




From our family to yours

25



**For presentation to the
Minister of Agriculture and Agri-Food,
the Honourable Robert Speller,
and the National Farm Products Council**



Chicken Farmers of Canada

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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 2,851 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.

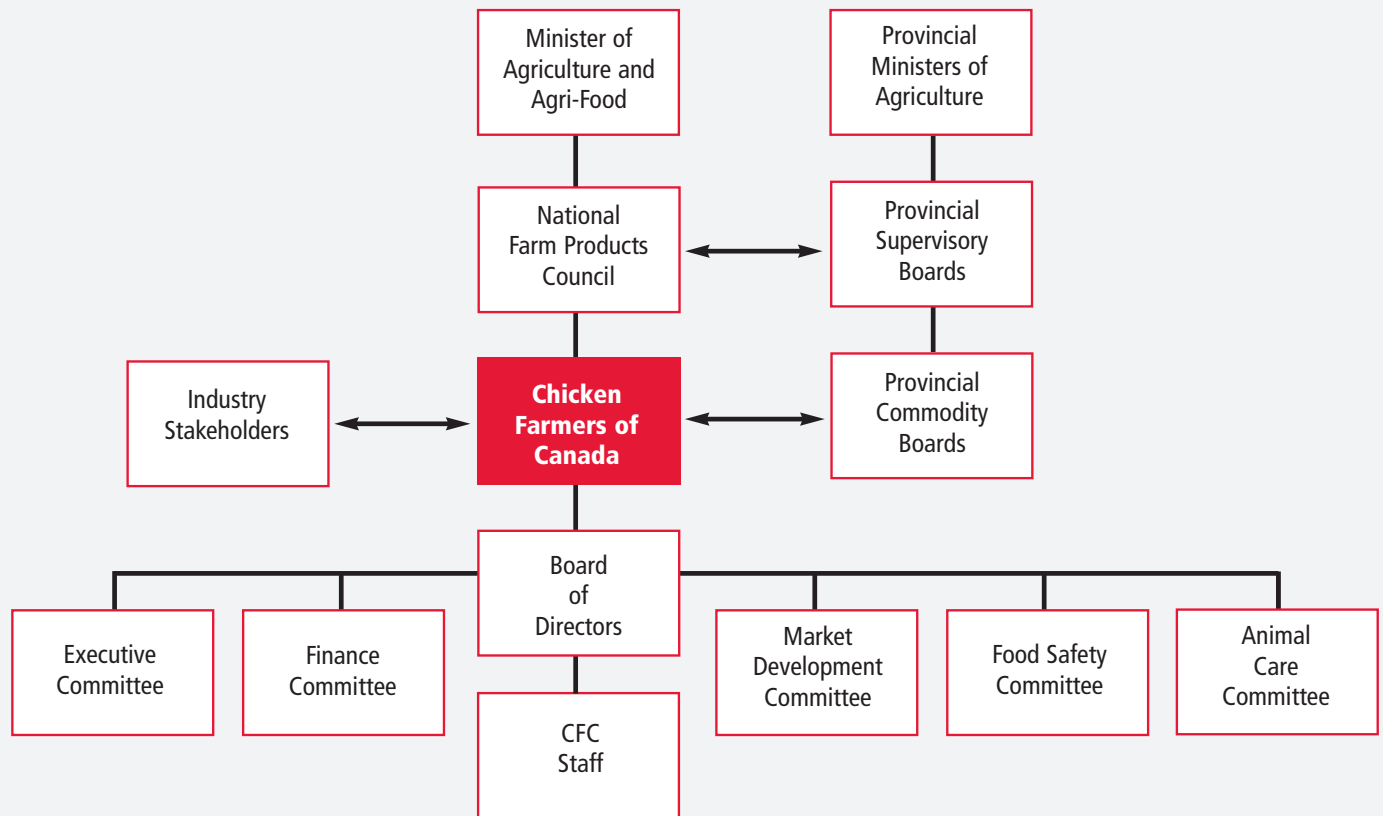
Our directions and policies are determined by a 14-member board of directors. The board is comprised of farmers appointed by provincial chicken marketing boards. Non-farmer directors – one from the restaurant industry, another from the further processing industry and two representing the processing industry – 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 21 employees. We conduct our business in both official languages, English and French. ▶





CFC ORGANIZATIONAL CHART



CELEBRATING 25 YEARS

a Message from the Chairman



With this being the 25th anniversary of Chicken Farmers of Canada, I believe it is not only important for me to reflect on the year 2003, but also to reflect on the last quarter century.

As a result, this year's annual report will focus not only on this year's activities, but on the history of Chicken Farmers of Canada, from its inception to its current-day initiatives, programs and plans.

It is thanks to the active participation and commitment of many key individuals and organizations that supply management came into being – and allowed for the creation of CFC.

It is my firm belief that one of CFC's biggest strengths lies in its partnerships with provincial chicken boards and each and every one of our stakeholders from throughout the industry.

Our Board of Directors has met all the challenges and opportunities that have been presented to CFC over the last 25 years and it continues to make decisions in the best interests of the industry.

Whether the challenges and opportunities have been related to trade, growth, food safety, a new allocation system or a new Federal-Provincial Agreement, the entire industry has worked side by side with its government partners to promote and maintain a stable and viable Canadian chicken industry.

Prior to my election and throughout its history, Chicken Farmers of Canada worked under the leadership of 10 Chairmen. Each was a strategic leader and each served this organization with a clear vision and with enormous dedication. I tip my hat to these visionaries and count myself lucky to be in their company as a part of a great Canadian success story.

I would like to express my gratitude to the former Minister of Agriculture and Agri-Food, Mr. Lyle Vanclief who, along with his entire department, kept an open-door policy and worked with us to ensure the continued success of the industry.

I would also like to thank the National Farm Products Council and its Chairperson, Ms. Cynthia Currie for her continued guidance and support for Chicken Farmers of Canada.

I will forever be proud of our organization and its exceptionally dedicated staff. They inspire with their continued support, their loyalty and their compassion. I am more than confident that CFC is equipped to serve the needs of its members well into the future.

On behalf of all stakeholders in our industry, I would like to thank CFC General Manager Mike Dungate for his ongoing, enthusiastic commitment to the Canadian chicken industry.

Finally, I would like to recognize CFC's Board of Directors. As a cohesive team, the Board has worked through many complex issues and should be commended for being so dedicated to our industry's success. In particular, I would like to thank the members of the Executive Committee, who have demonstrated the utmost in commitment to our industry's future and for their support of me as Chairman.

The success of the Canadian chicken industry rests on a simple concept – market responsiveness. By supplying consumers with what they want and by remaining strong, competitive, efficient and forward-looking, the future of the Canadian chicken industry is assured.

My fondest congratulations go out to all our partners in this industry for helping us achieve so many milestones over the last quarter century. I am confident that together, as a team, we can achieve many, many more. ▀

FROM CFC'S FAMILY TO YOURS

a Message from the General Manager



I am very proud to be the 5th General Manager of Chicken Farmers of Canada.

From our humble beginnings in Brampton, Ontario, with CFC's 1st General Manager, Paul Guillotte and a

complement of four, CFC has evolved over the past quarter century under the continued leadership of successive General Managers Romeo Leblanc, Roger Cramm and Cynthia Currie.

Over this time, more than 70 people have worked for CFC. Without a doubt, CFC's success today, and for the future, is a direct result of the significant contributions of those dedicated individuals who have come before us. They never took the easy way out. They continually challenged themselves to advance the interests of the Canadian chicken industry and of our members. They have shown us what it takes to build a strong organization and to be a leader in Canadian agriculture.

How chicken is marketed from farmers to processors, and ultimately to consumers, has changed dramatically over the years. During that time, CFC and the supply management system for chicken have evolved to respond to changes in the marketplace and in the requirements of the industry. What has remained constant, however, is the dedication and professionalism of CFC.

It is most important to remember, though, that none of what we have today would have been possible without the courage of chicken farmers to collectively seek to change the structure of their industry. Through the efforts of the members of the Canadian

Broiler Council, federal and provincial governments agreed to the establishment of the Canadian Chicken Marketing Agency in 1978.

Celebrating our 25th anniversary throughout 2003 has let us really see how much effort went into creating this organization, and to understand the pride our founders have in their accomplishment.

The hard work and foresight of these farmers have been carried on by successive boards of directors. The commitment of these individuals, particularly CFC's 11 chairmen, needs to be recognized by all those that have benefited from their efforts – none more than David Fuller, who is CFC's longest serving Chairman. His personal warmth and collaborative approach are of immense value to CFC and are appreciated by all stakeholders.

Throughout our history, CFC has also been blessed by the invaluable contribution of many partners outside the chicken business. For example, we have benefited from the sound legal advice of Francois Lemieux, David Wilson and Lynn Starchuck, the auditing and consulting advice of Carman Joynt and the strategic thinking and facilitation of Mont Doyle and his colleagues.

I am extremely pleased to be associated with such a dynamic organization. An organization of people who stand up for what they believe. I know that I speak for all my colleagues when I say that we hope we can continue to provide value to Canada's chicken farmers and to the industry as a whole.

As staff, we are inspired by the Board's effort to continue the CFC tradition of seeking excellence. It is a pleasure to put on my CFC jacket and come to work each day. Thank you all for the opportunity to work with you and on your behalf. ■



DEEP ROOTS

By Tony Greaves

Anthony Greaves was born in Leeds, England in 1936 and emigrated to Canada in 1957 after attending agricultural college.

He has been a chick salesman for a Regina hatchery; both Secretary/Treasurer and President of the Saskatchewan Hatchery Association and he has served as chair of the Canadian Hatchery Federation. He was also the part-time manager of the Saskatchewan Chicken Marketing Board (1972 until 1983).

With over 45 years in the Canadian poultry industry, Tony shares his unique perspective on the history leading to the founding of Chicken Farmers of Canada.

Although Chicken Farmers of Canada commenced operations in 1979 (as the CCMA or Canadian Chicken Marketing Agency), its roots are even deeper.

Supply management in the Canadian poultry industry was first proposed in 1948 by Fred Beeson, the editor of Canada Poultryman magazine, to help the Canadian egg industry after England cut back its foreign egg purchases after World War II. However, its first practical launch was as a provincial strategy to improve the lot of the broiler chicken producers in B.C. This was in response to chicken prices as low as 17.5¢ per lb (38.5¢/kg) in late fall 1961 and the indication that prices were slated to go even lower.

The B.C. Broiler Marketing Board came into being on December 12th, 1961; it was the first poultry marketing board in Canada, coming into being after 150 producers considered a draft plan the previous August.

Other provinces followed suit, including Quebec and Ontario in 1965, Saskatchewan and Nova Scotia in 1966 and Manitoba in 1968. Although boards improved the bargaining power of the chicken producers, they were continually faced with competing offers of cheaper product from other provinces, as well as from across the U.S. border.

In his June 1965 editorial, Fred Beeson, then editor of Canada Poultryman, urged broiler growers across the country to meet after the Canadian Hatchery Federation (CHF) convention, with the intention of setting up a national broiler council.

The Canadian Broiler Council (CBC) was formed on October 1st, 1965 in Toronto. Its founding members were Chairman Bruce MacNamara (Ontario), Vice-Chair Bob Blair, (B.C.); Bert Hall (Manitoba); Amos Blenkhorn (Nova Scotia); Everett Shiplett (Saskatchewan); Jack Brown (Alberta); Roger Landry (Quebec); and John Janzen, who served as Secretary Treasurer.

Agency First, Border Controls Later

The CBC, with members from each of the provincial boards, attempted to negotiate "gentlemen's agreements" on the amount of chicken to be produced. Although members agreed to go home





and cut production by a definite percentage, the adherence to the cuts was spotty at best and at worst, provinces increased production to take advantage of the market opportunities presented by the expected production cuts in other provinces.

CBC delegations went to Ottawa to ask for border controls on the imported chicken that was "short circuiting" the fledgling national supply arrangements. They were told that border controls could only become a possibility if there was an operational national supply management system.

In 1970, Ontario and Manitoba were supplying eggs to outlets in Quebec and that province's government authorized the Quebec egg marketing board to restrict that inward flow. In response, other provinces, including Ontario, restricted the movement of Quebec chicken into their provinces. This was the so-called "Chicken and Egg War".

It became clear that provincial marketing plans were limited in being able to cope with problems of interprovincial and international trade. As a result, the Farm Products Marketing Agencies Act was passed in December 1971, during the closing months of a Conservative government; the Act was given assent on January 12th, 1972.

The Farm Products Marketing Agencies Act provided for an essentially parallel structure at the federal level intended to dovetail with existing provincial plans. This act established the National Farm Products Marketing Council, which was assigned the duty to advise the Minister of Agriculture about the formation and operations of national agencies operating under the act.

Plays from the Bench

The Broiler Council negotiations to develop a national plan for chicken took another five years of wrangling. One of the major impediments was a failure to agree on market shares between the various provincial boards. Some provinces liked a goal of provincial self-sufficiency; other provinces – with an established interprovincial market – were not in agreement.

Another sticking point was the difference of opinion whether a national chicken agency should have the authority to buy and dispose of surplus product.

