orderly marketing system. The negotiated level of the TRQ provides certainty of supply from international sources, without which it would be impossible to operate our national orderly marketing system. Within the overall objective of the TRQ, CFC supports an allocation methodology that provides the best economic benefit to the Canadian chicken industry.

In this regard, CFC has been an active participant on the Chicken and Turkey Tariff Rate Quota Advisory Committee. We have devoted considerable time to explore

solutions to the complex issue of allocation of the TRQ. Ideas such as eligibility criteria, interpretation of the 13% content rule and enhanced monitoring have all been pursued.

Following a February 2000 decision by International Trade Minister Pierre Pettigrew, CFC took the leadership to develop a domestic program to provide competitively priced dark meat to Canadian manufacturers of chicken products that are not on the Import Control List. CFC's sole purpose in developing the program was to negate the need for special supplementary imports, which effectively increase the size of the TRQ.

In consultation with industry stakeholders and the Department of Foreign Affairs and International Trade (DFAIT), the CFC Market Development Committee developed the CFC Market Development Policy (MDP). The CFC Board of Directors approved the MDP, in principle, in July and gave final approval in November. The policy was implemented on January 1, 2002. It will supply 1.6 million kilograms in 2002 at discount prices. In approving the policy, CFC advised Minister Pettigrew that we reserve the right to revoke the policy if any special supplementary imports are issued.

On December 4, 2001, DFAIT announced an allocation methodology for 2002 that would incorporate the CFC MDP, but would also permit up to 500,000 kilograms of special supplementary imports to be issued.

As the final allocation decision for 2002 has yet to be set, CFC is seeking a meeting with the Minister to avoid a decision that will cause uncertainty for the Canadian chicken industry and force CFC to revoke the MDP.

Without a doubt, tough decisions on who should be allocated import quota are required to bring the allocation methodology back in line with the TRQ objective. CFC will continue to pursue a long-term allocation methodology that respects the negotiated level of the TRQ and provides the best economic benefit to the Canadian chicken industry. ●

# Food Safety

## On-farm Food Safety

CFC is deeply committed to providing a diligent On-farm Food Safety Assurance Program (OFFSAP) for the benefit of all stakeholders in our industry. Over the years, CFC has worked very hard to design and implement a program that will ensure only the highest standards in our operations.

We have been working with the Canadian Food Inspection Agency (CFIA) to obtain its approval of our OFFSAP. The reputation, knowledge and experience of the CFIA keep Canada at the forefront of food safety systems and overall quality. CFC's program could achieve significantly more credibility with CFIA approval.

However, CFIA was under the mistaken impression that CFC wanted it to assume legal liability for the program, and those of other commodities, and use its already taxed resources to implement them. When further talks revealed that CFC's intentions were only to benefit from the department's good name, negotiations were quickly resumed. The dialogue continues, with hope of a successful conclusion in the very near future.

As a delegate of the Canadian On-Farm Food Safety (COFFS) Working Group, CFC has taken part in the creation of a workable recognition process with both the CFIA and the Federal-Provincial & Territorial Food Inspection Committee Sub-Committee on On-Farm Food Safety.

CFC believes that any gate-to-plate program must begin at the farm level and its Board of Directors agreed to make OFFSAP a mandatory program for all farmers effective January 1, 2002.

## Flock Information Reporting Form

The submission of this form as per the agreed protocol between CFC, provincial boards, processors and CFIA has been included by CFIA in the Meat Inspection Regulations since May 2001. As per the tentative acceptance of the OFFSAP program by CFIA, **the Flock Sheet is now mandatory for all chicken farmers.** The submission of accurate forms will be strictly enforced in April 2002.

CFIA veterinarians-in-charge will review the partial forms submitted 3-4 days prior to shipping and the completed version at the time of receiving to ensure that the requested information is available. Otherwise, farmers will be asked to take immediate corrective actions or face penalties.

The flock sheet is an integral part of OFFSAP. It has been accepted by other primary production sectors and endorsed by the Canadian poultry processing industry. The flock sheet is a letter of assurance from the farmer to the plant operator and provides the processing facility and the veterinarian-in-charge with:

- The necessary confidence that the chickens to be processed are safe and wholesome
- A list of "notifiable diseases" monitored for export markets and cross-referenced with the CFIA database, this assurance is required for export certificates to China and Russia
- An idea of the status of the incoming flock to adequately prepare and maximize its productivity.

