



*Chicken Farmers  
of Canada*

ANNUAL REPORT 2002

# *In Safe Hands*



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

# Table of Contents

About Chicken Farmers of Canada	1
Leading by Example	2
A Commitment to Excellence	3
Planning for Our Future	4
The Canadian Chicken Market in 2002	6
Diligence and Integrity	11
Our Science	12
Worldwide Presence & Global Thinking	16
Outreach & Influences	18
The Tools for Success	19
CFC Board of Directors 2002	22
CFC Staff	23
CFC Committees 2002	24
A Report on CFC Finances	24
Auditor's Report and Financial Statements	25



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of Canada**

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# About Chicken Farmers of Canada

## Mission

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

## Who we are and what we do

Chicken Farmers of Canada (CFC) is a national organization, funded completely through farmer levies paid according to the amount of chicken marketed.

CFC has two primary mandates:

CFC's main responsibility is to ensure that our 2,815 farmers produce the right amount of fresh, safe, high quality chicken to meet consumer needs. To do so, farmers, processors, further processors and members of the restaurant trade from across the country, meet every eight weeks to determine market requirements and set production levels accordingly. This evolving risk management system that we operate under is commonly known as "supply management".

Our other key responsibility is to represent the interests of Canada's chicken farmers and by extension the Canadian chicken industry. We ensure that key decision makers in government fully understand the views of Canada's chicken farmers and that these are taken into account when important agriculture and trade policy decisions are being made.

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

CFC works within various regulatory issues. We monitor compliance with quota allocations. For example, we license farmers, processors, transporters, dealers and retailers engaged in inter-provincial or export trade of live chicken, and we issue export licenses to processors for the chicken that is produced to meet export opportunities.

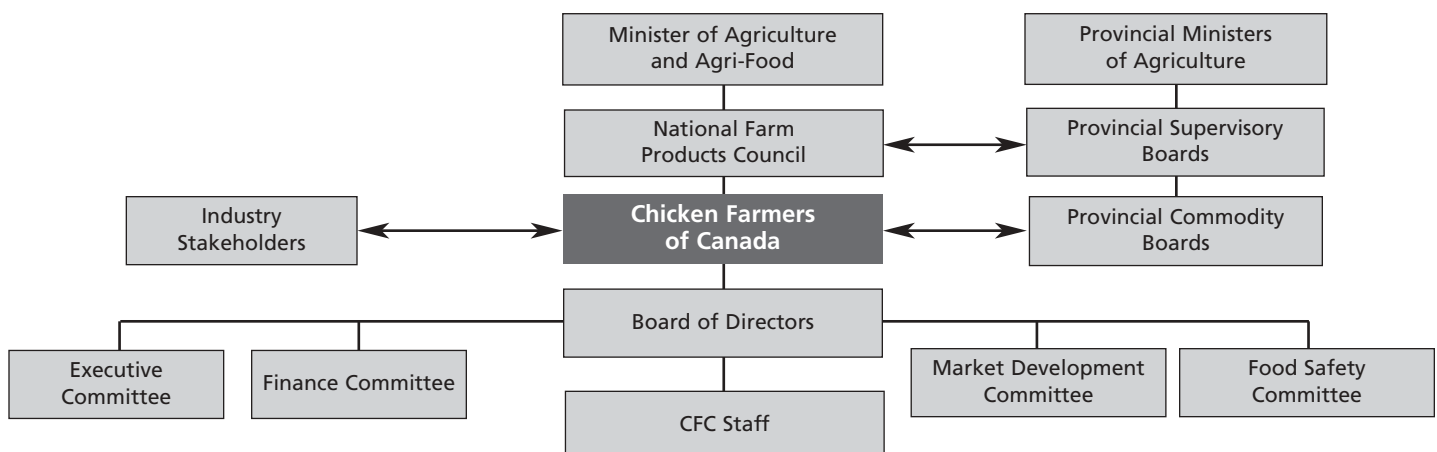
Our directions and policies are determined by a 14-member board of directors. The board is comprised of farmers appointed by provincial chicken marketing boards. Non-farmer directors – one from the restaurant industry, another from the further processing industry and two representing the processing industry – are appointed by their respective national associations.

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

Our organization is located in Ottawa and is staffed by 19 employees.

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

## CFC ORGANIZATIONAL STRUCTURE





# Leading by Example

## A message from the Chairman

This has been a very busy year for Chicken Farmers of Canada, as we continued to try and correct the marketplace to put profitability back into our industry. There have been many issues facing us and much hard work has been put into each one.

Chicken production in Canada increased modestly by 0.8% in 2002 to about 938 million kilograms.

Trade continues to be on the front burner at CFC as the agenda from the WTO Doha Round continues to unfold. CFC has participated in many meetings, both domestic and international. We work on a constant basis with the Federal Government, the Canadian Federation of Agriculture, our industry partners and our other supply management sectors to preserve our orderly market systems and the three pillars needed to maintain them:

1. Import controls
2. Production planning
3. Producer price setting.

There has been extensive collaborative work done by the chicken industry on the import Tariff Rate Quota allocation methodology for 2003 and beyond, as well as on the 13% rule.

In July, the Board of Directors approved the first phase of the On-Line Business Initiative (OBI). The main objective of the OBI is to ensure that CFC maintains its role as an industry leader by developing an on-line environment in which information is a commodity and is provided, gathered, exchanged and analyzed for the benefit of the industry and its stakeholders.

On the food safety front, we continue to be leaders in the field. We were the first commodity to receive technical recognition, from the Canadian Food Inspection Agency, of our on-farm food safety program. Our next steps include the reprinting of our *Safe, Safer, Safest* manual for delivery to farmers in early 2003, the development of audit systems and the implementation of certification manuals for each province, outlining the entire mandatory validation procedure.

CFC contributed to the Canadian global food animal residue avoidance database (gFARAD). This database is open for business at the University of Saskatchewan and at l'Université de Montréal. gFARAD is a program that can be accessed by veterinarians to determine proper withdrawal periods for off and extra-label medications.

At CFC, we have acknowledged the importance of research to the Canadian chicken industry. We have invested \$3 million in a CFC Research Fund. We have proudly contributed \$200,000 to the new Centre for Poultry Research in Montreal. We are a founding member of the Canadian Poultry Research Council (CPRC), which is charged with promoting and coordinating research in the poultry industry.

In November, the CPRC held a two-day symposium on research priorities in Ottawa. The event attracted researchers, governments and industry from across Canada to discuss the research priorities of the Canadian poultry industry.

In October, CFC held its first Strategic Plan Renewal Committee meeting. The committee is made up of 8 dynamic players, 4 from industry and 4 from the producer sector.

The mandate of this committee is to coordinate and lead the development of a strategic plan for the Canadian chicken industry, to build industry consensus for the strategic plan, and to recommend the strategic plan for 2004 – 2008 to the CFC Board of Directors.

In conclusion, I want to express my appreciation for the collaboration given by all sectors of the industry, for their recommendations and exceptional work.

As this was the 4<sup>th</sup> year for me as Chairman, I cannot express my gratitude enough to the staff at Chicken Farmers of Canada. The staff's unfailing support to the chicken industry is astounding.

A special word of recognition must go to the General Manager of Chicken Farmers of Canada, Mike Dungate. I am grateful for his enduring support and allegiance to the Canadian chicken industry and to me as Chairman.

I wish to express gratitude to Agriculture and Agri-Food Canada, the Department of Foreign Affairs and International Trade and the National Farm Products Council for their assistance and cooperation over the past year.

Finally, I wish to thank the Executive Committee and the Board of Directors for providing continuing support to me as Chairman.

As we look forward, we must all work together, from farmer to retailer, if we want our industry to maintain its leadership. ●



David Fuller  
Chairman

# A Commitment to Excellence

## A Message from the General Manager

2002 proved to be a very difficult year in the marketplace for the Canadian chicken industry. Both farmers and processors experienced margin reductions in the face of an oversupplied North American meat market. Furthermore, returns in competitive meats shrunk as well.

CFC is committed to keeping the industry in safe hands. Over the past year, we have worked diligently to bring profitability back into the Canadian chicken industry. Production for the 2<sup>nd</sup> half of 2002 was reduced to a level that was 2.5% below the production levels of the same period in 2001. CFC also set allocations for the first four months of 2003 at 2.2% below 2002 levels.

As a result, I believe that we are well set up for a more positive 2003.

One thing that the current challenge in the marketplace has underscored is the chicken industry's absolute requirement for improved quality, consistency and timeliness of market information. CFC Directors have established better market information as one of its two critical priorities for 2003.

CFC is embracing technology as a means of delivering better information and services. The scope and plan of our On-Line Business Initiative is nearing completion. In 2003, we will begin the implementation of this multi-year, multi-phased project.