The Canadian Egg Marketing Agency (CEMA) was the first of the agencies to be put in place. In this case, the egg came first. CEMA also had great difficulty with the issue of dealing with surplus production. Quebec wanted the national chicken agency to have this pooling authority; Ontario and B.C. did not, because they claimed it encouraged further surpluses, concomitant loss and would lead to extra costs, which might then be passed on to the producers.

In April 1975, the National Farm Products Marketing Council held public hearings across Canada regarding the establishment of a national chicken agency. Following those hearings, Gerald Tedford reported to Ontario producers that the Council had made changes to the proposed plan on a unilateral basis, including provisions which the provincial boards had not agreed upon. Tedford's report in *Canada Poultryman* stated, "This, together with the severe criticism of the Egg Agency, cooled out the desire for a National Agency at this time."

This five-year marathon was expensive and required a significant investment by the provincial





boards to cover CBC's legal expenses in addition to the expenses of travelling to CBC meetings. These meetings were held all over the country, costing some provincial boards up to 10% of their total budget.

Sticking Points

Unfortunately, as the years went by and as a national chicken agency and border controls slowly moved their way towards becoming a reality, chicken imports increased – from 698,390 kg in 1971, to 3.8 Mkg in 1974, to 9.4 Mkg in 1975 and to 952,350 kg in the first 24 days of January 1976. Importers obviously expected to have their import history factored into future import rights and had ramped up their imports as a result.

At a late February meeting in 1976, with Minister of Agriculture Eugene Whelan, producers were told that imports could only be brought under regulation if there was a national supply management system for chicken. It was up to the broiler producers themselves to come up with a workable proposal for an agency.

Although historical production levels in the previous five years had been a basis for discussion, the final provincial tonnage shares were the result of backroom negotiations, primarily between Ontario and Quebec.

The formula to decide future provincial allocations was also a major sticking point, with many provinces wanting to get the benefit of any increase in provincial demand. However, the National Farm Products Marketing Agencies Act had in it a clause, which referred to "comparative advantage", which had been inserted late in the legislative process. The National Farm Products Marketing Council insisted that the federal provincial agreement on chicken was not

a platform to promote provincial self-sufficiency.

The Canadian Broiler Council finally adopted a proposal for a national chicken marketing plan on August 12th, 1976. This was later amended by the National Farm Products Marketing Council and was forwarded to the federal government lawyers as a base from which Schedule "B" and Schedule "A" – the Proclamation – were developed. Although the CBC proposal became Schedule "C" of the final "Federal Provincial Agreement with respect to the establishment of a Comprehensive Chicken Marketing program in Canada," its wording is subservient to the other schedules.

Market Access by U.S. Product

After intense negotiations, the U.S. was eventually awarded access equal to 6.3% of the domestic production. This percentage was based on the historic amount of chicken that had been imported in the years 1975-1978, not the period immediately prior to the 1975 hearings into establishment of a chicken marketing agency. It was then increased to 7.5% on January 1st, 1989, under the North American Free Trade Agreement (NAFTA).

CCMA Finally to be Announced?

It was rumoured that Minister Whelan would announce the formation of the Canadian Chicken Marketing Agency at a Yorkton, Saskatchewan meeting of agricultural ministers in mid-1978, but the announcement was forestalled at the last minute by a wire from Prime Minister Pierre Trudeau. The creation of the agency was eventually announced a few months later.

Canada Poultryman magazine reported, "The long awaited announcement from Agriculture Minister Eugene Whelan of the formation of a Canadian





Chicken Marketing Agency came on December 29, (1978) in a release from Ottawa. Mr. Whelan also announced that steps are being taken to place chicken on the import control list under the Export and Import Permits Act... The new agency will represent 92.6% of national chicken production and 95% of producers." Because chicken in Canada could not be produced at prices competitive with U.S. product, it is argued that without this national plan, imports would have severely damaged or even destroyed local industries.

The Canadian Chicken Marketing Agency held its inaugural meeting in Ottawa February 5th and 6th, 1979. The CCMA's first chairman was Eric Meek (Nova Scotia), who had served as the CBC's chairman for the previous five years. The Executive Committee was rounded out with 1st Vice-Chair Laurent Mercier, (Quebec) and 2nd Vice-Chair Gerald Tedford, (Ontario). Other directors were Leonard LeBlanc (New Brunswick), Bruce McAninch (B.C.), Bert Hall (Manitoba), Percy Naumetz (Saskatchewan) and William Wood (P.E.I.).

Until Agency staff was in place, the Ontario Chicken Producers Marketing Board made available the services of John Janzen, the Ontario Secretary-Manager and some of his staff on a part-time basis. The agency's official solicitor was Francois Lemieux, who had guided the Canadian Broiler Council through muddy waters prior to the formation of the agency. Once formed, the agency hired a General Manager, Paul Guillotte, and the new staff officially opened the agency for business in August of 1979 in Brampton, Ontario.

Thus, the first chapter in the success story that is the Canadian chicken industry was written. ■





THE INDUSTRY THROUGH TIME

1970s

After years of hard work and discussion, on December 28, 1978, the first Federal-Provincial Agreement was signed by 8 provinces. Only Alberta and Newfoundland did not sign at that time. The Alberta Chicken Producers felt the new agreement did not address Alberta's annual production growth adequately, while the Newfoundland producers felt a few issues needed addressing.

The Canadian Chicken Marketing Agency, created by the FPA and by proclamation, established initial operations in Brampton, Ontario. The first Chairman of CFC was Erik Meek from Nova Scotia.

As per the proclamation, the Supply Management Committee (SMC) – including producers, consumers, processors, the trade, allied industries and the public in general – was formed and consisted of 17 people.

For a number of years, this committee met quarterly, immediately prior to the Agency meetings to set allocations. The Chair of the committee would then compile a report from the presentations by the various sectors represented at the SMC meeting and present it to the Agency the following day. These reports included data and outlook from Agriculture Canada, plus an indication of needs from both the Canadian Poultry and Egg Processors' Council and from the Further Processors' Council. Each province had an opportunity to state its view of local needs, the Consumers' Association also made recommendations and the hatchery sector commented on the probable hatching egg supply for the period in question.

1980s

Following a year of turbulent trade issues and discussions over U.S. border controls, the Newfoundland producers signed the FPA and joined CCMA in 1980. Alberta continued operations independently until 1983 when some significant negotiations brought them back to the table, where they signed a service agreement to formalize the communications with CCMA. Alberta was allowed back to the CCMA table at the time – but was not given a vote.

Later that same year (1983), a study by Hays-Williams indicated that CCMA would be better served to have its head office in Ottawa. In October of 1984, CCMA completed the move from Brampton to Ottawa. It was felt the advantages of being in the nation's capital would outweigh the personal inconveniences.

As time went on, market forces and influences indicated that the Canadian chicken industry was not responsive enough to respond to changes in market demand. In 1984, a review of the allocation setting process was requested by a variety of industry participants. It concluded that more frequent allocation setting would deliver some of the responsiveness being sought.

In 1988, the Northwest Territories made application to CCMA, and the other supply managed commodities, in order to become a participant in our industries. The application ended up dying on the order paper because of the economic and poultry code issues. With the closest processing facility 10 hours away (and the railhead 3 hours away), it became apparent that chicken would not become a hot industry up north.





After nearly six years of negotiations, the Alberta Chicken Producers decided to take advantage of the additional benefits of being within the system and joined CCMA in 1989. At the same time, British Columbia decided to strike out on its own and left the Agency. The two provinces had been at odds for most of the 10 years that the Agency had been in existence since they traditionally compete for market share and similar markets.

Once the 10th Anniversary had come and gone, a report on the performance of the poultry industry under supply management was published. The Coffin & Romain report of January, 1989 is a definitive report on the advantages of supply management.

With the Coffin & Romain report complete, there were some significant expectations created when the National Poultry Task Force was announced in 1989. This systematic look at each aspect of the industry was a thorough review of existing practices as well as an analysis of relations within the industry.

1990s

The Task Force spent 15 gruelling months examining everything and everyone. In a submission to the Minister of Agriculture in 1991, the Task Force made 24 recommendations that were well received, for the most part, by the four poultry agencies. Following the Task Force report, the Agriculture Ministers created a Supply Management Steering Committee to follow up on the reports and recommendations of the poultry and dairy task forces. This Committee was intended to examine the practical, administrative and legal issues pertaining to the 24 Task Force recommendations and by year-end had not completed the task.

While these strategic issues were ongoing, another review of allocation indicated that CCMA needed

to set allocation more frequently. The Supply Management Committee was therefore scheduled to meet six times a year, rather than five.

The Minister named two new appointees to the CCMA board in 1991 – they would represent the processors and provide their own unique perspectives to board discussions. One of the recommendations being examined was the potential increase of non-producer directors from two to four to improve Agency and stakeholder accountability. (This recommendation was implemented in 1996, as four non-producers were named to the CCMA board for the first time.)

With 1991 over with, farmers were able to devote more attention to the issue of GATT (or the General Agreement on Tariffs and Trade). Much time and energy was spent on behalf of farmers to get the message across that agriculture in Canada was being threatened. Delegations to Geneva, meetings with government officials and a 40,000 person rally on Parliament Hill in February 1992 were just some of the means used.

Eventually, the uncertainty of the Uruguay Round came to an end and import quotas became tariffs. While not the ideal solution for farmers, it still meant they would have a future – something many had feared would not be possible.

Back on the domestic front, B.C. signed a service agreement in 1993 to formalize the relations between the province and the national agency. While not full reintegration, the service agreement was felt to be a step in the right direction. Ontario also indicated some unhappiness with the system and served notice of withdrawal citing a need to review the current allocation system. Quebec also saw a need for an allocation review so Ontario withdrew the notice and a review was undertaken.

After intense scrutiny and discussion, a "market-driven" approach was identified as the most





effective means to make the allocation process more responsive. The "top-down" formula approach was shifted aside and replaced with a new "bottom-up" system that was based on provincial market requirements. The new numbers would be approved by the board and the system would take effect once the National Allocation and Pricing Agreement was signed.

Approved in August by the CCMA board, the signing ceremony was held on September 7th, 1995. The ceremony included the B.C. growers who had voted to rejoin the CCMA back in 1994. Under the new "bottom-up" system, the allocation period (A-01) would begin on July 9th and end on September 2nd. The rolling 8-week cycle would replace the previous one where there were 4 nine-week and 2 eight-week periods.

Since change was in the air, CCMA took the opportunity to revisit the name of the organization. With reference to the key result areas of "establishing CCMA as the national voice of chicken farmers" in the strategic plan, it was decided that the agency would become "Chicken Farmers of Canada". This would remove the stigma that the Agency was part of the government and reinforce that we are a farmer-led and farmer-supported organization. Responses were very positive and the name was officially adopted for widespread use in January 1997.

As the new Chicken Farmers of Canada, moves were made to put an export policy in place. The policy was developed in cooperation with the Canadian Poultry and Egg Processors Council and other industry stakeholders. The CFC Export Policy allows processors to export chicken without disrupting the domestic market or breaking international trade obligations. The allocation process now included an export component which the provinces needed to take into account with their allocation requests.

The Millennium

The new Federal-Provincial Agreement (FPA) was proving to be a long and tough challenge. Rather than delaying revisions to the allocation process, a new agreement, a stop-gap called the National Allocation Agreement signed by all 10 provinces, brought the industry and the regulations up to date. Work would continue on the FPA until 2001 when it was signed by all 10 boards and 23 other signatories.

The year 2000 proved to be a difficult one for the industry and CFC. In that year, both B.C. and Alberta left the Agency and the FPA was delayed yet again. On April 5th of 2000, a B.C. Supreme Court ruling determined that B.C. could not participate in either the NAA or the Liquidated Damages Assessment Agreement. Alberta also withdrew, stating a need for a level playing field and a requirement that B.C. be a full participant in the allocation system.

Chicken Unity across Canada!

On July 16, 2001 the new Federal-Provincial Agreement for Chicken was officially signed in Winnipeg, Manitoba. All 10 provincial board chairs signed the agreement that had first been signed by the Federal and Provincial Agriculture Ministers in the Yukon on June 28.