## Code of Practice

As requested by the Canadian Agri-Food Research Council (CARC), CFC has volunteered to take the leading role to review the *Recommended Code of Practice for the Care & Handling of Chicken, Turkeys and Broiler Breeders from Hatchery to Processing Plant*. Two meetings have been held under the chairmanship of Alan Bentley to review the code and agree on needed changes. The final revision will be submitted to the CFC Board for endorsement early in 2002. Once final endorsement has been received from all members of the Revision Committee, the new Recommended Code will be sent to CARC for printing and distribution. Each chicken farmer will get a copy. ●

# Government Relations

**This year** presented CFC with challenges that expanded our government relations program into new areas and fostered new relations with industry and government stakeholders.

## Liberal Feather Caucus

It was a busy year for government relations at CFC. evolving issues required the organization's attention.

CFC kicked off the year with a Liberal Feather Caucus Meeting at the Parliamentary Restaurant. The event brought farmers and MPs together to discuss the issues of the day, which included international trade.

Canada's WTO agricultural negotiator, Suzanne Vinet, addressed the caucus with what Canada could expect from the upcoming agriculture negotiations. On November 14, 2001, the next round of negotiations was launched at Doha, Qatar. Suzanne Vinet, as well as Ministers Vanciel and Pettigrew were on hand for the announcement.

Agriculture will be playing a central role in the new negotiations. Hopefully, the new round will address the inequities created by the Uruguay Round. The agriculture negotiations will focus on the key areas of export subsidies, trade distorting domestic support and market access, as well as other concerns.

## Bill C-15B

In the spring, Bill C-15 emerged from second reading in the House of Commons and was sent to the Justice Committee to be studied. The bill, which was eventually split into two portions, was of interest to chicken farmers as it proposed amendments to the animal cruelty section of the Criminal Code.

CFC supports the revision of the animal cruelty provisions and worked diligently with the Minister of Justice, Anne McLellan, and departmental officials to ensure that the changes would not cause farmers any unnecessary legal battles. On December 5th the Justice committee reported back to the House on Bill C-15B with a few amendments to the legislation. The bill is expected to pass through the Senate and receive Royal Assent when the Parliament returns in January 2002.

## Bill C-287

Another House of Commons bill that crept onto the agriculture scene was Bill C-287, a private members bill introduced by Charles Caccia, MP for Davenport. His bill would ensure that all foods or food ingredients that are, or that contain genetically modified material would be labelled to this effect. Because it proposed a mandatory rather than voluntary labeling system, this bill raised a significant amount of concern within the agriculture community because of its potential long-term effects.

In the fall, the bill was defeated leaving the issue of labelling to the Royal Society of Canada and the Canadian Biotechnology Advisory Committee. These bodies have determined that the best approach to GMO food labeling is a voluntary system.

## Prime Minister's Task Force

Last spring, the Prime Minister surprised the agriculture community by establishing a Liberal Caucus Task Force on Future Opportunities in Farming. The Task Force, which is chaired by Bob Speller, MP for Haldimand-Norfolk-Brant, has travelled across country over the last few months to consult with farmers.

Chicken Farmers of Canada appeared before the committee on December 3, 2001 to discuss a long-term strategy for the sector. Also present were the Grain Growers of Canada, and the Canadian Cattleman's Association, allowing for some very interesting and beneficial dialogue among sectors. The interim report is expected to go to the Prime Minister early in 2002. The final version of the report is expected in the fall of 2002. ●





# Signs of Success

## Membership Survey

CFC successfully carried out the Membership Survey of our 2,800 chicken farmers in 2001. The telephone survey was completed in April, with the results being presented to CFC Directors at their July Board meeting.

One of our goals was to better understand the demographic profile of Canada's chicken farmers. Through this survey, CFC learned that just under half of our farmers are under the age of 45. We also discovered that almost one-third of our farmers are planning to increase their operation and also, more than one-half have established farms that they plan to maintain.

Canadian chicken farmers produce an average of 65,213 kg of chicken (live weight per cycle), in an average cycle of 8.5 weeks, in 2.25 barns.

Another goal of the survey was to identify what CFC services were most important to the farmer. Through this we learned that all of CFC's services were highly important to them, with an average rating of 4.02 on a scale of 5 points.

## Usage and Attitude Study

Chicken remains the No. 1 meat of choice for Canadians! The third update of Chicken Farmers of Canada's national study on in-home consumption of chicken demonstrated that chicken is eaten more often both in homes and restaurants and that it is Canada's favourite meal.

One-third of consumers reported that they are eating chicken more often than they did one year ago. Every update of the study shows that Canadians are becoming more and more health conscious. They are increasingly aware of the fat content of food and as a result, are removing the skin before eating their chicken.