It will include an overhaul of our market information and contact management databases to provide more accurate and timely information which will, in turn, facilitate better decision making. It will also include an overhaul of our web site, designed to provide more targeted information to our consumers and a portal site for chicken farmers, so that they can access a wide variety of information in one place.

Other accomplishments in 2002 will lend a hand in setting us up for a positive future.

CFC received technical recognition of its on-farm food safety program from the Canadian Food Inspection Agency. CFC Directors have determined that the food safety program will be mandatory for all chicken farms.

CFC and all industry partners have agreed to a new import quota allocation methodology, which removes a great deal of the uncertainty regarding imports that has dogged the industry for the past several years.

CFC continues to investigate the feasibility of branding fresh, high quality chicken that meets and exceeds the preferences of our consumers. We have a research fund in place to conduct the type of research necessary to make chicken the number one consumed meat in Canada and to keep it there, while ensuring that this is done profitably.

By building on this strong base, CFC is setting a strong course for the future. In 2003, CFC will conclude its strategic plan renewal process for 2004 to 2008.

CFC is prepared for the future on more than just the policy front. Over the past several years, we have put in place the organizational structure that gives CFC the capacity to deliver on its mission. We have contingency management and business continuity plans in place. We are concluding a succession planning process for staff and have initiated a similar process at the Board level. Over the last year, we have brought on six new staff members and 2 new Directors without compromising our ability to deliver.

This is a tribute to the capacity of CFC to renew itself.

At both the Board and staff levels, we have a good mix of experienced veterans and new blood. This blend ensures that the continuity of our organization is not dependent on any single person. Our strength lies in our team of dedicated Board members and staff members who lead by example. It is their intellects, their visions and indeed, in their hands, that CFC prospers.

We recognize the difficult year faced by our members. We assure you that we have not taken the situation lightly and that we have put in place the policies and taken the decisions necessary to get things back on track and secure a prosperous future for the Canadian chicken industry. ●



**Mike Dungate**  
General Manager





# Planning for Our Future

## Strategic Planning

*F*our years ago, Chicken Farmers of Canada adopted a series of visionary goals. These goals were articulated within a five-year Strategic Plan, also called our 'strategic stepping stones to success.'

By defining our mission and plotting a course for the future, CFC has taken on an important role within the entire chicken industry.

### **CFC's Mission**

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

CFC's Strategic Plan is comprised of successful initiatives within four key result areas: system performance, food safety and quality, market expansion and organizational capacity. Together, the goals set within the key result areas make up a well-plotted strategic path for CFC.



### **CFC's Strategic Vision**

- 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.

2002 saw the development of several important areas for CFC in all four key result areas:

### **System Performance**

CFC carefully considered the difficulties farmers have been experiencing within the market and has incorporated a strong focus on allocation issues within the second half of the year.

A Monitoring and Enforcement review was conducted to ensure that our processes were given due diligence and responsibility.

We also reached an agreement on a new TRQ allocation methodology which was endorsed by all stakeholders and we agreed to conduct a review of the 13% rule.

## ***Food Safety and Quality***

The first step to implementing a mandatory food safety program for farmers was achieved in July 2002, when the Canadian Food Inspection Agency (CFIA) awarded CFC technical recognition to our *Safe, Safer, Safest* program.

## ***Market Expansion***

As a means of targeting our next generation of consumers, CFC produced an education video aimed at grades 2-5, designed to dispel common myths about chicken and to examine the entire production cycle. Also commissioned was a teacher's guide that features activities and exercises for use within all Canadian schools.

## ***Organizational Capacity***

CFC developed its Online Business Initiative (OBI) as a plan to create an online environment to enhance CFC's role as an information leader. The OBI will be implemented as part of a multiple year project, incorporating elements from within the organization as well as from our partners throughout the industry. Target audiences include farmers, provincial boards, internal staff, the CFC Board of Directors, industry stakeholders and consumers.

This year marked the beginning of contingency planning for CFC. A manual was created, outlining the procedures for staff and stakeholders to use when responding to any situation that may negatively affect the chicken industry. In addition, the organization created a Business Continuity Plan (BCP), which will ensure that CFC does not lose information or the capacity to serve its stakeholders. In addition, the BCP will include a succession plan for both Directors and staff.

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

At its Strategic Planning Session in Ste. Foy, Quebec in the fall, CFC's Board of Directors and all members of the management team reviewed the 2002 goals and set new goals for 2003. The session provided an opportunity to celebrate successes of the last year and to design important strategies for the next.

### ***Critical Priorities for 2003 – Tier One***

*Allocation and Market Information  
CFC's On Farm Food Safety Assurance Program*

### ***Critical Priorities for 2003 – Tier Two***

*WTO Agriculture Negotiations  
TRQ & 13% Rule  
Chicken Production Issues  
Promotion/Education Campaign*

## ***Strategic Plan Renewal Committee – New Long Term Challenges***

While CFC's role in 2003 will no doubt be challenging and exciting, our current five year Strategic Plan comes to an end in 2003 – meaning that new plans, goals and visions must be set for the benefit of all stakeholders.

In answer to the call for leadership, CFC has struck a committee to light the path to the future success of CFC. Partners from throughout our industry are playing a key role in the development and implementation of the next Strategic Plan for Chicken Farmers of Canada – by participating within the CFC Strategic Plan Renewal Committee.

The committee is made up of eight participants: four representing industry partners and four farmers. The mandate of this committee is to coordinate and lead the development of a strategic plan for the Canadian chicken industry, to build industry consensus for the strategic plan and to recommend the strategic plan for 2004 to 2008 to the CFC Board of Directors.

The committee is working to ensure that a new, vibrant and robust Strategic Plan will be forged with the support and cooperation of our entire industry.

The committee held 2 meetings in late 2002 and will make its recommendations to the CFC Board of Directors in March of 2003. ●

# The Canadian Chicken Market in 2002

## A Challenging Year

The year 2002 was a difficult year for many within the chicken industry. Prices at the wholesale level started to decline in late 2001 and remained depressed throughout 2002. Producer prices in 2002 averaged 4.8 cents lower than in 2001, while feed prices increased substantially in the second half of the year.

Aggressive allocations for the last few periods in 2001 and the first period in 2002, coupled with significant overproduction in the last period of 2001 and the first two periods of 2002, contributed to an oversupply of chicken.

Allocations for the remainder of the year were set at conservative levels, in an effort to restore market conditions. This resulted in the July to December production levels being below previous year's volumes.

Chicken was not the only meat protein that was abundant 2002, as both beef and pork production reached record highs in North America. This resulted in low producer prices for all commodities and increased competition for retail shelf space.

In addition, Russia closed its borders to US chicken meat for part of the year, leaving a significant amount of additional dark meat on the North American meat market, depressing prices even further.

## Consumption

The abundance of meat in the marketplace resulted in the highest ever total per capita meat consumption level in Canada.

Total Canadian chicken consumption in 2002 is estimated at 967.0 million kilograms, which is 2.6% higher than in 2001. This translates into a per capita consumption of 30.6 kilograms.

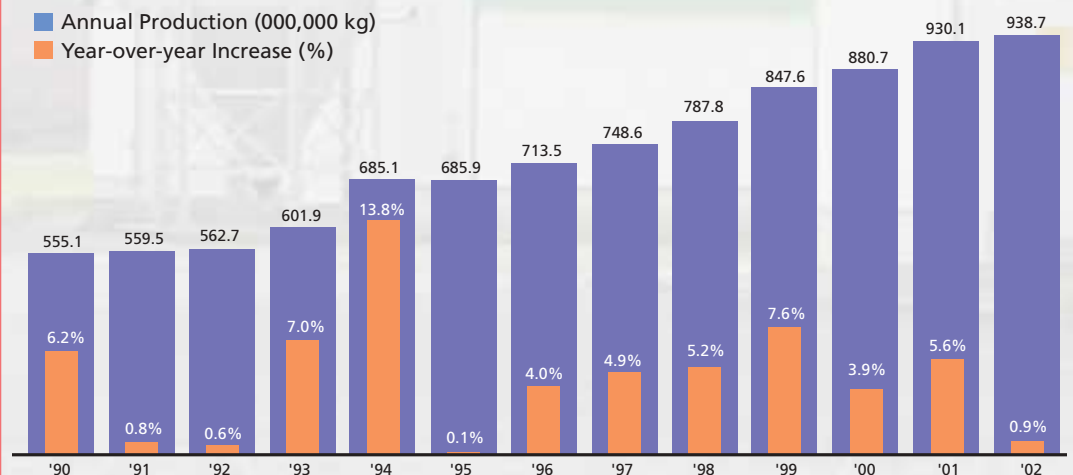
Also, preliminary information indicates increases in beef and pork consumption. Per capita beef consumption is projected to be about 31.0 kilograms, which 0.3 kilograms higher than last year. Per capita pork consumption increased by 0.8 kilograms to 29.7 kilograms.