The landmark agreement comes from years of consultation and celebrates the high level of cooperation within the industry as a whole. The agreement enshrines the current national allocation system, coordinated by Chicken Farmers of Canada, and provides increased stability and flexibility for stakeholders. ▶



CFC CHAIRMEN

1979	Eric Meek	Nova Scotia
1980	Bruce McAninch	British Columbia
1981/82	Albert E. Hall	Manitoba
1983/84	R.W. Scott Simmons	Newfoundland & Labrador
1985/86	Arne Mykle	British Columbia
1987/88	Dan Lynch	Nova Scotia
1989/90	Laurent Mercier	Quebec
1991/93	Waldie Klassen	Manitoba
1994/96	Lloyd Sandercock	Saskatchewan
1997/98	John Kolk	Alberta
1999/2004	David Fuller	Nova Scotia

INFLUENCES

CFC GENERAL MANAGERS

Paul Guillotte 1979 – 1980	Cynthia Currie 1989 – 1997
Roméo Leblanc 1981 – 1985	Mike Dungate 1997 – present
Roger Cramm 1985 – 1989	

CFC DIRECTORS (# of years in BRACKETS)

Eric Anderson (3)	David Fuller (10)	Leonard LeBlanc (6)	Lloyd Sandercock (4)
Harry Andrews (2)	Vic Funk (5)	Eugene Legge (5)	John Sandham (3)
Daryl Arnold (2)	Luc Gagnon	Wilfred Lentz	Scott Simmons (5)
Albert Bartel	Gerard Goyer (7)	Dan Lynch (9)	John Slot (5)
Nigel Beattie (2)	Andre Gravel (4)	John Maaskant	Joseph Smallwood (2)
Karen Beharrell (2)	Albert E. Hall (4)	David MacKenzie (10)	Joseph Speck
Ed Benjamins (4)	Matthew Harvie	Ross MacLeod (3)	Dean Sully (2)
Hal Black (4)	Audrey Hinz (3)	Tony Maher	Don Sundgaard
Jack Brock	Lynn Hoffmann (3)	Michel Maurer	Tony Tavares (3)
Walter Brown (4)	Martin Howlett (4)	Bob May (3)	Gerald Tedford
James Chalmers (4)	Phoebe Hunt (3)	Bruce McAninch (2)	Bernie teStroete
Ted Cohen (5)	Lem Janes (5)	Bruce McLellan (2)	Ron teStroete (3)
Paul Cook	Mashoud Janjua (2)	Eric Meek (2)	Gladwin Toews (2)
Pearl Cooper (12)	Wendy Jeske (3)	Laurent Mercier (12)	Maurice Touchette (4)
Remi Cyr (2)	Jim Judge (6)	Marcel Michaud (7)	Luc Turcotte (4)
Yvon Cyr (7)	David Keet (2)	Leigh Mullin (6)	Clarence VanderHeide
Wally Doerksen (2)	Waldie Klassen (20)	Arne Mykle (6)	Vic Wiens (4)
Martin Dufresne	John Kolk (6)	Percy Naumetz (5)	William Wood (5)
Reg Ference (5)	Phil Kudelka (4)	Howard Noel	Russel Woods
Doug Fong (3)	Luc Lamy (6)	Jean-Paul Ouellet	David Young
Vijay Francis	Nick Langelaar	Erwin Plett (2)	Eugene Zagrodney
Joan Friesen (2)	Henry Lansink (2)	John Reddekop (9)	

MINISTERS OF AGRICULTURE – SINCE CFC CREATION

Hon. Eugene Whelan
27 November 1972 – 3 June 1979

Hon. John Wise
4 June 1979 – 2 March 1980

Hon. Eugene Whelan
3 March 1980 – 29 June 1984

Hon. Ralph Ferguson
30 June 1984 – 16 September 1984

Hon. John Wise
17 September 1984 – 14 September 1988

Hon. Donald Mazankowski
15 Sept. 1988 – 20 April 1991

Hon. William McKnight
21 April 1991 – 3 January 1993

Hon. Charles Mayer
4 January 1993 – 3 November 1993

Hon. Ralph Goodale
4 November 1993 – 11 January 1995

January 1995
*Minister's title changes to Minister of
Agriculture and Agri-Food*

Hon. Ralph Goodale
12 January 1995 – 10 June 1997

Hon. Lyle Vancilief
11 June 1997 – 12 December 2003

Hon. Bob Speller
13 December 2003 – present



BUILDING THE FUTURE

Strategic Plan – Results and Challenges

Chicken Farmers of Canada is no stranger to change. We have embraced new challenges and opportunities by continually redefining our fundamental roles and responsibilities by working together to plan for the future.

CFC Mission 1995

To provide strategic leadership in achieving its vision, the Canadian Chicken Marketing Agency will continue to serve Canadian chicken producers as a national regulatory authority by:

- *Managing the national quota allocation system which is market responsive, and ensures adequate returns to producers.*
- *Representing producers nationally and internationally.*
- *Establishing partnerships and alliances with industry and government stakeholders.*
- *Providing a strong capability in market information.*

By interpreting the needs of Canadians, both inside and outside our industry, we have been able to realize important goals, implement industry-wide policies and programs, increase our efficiency and build consumer confidence.

CFC's Mission Statement – 1999-2003

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

2003 – Answering the Call for Leadership

This past year, CFC revitalized its Strategic Plan once again. Partners from throughout our industry played a fundamental role in the development and implementation of this latest Strategic Plan for Chicken Farmers of Canada – by participating within the CFC Strategic Plan Renewal Committee.

The committee was made up of eight participants: four representing industry partners and four farmers.

CFC 2004 Strategic Plan Renewal Committee Members

- *David Fuller, Chairman, Chicken Farmers of Canada*
- *Brock Furlong, President, Maple Leaf Poultry*
- *Steve Quinn, Director of Fresh & Boxed Meat, Sobey's*
- *Ken Thorpe, Chairman, Further Poultry Processors Association of Canada*
- *Jacques Dumoulin, Owner/Operator, St. Hubert*





- *Tom Posthuma, past Chair, Chicken Farmers of Ontario*
- *Don Sundgaard, past Chair of Alberta Chicken Producers*
- *Yves Baril, Chair, La Fédération des producteurs de poulet du Québec*

The mandate of the Renewal Committee was 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.

2004-2008 – New Long-Term Challenges

The latest CFC Mission Statement involves critical factors including stability, profitability and performance management. It also incorporates a strong consumer focus that includes co-operative relationships with all stakeholders.

CFC's Mission Statement – 2004

To build an evidence-based, consumer-driven Canadian chicken industry that provides opportunities for profitable growth for all stakeholders.

Approved in August 2003, CFC's new Strategic Plan integrates open, inclusive, trust-based and co-operative relationships with our industry partners. We have a set vision for each of our key result areas, and we have a set of specific, realistic and time-sensitive objectives.

There are four key areas and vision statements that will drive our continued success:

System Performance

- *Optimize growth, profitability, stability and predictability of the industry.*

Food Safety and Quality

- *Be recognized as a world leader in food safety systems and controls.*

Consumer Preferences

- *Consistently meet or exceed consumer expectations for value, including quality, health attributes, animal care and environment.*

Market Expansion

- *Be no.1 in per capita meat consumption in Canada by achieving: 33 kilograms per capita consumption of chicken; 33% share of the meat market; and a sustainable profitability ratio for all sectors by 2008.*

The 2004-2008 Strategic Plan provides us with the tools we need to improve the agility and flexibility of our direction and processes, as well as the effectiveness of our evidence-based decision making.





It Begins – 2004 Priorities and Objectives

At its Strategic Planning Session in Victoria, British Columbia in the fall, CFC's Board of Directors and all members of the management team reviewed the 2003 goals and set new goals for 2004. The session provided an opportunity to celebrate successes of the last year and to design important strategies for the next.

CFC – Critical Priorities for 2004

- *Allocation Setting and Market Information*

CFC will ensure accurate and complete weekly production reporting, create a central database of pertinent market indicators and develop a bi-weekly summary report of current market conditions.

- *WTO Agriculture Negotiations*

CFC will work to obtain a WTO agreement that supports the Canadian chicken industry. We will also strive to enhance domestic and international alliances to support CFC's trade position.

- *Animal Care Program*

CFC will develop an operational animal care program and build both support and awareness of the program within the farming community. We will also continue to seek federal legislation that supports the revised Codes of Practice for the Care and Handling of Poultry.

- *TRQ/13% Rule*

CFC will endeavour to achieve TRQ administration which supports CFC's national

allocation system, which follows federal rules and which is in compliance with WTO guidelines.

- *On-Farm Food Safety Assurance Program*

CFC will pursue the validation of all farms, ensure sufficient numbers of trained validators and implement an administrative OFFSAP protocol. In addition, CFC will increase the program's visibility and work towards its administrative recognition by the federal government.

- *Antimicrobial Resistance and Antibiotic Issues*

CFC will develop a position on the sub-therapeutic use of antimicrobials in the chicken industry and work to incorporate that position into future government policy.

2004 promises to be an exciting year filled with activities that will help us realize the visions outlined within this latest, most challenging Strategic Plan.

This carefully-planned priority setting process provides us all with a well-paved path to the future, buttressed by the support and cooperation of our entire industry. It is through this cooperation that we believe we succeed.

As a part of a dynamic and evolving industry, CFC has always embraced new challenges and opportunities by continually examining how it can improve the way it serves both the Canadian marketplace and Canadian chicken farmers. ▶





PRODUCTION THEN & NOW

Chicken production has increased dramatically over the last 25 years. Production in 2003 totalled 934.1 Mkg, 163% or 579 Mkg higher than in 1978. The growth pattern is very irregular up to the mid-nineties. Double-digit or near double-digit growth was followed by very small increases or even decreases in some cases. From the mid-nineties until 2001, growth was consistently around 5-6%. This 6-year period was followed by a year with a small (0.9%) increase in 2002 and by a small decrease in 2003.

The value of chicken production as indicated by the farm cash receipts increased even more in the 1978-2003 timeframe, due to the combination of higher volumes and higher producer prices. Statistics Canada estimated the value of chicken production at the farm level in 2003 at \$1.5 billion, 265% higher than in 1978. This increase is even more impressive compared to increases seen in total livestock receipts (147%) and total farm cash receipts (184%). The share of chicken farm cash receipts of total livestock receipts was 9.4% in 2003, compared to 6.4% in 1978. As a percentage of total Canadian farm cash receipts, the share of chicken has gone up from 3.5% in 1978 to 4.5% in 2003.

Prices

Producer prices in Canada averaged 120.5 cents per kilogram live in 2003, 48% higher than in 1978 when the average was 81.6 cents. Up to the mid-nineties producer prices were based on market conditions and a national cost of production (COP) formula, in which the price of feed was the

biggest component. As a result, the live price pattern followed the feed price pattern very closely in these years. Right now, market conditions play a bigger role in the live price negotiating process than the traditional cost of production.

Wholesale prices (as reported by Agriculture Canada) have been tracking the live price pattern quite closely. In 2003, the national average wholesale price for broilers was \$3.05 per kilogram, 88% higher than in 1978.

On the retail side, Canadian consumers paid \$4.83 per kilogram for a whole broiler chicken, 123% more than in 1978. The consumer price index for chicken, which indicates the changes in retail price over the years but not the actual retail price, was 154% higher in 2003 than in 1978. While this is a larger increase compared to the change in pork and all meat combined retail prices, the increase is smaller than for beef, for all food items and for all items combined.

Consumption

Chicken consumption has increased steadily in the past 25 years. Per capita chicken consumption was 15.7 kg in 1978 and the estimate for 2003 is 30.5 kg, representing a 94% increase.

In comparison, red meat per capita consumption dropped from 74.4 kg to 60.6 kg in the same timeframe, a 19% decrease. Consequently, chicken's share in total per capita meat consumption has doubled over the past 25 years from 16.4% in 1978 to an estimated 31.4% in 2003.





Imports and exports

Both imports and exports have increased significantly over the years. Exports were relatively insignificant until the mid-nineties when shipments abroad started to show large year-over-year increases. The implementation of an export policy in 1997 increased export shipments even further. Total exports in 2003 are estimated at 78.4 Mkg, representing over 8% of production.

Total imports in 2003 were 105.5 Mkg, 288% more than in 1978. In the 70's and 80's, imports consisted mainly of live chickens and whole carcasses. In 1979 for instance, 18.2 Mkg of live chickens were imported into Canada. The current situation is completely different, and fresh chicken parts, mostly breast meat and wings, now represent the lion's share. In the 80's and early 90's, significant amounts of chicken were imported as supplementary imports to address market shortages. In this respect, 1984 was a peak year with 260 requests for supplementary imports and permits granted for 17 Mkg of eviscerated chicken.