Also interesting was that the majority of grocery shoppers felt that it is important that the chicken they buy is Canadian.



## Chicken Cuts Poster

Chicken Farmers of Canada produced a full colour chicken cuts poster this year. The poster demonstrates just how versatile chicken is by highlighting a variety of different cuts of chicken.

The poster also dispels some common myths, contains information on raising chickens, nutrition, food safety, cooking tips, and storing chicken. This was a joint effort, with the provincial chicken boards participating in the production of the poster.



## Dazzling Dishes

Chicken Farmers of Canada was given an opportunity to participate in a joint recipe campaign in conjunction with Catelli, Burnbrae Farms, Renee's, and Clover Leaf in December. The campaign featured a full colour recipe booklet, including two chicken recipes, that was distributed nationally through Homemaker's and Madame au Foyer magazines, and in grocery stores across Canada.

The recipe booklet distributed in grocery stores also contained a coupon section, that CFC used to provide consumers with information on how chickens are raised, what they are fed, nutrition, and inform them about our food safety program. This enabled chicken farmers to reach over 2 million people during the peak holiday season.





## Promotion Seminar

Promotion coordinators from the provincial chicken marketing boards and Chicken Farmers of Canada staff met in Montreal in March for CFC's annual Promotion Seminar.

This seminar provides the forum for provincial representatives to compare notes on promotion activities, discuss possible joint activities, strategic planning and provides an opportunity for professional development. Part of this year's seminar included a fruitful brainstorming session on "How can we get consumers to eat more chicken?"

Attendance at International Exhibition of Food, Beverages, Wines and Spirits (referred to as "SIAL") was the highlight of this year's agenda, as this was the first time SIAL has been held in Canada.



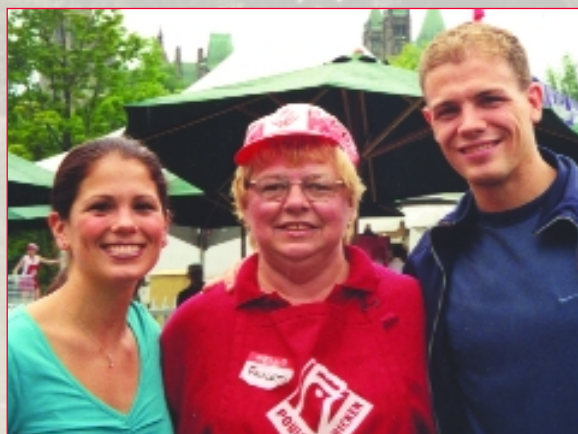
## Canada Day

Chicken Farmers of Canada were proud to be national sponsors at the Canada Day festivities in Ottawa for the ninth year in a row. The barbecue went smoothly yet again, and we sold out our 8,000 chicken pieces before our projected closing time.

This year, the recipe for the chicken sandwich was Orange Ginger Chicken Supreme and was designed by the Westin Hotel's Executive Chef, Philippe Wettel.

While we were serving the zesty sandwiches, CFC and the Westin's Executive Director of Food and Beverage, Chef Jean-Luc Barone held two cooking demonstrations. These were introduced in 2000 to demonstrate safe food handling methods along with some chef's secret cooking techniques.

The atmosphere was spiced up this year with the addition of celebrity guest hosts on stage with Chef Barone. Jamie Salé and David Pelletier, the reigning world pairs figure skating champions, were our celebrity hosts for the early cooking demonstration, while Justin Landry, the new host of a CBC teen quiz show *SmartAsk!*, hosted our second session. The celebrities captivated the audience. Landry, a comedian known also for his role as the "Hammerhead" mascot in the Building Box™ commercials, played to the crowd perfectly while Salé and Pelletier signed many autographs and found out just how many figure skating fans love chicken. ●





# CFC Board of Directors

## *Directors*



**David Fuller**

Chairman  
Nova Scotia



**John Slot**

1st Vice-Chairman  
Ontario



**Luc Turcotte**

2nd Vice-Chairman  
Quebec



**Waldie Klassen**

Executive Member  
Manitoba



**Ron TeStroete**

Alternate  
Nova Scotia



**Wendy Jeske**

British Columbia



**Reg Ference**

Alberta



**Dean Sully**

Saskatchewan



**David Mackenzie**

Prince Edward Island



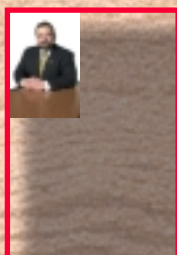
**Yvon Cyr**

New Brunswick



**Martin Howlett**

Newfoundland



**Eric Anderson**

Canadian Restaurant and  
Foodservices Association



**Pearl Cooper**

Canadian Poultry and  
Egg Processors Council



**Ross MacLeod**

Further Poultry Processors  
Association of Canada



**Phil Kudelka**

Canadian Poultry and  
Egg Processors Council



# CFC Staff

## Seating order

### Front row (l to r):

Yves Ruel – Manager of Trade & Policy  
Mike Dungate – General Manager  
Paula Doucette – Manager of Administration & Human Resources  
Jan Rus – Manager of Production & Food Safety