Consumption of turkey, veal and lamb remained stable in 2002.

Per capita consumption of all meat combined in 2002 is projected at 99.4 kilograms, 1.4 kilograms higher than in the previous year.

## Canadian Chicken Production

■ Annual Production (000,000 kg)  
■ Year-over-year Increase (%)





## Provincial Production

Chicken production in Canada increased at a much smaller rate in 2002. While production increased 5.2% per year during the period 1991-2001, in 2002 it increased by only 0.9% to 938.7 million kilograms.

The first quarter of 2002 saw a strong production increase of 5.3%, compared to the same months of the previous year. Yet, growth slowed in the second quarter to 3.6% and turned negative in the third (-2.3%) and last quarter of the year (-2.6%).

The production increase was most pronounced in Western Canada. Within the Western region, Saskatchewan had the strongest year-over-year growth (8.4%), followed by British Columbia (4.4%). Production in Manitoba and Alberta decreased by 0.5% and 2.3%, respectively.

Production in Central Canada increased by 0.5% due to a 1.2% production increase in Ontario and a 0.3% decrease in Québec.

Atlantic Canada's production decreased 0.7% in 2002. Production increases in Nova Scotia (0.2%) and P.E.I. (2.4%) were offset by reduced production in New Brunswick (-1.0%) and Newfoundland (-3.2%).

<b>2002 Provincial Production of Chicken</b>		
'000 kg eviscerated (thousands)		
Province	2002	% Change Over 2001
British Columbia	147,315	4.4%
Alberta	83,762	-2.3%
Saskatchewan	30,022	8.4%
Manitoba	38,861	-0.5%
<b>West</b>	<b>299,959</b>	<b>2.2%</b>
Ontario	303,519	1.2%
Quebec	262,128	-0.3%
<b>Central</b>	<b>565,647</b>	<b>0.5%</b>
New Brunswick	25,833	-1.0%
Nova Scotia	31,939	0.2%
Prince Edward Island	3,343	2.4%
Newfoundland	12,014	-3.2%
<b>Atlantic</b>	<b>73,128</b>	<b>-0.7%</b>
<b>Canada</b>	<b>938,735</b>	<b>0.9%</b>

## Quota Periods

A-43	December 16, 2001	-	February 9, 2002
A-44	February 10, 2002	-	April 6, 2002
A-45	April 7, 2002	-	June 1, 2002
A-46	June 2, 2002	-	July 27, 2002
A-47	July 28, 2002	-	September 21, 2002
A-48	September 22, 2002	-	November 16, 2002
A-49	November 17, 2002	-	January 11, 2003

## Farmer Prices

The average weighted Canadian producer price (based on annual provincial production volume) in 2002 was \$1.146 per kilogram, 4.8 cents lower than in 2001.

The average live price began at \$1.167 in period A-43, which was 5.9 cents lower than in A-42. This dropped further to \$1.148 in period A-44 and to \$1.138 in period A-45.

The live price increased to \$1.159 in period A-46 but then fell to its lowest point of \$1.122 in 2002 during period A-47.

In period A-48, the live price climbed back to \$1.158 and finished the year at \$1.130 in period A-49.

## Retail Prices

The Consumer Price Index (CPI), as reported by Statistics Canada for fresh and frozen chicken in 2002, was 0.5% higher than in 2001.

Retail prices were above last year's levels for the first five months of the year but were lower during the summer months than they had been a year earlier.

Prices peaked in October and leveled off in November and December (Statistics Canada monitors retail prices for fresh whole chicken, legs and boneless skinless breast and calculates a monthly price index based on these products).

According to this price index, retail prices for chicken have increased 16.7% since 1992, compared to an overall CPI increase of 19.0% and 20.3% for total food items.

Beef and pork retail prices increased 32.8% and 18.8%, respectively, during the same period.

### Imports

A total of 96,251,529 kilograms of chicken and chicken products, including imports to be re-exported, was imported into Canada during 2002, 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) is automatically set at 7% of chicken production in the previous year.

The TRQ for 2002 was calculated as 69,470,175 kilograms, 3,689,850 kilograms higher than in 2001.

According to preliminary year-end statistics, a total of 68,638,415 kilograms of chicken and chicken products was imported into Canada under the TRQ, which amounts to a fill rate of 98.9%.

The TRQ for 2003 will be approximately 70 million kilograms, based on this year's increase in chicken production of 8.6 million kilograms (0.9%) to 938.7 million kilograms.

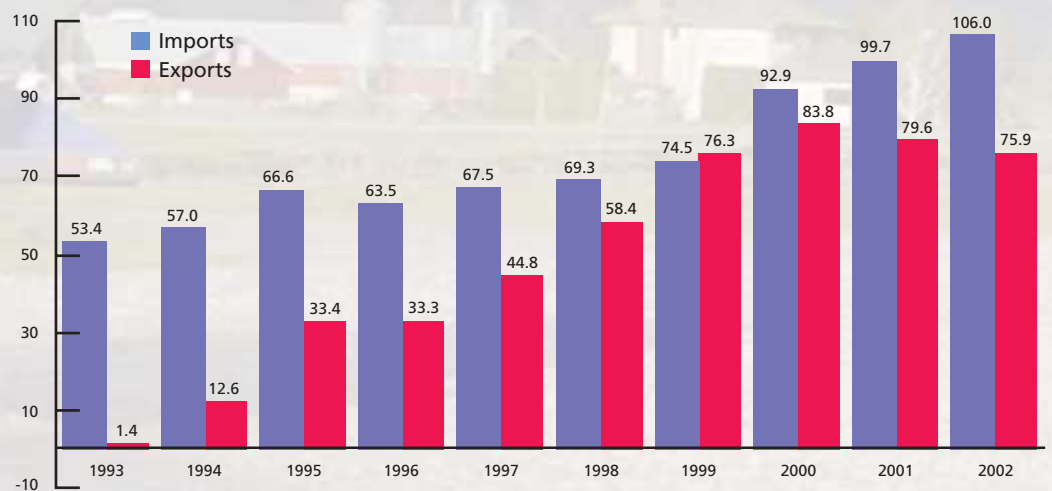
Chicken imports were not evenly spread out over the year in 2002. Only 18.7% of the TRQ was imported in the first quarter of the year, compared to 32.7% in the third quarter. Imports in the second quarter of 2002 represented 24.7% of the total annual TRQ, whereas in the last quarter, they represented 22.7%.

Chicken parts (bone-in and boneless) accounted for 84.6% of all TRQ imports in 2002, as compared to 87.5% a year earlier.

Further-processed chicken, live chicken and whole eviscerated chicken accounted for 14.6%, 0.1% and 0.6%, respectively, compared to 12.1%, 0.2% and 0.2% in 2001. DFAIT also issued additional import permits under the "import to re-export" and "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 imports under this program must be exported within a six-month period. A total of 25.7 million kilograms was imported under this provision, up 22.3% from the previous year.

**Canadian Chicken Imports and Exports** (million kg, AAFC)



## Supplementary Imports

	2002	2001	% change
Imports to compete	1,155,423	541,601	113%
Imports to re-export	25,687,341	21,005,832	22%
Import special	770,350	2,285,274	-66%
Import for market shortage	0	0	
<b>TOTAL</b>	<b>27,613,114</b>	<b>23,832,707</b>	<b>16%</b>

The "import to compete" program allows 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. A total of 1.2 million kilograms was imported under this program, more than double than in 2001.