Storage Stocks

It is no surprise that frozen chicken inventories have increased significantly over time as well to keep up with increased domestic and export demand. Storage stocks at the end of 2003 were 23.7 Mkg, 80% higher than in 1978. The make-up of the frozen chicken inventories has shifted drastically from mainly whole birds to cut-up and further processed chicken products, a reflection of how chicken is marketed nowadays. In 1978, frozen whole birds accounted for more than half of all chicken in cold storage. In 2003, whole bird inventories represented only 6% of the total and cut-up and further processed chicken products more than 80%. ▶



THE CANADIAN CHICKEN MARKET

	<i>chickens & hens</i>	<i># of producers</i>	<i>PRODUCTION</i>		<i>PRICES FOR BROILERS (\$/kg)</i>			<i>PER CAPITA CONSUMPTION</i>			<i>Chicken PCC share of total meat PCC</i>
			<i>Mkg</i>	<i>year over year change</i>	<i>Producer</i>	<i>Processor</i>	<i>Consumer</i>	<i>Chicken</i>	<i>Red Meat</i>	<i>All Meat</i>	
1978	418		355.3	7.6%	81.6	162.5	216.3	15.7	74.4	95.4	16.4%
1979	504		401.5	13.0%	87.8	168.7	240.0	17.3	71.8	94.2	18.4%
1980	520		390.3	-2.8%	92.6	167.8	261.2	16.9	73.2	95.5	17.7%
1981	614		398.2	2.0%	108.5	210.6	310.7	16.7	73.2	95.3	17.5%
1982	605		397.4	-0.2%	107.5	203.4	307.5	16.9	70.3	92.6	18.3%
1983	606		395.2	-0.6%	108.1	216.0	321.4	16.9	71.0	93.5	18.1%
1984	714		427.4	8.2%	118.4	236.0	337.9	17.9	68.5	91.6	19.5%
1985	725	2,241	472.1	10.5%	108.9	213.9	322.1	19.3	69.4	94.0	20.5%
1986	772	2,256	472.7	0.1%	110.0	222.7	355.7	19.9	68.6	93.7	21.2%
1987	798	2,274	516.9	9.4%	106.3	217.1	376.1	21.2	66.1	92.6	22.8%
1988	835	2,274	523.0	1.2%	111.2	218.8	385.3	22.0	66.5	93.9	23.4%
1989	919	2,328	522.7	-0.1%	121.9	253.5	415.5	21.5	66.3	93.4	23.0%
1990	971	2,394	555.1	6.2%	121.0	259.0	428.3	22.1	62.5	90.6	24.4%
1991	935	2,515	559.5	0.8%	116.6	245.5	427.3	22.2	61.5	89.8	24.8%
1992	923	2,525	562.7	0.6%	114.9	244.1	417.8	22.3	63.1	91.9	24.3%
1993	1,007	2,684	601.9	7.0%	116.4	254.6	422.8	23.2	60.9	90.0	25.8%
1994	1,061	2,742	685.1	13.8%	110.1	229.5	380.2	25.0	62.2	93.0	26.9%
1995	1,051	2,797	685.9	0.1%	109.6	232.8	376.4	24.8	61.7	92.2	26.9%
1996	1,248	2,757	713.5	4.0%	125.9	265.9	405.2	24.9	59.4	90.1	27.6%
1997	1,299	2,759	748.6	4.9%	126.3	264.7	419.1	25.4	58.8	90.5	28.1%
1998	1,356	2,797	787.8	5.2%	122.3	259.7	411.1	26.2	62.6	95.1	27.6%
1999	1,321	2,859	847.6	7.6%	114.7	244.9	419.2	27.7	64.6	98.3	28.1%
2000	1,368	2,817	880.7	3.9%	114.0	241.1	437.0	29.0	62.8	97.9	29.6%
2001	1,522	2,815	930.1	5.6%	119.2	256.6	455.3	30.4	61.8	98.1	31.0%
2002	1,453	2,851	938.9	0.9%	114.6	247.7	470.4	30.6	60.3	96.8	31.6%
2003	1,526		934.1	-0.5%	120.5	305.3	482.6	30.5	60.6	97.1	31.4%
2003 vs. 1978 256%			163%		48%	88%	123%	94%	-19%	2%	

	<i>Imports (000 kg)</i>	<i>Exports (000 kg)</i>	<i>DECEMBER 31ST STORAGE STOCKS</i>					<i>Stocks as % of production</i>	
			<i>< 2 kg</i>	<i>> 2 kg</i>	<i>cut-up</i>	<i>FPP</i>	<i>misc.</i>	<i>total</i>	
1978	27,189	0	5,262	2,126	5,819		-	13,207	3.7%
1979	25,217	789	6,988	4,426	8,421		-	19,835	4.9%
1980	19,908	3,050	5,517	1,908	5,609		-	13,034	3.3%
1981	23,476	2,572	8,363	2,826	5,537	825	-	17,551	4.4%
1982	26,231	1,425	6,794	2,519	3,916	1,087	-	14,316	3.6%
1983	29,509	24	3,570	1,700	3,449	813	-	9,532	2.4%
1984	40,162	461	6,619	1,508	5,754	1,296	-	15,177	3.6%
1985	27,768	2,314	4,741	1,907	4,927	2,138	-	13,713	2.9%
1986	30,645	972	4,484	793	4,037	1,724	-	11,038	2.3%
1987	36,327	2,652	8,661	2,582	6,226	2,464	-	19,933	3.9%
1988	38,677	804	3,385	1,176	4,406	1,885	-	10,852	2.1%
1989	45,483	646	1,934	832	4,551	1,921	-	9,238	1.8%
1990	49,949	1,088	3,679	2,323	7,215	2,603	-	15,820	2.8%
1991	46,702	4,644	2,913	970	6,512	3,485	-	13,880	2.5%
1992	51,916	949	963	934	4,931	4,224	-	11,052	2.0%
1993	53,448	1,414	1,202	1,280	5,226	3,315	-	11,023	1.8%
1994	57,005	12,636	3,959	2,188	9,807	4,402	-	20,356	3.0%
1995	66,600	33,445	1,194	1,057	6,177	5,422	-	13,850	2.0%
1996	63,525	33,292	2,094	440	9,369	7,097	-	19,000	2.7%
1997	67,458	43,764	2,158	578	8,515	8,746	-	19,997	2.7%
1998	69,335	58,441	2,400	408	11,735	11,300	-	25,842	3.3%
1999	74,545	76,271	2,314	859	11,339	7,714	-	22,226	2.6%
2000	92,973	83,823	528	1,224	11,022	9,080	-	21,854	2.5%
2001	99,906	79,577	1,290	680	15,302	12,004	-	29,277	3.1%
2002	102,956	75,744	1,386	669	12,100	12,646	2,146	28,947	3.1%
2003	105,545	78,356	970	551	8,594	10,597	3,008	23,719	2.5%
2003 vs. 1978	288%		-82%	-74%	230%			80%	

THE CANADIAN CHICKEN MARKET IN 2003

Chicken markets in 2003 rebounded strongly from a very difficult 2002. Allocations for the entire year with the exception of period A-53, the period covering the summer months of July and August, were set below previous year's production levels. As a result, production in the first six months of 2003 was 8.0 Mkg lower than in the same months of 2002, while the second half of the year saw a modest production increase of 3.2 Mkg compared to the corresponding period of 2002.

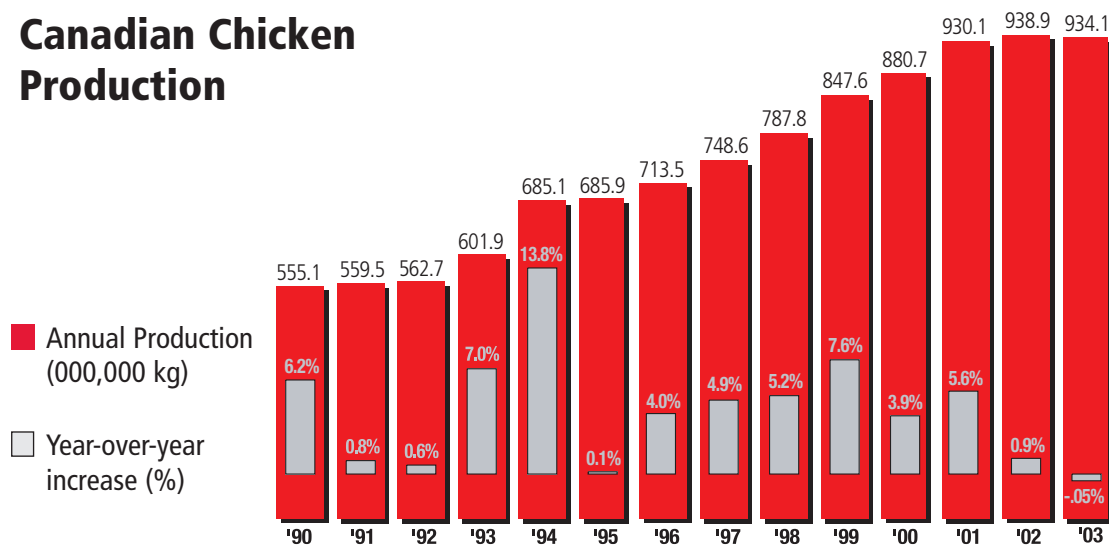
Difficult market conditions in 2002 were not the only reason for the careful approach taken in 2003. The first case of BSE in Canada, discovered in May 2003, added a significant amount of uncertainty to the Canadian meat protein marketplace. Canadian beef exports came to a sudden halt and beef that would have been sold abroad ended up on the domestic market. Canadian consumers however remained confident in the quality and safety of their

meat and in fact domestic beef consumption increased in the second half of 2003. Preliminary industry information indicates that Canadian beef consumption increased by as much as 5% in 2003, which translates into a per capita beef consumption of around 31.5 kg.

Although Canadian pork production increased in 2003, domestic disappearance decreased by an estimated 4-5% due to increased pork exports. Per capita pork consumption in 2003 therefore is estimated at 27.0 kg.

Consumption of turkey, veal and lamb remained stable in 2003. The decrease in chicken production in 2003 coupled with a small increase in both imports and exports kept chicken supplies tight throughout the year. Preliminary data suggest that domestic chicken disappearance remained unchanged from 2002 at 966.5 Mkg.

Canadian Chicken Production



Per capita chicken consumption is estimated at 30.5 kg, slightly lower than last year. Per capita consumption of all meat proteins combined in 2003 is projected at 97.1 kg, 0.3 kg higher than in 2002.

Provincial Production

For the first time in 14 years, chicken production decreased in 2003 compared to the previous year.

Total production was 934.1 Mkg, 4.9 Mkg (0.5%) lower than in 2002. This decrease came after a much smaller than seen before increase of 0.9% in 2002. In comparison, production increased 5.2% on an annual basis during the period 1991-2001. Production in the first six months of 2003 was 8.0 Mkg lower than in the same months of 2002, while the second half of the year saw a modest production increase of 3.1 Mkg compared to the corresponding period of the year before.

The decrease in production was the most pronounced in Atlantic and Western Canada, 0.9% and

0.8%, respectively. Central Canada's production also decreased from a year ago but the decrease was smaller (0.3%). Within Western Canada, production in Alberta decreased the most, mainly due to a significant drop in production under the market development program. Production in Manitoba decreased 0.5%, while both British Columbia and Saskatchewan saw an increase in production.

In central Canada, both Ontario and Québec experienced a drop in production, 0.1% and 0.5%, respectively. Atlantic Canada's decrease in production was due to reduced production in Nova Scotia (1.9%) and New Brunswick (2.4%) that more than offset a 4.6% production increase in Newfoundland. Prince Edward Island's production in 2003 remained unchanged from the year before.

Farmer Prices

The average weighted Canadian producer price (based on annual provincial production volume) in

Provincial Production of Chicken

<i>Province</i>	<i>2003</i>	<i>2002</i>	<i>% change</i>
British Columbia	147,797	147,266	0.4%
Alberta	80,868	83,972	-3.7%
Saskatchewan	30,440	30,022	1.4%
Manitoba	38,671	38,861	-0.5%
West	297,777	300,121	-0.8%
Ontario	303,111	303,548	-0.1%
Quebec	260,719	262,149	-0.5%
Central	563,830	565,697	-0.3%
New Brunswick	25,220	25,827	-2.4%
Nova Scotia	31,327	31,939	-1.9%
PEI	3,343	3,343	0.0%
Newfoundland	12,573	12,014	4.6%
Atlantic	72,462	73,123	-0.9%
CANADA	934,069	938,940	-0.5%

* '000 kg eviscerated

Quota Periods

A-50	Dec. 14, 2003	-	Mar. 8, 2003
A-51	Mar. 9, 2003	-	May 3, 2003
A-52	May 4, 2003	-	Jun. 28, 2003
A-53	Jun. 29, 2003	-	Aug. 23, 2003
A-54	Aug. 24, 2003	-	Oct. 18, 2003
A-55	Oct. 19, 2003	-	Dec. 13, 2003
A-56	Dec. 14, 2003	-	Feb. 7, 2004

2003 was \$1.205 per kilogram, 5.9 cents higher than in 2002. The average live in the first period of the year, A-50, was \$1.150, increased to \$1.197 in period A-51 and \$1.225 in A-52, and reached its peak of \$1.226 in period A-53. The average live price in the last two periods of 2003, periods A-54 and A-55 was only slightly lower, \$1.222 per kilogram.

Retail Prices

The Consumer Price Index (CPI) as reported by Statistics Canada for fresh and frozen chicken increased significantly in 2003. The CPI for chicken in 2003 was 5.9% higher than in 2002, while the Consumer Price Indices for beef and pork increased only marginally or even saw a small decrease (turkey). Retail prices improved steadily throughout the year, increased sharply during the summer months and peaked in November after a temporary setback in September. (Note: Statistics Canada

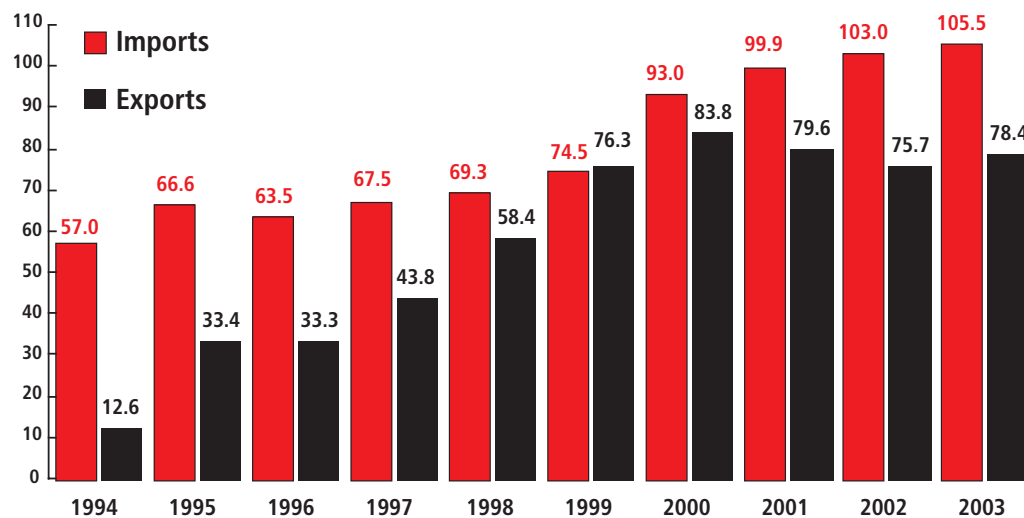
monitors retail prices for fresh whole chicken, legs and boneless skinless breast and calculates a monthly price index based on these products).