### Middle row (l to r):

Kim Garamvolgyi – Bookkeeper  
Paulette Charbonneau – Production & Food Safety Assistant  
Yvon Séguin – Manager of Finance  
Chantal Lafontaine – Communication Assistant  
Juliet Marvin – Executive Secretary  
Lisa Bishop – Manager of Communication

### Back row (l to r):

Michael Laliberté – Monitoring & Enforcement Officer  
Marty Brett – Communication Officer  
Janet Noseworthy – Government Relations Officer  
Johanne Neeteson – Project Coordinator  
Mégane Medgueb – Translator  
Anie Legault – Receptionist

### Not included:

Food Safety Officer – Vacant  
Policy Analyst – Vacant



# CFC Committees 2001

## 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 Janes**, CFC Director, Further Poultry Processors Association of Canada

## Food Safety Committee

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

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

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

**David Mackenzie**, CFC Director, Prince Edward Island

**Martin Dufresne**, CFC Alternate, Quebec

## Finance Committee

**David Mackenzie**, CFC Director, Prince Edward Island \*

**Yvon Cyr**, CFC Director, New Brunswick

**Phil Kudelka**, CFC Director, Canadian Poultry and Egg Processors Council

## Canadian Federation of Agriculture representative

**Waldie Klassen**, CFC Director, Manitoba

## Canadian Poultry Research Council representative

**Reg Ference**, CFC Director, Alberta

\* Committee Chairperson

# Key Conferences & Meetings

## At Home

- Anti-microbial Resistance Policy Advisory Committee meetings
- Canadian Broiler and Hatching Egg Marketing Agency Advisory Committee meetings
- Canadian Federation of Agriculture (CFA) annual and semi-annual meetings
- Canadian Partnership for Consumer Food Safety Education meetings
- Canadian Poultry Research Council (CPRC)
- Canadian Poultry and Egg Processors Council (CPEPC) annual convention
- Canadian Society of Association Executives (CSAE) meeting, Calgary
- CFA Trade Committee meetings
- CFIA — Canadian Poultry Disease Reporting System meeting

- CFIA — Liaison through CPEPC Poultry Operations Technical Committee (POTC)
- CPEPC Poultry Operations Technical Committee meetings (POTC)
- CPEPC Poultry Sector meetings
- Federal-Provincial Agriculture Minister meeting, Whitehorse
- Further Poultry Processors Association of Canada annual and general meetings
- Liberal Feather Caucus reception
- National Farm Products Council meetings
- Provincial chicken marketing board annual meetings
- SM-5 trade meetings
- Tariff Rate Quota Advisory Committee (TQAC)

## Abroad

- Cairns Farm Leaders Conference, Punta del Este, Uruguay
- Canadian Federation of Agriculture (CFA) Trade Mission to Geneva, Switzerland
- International Federation of Agriculture Producers (IFAP) – Commodity Conference, Australia
- International Poultry Exposition, Atlanta, Georgia
- National Chicken Council Annual Conference, Washington, DC
- National Chicken Council Marketing Seminar, Lake Tahoe, California
- North America / European Union Conference, Salzburg, Austria
- Rabobank Conference, Florida
- SM-5 Working Group Session with JA Zenchu, Japan
- United States Department of Agriculture (USDA), Agricultural Outlook Forum 2001, Washington, DC

# Auditor's Report and Financial Statements

December 31, 2001

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, 2001 and the statements of operations and of changes in 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 farmers based on their marketings, the completeness of which is not susceptible of satisfactory audit verification. Due to the structure of the chicken farmers' 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 revenue 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, 2001 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Chartered Accountants

February 13, 2002





# Statement of Operations

year ended December 31, 2001

	2001	2000
<b>Revenue</b>		
Levy and fee revenue	\$ 5,552,590	\$ 4,579,464
Interest and other revenue	352,916	296,666
Liquidated damages	19,761	170,017
	5,925,267	5,046,147
<b>Expenses</b>		
Amortization	35,458	45,913
Canadian Poultry Research Council	9,468	-
Committees	101,022	187,188
Communications	487,522	486,401
Directors and alternates	749,296	784,146
Membership fees	57,823	54,226
Office	417,112	470,004
Professional fees	164,269	311,869
Promotion activities	12,618	25,648
Salaries, benefits and travel	1,375,154	1,299,975
Special studies	253,560	239,547
Trade	155,110	122,793
Translation	105,633	101,156
	3,924,045	4,128,866
<b>Excess of Revenue over Expenses</b>	<b>2,001,222</b>	<b>917,281</b>