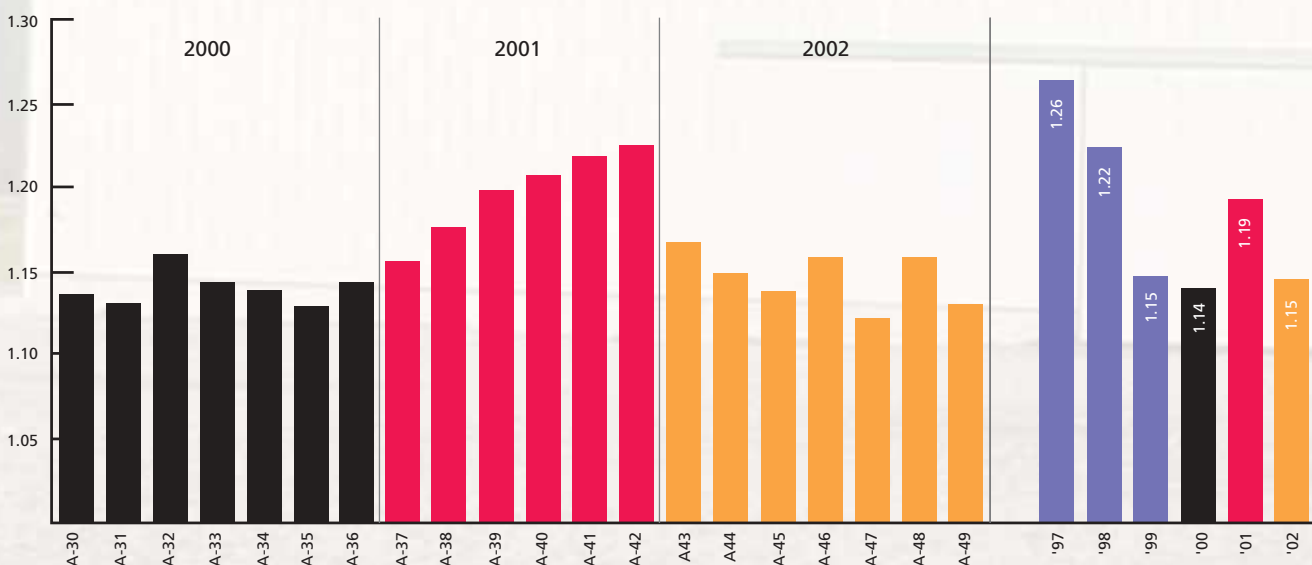
Special supplementary import permits in excess of the 7.5% market access requirement totaling 0.8 million kilograms were issued by DFAIT in 2002, down sharply from the year before.

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

## Exports

Chicken exports in 2002 are estimated at 75.9 million kilograms, which is 4.6% lower than the 79.6 million kilograms that were exported in 2001.

## Canadian Weighted Average Producer Price (\$/kg)





Exports to Cuba, traditionally a major destination for Canadian chicken, dropped dramatically from 34.9 million kilograms in 2001 to 11.2 million kilograms in 2002 due to the opening of the Cuban market to US products.

The most important destination for Canadian chicken in 2002 was Russia, where exports increased from 2.3 million kilograms in 2001 to 13.8 million kilograms in 2002. This accounted for 19% of all Canadian chicken exports.

Exports to South Africa and to the Philippines increased in 2002 from 4.5 and 3.6 million kilograms to 12.5 and 6.3 million kilograms, respectively.

Less chicken was exported to China and Hong Kong in 2002, compared to the year before.

### ***Storage Stocks***

Frozen chicken inventories started 2002 at 29.3 million kilograms and ended the year at 31.1 million kilograms, which represents an increase of 1.8 million kilograms.

Storage stock levels throughout the year were significantly higher than in previous years, and reached an all-time high on May 1st at 33.7 million kilograms.

Inventories decreased during the summer months but increased again during the September to December period. At the end of the year, whole bird inventories were 0.1 million kilograms higher than they had been at the beginning of the year.

Cut-up and further-processed chicken inventories on December 31<sup>st</sup>, 2002 were 1.2 million kilograms lower and 0.9 million kilograms higher than they had been on January 1<sup>st</sup>, 2002.

Year-end frozen inventories also include 2.0 million kilograms of "miscellaneous chicken", an additional storage stock reporting category consisting of items such as necks, feet, giblets and mechanically separated chicken meats (MSM) that were previously reported under the "miscellaneous poultry" category.

### ***Market Development Production***

Production under CFC's Market Development Policy reached an estimated 56.4 million kilograms in 2002, 4.4 million kilograms more than in the previous year.

Starting in 2002, the Market Development Policy provides domestic dark meat to Canadian manufacturers of chicken products that are not on the Import Control List. A total of 1.6 million kilograms was allocated for 2002. ●

# Diligence and Integrity

## Monitoring Our System

During 2002, staff completed the audits of periods A-38 to A-45, which run from March 11 to June 1, 2002. The audits were performed at provincial commodity board offices and at processing facilities.

Audits are designed primarily to review both domestic and market development allocations. The audits also confirm that provincial allocation has been correctly dispensed to farmers and reviews the production records of the board. At the same time, staff reviews the live marketings, as reported by the processors to the provincial boards and to CFC and ensures the accuracy of the levies and service fees remitted to CFC.

CFC staff members perform the audits at the provincial boards, while a third party auditor visits the processors. Having a third party involved at this juncture legitimizes the integrity of the audits and of the monitoring system as a whole.

In each province and in the Maritimes, service contracts with chartered accountant firms enable CFC to have local providers cover the audits of processors within the province or region. This cuts back on travel expenses by staff and is significantly more cost-effective.

### Periods A-38 to A-45

A Monitoring and Enforcement report for periods A-38 to A-41 was presented and approved by the Directors at the July 2002 meeting. Staff will be presenting a similar report for periods A-42 to A-45 at the January 2003 CFC meeting. Staff also conducted a review of the export documentation pertaining to the exports commitments of periods A-40 to A-45.

Five interprovincial licence holders (processors) were audited this year, which covered the purchases of live chicken during the latter part of 2001 and all of 2002.

### 2002 Inter-Period Quota Transfers

Province of Requests	Number	Total Kg (Live weight)
Saskatchewan	1	68,497
Quebec	1	90,000
New Brunswick	1	78,000
Nova Scotia	1	30,000
<b>Total</b>	<b>4</b>	<b>266,497</b>

In 2002, CFC received 4 requests for inter-period quota transfers totaling 266,497 kilograms (live weight). This compares to 2 requests for 3,316,704 kilograms (live weight) in 2001.

In 2002, the total reported movement was 60.7 Mkg live weight compared to 39.1 Mkg in 2001. The significant increase in 2002 is a result of a disaster at a New Brunswick processor which was destroyed by fire. As such, all of New Brunswick's production was processed at processors in Quebec and Nova Scotia from February to November 2002.

### Review of the Monitoring and Enforcement Programme

The Board of Directors mandated Deloitte & Touche, LLP to review the monitoring and enforcement programme across Canada. The purpose of the review was to determine if the systems in place at the provincial commodity boards provided accurate and reliable data. They were also tasked to determine if the monitoring and enforcement audits carried out by CFC staff were properly implemented and if they were effective.

The review of the monitoring programme was undertaken early in 2002 and a report was submitted to the Directors at the July 2002 meeting. The report clearly demonstrated that the processes and controls in place at the provincial commodity boards provide reliable information relating to the marketing of chicken.

The same type of review will be performed every three years. ●

### Interprovincial Movement of Live Chickens

Province	2002	
	To	From
British Columbia	-	-
Alberta	-	-
Saskatchewan	-	-
Manitoba	-	-
Ontario	22,204,000	8,990,000
Quebec	30,419,000	21,483,000
New Brunswick	290,000	25,661,000
Nova Scotia	7,790,000	-
Prince Edward Island	-	4,569,000
Newfoundland	-	-
<b>Total</b>	<b>60,703,000</b>	<b>60,703,000</b>

# Our Science

## Partnership in Research & Food Safety

*I*n early 2002, Chicken Farmers of Canada confirmed its long-term commitment to research and education within our industry.

With poultry continuing to be such a popular choice among consumers, CFC and its industry partners believe that fostering science and education within poultry research can help plan for a safe, secure and stable future.

### Canadian Poultry Research Council

In March 2002, poultry research was the focus of the Joint Annual Meeting held in Ottawa. Presentations and speeches from a variety of stakeholders emphasized the importance of research in all aspects of the poultry industry.

The highlight of the event was the announcement that five poultry industry organizations agreed to establish the Canadian Poultry Research Council (CPRC) to foster innovation, science and education within poultry research.

#### **The Founding Members of the CPRC**

*Chicken Farmers of Canada  
Canadian Egg Marketing Agency  
Canadian Turkey Marketing Agency  
Canadian Broiler Hatching Egg  
Marketing Agency  
Canadian Poultry and Egg Processors Council*

The CPRC was officially 'opened' May 29, 2002, by Deborah Whale, Chair of the Poultry Industry Council (PIC) and Dr. Peter Hunton, Chair of the CPRC. The PIC will provide the managerial services that will serve as the administrative backbone of the CPRC.

The mandate of the CPRC is to create and implement important programs for poultry research and development. Its objectives are:

- To provide a focal point for poultry research in Canada
- To secure additional and/or matching funding for poultry research
- To establish national research priorities
- To assess research proposals and select researchers
- To support the expansion of poultry science education and research in Canada
- To disseminate research results

### Over \$1,000,000 to Research Funds

At the end of 2001, CFC created a National Research Fund for Chicken with an initial investment of two million dollars and an objective to build the fund to ten million dollars.

In 2002, CFC contributed over 1 million additional dollars to the Fund. At its current level, the fund will generate over \$120,000 annually to support priority research projects and initiatives in Canada.

### \$200,000 to New Poultry Research Facility

Chicken Farmers of Canada (CFC) also made a \$200,000 donation to the new Centre for Poultry Research, located in Montreal and St. Hyacinthe, Québec.