Beef retail prices started the year 2003 on a high note but dropped sharply after the discovery of Canada's first case of BSE. The CPI for beef remained low during the summer but gained some ground again during the last three months of 2003. According to this price index, retail prices for chicken have increased 21.0% in the last ten years, compared to 20.1% for all items and 20.4% for all food items combined. Retail prices for all meat combined increased 24.6% during the same timeframe, mainly due to a 24.6% increase in beef prices. Retail prices for pork were only 14.4% higher than ten years ago.

Imports

As reported by the Department of Foreign Affairs and International Trade (DFAIT), a total of 97,904,718 kilograms of chicken was imported dur-

Canadian Chicken Imports and Exports (million kg, AAFC)



ing 2003. 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 7.5% of chicken production in the previous year. The TRQ for 2003 was calculated as 69,761,925 kilograms, 291,750 kilograms higher than in 2002.

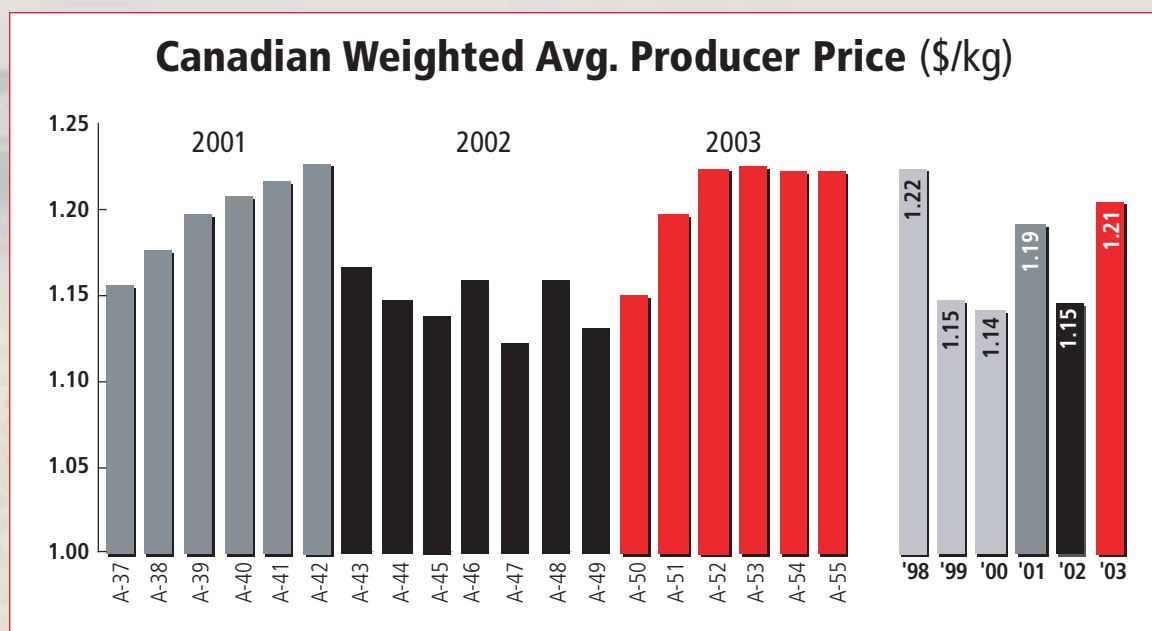
According to preliminary year-end statistics, a total of 69,629,915 kilograms of chicken and chicken products was imported into Canada under the TRQ, which amounts to a fill rate of 99.8%. The TRQ for 2004 will be around 69.5 million kilograms, based on this year's decrease in Canadian chicken production by 5.1 million kilograms (0.5%).

Usually, imports in the first quarter of the year are relatively low compared to the rest of the year. In 2003 however, 24.8% of the TRQ was imported in the January-March period. Imports peaked in the second quarter when 28.4% of the TRQ was imported and slowed somewhat in the third quarter to

27.0% of the TRQ. Imports in the final quarter of 2003 represented 19.7% of the total annual TRQ.

Chicken parts (bone-in and boneless) accounted for 80.8% of all TRQ imports in 2002, as compared to 84.6% the year before. Further processed chicken, live chicken and whole eviscerated chicken accounted for 18.7%, 0.2% and 0.3%, respectively, while representing 14.6%, 0.1% and 0.6% of the TRQ in 2002. Over the past five years, the share of processed chicken has increased significantly at the expense of raw bone-in and boneless chicken parts.

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 25.6 million kilograms was imported under this provision, about the same as in the previous year.



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 1.5 million kilograms was imported under this program, 30% more than in 2002.

Special supplementary import permits in excess of the 7.5% market access requirement totalling 1.1 million kilograms were issued by DFAIT in 2002, up 41% from the year before. CFC received twenty-four requests for supplementary imports for market shortages this year, most of them during the months of August, September and October when supplies were very tight. The federal government issued only one supplementary import permit for 45,000 kilograms of live chicken under this provision.

Exports

Canadian chicken exports in 2003 are estimated at 78.4 Mkg, 3.4% higher than in 2002 when 75.7 Mkg of Canadian chicken was shipped abroad. The most important destination in 2003 was South Africa, increasing from 4.5 Mkg in 2001 to 13.2 Mkg in 2002 and 14.3 Mkg in 2003, and accounting for 19% of all Canadian chicken exports.

Exports to Russia dropped from 14.2 Mkg in 2002 to 11.4 Mkg in 2003, and exports to Cuba dropped for the second year in a row from 11.2 Mkg in 2002 to 8.2 Mkg in 2003. Shipments to China and Hong Kong were also substantially lower in 2003, 6.8 Mkg versus 12.9 Mkg in 2002. Shipments to the Philippines grew from 6.7 Mkg last year to 8.1 Mkg in 2003, and exports to the U.S. in 2003 totalled 7.2 Mkg, up significantly from the previous two years.

Storage Stocks

After several years of gradual increases, chicken storage stocks declined substantially in 2003. Frozen inventories on January 1, 2003 were 28.9 Mkg, dropped to levels between 26 and 27 Mkg in the next three months, increased to 28.6 Mkg in May and decreased steadily throughout the summer months and reached a low of 21.8 Mkg in October. Chicken inventories on December 31st, 2003, were 23.7 Mkg, 5.2 Mkg lower than the year before. While inventories in all categories saw a decrease during 2003, the 3.5 Mkg decrease of frozen cut-up chicken was the most pronounced. Frozen inventories also include a significant amount of chicken items such as necks, feet, giblets and MSM in the "miscellaneous chicken" category. On average, 2.6 Mkg was reported every month in this category during 2003. ▶

Supplementary Imports

	<i>2003</i>	<i>2002</i>	<i>% change</i>
Imports to compete	1,503,141	1,155,423	30%
Imports to re-export	25,637,021	25,687,341	0%
Import special	1,089,641	770,350	41%
Import for market shortage	45,000	0	
TOTAL	28,274,803	27,613,114	2%



CHECKS & BALANCES

Auditing the system

Throughout 2003, staff completed the of audits of periods A-46 to A-53, which ran from June 6, 2002 to August 23, 2003. As in previous years, the audits were performed at provincial commodity board offices and at processing facilities.

Staff also conducted a review of the supporting documentation pertaining to the market development commitments signed by primary processors for the periods A-42 to A-49.

Monitoring and Enforcement Report

A Monitoring and Enforcement Report for audit periods A-42 to A-45 and A-46 to A-50 was presented and approved by the Directors at the 2003 August and November meetings, respectively.

Overmarketing

During the combined periods A-42 and A-43, five provincial commodity boards produced in excess of the allowable marketing. In the combined periods A-44 and A-45, two provincial commodity boards produced in excess of the allowable marketing. Finally, for the audit period A-46 to A-49, no provincial commodity boards overmarketed its allowable marketing.

Overmarketing Assessment

At its August 4th, 2003 meeting, the Directors reviewed the Overmarketing Assessment Report for the audit period A-42 to A-45. At this meeting, the Directors assessed over marketing levies totalling \$1,271,044 to five provincial commodity boards.

During the first week of September 2003, the five provincial commodity boards remitted a total over marketing levies of \$1,108,771. As approved by the Directors, one provincial commodity board paid an initial amount of \$100,000, with the outstanding balance of \$162,273 to be paid over thirty months in blended equal payments with principle and interest, calculated at prime plus 1 per cent.

At its November 2003 meeting, the Directors reviewed the staff's Overmarketing Assessment Report for the audit period A-46 to A-49. Since no provincial commodity boards produced in excess of its allowable marketing, no overacting levies were payable.

Market Development

During periods A-42 to A-49, four primary processors did not meet their market development commitment and were assessed market development levies totalling \$92,658. All of the levies were remitted on a timely basis by the processors.

Interprovincial Movement

CFC keeps track of the number of live chickens that move in interprovincial trade and reports the figures weekly to each chicken board.





Interprovincial Movement of Live Chickens (in kg live weight)

<i>Province</i>	<i>2003</i>		<i>2002*</i>	
	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>
British Columbia	-	-	-	-
Alberta	-	-	-	-
Saskatchewan	-	-	-	-
Manitoba	-	-	-	-
Ontario	16,078,000	10,836,000	22,204,000	8,990,000
Quebec	10,535,000	15,772,000	30,419,000	21,483,000
New Brunswick	3,586,000	326,000	290,000	25,661,000
Nova Scotia	4,181,000	2,922,000	7,790,000	-
Prince Edward Island	-	4,524,000	-	4,569,000
Newfoundland	-	-	-	-
TOTAL	34,380,000	34,380,000	60,703,000	60,703,000

Source: Chicken Farmers of Canada

*Nadeau Poultry, New Brunswick's only processing facility, was destroyed by fire on February 14th, 2002 and resumed operations in the final quarter of the year. Nearly an entire year's worth of processing was done out-of province.

2003 Inter-Period Quota Transfers

In 2003, CFC received 1 request for inter-period quota transfers totalling 78,000 kilograms (live weight). This compares to 4 requests for 266,497 kilograms (live weight) in 2002.

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. ▶





SAFE, SAFER, SAFEST

The History of Food Safety at CFC

Producing safe, quality chicken is at the top of mind for each of Canada's 2,851 chicken farmers. Indeed, food safety as a whole has always been an integral priority for Chicken Farmers of Canada.

Over the years, we have demonstrated that commitment through the implementation of good production practices, our partnerships with government agencies and other groups and more recently, the development of a recognized food safety assurance program.

***Safe, Safer, Safest* – Food Safety History in the Making**

The momentum from the success in the CFC food safety agenda over the years led to an additional push for activity in 2003. After receiving technical recognition from the Canadian Food Inspection Agency, a drive was put in place to have 100% of farms validated under *Safe, Safer, Safest*, CFC's On-Farm Food Safety Assurance Program. At its strategic planning session in October 2003, the Board of Directors moved to assure that all farms have been validated by the end of 2004.

In order to achieve the goal of creating a recognized validation protocol, validators from across Canada took part in a generic validator training course. In addition to this, a 2-day specific course was developed to train validators on the *Safe, Safer, Safest* program. A particular focus was given to their role and to the specific requirements of our program.

This course was piloted twice in 2003 and will be offered on an ongoing basis, beginning in 2004. As we move into 2004, CFC will be working to ensure that sufficient validators are trained, both in the generic and in the commodity-specific courses.

CFC has worked to develop a method that makes the program more practical at the farm level. This has included developing in-barn posters, a standardized validator checklist to be used during on-farm validations, and more feasible record keeping systems.

Over the past year, all provinces have increased the work associated with the on-farm food safety assurance program by conducting implementation sessions, actively promoting the program and holding discussions about how the program can be integrated into current-day activities.

On-farm validations have begun in a majority of provinces. In addition, provinces have been able to develop administrative and certification systems so that farmers obtain the recognition they deserve for implementing the program.

Due to marketing regulations, provincial boards have the regulatory authority to make the program mandatory. Several provinces, including Alberta, British Columbia and Ontario, have set firm dates for full compliance.





Full Recognition

In 2002, Chicken Farmers of Canada received technical recognition of *Safe, Safer, Safest* by the Canadian Food Inspection Agency. With that major benchmark having been achieved, the next step is to assure full recognition of the program's administrative protocol.