# Statement of Changes in Net Assets

year ended December 31, 2001

	General Fund	Invested in Capital Assets	Internally Restricted Research Fund (Note 8)	Total	
				2001	2000
Balance, beginning of year	\$ 6,464,431	\$ 150,061	\$ –	\$ 6,614,492	\$ 5,697,211
Excess of revenue over expenses	2,036,680	(35,458)	–	2,001,222	917,281
Interfund Transfer (Note 8)	(2,004,558)	–	2,004,558	–	–
Net acquisition of capital assets	(14,606)	14,606	–	–	–
<b>Balance, end of year</b>	<b>\$ 6,481,947</b>	<b>\$ 129,209</b>	<b>\$ 2,004,558</b>	<b>\$ 8,615,714</b>	<b>\$ 6,614,492</b>



# Balance Sheet

as at December 31, 2001

	2001	2000
<b>Current Assets</b>		
Cash and short-term investments (Note 3)	\$ 6,205,160	\$ 6,104,700
Accounts receivable (Note 4)	769,411	752,579
Prepaid expenses	39,925	13,964
Trust assets (Note 5)	730,877	—
	7,745,373	6,871,243
<b>Investments</b>	1,981,282	—
<b>Capital Assets (Notes 6)</b>	129,209	150,061
	<b>\$ 9,855,864</b>	<b>\$ 7,021,304</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 509,273	\$ 406,812
Trust liabilities (Note 5)	730,877	—
	1,240,150	406,812
<b>Commitments (Note 7)</b>		
<b>Net Assets</b>		
General Fund	6,481,947	6,464,431
Invested in capital assets	129,209	150,061
Internally restricted Research Fund (Note 8)	2,004,558	—
	8,615,714	6,614,492
	<b>\$ 9,855,864</b>	<b>\$ 7,021,304</b>

## Approved by the Board

David Mackenzie  
Finance Committee, Director

Phil Kudelka  
Finance Committee, Director



# Notes to the Financial Statements

year ended December 31, 2001

## 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 farmers based on chicken marketings in inter-provincial and export trade and receives fees in relation to intra-provincial trade.

## 2. ACCOUNTING POLICIES

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

### Revenue recognition

The Organization recognizes revenue on the deferral method.

### Liquidated damages

Liquidated damages, which are recognized using the cash basis of accounting, are assessed against provincial commodity boards on a periodic basis when applicable.

### 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:

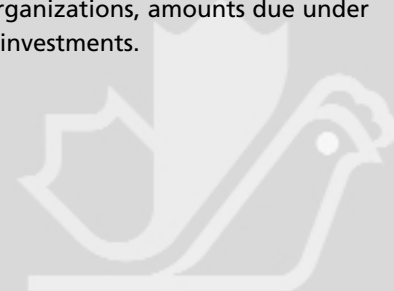
Office equipment	10 years
Computer equipment	3 years

## 3. CASH AND SHORT-TERM INVESTMENTS

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

## 4. 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.



## 5. TRUST ASSETS AND LIABILITIES

During the year, the British Columbia Chicken Marketing Board remitted \$730,877 pertaining to levies and fees for the year 2000. Following an agreement with the British Columbia Chicken Marketing Board, this payment has to be held as cash in Trust until the matter is settled from legal actions.

## 6. CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 221,996	\$ 115,743	\$ 106,253	\$ 119,092
Computer equipment	97,074	74,118	22,956	30,969
	<b>\$ 319,070</b>	<b>\$ 189,861</b>	<b>\$ 129,209</b>	<b>\$ 150,061</b>

## 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:

2002	\$ 98,024
2003	98,024
2004	98,024
2005	88,950
Thereafter	468,180
	<b>\$ 851,202</b>

## 8. RESEARCH FUND

During the year, the Board of Directors decided to transfer \$2,000,000 from the General Fund to establish a Research Fund. The objective of the Organization is to build the Research Fund to \$10,000,000. The revenue generated from this fund will be used to support research projects related to the chicken industry in Canada. During the year, interest revenue of \$4,558 was earned on assets dedicated to the Fund. This amount was transferred to the net assets of the Fund.

## 9. 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.