The Centre, a joint venture of both McGill University and Université de Montréal, will feature a new state-of-the-art facility at each campus; both are designed to provide research, training and education for the poultry industry in Canada.

The \$200,000 donation represents CFC's portion of a \$450,000 joint contribution shared with the Fédération des producteurs de volailles du Québec.



### ***CPRC Symposium on Research Priorities***

The Canadian Poultry Research Council (CPRC) held a successful symposium on research priorities in Ottawa, on November 29 and 30, 2002. Close to 100 people, representing industry, government and academia, participated in this two-day event.

The conference featured a series of presentations by top Canadian researchers and government representatives. Topics covered included an outlook on poultry research in Canada, international research collaborations, research priorities and funding strategies.

Without replacing programs that are already in place, the CPRC will ensure the best possible coordination of effective leadership as the industry plans for a safe, secure and stable future.

### ***Safe, Safer, Safest – Food Safety in Partnership***

A key component of CFC's Strategic Plan has been the development and implementation of *Safe, Safer, Safest*, CFC's on-farm food safety assurance program (OFFSAP). In 2001, the Board of Directors voted to make our OFFSAP mandatory as soon as the validation and certification processes are in place.

The first step in becoming a mandatory program for farmers was achieved in July, 2002, when the Canadian Food Inspection Agency (CFIA) awarded CFC technical recognition of the *Safe, Safer, Safest* program.

"Technical Recognition" verifies that *Safe, Safer, Safest* promotes the production of safe food at the farm level and adheres to Hazard Analysis Critical Control Points (HACCP) principles, as defined by *Codex Alimentarius*.

CFC is the first commodity in Canada to obtain technical recognition for its program.

A revised *Safe, Safer, Safest* manual was produced in 2002. After obtaining technical recognition from CFIA, additional information was added throughout the manual to aid with the implementation process for the new elements of the program.

In addition, a compact disc containing an electronic version of the forms was included with each manual to provide farmers with the option to complete the required forms by computer.

CFIA's recognition of *Safe, Safer, Safest* is key to the credibility of our program. As a member of the Canadian On-Farm Food Safety (COFFS) working group, CFC has been involved in developing an achievable recognition process with both the CFIA and the Federal-Provincial & Territorial Agri-Food Inspection Committee (FPTAFIC) Sub-Committee on On-Farm Food Safety.

The next step is the development of the administrative assessment protocol. CFC is working with the COFFS working group, CFIA and the FPTAFIC to develop a workable system. Dialogue is ongoing and the hope is that a final conclusion will be reached in 2003.

Once finalized and implemented, CFC can obtain full CFIA recognition for the *Safe, Safer, Safest* program.

In order to promote the *Safe, Safer, Safest* program, the Food Safety Committee has begun recognizing farmers who implement the program on their farms. A recognition certificate has been developed to congratulate farmers for their active participation in the program. The certificate will be awarded to those farmers who fulfill current program requirements.

The COFFS working group has developed a validator training course, offered to individuals who will be validating the implementation of on-farm food safety programs. This course has been piloted, and SGS Canada Inc., has been selected to be the course provider for a three-year period. CFC and some provincial commodity boards have thus far trained 20 people in this course. It is estimated that this number will more than double in the coming year.

Throughout 2002, CFC remained an active member of the COFFS group. COFFS is a forum in which commodity organizations in Canada who are implementing an on-farm food safety assurance program can work collaboratively. In total, 18 commodity organizations are implementing on-farm food safety assurance programs.

### ***Ongoing initiatives with Canadian On-Farm Food Safety (COFFS) Group***

- *Developing an official recognition protocol with CFIA*
- *Providing training for on-farm validators*
- *Establishing risk management tools for national programs, validators and producers,*
- *Promoting the Canadian approach to on-farm food safety programs.*



To date, the government has assisted in funding the development of *Safe, Safer, Safest* through the Canadian Adaptation and Rural Development (CARD) funding strategy. This funding has been available for the one-time set up costs of developing the program.

In 2003, federal funding will fall under the Food Safety and Quality pillar of the Agricultural Policy Framework. CFC is optimistic that future funding strategies will also incorporate ongoing maintenance costs for on-farm food safety programs.

The *Safe, Safer, Safest* program demonstrates to consumers that Canadian chicken is produced under diligent safety standards. The program provides one program for farmers, developed by farmers and keeps Canadian chicken farmers at the head of international food safety developments.

### **Flock Sheet**

The flock information reporting form is a fundamental component of CFC's OFFSAP. The flock sheet is a communication tool, designed to ensure the safety of processed product. The flock sheet is used between farmers and processors, to provide information regarding disease status, medication treatment and feed withdrawal. Since April 1<sup>st</sup> 2002, the flock sheet has been mandatory for all chicken farmers.

Farmers must submit the forms 3-4 days before birds are shipped and at the time of shipping. These forms are then reviewed by designated processor employees and by CFIA veterinarians.

The flock sheet is an industry initiative and has been developed in conjunction with other primary production sectors and the Canadian processing industry.

Since the inception of the flock sheet, feedback from farmers and processors has led to a redesign of the flock sheet before the second printing, which increases food safety information and ease of use.

The revised flock sheet will be made available to farmers in early 2003. Both the old version and the new version of the flock sheet can be used throughout 2003. Only the new sheet will be accepted after December 31, 2003.

***The Safe, Safer, Safest program demonstrates to consumers that Canadian chicken is produced under diligent safety standards.***

## Animal Care

The *Recommended Code of Practice for the Care & Handling of Chicken, Turkeys and Broiler Breeders from Hatchery to Processing Plant* has been under review over the last two years. Representatives from various organizations including the primary production sector, the research sector, poultry processing, agriculture federations and government bodies are involved in developing these codes.

The codes are developed with input and consent from a variety of organizations. These include the primary production sector, the research sector, poultry processors, agricultural federations, government bodies and the Canadian Federation of Humane Societies. With this wide range of support, the codes are an invaluable tool that help Canadian farmers standardize the care and handling of our animals and to promote our industry as an international leader.

As a result of new farming techniques and changing management practices, a thorough review of the last codes produced in 1989 was essential. Key issues for chicken farmers included density requirements, environmental impact and further research. The revised codes will be completed and accepted by all member organizations in early 2003.

## Safe Food and Water

In order to ensure continued research to give support to Canadian chicken farmers, CFC became a member of the Canadian Coalition for Safe Food and Water. Members of this coalition include government agencies, independent research organizations and other members with a vested interest in safe food and water for consumers. This coalition provides an excellent opportunity for CFC to collaborate on research activities involving antibiotic resistance.

Due to increasing food safety concerns, extra and off-label medication usage became a prominent issue in 2002. Although the Veterinary Drugs Directorate (VDD) of Health Canada acknowledges that extra-label medication use is an important tool in the promotion of animal health when used judiciously, the department has been slow to create change within VDD to help Canadian farmers.

Additional maximum residue limits and an improvement in the approval process for veterinary medications are essential to provide an adequate range of medications to ensure the ongoing health status of Canadian chicken. CFC has communicated these needs with VDD and is a member of the VDD's extra-label drug use committee. An intent of the committee is to provide VDD with information on extra-label medication use requirements in order to effect change so that VDD can better serve Canadian farmers. ●





# Worldwide Presence & Global Thinking

*Chicken Farmers of Canada believes that decisions made in international trade are crucial to the continued prosperity and indeed the future of the Canadian chicken industry.*

Chicken Farmers of Canada believes that decisions made in international trade are crucial to the continued prosperity and indeed the future of the Canadian chicken industry. Our directors and staff participate in trade committees, both foreign and domestic, to ensure the voice of Canada's chicken farmers is heard on the world stage.

## At the WTO

The year 2002 represented the real start of the WTO agriculture negotiations with the 3<sup>rd</sup> phase of the negotiations called the "modalities phase". As stated in the Doha declaration, which was approved in November 2001, the negotiations on agriculture should reach an agreement on the modalities by March 31, 2003.

The agreed modalities are to define the level of reductions in support and increases in access WTO members commit to respect over an implementation period. Therefore, 2002 has been a busy year for the positioning of the key players in the WTO agriculture negotiations.

The WTO agriculture negotiations committee held four formal sessions throughout the year to discuss the three pillars of the agriculture negotiations: export competition, market access and domestic support. The fourth session was devoted to horizontal issues and especially to the special and differential treatment requested by developing countries.

## Trade proposals

Key players such as the United States and the Cairns Group took this opportunity to present some aggressive trade proposals which many observers qualified as being unrealistic. First, the United States proposed a drastic reduction for all tariffs, increases in market access and the elimination of export subsidies. However, their proposal on domestic support would allow them to maintain high levels of support to their farmers, as provided from the 2002 Farm Bill.