CFC is an active member of the Canadian On-Farm Food Safety (COFFS) Program, a producer-led, industry/government partnership that develops the strategies and the necessary tools to educate producers and to implement national on-farm food safety initiatives, like *Safe, Safer, Safest*.

This year, the Canadian On-Farm Food Safety Working Group focused on finalizing the administrative protocol for on-farm food safety program with the Canadian Food Inspection Agency. The administrative protocol is a set of requirements outlining how the on-farm program will be appropriately managed. Knowing the requirements of this protocol are key in order for CFC to obtain full recognition from CFIA for the food safety program.

A draft of the protocol has been developed which is currently under review by commodity associations and the Federal-Provincial & Territorial Agri-Food Inspection Committee (FPTAFIC) Sub-Committee on On-Farm Food Safety. The FPTAFIC is a committee of federal, provincial and territorial representatives which will have the final approval of the requirements.

The COFFS group also focused on risk management requirements for producers, validators and commodity offices, the development of a management system template to help implement

the administrative protocol, the development of good production practices for on-farm medicated feed mixing and the upkeep of the validator training course.

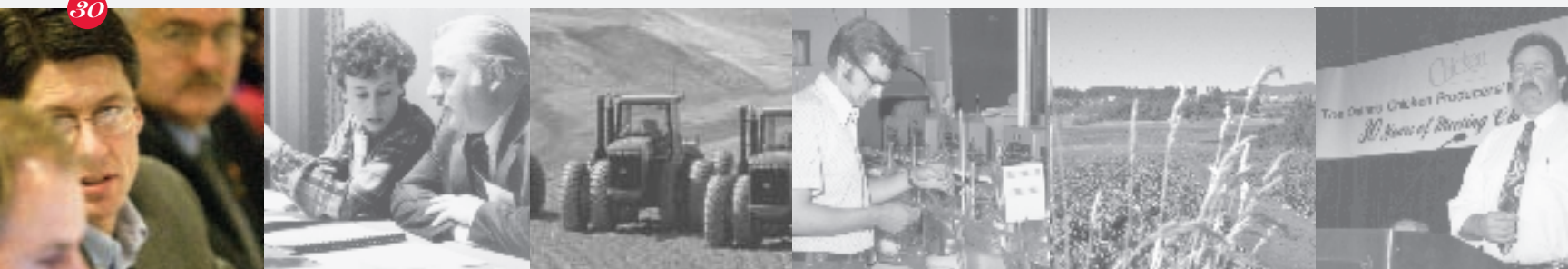
2004 - Changes to Food Safety Funding

Changes to the means by which food safety programs and initiatives are funded are in the plans for 2004. Funds for food safety programs that had been available from the Canadian Adaptation and Rural (CARD) funding program will be incorporated into the new Agricultural Policy Framework (APF).

Under the Food Safety and Quality pillar of the APF, funding will be made available for (1) systems development and (2) a producer incentive program:

The systems development funds will cover the set-up costs for food safety, quality and traceability initiatives. The producer incentive program is a separate funding initiative that will compensate farmers for implementation and validation costs.

CFC is optimistic that this funding will be available in early 2004.





Consumer Food Safety – A CFC Priority

In December, 1997, many public and private organizations formed the Canadian Partnership for Consumer Food Safety Education.

Chicken Farmers of Canada is a founding member of the Partnership and currently sits as Co-Chair of the current Board of Directors.

The Partnership contributes to the reduction of foodborne illness in Canada by increasing awareness of safe food handling practices. This goal is being attained through the campaign messages of Clean, Chill, Separate and Cook.

Safe Food and Water

CFC is a founding member of the Canadian Coalition for Safe Food and Water.

The Coalition's objective is to support research and to share results regarding the microbial contamination of food and water and antimicrobial resistance on the food chain.

At the October 2003 Strategic Planning meeting, CFC's Board of Directors made antimicrobial resistance and antibiotic use a top priority for 2004. As a result, a goal has been set to develop a position on the sub-therapeutic use of antimicrobials in the chicken industry and to work to incorporate that position into future government policy.

Health Canada

CFC has been actively involved with the Veterinary Drugs Directorate of Health Canada, within their proposal of several new initiatives that may change the way antibiotics are approved for use in Canada, how these antibiotics are used and their availability.

In 2003, CFC participated in consultative sessions on the proposed changes to legislative approaches to antibiotics and other drugs used within animal agriculture, including availability, approval process, imports of medications, extra label drug use and more.

CFC Board – Leadership in Action

As a means of taking the next step toward full CFIA validation of our program, members of the CFC Board led by example: In June 2003, the Board voted that all Directors and alternates be in the process of being validated by the end of that year. The same was recommended to members of provincial boards.

The CFC Board of Directors has since reaffirmed its commitment to food safety in Canada by making the implementation and validation of farms a critical priority for Chicken Farmers of Canada in 2004. These must be accomplished by December 31.





On-Farm Food Safety Program – A Timeline

With the growing awareness among Canadians of food safety issues, it became a clear priority for Canadian agriculture to provide assurances to consumers: No longer was it sufficient to say that food is safe; we needed to prove it. CFC had to find the tools to demonstrate the commitment we have always had to the safety of the Canadian food supply.

Changes could have been accomplished in many ways. Stipulated regulations could have been handed down to farmers from other sources – potentially creating significant logistical and bureaucratic challenges. Canadian chicken farmers wanted to maintain their place at the helm of change within the industry. In 1996, the CFC Board of Directors took the initiative to develop a food safety program.

The first steps were taken in early 1997, when an 8-person committee, comprised of chicken farmers from across Canada, as well as industry partners, began to put together the definitive instructional manual that would lay out the new program from start to finish.

The program was based on seven key Hazard Analysis Critical Control Point (HACCP) principles, designed to prevent dangers rather than detect them.

In 1998, the comprehensive on-farm food safety assurance program (OFFSAP) called Safe, Safer Safest was presented and promoted to Canadian chicken farmers.

In 1999, consensus was built on many of the program's components, such as the Flock Information Reporting Form (or 'flock sheet'), the training program and related materials. A year later, the program continued its rollout

and a training video was filmed and distributed, along with electronic versions of the flock sheet.

In early 2000, the objective became to obtain the recognition of a respected third party so that the program can be validated and formally recognized.

The Canadian Food Inspection Agency (CFIA) was identified as the desirable body to contribute to the validation of our program. As an internationally-trusted agency, CFIA would lend tremendous credibility to both CFC's program and to each of the programs being developed for Canadian agriculture.

Meanwhile, the Canadian On-Farm Food Safety Working Group, made up of commodity organizations including CFC, was assisting in the implementation of on-farm food safety assurance programs. CFC and COFFS lobbied to have the CFIA fully recognize the validity of developed on-farm food safety programs.

CFIA stipulated that, to achieve full recognition, a program must undergo a complex technical review and an analysis of the program's administrative effectiveness.

In 2001, oriented to this new goal to obtain CFIA recognition, the Board of Directors voted to make the program mandatory as soon as the validation and certification processes are in place.

The first of those steps was completed by CFC: On August 6th, 2002, the Honourable Lyle Vanclief, Minister of Agriculture and Agri-Food Canada, announced that CFC had successfully completed the technical review of Safe, Safer, Safest. CFC was the first national farmer organization to complete the CFIA technical review process. ▀





Poultry Industry Research

CFC continues to foster innovation, science and education within the Canadian poultry industry. CFC has done this by building a CFC research fund, by creating the CPRC and by funding key research facilities in Canada.

In 2002, CFC worked in conjunction with the Canadian Turkey Marketing Agency, the Canadian Broiler Hatching Egg Marketing Agency, the Canadian Egg Marketing Agency and the Canadian Poultry and Egg Processors Council to form the Canadian Poultry Research Council (CPRC). The goal of the CPRC is to create and implement programs for poultry research and development that address industry needs and concerns.

CFC Board Member, Waldie Klassen from Manitoba, sat as Vice-Chair of the CPRC 2003 Board of Directors. The Chair was Dr. Peter Hunton.

Research Priorities

In January 2003, the CPRC Board of Directors determined three research priorities:

- Food safety, with a focus on antimicrobial resistance and immune system enhancement;
- Environmental initiatives related to nutrient management and rendering issues;
- Sustainable production systems including product development.

At the same time, Directors made the decision to fund research by program rather than on a project-by-project basis. The CPRC Directors decided that it would be more efficient for the industry and researchers to fund programs at research

institutions that focused on CPRC priorities and that funded them over a specified period of time.

For the first priority, on June 20, 2003, the CPRC held a Workshop on Avian Gut Microbiology, during which they developed a proposal to establish an avian microbiology network. In October, CPRC Directors agreed to the establishment of the avian microbiology network (AVIMICRONET) and to provide funding for four research programs. Each approved program would receive \$50,000 over two years from CPRC.

In November 2003 CFC agreed to provide \$100,000 for up to four research programs eligible to receive \$50,000/year for two years. CPRC has so far received nine applications for program funding, which are being reviewed by the CPRC scientific committee for a funding decision in early 2004.

Commencing in June 2004, CPRC will begin developing a proposal for submission to NSERC (National Science and Engineering Research Council), Agriculture and Agri-Food Canada, Health Canada and other federal and private funding agencies to formally establish and fund AVIMICRONET.

For the second priority, CFC identified four priority areas for environmental research. CPRC will host an environmental symposium in March 2004 to determine the CPRC environmental research priorities.

For the third priority, CFC and other CPRC members reviewed a proposal for product development and determined that it is not appropriate.

In November, CFC received a request for funding from the Nova Scotia Agriculture College's Atlantic Poultry Research Institute (APRI). In





January 2004, CFC approved funding of \$200,000 for APRI's new research facility and \$100,000 for the University of Guelph for construction of a new Agriculture Biotechnology Centre. The funding for Guelph is eligible for 4:1 matching funding from government.

In 2003, CFC contributed an additional \$500,000 to the CFC Research Fund. The CFC Research Fund now stands at \$3.8 million and will generate more than \$130,000 in 2004 to fund approved research programs. ▶





HANDLED WITH CARE

Since its inception, Chicken Farmers of Canada has remained committed to working closely with its partners to ensure that stringent regulations on the care and handling of chickens are met and followed.

Public and farmer attitudes about animal care have evolved significantly over the past 25 years. Changes in these attitudes, as well as industry developments and enhancements, have resulted in ongoing developments in farm animal care practices.

As a tool for Canadian chicken farmers and for other animal agriculture industries, recommended codes of practice for the care and handling of a number of farm animals were developed in the 1980s. These codes of practice provided guidelines to promote sound animal care practices. For chicken, the codes outlined high standards for raising, handling and well-being.

The first Recommended Code of Practice for Handling Chickens from Hatchery to Slaughterhouse was published in 1983.

Code of Practice

The *Recommended Code of Practice for the Care and Handling of Farm Animals – Chickens, Turkeys and Breeders from Hatchery to Processing Plant*, published in 2003, is the latest of the updates and improvements to the Code. The review process was conducted in cooperation

with the Canadian Federation of Humane Societies and with partners in all aspects of poultry production in Canada.

CFC works with many partners to ensure that the highest standards for the care and handling of chickens are outlined in the code. Among those partners are:

- Animal agriculture industry partners
- The Government of Canada
- Canadian Veterinary Medical Association
- Canadian Federation of Humane Societies
- Canadian Council on Animal Care
- Animal behaviour academics

CFC Animal Care Committee

CFC and the poultry industry have always been proud of their excellent animal care record. However, being able to demonstrate to consumers that chickens are raised according to appropriate animal care practices will be a key to the future success of our industry.

In March 2003, CFC established a committee to examine the development of an auditable animal care program based on the existing Code of Practice. The goal is to develop a comprehensive program designed to demonstrate the appropriate care given to Canadian chickens.

In addition, a new staff position has been developed at CFC focusing primarily on researching





and assisting in the development of the Animal Care Program and the Recommended Code of Practice. This position of Animal Care Coordinator was filled in August of this year.

To date, the committee has agreed to all of the requirements in the recommended Code of Practice and has decided to develop the auditable animal care program based on the Code. The committee is researching and deciding the criteria and evaluation parameters of the program. A draft program and audit checklist has been prepared and will continue to be reviewed by the Animal Care Committee as it evolves. Animal care scientists are being consulted on the development of auditable parameters.

The committee is striving to have the animal care program ready for implementation by the end of 2004.

It is widely agreed that the best interest for all industry players is to see that all of the birds are raised in the most careful and conscientious manner. Programs like the Code of Practice and the auditable animal care program provide the industry with the tools it needs to standardize the care and handling of our animals and to promote our industry as an international leader. ▀





E-CHICKEN

CFC has prided itself in being a leader in the provision of information to farmers, industry partners and consumers, as well as the provision of a strong, overall capacity in market information.

While technology constantly evolves, one constant is the need to build a culture of fact-based information and decision making that focuses on performance measurements.

Tech News

1985 – CFC buys its first 3 computers – and operates them on a local area network with 36 megabytes of memory

1987 – CFC's computerized finance and accounting systems are activated

2003 – CFC uses 24 computers – which operate on a server with over 52,000 megabytes of memory

Recently, as the Canadian chicken industry began experiencing its greatest level of connectivity, CFC staff identified an opportunity to significantly grow its capacity to serve its stakeholders.