This proposal was seen as self-serving, indicating a protection of the US agriculture through the US treasury. During the modalities phase, the Cairns

Group continued its crusade towards the elimination of all tariffs and all support to the agriculture sector. Their proposals went so far that Canada, a member of the Cairns Group, could not support the Cairns proposals on market access and domestic support because they were beyond the Canadian Negotiating Position and would be detrimental to the interests of the entire Canadian agriculture and agri-food sector.

At the end of the year, the European Union finally announced its proposal which ask for the continuation of the Uruguay Round commitments, without addressing the disparities.

## SM-5

With such proposals seen as unrealistic and irreconcilable, the Canadian dairy, poultry and egg farmers (SM-5) developed in collaboration with the Japanese general farm organization, JA Zenchu, a draft declaration asking for fair rules in the world agriculture negotiations. This process was endorsed by the Canadian Federation of Agriculture which played a key role in the Farmers Summit in Geneva in October to get 34 national general farm organizations from Asia, Europe, Africa and Canada to sign the final declaration.

This declaration for fair rules in agriculture shows the importance of recognizing the needs of farmers around the world to improve world trade. We hope that this declaration will help negotiators to focus on the real issues facing world trade in agriculture rather than discussing unrealistic proposals that do not contribute to advance the negotiations.

Chicken Farmers of Canada participated very actively to the process leading to the Farmers Summit. We believe it was important that farm organizations around the world adopt their own desired outcome of the WTO negotiations.

## Conferences

During 2002, in addition to the Farmers Summit, CFC participated to the International Federation of Agricultural Producers (IFAP) World Congress, the North American – European Union annual conference, and the Cairns Group Farm Leaders meeting.



These events provide the opportunity to monitor the evolution of the trade views from various stakeholders and are excellent opportunities to explain the principles of our trade position. A better understanding of the realities faced by farmers in various countries help everyone to look for meaningful results in trade negotiations.

### Domestically

CFC is also very active on the domestic trade scene through our participation at numerous trade committees and events. We also work very closely with the other supply managed organizations (SM-5). Although we all operate slightly differently, the SM-5 relies on the maintenance of effective tariff rate quotas and the right to collectively market our products.

With these commonalities in mind, we have a permanent representative in Geneva to inform us on the state of the negotiations. Also, we have hired an SM-5 communications coordinator to create better synergies between our respective communications efforts with Canadian officials.

Finally, a joint meeting of the executive committees of the 5 organizations was held in December to exchange views on the recent trade developments and discuss a work plan outlining the leadership role we must take in the WTO agriculture negotiations.

### CFA

Our ongoing involvement with the trade committee of the CFA provides us valuable exchange with other sectors of the Canadian agriculture industry. Through our discussions, we develop positions that serve the overall interests of all Canadian farmers, and recommend their adoptions to our government. This close collaboration among farm groups and the government is very important in order to maintain a strong domestic unity while Canada negotiates at the WTO.

### Imports

On the policy side, the year started with the disappointment that special supplementary import permits were issued, although CFC had implemented a Market Development Policy providing dark meat at discounted price to eligible manufacturers of further processed products. These special imports were the signal to industry stakeholders that the import quota allocation methodology had to be modified.

With the multitude of views on the best allocation system, this was a challenge. An industry working group was able to narrow down the differences to arrive at a compromise acceptable to all industry stakeholders. The unanimous industry recommendation was presented to the Department of Foreign Affairs and International Trade in August, who subsequently implemented it as the new allocation methodology order for 2003.

### 13% rule

The strength of working together was demonstrated once again with the ongoing issue of the specially defined mixture (13% rule).

The "13% rule" refers to a product containing chicken or turkey, wherein 13% or more of the total weight of the product is comprised of goods other than the following: chicken, turkey, bread or breading, batter, oil, glazing, other coatings and bastes, and any added water (including that used in marination, glazing, other coatings and bastes, breading and batter).

The proliferation of products not subject to import controls is damaging the Canadian chicken industry and a modification to this rule has to be made while preserving the interests of the Canadian manufacturers involved in this segment of our industry.

A small working group of representatives of the chicken and turkey industries studied the issue from all its angles to arrive at an acceptable proposal in December, asking the Canadian government to correct a situation that is generating an increasing amount of difficulties for the industry. ●

# Outreach & Influences

## Government Relations

### Agriculture Policy Framework

Chicken Farmers of Canada continued to focus on the development of sound government policy for chicken farmers. This year, the federal government launched the Agriculture Policy Framework (APF) consultations.

The Framework consists of five pillars: Business Risk Management, Food Safety & Quality, Environment, Renewal and Science & Innovation. This Framework is aimed at making Canadian agriculture policy more progressive and cohesive.

CFC representatives attended over 15 sessions as part of two cross-country waves of consultations. The roundtable discussions gave farmers an opportunity to bring forth concerns and work with government on the Framework.

Directors also attended two consultations with Minister Lyle Vanclief. Throughout these consultations, CFC provided feedback on the direction of the various elements of the Framework.

The government elected to recognize supply management within the APF as a risk management tool, rather than give it full recognition as a program. CFC, along with other partners, continues to lobby for recognition of supply management as a risk management program equal to NISA and Crop Insurance.

The other four pillars of the APF, research, food safety, environment and renewal, are designed to build on our strong industry making it world renowned.

As an industry that is already stable, we are looking to strengthen our reputation through the development of these other areas. CFC has requested that adequate funds be allotted for these pillars.

The federal government is currently working diligently with its provincial counterparts on implementation agreements, so that development of this Framework can progress. Once the implementation agreements are signed, the federal government will continue to develop the Framework.

These pillars of the APF, if designed correctly and in consultation with farmers, will create a first-rate agriculture industry that is sustainable and renewable. CFC intends to remain a part of this process and it looks forward to working with the government on the development of areas that are important to the organization.

### Bill C-10B

Bill C-10B is federal legislation that proposes amendments to the animal cruelty section of the Criminal Code.

It was previously referred to as Bill C-15B, but was re-introduced and consequently renamed, when the new parliamentary session began in October.

Chicken Farmers of Canada has worked with government and industry to achieve amendments suitable for farmers. The Poultry Welfare Coalition will be presenting concerns about the Bill and proposing an amendment to the Senate Standing Committee on Legal and Constitutional Affairs. If amended, the legislation will keep critical legal defences for farmers who follow good production practices.

### Prime Minister's Task Force Report

The final report of the Prime Minister's Task Force on Future Opportunities in Farming, *Invest Today, Prosper Tomorrow*, was released in late October. The final report expands on the recommendations of the interim report.

The Task Force was made up of 13 Liberal MPs and Senators and chaired by Bob Speller, MP for Haldimand-Norfolk-Brant.

The two reports examine the state of agriculture and present a comprehensive set of recommendations. If implemented, they will greatly contribute to Canada's agriculture industry. Task Force members have put forward some of the serious problems facing the industry which, up to this point, many felt were being ignored.

Some of the recommendations pertinent to CFC were: the protection of orderly marketing systems, the elimination of trade-distorting subsidies, and a regular review process for the APF to ensure it is meeting the needs of farmers. ●

**CFC, along with other partners, continues to lobby for recognition of supply management as a risk management program equal to NISA and Crop Insurance.**



# The Tools for Success

## Communication, Promotion & Administration



### Online Business Initiative

The Online Business Initiative involves the creation of an online environment that builds on CFC's existing competencies and allows CFC to enhance its role as an information leader.

In early 2002, CFC analyzed the extensive input of the Board of Directors, staff and an ad-hoc Technology Task Force. It was determined that CFC should be in a position to provide information, interactivity, discussion and communication along with partnership links and increased coordination of industry activities.

Audiences for this massive initiative include farmers, provincial boards, the Board of Directors and consumers.

The creation of the Online Business Initiative allows CFC to secure its role as an agriculture leader and enhance its organizational capacity. Within this ambitious initiative, information becomes a commodity - it is provided, gathered, exchanged and analyzed for the benefit of the industry and its stakeholders.

### CFC's new web look

The new and improved CFC web site made its debut in March 2002. The site was radically redesigned with a view to making it more accessible and easier to navigate.

The goal was to launch a new look and design for the information we already have online and create a more dynamic environment for users to enjoy.

In addition, the architecture supporting the site has a form and a structure that allows for growth and many changes, many of which are coming from the Online Business Initiative.

### Contingency Management Manual

A key priority outlined within the CFC Strategic Plan for the year 2002 was the creation of a Contingency Management Manual, designed to increase the capacity of CFC staff and stakeholders to create the most effective and timely response to any situation, real or perceived, that may negatively affect the Canadian chicken industry.

The Contingency Management Manual was presented to the Board of Directors in March of 2002. It identifies the different general categories of situations that may affect our industry. It also defines a framework to identify the players best suited to deal with different situations. Finally, this manual outlines important, overriding key messages to be absorbed and incorporated into many potentially difficult situations.