By building on what we had, CFC recognized that it has the potential to become a very powerful resource to both the industry and its players. By offering a vast array of important services, we can make ourselves a key source through which information about our industry flows.

From cdn-chicken.com to chicken.ca – Evolution of a web presence

1997 – CFC establishes its presence on the internet by launching its first website at www.cdn-chicken.com.

1999 – CFC successfully bids on the more accessible web address of www.chicken.ca and added more consumer-based information.

2002 – chicken.ca gets a fact lift added more public information and made the site more accessible and easier to navigate.

On-line Business Initiative

The On-line Business Initiative (OBI) is the result of several years of investigation and consultation with partners from all aspects of the chicken industry.

In May 2003, CFC staff embarked into the preliminary portion of this challenging project.

Early in the process, the OBI team committed to pursuing the following objectives:

- 1.** Design and build a system that allows CFC to become the number one place to which all stakeholders come for any information about the chicken industry;
- 2.** Give CFC staff the tools to accomplish their work more efficiently;





3. Create a user-friendly environment assuring that the system is used by all participants correctly and completely;
4. Provide a scalable application that can be maintained and enhanced by CFC staff, especially with respect to web content and database management;
5. Complete the project on time and within budget.

Next, a detailed needs analysis was performed to precisely define the functional and technical requirements associated to such an ambitious project.

At the end of this exercise, CFC had a complete understanding of the features the chicken industry would most value if CFC was to make a web based information technology system available to them.

Subsequently, priorities needed to be established. Not all features could be implemented at the same time and only the most valuable suggestions would be pursued.

In order to define priorities, CFC staff made use of the Strategic Plan approved in 2003 by the Board of Directors of CFC. Also, it was becoming clear that the new 2004-2008 Strategic Plan would provide an ideal environment in which the OBI could thrive.

Priority was given to the features directly supporting the activities judged crucial by CFC's board of directors. This led to the creation of a multi-phased strategy with timely benchmarks for the efficient and intelligent implementation of the project.

In fact, the first phase of this project will lay the foundations of the OBI.

Phase 1 – Infrastructure & Basic Content

Throughout the execution of this project, CFC wishes to secure its role as an industry leader and enhance its organizational capacity, by developing an on-line environment in which information is our commodity – it is provided, gathered, exchanged and analyzed for the benefit of the entire industry and its stakeholders.

To accomplish this goal, CFC is building an information management system centralizing the best information available about all aspects of our industry and making it available to our partners through a new private portal.

In addition, the OBI team conducted an analysis of existing business processes and proceeded to re-engineer some of them in order to improve the way information is managed at CFC.

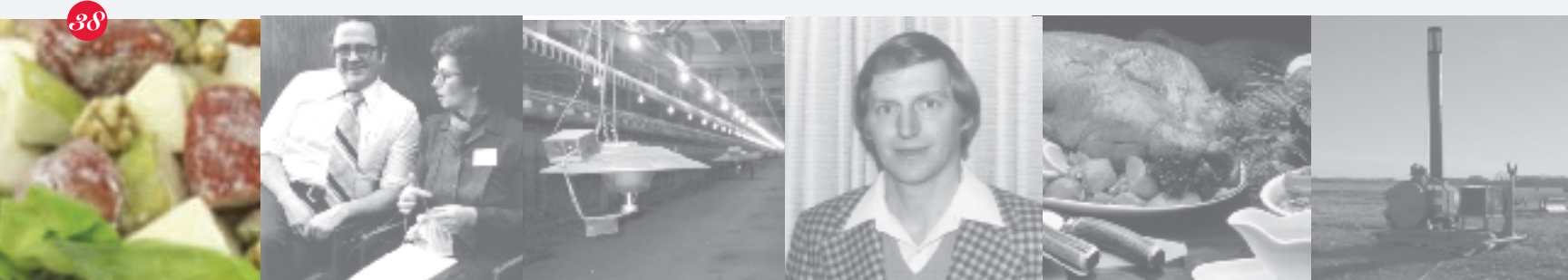
Adopting a new, centralized data management approach and putting in place better business practices will permit CFC to streamline repetitive processes and automate time-consuming activities.

Such gains in efficiency will allow CFC to better serve its members.

Reaching our customers

CFC's role as an information leader is not limited to the chicken industry but extends to our customers and to the general public.

In view of that, CFC recognizes the importance of the internet as a powerful communication tool.





As part of the work performed in the first phase of the OBI, our current public website will be replaced by a more dynamic and interactive site maintained by CFC staff and fulfilling the following functions:

1. Promote CFC to the public;
2. Promote chicken to the public;
3. Manage public perception about the industry;
4. Inform the public on key issues;
5. Provide access to CFC's on-line publications.

At the end of phase 1, CFC will capitalize on an information technology infrastructure that supports new business practices and takes advantage of new channels so that it can communicate with both partners and with the general public.

Implementation of phase 1 is scheduled to start in January 2004 and be completed in June 2004.

Future Phases

As our industry grows and faces new challenges, CFC's information technology infrastructure will adapt and expand as required.

More advanced features will be added to assist our staff in delivering additional services to our stakeholders.

In the years to come, areas such as food safety, promotion and education, as well as market indicators analysis will likely necessitate to be supported by a solid technological structure.

The OBI team has developed this initiative to enshrine CFC's values of high performance based on both process and results. In other words, we take pride in how things get done and how we achieve our goals. This pride allows us to respond to the challenges of change and to successfully seize such opportunities to further the success of our stakeholders. ▶





AROUND THE WORLD & AT HOME

Closely Monitoring the Trading Environment since 1978

Since its inception, Chicken Farmers of Canada has devoted considerable effort to ensuring that the international trade interests of Canada's chicken farmers are fully represented.

With the creation of a national supply management system for chicken in 1979, the federal government established a key pillar by implementing import controls on chicken under Article XI of the General Agreement on Tariffs and Trade (GATT). This article allowed GATT members to invoke quantitative restrictions when they limited the production of that product.

Over the years, as Canada and the U.S. began their Free Trade Agreement talks, CFC stepped up its monitoring and consultations within this issue, as well as with the developments within the Uruguay Round talks of the GATT.

Things heated up in 1986 with the commencement of negotiations with the U.S. and the beginning of the Uruguay Round. These two negotiations illustrated a shift in world trade policies where the free trade agenda was often described as a panacea to solve problems encountered on world markets. Therefore, it was essential for CFC to closely monitor trade issues and keep policy makers informed about supply management and its role in providing stable economic conditions for Canada's dairy, poultry and egg industries.

CFC continues to be very active on the trade and policy front and needs to maintain a close monitoring of WTO trade negotiations, as well as to keep promoting the essential tools to operate an effective supply management system. This will ensure

the maintenance of a strong Canadian chicken industry throughout the country.

NAFTA

The Canadian-U.S. Trade Agreement (CUSTA) was implemented on January 1st, 1989. This resulted in the maintenance of a quantitative limit on our chicken imports. The limit for imports from the U.S. was increased from 6.3% to 7.5% of Canada's previous year's production. This was done to accommodate Canadian manufacturers of chicken products not subject to import controls. Tariffs applying to the permitted level of imports were phased out over ten years starting in 1989.

The North America Free Trade Agreement (NAFTA) negotiations, which were built on CUSTA, came into force on January 1st, 1994. The agreement contained an ambitious schedule for the elimination of most tariffs and reduction of non-trade barriers, as well as comprehensive provisions on the conduct of business in the free trade area.

On January 1st, 1998, all tariffs on goods of Canadian and U.S. origin were eliminated, with the exception of a limited number of over-quota tariffs associated with some agricultural products, namely dairy, poultry and egg products. This was essential to maintain a well-functioning supply managed Canadian chicken industry.

Canada's negotiators also worked hard to maintain the stability of the supply managed industries within the context of free trade agreements with Chile, Costa Rica, Israel and Singapore. Their successful exemption of tariff rate quotas and the continuation of supply management are a testament to the benefits provided by CFC and the other supply managed industries and its recognition by the fed-





eral government over the years – across different governments and political parties. These bilateral agreements highlight the maintenance of the diversity of the Canadian agricultural policies and the achievement of various results for various industries' realities.

The Uruguay Round

In 1994, after eight long years of negotiations, the Uruguay Round of the GATT was ratified. CFC had worked closely with the other supply-managed sectors to promote a clarified GATT Article XI.

In the end, Canada was unsuccessful as quantitative import controls were replaced by Tariff Rate Quotas (TRQs), which were to have an equivalent effect as their precursors.

Along the Canadian Poultry and Egg Processors Council (CPEPC), CFC worked with the federal government to develop new tariffs for chicken and chicken products. These over-quota tariffs applying to imports above the minimum access level ranged from 280% for whole birds to 292% for boneless chicken. By 2000, these were reduced to 238% and 249% respectively.

The other significant outcome of the Uruguay Round was the decision of 123 GATT member countries to establish the World Trade Organization (WTO) to replace the GATT on January 1, 1995.

NAFTA Dispute Settlement Panel

The transition to the new TRQ structure was not smooth. In July, 1995, the United States launched a formal challenge to Canada's right to apply new over-quota tariffs to American poultry and dairy products. The U.S. argued that these contravened Canada's commitments under NAFTA.

CFC believed that the matter had been settled at the conclusion of the Uruguay Round, where a trade agreement to replace import quotas with tariffs was ratified by all the GATT's member countries,

including the U.S. It was becoming clear that U.S. wanted more access to Canada's market.

The Americans maintained that under its NAFTA obligations, Canada was required to reduce all tariffs between the two countries to zero by 1998 and that it was prohibited from introducing any new ones.

On the other hand, the Canadian government has consistently and publicly maintained that the tariffication of poultry and dairy products is completely in keeping with Canada's international trading obligations under both the NAFTA and the WTO.

With determination, resilience and foresight, Canada won the dispute. The five panellists, including two Americans, ruled unanimously in our favour.

WTO Negotiations Continue

At the third WTO Ministerial Conference held in Singapore in December 1996, the objective was to ensure that members clearly understood the agreed regulations from the Uruguay Round and identified their needs before entering the next mandated round of negotiations to be launched in 1999.

The fourth WTO Ministerial in Seattle in 1999 collapsed due to the concerns of developing countries regarding the Uruguay Round results. As a result, WTO members gathered again in Doha, Qatar, in November, 2001 to define a new agenda for future negotiations.

CFC worked diligently with industry stakeholders to make sure that our trade objectives were well understood by our government.

CFC, along with its partners in the four other supply managed commodities (representing the dairy, poultry and egg industries), works to ensure the long-term viability of supply management in Canada. This partnership, commonly referred to as the SM-5, continues to work closely together on matters of trade.





CFC also works with many partners in the Canadian agri-food industries to demonstrate that Canada's position on market access benefits importers and exporters alike. CFC and the Canadian Poultry and Egg Processors Council (CPEPC) made a joint presentation before the House of Commons' Standing Committee on Agriculture and Agri-Food on October 30th. Such collaboration is an example of the strengths of CFC's partnerships.

In its partnership with other members of the SM-5, the supply-managed industries produced a market access analysis that underlined the benefits of providing a clean 5% market access for different commodities in various countries. This continues to be a top priority for supply management.

The International Farm Leaders Coalition

CFC and the SM-5 work with like-minded international farm groups, both to build a stronger international farmer voice and to provide those farm groups with the necessary tools to strengthen their agriculture industries and secure a fair return for producers.

On October 2002, in Geneva, Switzerland, a joint declaration for fair and equitable agricultural trade rules was presented to the WTO. The declaration is currently endorsed by national farm organizations from 37 countries in Africa, Europe, and South and North Americas.

The declaration holds that the WTO must provide countries with the flexibility required to allow the co-existence of various models while addressing the inequities of the Uruguay Round.

Cancun Ministerial Meeting

The 5th WTO ministerial conference was held in Cancun in September 2003. Challenges in the trade discussions were inevitable. Before and during the meeting, a movement was afoot to reduce all tariffs

and increase market access commitments. If permitted this could significantly threaten the Canadian supply management system. The meeting ended abruptly, with discussions collapsing on several fronts.

After the collapse of the ministerial meeting in Cancun, it became evident to SM-5 members that meetings with government trade representatives from selected countries – either developed or developing – were necessary in order to better promote Canadian proposals, particularly on market access.

As a result, the SM-5 initiated technical trade missions to be conducted throughout November 2003. Key countries from the 3 major negotiating blocks that dominated in Cancun, including the G-20 (an informal forum made up of developing countries from around the world), the EU and the U.S. were flagged as necessary audiences.

These meetings were designed to present and promote innovative ideas on issues surrounding domestic support and market access and to have meaningful discussion with the selected countries on these issues. In addition, it was hoped that the trade missions would assist Canada in gaining a better understanding and insight into the selected countries' objectives.

Along with industry partners like the Canadian Federation of Agriculture, the SM-5 remains focused on building a more unified Canadian agriculture position. This builds understanding of the impact of trade rules on industry, and provides both credibility and strength to the negotiators by demonstrating that the industry fully supports the Canadian position.

POLICY

TRQ Administration and Allocation

At the time import controls were introduced for chicken (1978), the U.S. and Canada agreed on a





list of products be excluded from these controls — the so-called "non-ICL products".