### Hay West Campaign

In August, Canada's chicken farmers made a \$30,000 contribution to the Hay West Campaign to assist drought-stricken Prairie farmers.

CFC made the announcement on behalf of the nation's 2,815 chicken farmers, over 500 of whom are located in the Prairies and applauded the efforts of the Hay West campaign organizers, the farmers who have donated hay and the government who have worked together to help the region through this disaster.

Chicken Farmers of Canada has consistently supported the belief that all partners are needed to maintain a sustainable Canadian agriculture industry. In the same light, the organization supported the grain and oilseed growers in their fight to obtain trade injury compensation payments.

***A key priority outlined within the CFC Strategic Plan for the year 2002 was the creation of a Contingency Management Manual, designed to increase the capacity of CFC staff and stakeholders to create the most effective and timely response to any situation, real or perceived, that may negatively affect the Canadian chicken industry.***

***The concept of creating an identifiable mark for chicken has been discussed for some time among various players within our industry.***

### ***The Great Canadian Chicken Barbecue***

CFC marked its 10<sup>th</sup> Anniversary as national sponsor of Canada Day in the Nation's Capital in 2002.

Larry "Dad" Smith of Southampton, Ontario, was on hand to take a few bows during this time. His sandwich, aptly named "Dad's Favourite Chicken Sandwich", was the winner of the "Canada Day Chicken Challenge" – our contest with *Canadian Living* and *Coup de Pouce* magazines.

The real winner of this year's event was Boys and Girls Clubs of Canada (BGCC), our new charitable partner. Fifty cents from the sale of each sandwich or chicken Caesar salad went to clubs across the country. That's \$4,000 to support the Clubs' programs!

BGCC is one of this country's leading national, youth-serving organizations dedicated to providing high-quality services that promote the healthy growth and development of young Canadians and their families.

### ***Promotion Seminar***

As part of this year's promotion seminar, Provincial promotion coordinators attended the FMI (Food Marketing Institute) show held in Chicago from May 5 to 7. This show included over 1,300 exhibitors of the food distribution industry, as well as key speakers and education programs on such topics as global trends, creating branded environments, the changing world of the aging boomer, ethnic merchandising, consumer evolution in the world of organic and natural foods.

Promotion Coordinators and other provincial board staff also met with CFC staff for a round table discussion entailing a review of CFC and provincial board activities, updates on current issues and strategic planning for all these partners in the next year.



### ***Promotion Feasibility Study***

The concept of creating an identifiable mark for chicken has been discussed for some time among various players within our industry. The Usage and Attitude Survey 2001 indicates that Canadians are very interested in a means of assuring that their Canadian chicken meets important safety and quality standards.

There is a direct link between consumer confidence and product sales and growth. Such a program may meet the needs and expectations of consumers and could certainly go a long way towards enhancing the already positive consumer attitude towards our product.

Finally, opportunities for growth and profitability could be identified within the creation of measurable product specifications.

Discussions around this issue, identified as a priority within the CFC five-year strategic plan, took place at the November meeting of the Board of Directors. This is a challenging issue, with many facets worth considering and it has been brought forward to the agenda of the Market Development Committee.

### ***School Video***

CFC Directors have identified consumer education as a priority within the Strategic Plan in the key vision area of Market Expansion. As part of the Promotion/Education Campaign in 2002, CFC developed an elementary school video demonstrating production practices in the raising of chickens in Canada.

Targeted towards the next generation of consumers, the video dispels common myths about chicken and looks at the whole cycle of chicken production, from the breeder farm to the grocery store. Produced in both English and French, the video will be distributed to elementary schools across Canada.

A teacher's guide has also been produced to accompany the video. It includes activities and exercises that fit within school curricula across Canada. The activities and information included in the guide reinforce the knowledge gained from the video, while offering teachers a unique framework within which they can teach reading, writing, math and science.

A poster to accompany the video and guide has also been developed for placement within the classroom. Online activities and downloadable tools will provide additional educational tools for both teachers and students alike.

### **Human Resources**

2002 revealed a series of new, important and long-term initiatives for CFC and for the industry as a whole. With those new initiatives, it became clear that the CFC office required additional resources in order to successfully lead the industry.

In all, six new staff members were engaged in 2002, including a Statistical Officer, bringing the staff complement to 19 people. Also, plans are to hire two additional staff in early 2003.

The two new positions will primarily support the On-Line Business Initiative and it is expected that these vacancies will be filled by the end of April 2003.

### **Administration**

Negotiations began in early fall to secure space adjoining the CFC office, in order to accommodate the needs relating to the additional resources required. In November, CFC signed a lease for an additional 1,000 square feet and a design was approved.

The extra space will add 3 workstations, 1 office, additional storage space and an interpretation booth for our large new boardroom.

Construction will be completed in early 2003.

### **Business Continuity and Succession Plan**

At the July meeting, Directors mandated staff to prepare a Business Continuity Plan (BCP), including a succession plan for CFC. This is meant to complement the Contingency Management Plan completed by CFC in 2002.

The objective of the BCP is to minimize the duration and impact of any interruption of service, regardless of cause.

Given that CFC is a knowledge-based organization, the BCP will focus on ensuring that CFC does not permanently lose critical information or the capacity to provide it to its stakeholders. Also, the BCP will work to provide assurance that the least amount of time is lost between an incident and the office's ability to resume business.

Succession planning is a key component of CFC's BCP as we rely heavily on the knowledge and experience of a small staff complement to deliver our services. A succession plan will ensure that knowledge is shared and that both staff and board members can assume various responsibilities during a given situation.

One of the additional benefits to the proposal is that CFC will be able to provide templates for provincial chicken boards to develop their own BCPs. ●

***A succession plan will ensure that knowledge is shared and that both staff and board members can assume various responsibilities during a given situation.***



# CFC Board of 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**

Nova Scotia



**Wendy Jeske**

British Columbia



**Remi Cyr**

Alberta



**Nick Langelaar**

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



**Tony Tavares**

Canadian Poultry and  
Egg Processors Council



# CFC Staff

## Seating order

### Front row (l to r):

Marie Murphy – Communication Coordinator  
 Charles Akande – Policy Analyst  
 Paula J. Doucette – Manager of Administration & Human Resources  
 Johanne Neeteson – Project Coordinator  
 Janet Noseworthy – Government Relations Officer  
 Stéphanie Turple – Meeting Coordinator  
 Erik Bourdon – Statistician

### Second row (l to r):

Michael Laliberté – Monitoring & Enforcement Officer  
 Jan Rus – Manager of Production & Food Safety  
 Mike Dungate – General Manager  
 Juliet Marvin – Executive Assistant  
 Yves Ruel – Manager of Trade & Policy  
 Yvon Séguin – Manager of Finance  
 Marty Brett – Communication Officer

### Not included:

Translation co-ordinator – vacant

### Standing (l to r):

Lisa Bishop – Manager of Communication  
 Kim Garamvolgyi – Bookkeeper  
 Paulette Charbonneau – Administration Coordinator  
 Steve Leech, BSc (Agr.) MSC. – Food Safety Officer



# CFC Committees 2002

## **Executive:**

Chair: **David Fuller** (Nova Scotia)  
1st Vice-chair: **John Slot** (Ontario)  
2nd Vice-chair: **Luc Turcotte** (Quebec)  
Executive Member: **Waldie Klassen** (Manitoba)

## **Finance Committee:**

Chair: **David Mackenzie** (Prince Edward Island)  
**Yvon Cyr** (New Brunswick)  
**Pearl Cooper** (Canadian Poultry and Egg Processors Council)

## **Food Safety Committee:**

Chair: **Waldie Klassen** (Manitoba)  
**Ron TeStroete** (Nova Scotia)  
**Pearl Cooper** (Canadian Poultry and Egg Processors Council)  
**Martin Dufresne** (Quebec)  
**Gabe Kocsis** (Ontario)

## **Market Development Committee:**

Chair: **John Slot** (Ontario)  
**Remi Cyr** (Alberta)  
**Luc Turcotte** (Quebec)  
**Yvon Cyr** (New Brunswick)  
**Tony Tavares** (Canadian Poultry and Egg Processors Council)  
**Ross MacLeod** (Further Poultry Processors Association of Canada)  
**Eric Anderson** (Canadian Restaurant and Foodservice Association)

## **Canadian Poultry Research Council representative:**

**Waldie Klassen** (Manitoba)

## **Canadian Federation of Agriculture representative:**

**John Slot** (Ontario)

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# A Report on CFC Finances:

## **An Introduction**

CFC follows the strictest accounting and governance guidelines when it comes to administering its budget. While most day-to-day decisions are made at an operational level, these come within a larger budget framework and follow the directions of the CFC Board of Directors.

Each year, the Board elects a three-member Finance Committee to oversee the operations. The committee meets several times a year, reviews the annual and interim budgets, reviews the quarterly financial statements and distributes all of the above to the Board.

During the annual strategic planning session that typically occurs in September, priorities and goals are set for the coming year. In November, the budget for the coming year, as prepared by staff and the finance committee, is approved by the Board.

It has been a regular Board policy to ensure the stability of CFC's finances by having a minimum of one year's operating expenses on hand. This enables CFC to have the resources necessary for proactive projects that work in the farmers' best interests.

## **Special Events in 2002**

In 2002, research continued to be a large part of the CFC long-term strategy. Following up on the \$2-million investment in 2001, the CFC Board of Directors allocated an additional amount of \$1-million to the National Research Fund for Chicken. With a target of \$10-million, the Fund represents a lasting commitment to research and a further example of CFC's leadership.

There was also an extraordinary event, *see Note 7 in the Auditor's Statements*, whereby the year 2000 British Columbia levies and fees were remitted in 2001, held in escrow for one year and then recognized as revenue in April of 2002. ●



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& Touche**

## **Auditors' Report**

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, 2002 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.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Canada as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

These financial statements include comparative figures for the year ended December 31, 2001 which were qualified due to our inability to satisfy ourselves concerning the completeness of levy and fee revenue.

*Deloitte + Touche LLP*

Chartered Accountants

February 14, 2003

# CHICKEN FARMERS OF CANADA

## Statement of Operations

year ended December 31, 2002

	<u>2002</u>	<u>2001</u>
Revenue		
Levy and fee revenue	\$ 5,605,081	\$ 5,552,590
Interest and other revenue	316,788	352,916
Overmarketing levy	15,963	19,761
British Columbia fees and interest (Note 7)	712,900	-
	<u>6,650,732</u>	<u>5,925,267</u>
Expenses		
Amortization	39,550	35,458
Canadian Poultry Research Council	50,565	9,468
Committees	178,213	101,022
Communication	501,589	487,522
Directors and alternates	1,059,639	749,296
Membership fees	76,390	57,823
Office	467,583	417,112
Professional fees	234,971	164,269
Promotion activities	31,088	12,618
Salaries, benefits and travel	1,472,202	1,375,154
Special studies	465,853	253,560
Trade	203,911	155,110
Translation	79,510	105,633
	<u>4,861,064</u>	<u>3,924,045</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 1,789,668</u>	<u>\$ 2,001,222</u>



**CHICKEN FARMERS OF CANADA**  
**Statement of Changes in Net Assets**  
year ended December 31, 2002

	<u>General Fund</u>	<u>Invested in Capital Assets</u>	<u>Internally Restricted Research Fund</u> (Note 8)	<u>Internally Restricted 25th Anniversary Fund</u> (Note 9)	<u>Total</u> <b>2002</b>	<b>2001</b>
BALANCE, BEGINNING OF YEAR	\$ 6,481,947	\$ 129,209	\$ 2,004,558	\$ -	\$ 8,615,714	\$ 6,614,492
EXCESS OF REVENUE OVER EXPENSES	1,829,218	(39,550)	-	-	1,789,668	2,001,222
INTERFUND TRANSFERS (Notes 8 and 9)	(1,317,782)	-	1,139,782	178,000	-	-
NET ACQUISITION OF CAPITAL ASSETS	(12,688)	12,688	-	-	-	-
BALANCE, END OF YEAR	\$ 6,980,695	\$ 102,347	\$ 3,144,340	\$ 178,000	\$ 10,405,382	\$ 8,615,714

# CHICKEN FARMERS OF CANADA

## Balance Sheet

as at December 31, 2002

	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS</b>		
Cash and short-term investments (Note 3)	\$ 1,832,941	\$ 6,205,160
Accounts receivable (Note 4)	854,328	769,411
Prepaid expenses	53,364	39,925
Trust assets (Note 7)	-	730,877
	<b>2,740,633</b>	<b>7,745,373</b>
INVESTMENTS (Note 3)	8,242,459	1,981,282
CAPITAL ASSETS (Note 5)	102,347	129,209
	<b>\$ 11,085,439</b>	<b>\$ 9,855,864</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 680,057	\$ 509,273
Trust liabilities (Note 7)	-	730,877
	<b>680,057</b>	<b>1,240,150</b>
<b>COMMITMENTS (Note 6)</b>		
<b>NET ASSETS</b>		
General Fund	6,980,695	6,481,947
Invested in capital assets	102,347	129,209
Internally restricted Research Fund (Note 8)	3,144,340	2,004,558
Internally restricted 25th Anniversary Fund (Note 9)	178,000	-
	<b>10,405,382</b>	<b>8,615,714</b>
	<b>\$ 11,085,439</b>	<b>\$ 9,855,864</b>

Approved by the Board

*David Mackenzie*

*Finance Committee, Director*

*Yvon Cyr*

*Finance Committee, Director*

# CHICKEN FARMERS OF CANADA

## Notes to the Financial Statements

year ended December 31, 2002

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### 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. CFC is exempt from income taxes under section 149(1)(e) of the Income Tax Act.

#### *Levy and fee revenue*

CFC 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 Canadian generally accepted accounting principles and reflect application of the following policies.

#### *Revenue recognition*

CFC recognizes revenue on the deferral method.

#### *Overmarketing levies*

Overmarketing levies, which are recognized using the cash basis of accounting, are assessed against provincial commodity boards and license holders on a periodic basis when applicable.

#### *Investments*

Investments are carried at cost and are written down when there has been a loss of value that is other than temporary.

#### *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

## CHICKEN FARMERS OF CANADA

### Notes to the Financial Statements

year ended December 31, 2002

#### 3. INVESTMENTS

	2002		2001	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	\$ 1,832,941	\$ 1,832,941	\$ 6,205,160	\$ 6,205,160
Federal bonds	6,910,365	6,999,000	649,188	650,013
Farm Credit Canada notes	1,332,094	1,356,851	1,332,094	1,322,787
	8,242,459	8,355,851	1,981,282	1,972,800
Total	\$ 10,075,400	\$ 10,188,792	\$ 8,186,442	\$ 8,177,960

Bonds and notes are debt obligations paying interest rates appropriate to market at their date of purchase.

The bonds and notes mature at face value on a staggered basis over the next five years (2001 - five years). Interest rates for these securities range from 3.50% to 6.00% (2001 - 3.58% - 4.45%).

#### *Determination of market values*

Short-term investments consist of bank deposits, treasury bills, bonds and guaranteed investment certificates. The market value of short-term investments approximates cost. The market values of the bonds and notes are based on published market quotations.

#### *Investment risk*

The maximum investment risk to CFC is represented by the cost of the investments. Investments in financial instruments also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

#### *Concentration of risk*

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations described above do not represent excessive risk.



# CHICKEN FARMERS OF CANADA

## Notes to the Financial Statements

year ended December 31, 2002

### 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. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 221,996	\$ 131,329	\$ 90,667	\$ 106,253
Computer equipment	109,761	98,081	11,680	22,956
	<u>\$ 331,757</u>	<u>\$ 229,410</u>	<u>\$ 102,347</u>	<u>\$ 129,209</u>

### 6. COMMITMENTS

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

2003	\$ 114,810
2004	116,336
2005	107,262
2006	111,948
Thereafter	<u>394,225</u>
	<u>\$ 844,581</u>

### 7. BRITISH COLUMBIA FEES AND INTEREST

During the year, after an agreement, CFC has recognized \$712,900 of fees and interest pertaining to 2000 levies and fees remitted by the British Columbia Chicken Marketing Board in 2001. The \$712,900 represents the 2001 trust assets of \$730,877 less GST of \$47,814 plus interest of \$29,837.

# **CHICKEN FARMERS OF CANADA**

## **Notes to the Financial Statements**

**year ended December 31, 2002**

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### **8. RESEARCH FUND**

During the year, the Board of Directors approved the transfer of \$1,060,000 from the General Fund to the Research Fund. The Research Fund was originally established in 2001 with the objective of CFC 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 of \$79,782 was earned on assets dedicated to the Fund. This amount was transferred from the General Fund to the Research Fund.

### **9. 25<sup>TH</sup> ANNIVERSARY FUND**

During the year, the Board of Directors approved the transfer of \$178,000 from the General Fund to establish a 25<sup>th</sup> Anniversary Fund. The objective of the Organization was to set aside a reserve for celebration costs. This fund will be removed in 2003 once the event has occurred.

### **10. EMPLOYEE PENSION PLAN**

CFC has a defined contribution pension plan providing benefits to employees. Generally, the contribution is a net percentage of the employees' annual income. The total contribution made by CFC under this plan is \$23,825 (2001 - \$26,811).

### **11. 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.