Until 1995, only the products set out in this list were permitted to enter Canada without import permits. With the signing of the Canada-U.S. Free Trade Agreement, this list of products was formalized under Annex 706, defining what is considered a chicken product and listing what products are excluded from import control.

As a result of the Uruguay Round, a decision was made to apply a formula to define products to be exempt from import controls. The new method was the introduction of the "Specially Defined Mixture Rule", also known as the "13% Rule", which undermined the development of our industry by eroding of the Tariff Rate Quota (TRQ).

In 2002, after several years of impressive growth in the Canadian manufacturing of non-ICL products, industry members agreed that a solution had to be found to limit the erosion of the Canadian TRQ by products that are often direct substitutes to regular fresh chicken products.

As a result, a working group of industry stakeholders was formed and met several times with government officials to discuss the modification of the current 13% rule, to ensure that products defined as non-chicken are not direct substitutes and competitors for chicken products. The Government has considered the working group's recommendation and is currently contemplating changes for products made up of trim meat.

This growing pressure on the TRQ has also led to difficult allocation decisions by the Department of Foreign Affairs and International Trade, which has issued special supplementary imports above Canada's access level of 7.5%.

Market Development Policy

In 1995, CFC worked alongside the rest of the industry to develop a new Market Development

Policy to facilitate planned production. It was integral that the policy balance the needs of processors with the need to preserve the integrity of the supply management system. It was a difficult challenge to meet.

CFC Directors unanimously approved the new Market Development Policy, implemented in 1997. It was product of close cooperation with CPEPC, other industry stakeholders, as well as the federal government. In 2002, as a way to reduce the pressure in the allocation of the TRQ, the policy was broadened to include the supply of dark meat to eligible Canadian manufacturers of non-ICL products.

In July 2003, CFC decided to reduce its co-efficient for leg quarters under the Market Development Policy, starting in 2004. Its rationale for this decision was that the reduced co-efficient would better represent the reality of yields in today's market, compared to 1997 when the Policy began and would maintain a comparable output to the one obtained in 1997.

Unsatisfied with the new coefficient for leg quarter, CPEPC appealed the decision to the National Farms Products Council. At Council's request, CFC and CPEPC met but were unable to resolve the issue. The implementation of the change has been delayed by CFC Board of Directors and is now scheduled for Period A-61 (September 19-November 13). CFC has also decided to re-evaluate the issue and to hear all stakeholders' views at a Market Development Committee meeting, to be held in February 2004.

Council has scheduled a hearing for March 9, 2004, based on a complaint filed by the Canadian Poultry and Egg Processors Council (CPEPC), regarding Chicken Farmers of Canada's (CFC) decision to reduce the co-efficient for leg quarters under its Market Development Policy. ■





A STEP FROM THE HILL

Relations and Influences

Government Relations (GR) is an area of great significance for CFC. Our GR program is designed to meet the challenges presented by changes in government, legislation and policies. It is an integral mechanism by which we keep the chicken industry in the minds of those who directly affect both legislation and our supply management system.

CFC's Government Relations Program exists to proactively enhance the policy environment for the Canadian Chicken Industry:

By working with government to develop sound policies for Canadian Chicken Farmers;

By enhancing policy-makers' attitudes towards the Canadian chicken industry;

By cooperating with agricultural partners on initiatives that are of mutual benefit; and;

By providing farmers with tools to effectively and personally lobby for their collective best interests.

Government Relations in 2003 – A Year of Activity

While the main focus of the GR program remains trade and policy, the last few years have seen the rapid development of new issues and concerns requiring significant GR attention, such as parlia-

mentary legislation, House of Commons and Senate committee appearances, and departmental policy.

Bill C-10B

The revisions to the animal cruelty section of the Criminal Code were re-introduced in 2002, under the auspices of Bill C-10B.

This Bill was an improvement over its predecessor, Bill C-15B, but it still did not reinstate the legal defences critical to farmers that had been previously included in the Criminal Code.

As the Bill moved through the parliamentary process, the Poultry Welfare Coalition (PWC), comprised of the four feather agencies, made a presentation to the Senate Committee on Legal and Constitutional Affairs, detailing why the bill should be amended to include these critical defences.

The committee ultimately proposed favourable amendments that were later rejected by the House of Commons.

Negotiations between the two Houses of Parliament were on-going when Parliament was prorogued in mid-November, leaving the Bill to die before agreement was reached.

Agriculture Policy Framework – Planning the Path Ahead

Agriculture and Agri-food Canada continued its consultations on the Agriculture Policy Framework, a new vision for Canadian agriculture.





The Five Pillars of the Agriculture Policy Framework

- *Business Risk Management*
- *Food Safety and Quality*
- *Environment*
- *Renewal*
- *Science and Innovation*

Business Risk Management was one of the top priorities this year, as the government re-designed the Net Income Stabilization Account (NISA), a significant portion of Canada's safety net structure.

CFC quickly became involved in the process when it was revealed that the government was now designing the Canadian Agricultural Income Stabilization Program (CAISP) to include supply-managed farmers, who previously, had no access to any safety net programming. In conjunction with this, CFC is currently assessing the feasibility of making production insurance available to its farmers.

While Business Risk Management was the main focus this year, progress continued within the other pillars, particularly Food Safety and Quality and the Environment. National commodity organizations worked to merge existing and newly-developed programs with the objectives of the APF.

Another key aspect of the APF was the negotiation of the Implementation Agreements, which are the contracts pertaining to how the costs of APF programs will be shared and implemented. The federal government negotiated with provincial governments throughout the year to achieve consensus on Implementation Agreements.

While these negotiations took place, CFC successfully obtained stronger language pertaining to supply management in all of the Implementation Agreements, as well as a commitment to the three pillars of supply management: import controls, producer pricing and producer production discipline.

Government Relations and Trade

Throughout 2003, CFC, along with other the 4 supply-managed industries (dairy, eggs, broiler hatching eggs and turkey – referred to as the SM-5), has used every opportunity to increase the profile of trade.

The SM-5 held a successful trade seminar for farmers and provincial board managers in the spring of 2003. In addition, a joint Liberal Feather Caucus/Rural Caucus event was held for MPs and Senators to discuss the potential impact of the WTO negotiations on Canadian supply-managed farmer.

On October 30th, CFC continued its work with federal MPs when CFC, along with the Canadian Poultry and Egg Processors' Council, delivered a presentation on the WTO to the House of Commons Agriculture Committee. There, we took the opportunity to present a study that supports both the market access position of the SM-5 and the Canadian government.

Over the last half of 2003, the SM-5 communications committee focused entirely on developing trade information kits for elected politicians at both the national and provincial level.

Since the formalization of CFC's GR program many initiatives have been undertaken to ensure the interests of farmers are represented at the political level and that farmers have the tools to advocate on their own behalf.





CFC Government Relations Highlights

1996

CFC launches the Chicken Information Network, a two-fold outreach program, aimed at increasing government awareness of our industry:

- *Liberal Chicken Caucus, comprised of MPs and Senators with a chicken farmers or processors in their riding, is brought together to discuss matters pertinent to the growth of the Canadian chicken industry.*
- *The Constituency Captain Program, comprised of key farmers taking responsibility within their ridings to liaise with fellow farmers and industry partners in coordinating any local effort to contact and updating their MPs on industry developments.*

1998

CFC partners with the three other feather agencies to change the Liberal Chicken Caucus to the Liberal Feather Caucus and the Constituency Captain Program was expanded to include the representation of each type of poultry farmer.

2000

CFC sends an information and activity kit to Constituency Captains for advocacy work during the 2000 federal election.

2001

CFC presents to the Prime Minister's Task Force on Future Opportunities in Farming.

2002

CFC begins full participation in the consultation process for the development of Agriculture and Agri-food Canada's new Agriculture Policy Framework. ▶



GETTING THE WORD OUT

In 2003, Chicken Farmers of Canada sought to meet the needs and expectations of its stakeholders and to take steps to enhance the already-positive consumer attitudes towards our product.

A year earlier, CFC created a Contingency Management plan that helped it serve as a central source through which information about important issues flowed from and to industry stakeholders, the media and the general public. Messages were developed, based on factual, confirmed information. Strategies were designed to best deal with both internal and external communications issues.

CFC built on this plan in 2003 and became a leader in information provision, information exchange and information analysis, particularly on public issues surrounding animal care, foreign disease outbreaks, supply management, chicken production and international trade.

25th Anniversary

Chicken Farmers of Canada celebrated its 25th Anniversary celebrations by hosting the CFC annual summer meeting, which is usually held outside Ottawa. The celebration was brought to the nation's capital right in the middle of CFC's Canada Day festivities.

The week was filled with activities, as over 300 registrants enjoyed the national capital at its most beautiful time of year.

A large reception was held as a moving tribute to the history of CFC. Seven of the past 11 CFC chairmen were in attendance as CFC's guests and each was thanked for the leadership and guidance he provided to Canada's chicken industry.

Farmers also got a little present as CFC and the provincial boards joined forces to assemble recipes that show off a little bit of Canada's regional cultures. The 44 recipe cookbook was sent early in 2004 and has so far received rave reviews. This gift is in commemoration of the past 25 years that Canada's chicken farmers have been raising chicken from coast to coast!

Other celebratory events occurred throughout the year – as CFC enjoyed the congratulations of parliamentarians, diplomats and other agriculture partners.

Canada Day

July 1st marked CFC's 11th year as sponsors of Canada Day in Ottawa. Once again, over 8,000 people enjoyed the year's featured barbeque sandwich. Part of the proceeds from the sale of each sandwich or salad went to the Boys and Girls Clubs of Canada.

A special 25th Anniversary celebration reception was held that night, with over 600 people attending from across the realms of Canadian agriculture.





Promotion/Education Campaign

CFC received a mandate from the Board of Directors in 2001 to create a three-year Promotion/Education Campaign designed to attack misinformation, provide information and target specific audiences.

The intention of Year One was to create national tools aimed at dispelling myths about how chickens are raised and addressing topical issues, such as hormones, steroids and other husbandry issues.

In 2003, or Year Two, the mission expanded to include the building of enhanced tools and education resources, school kits, videos and a large online component to act as a companion to many of these materials.

CFC created an information video for adults to dispel myths about how chickens are raised and address topical issues such as antibiotics. This 10-minute profile and a 60-second vignette aired on Health TV across the Global Television Network and a Quebec based broadcaster, plus additional airings on specialty channels. The profiles and vignettes are also available to CFC on video for use at conferences, website, etc.

Recognizing that a major target was Canada's next generation of consumers, CFC created an educational resource for grades 2-5, in which chicken husbandry practices are the theme for the education of science, math, language, etc. The program fits within every curriculum outline in Canada.

The program is called "Chicken: A Class Act" and includes a workbook, outlining special lesson plans and activities, a colourful classroom poster and a high quality video, featuring extensive farm footage and information about the chicken industry – geared for younger audiences.

Building on the momentum, CFC designed and created a "Chicken: A Class Act" companion web site in which students, consumers, youth and educators can access the information and many of the activities included within the kit. This is for both students who want to do the projects online and for people who log on with no educational requirement, but who want to access the information and activities. The web site will be officially launched in March 2004.

These materials were distributed to schools and stakeholders across the country. Other, easily accessible information was also created for new target audiences such as media, government, educators, special interest groups and the general public.

Benchmarks in Chicken Promotion

1983 – CFC Promotions Committee is formed – several years later, it is merged with the Market Development Committee.

1984 – CFC launches national promotion campaigns over the next ten years:

1984 – Check Out Chicken

1986 – Chicken: It's As Good As You Think It Is

1987 – Lean Towards Chicken

1989 – Easy Does it with Chicken

1990 – Show Us Your Style

1993 – I'm Pickin' Chicken

1994 – Easy Pickins' with Chicken

1992 – CFC conducts its first qualitative research study on consumer thoughts towards chicken.





1992 – CFC becomes a national sponsor of Canada Day in Ottawa and on CBC Television – it maintains this status to the present.

1995 – CFC's first official Usage and Attitudes survey is conducted, with a focus on winter and summer eating habits as well as a detailed look at out-of-home eating patterns.

1995/96 – CFC completes a nutrient analysis of chicken – then works to promote the nutrient information to health professionals and food writers.

1996/97 – CFC's promotion initiatives change towards a focus on research and education, rather than directly promoting chicken.

1997 – CFC's information from its nutrient analysis is incorporated into Health Canada's Canadian Nutrient File.

1999 – CFC's second Usage and Attitude Survey is conducted.

1999 – CFC conducts a full study on chicken cooking and thawing times. Surprisingly, the research shows that a lower internal temperature is required in cooked chicken than had been originally recommended.

2001 – CFC's third Usage and Attitude Survey is conducted, showing that chicken is the number one meat choice for Canadians.

2002 – CFC launches its three-year Promotion/Education Campaign by changing the promotion focus to educating consumers and dispelling myths about Canadian chicken. The need to appeal to the next generation of chicken consumers is also identified.

2002 – CFC creates an education program targeted at grades 2 to 5 and provides a framework to teach reading, writing, math, science and computer studies, using a chicken-related framework.

2002 – CFC appears at and sponsors the Dieticians of Canada annual conference in St. John, New Brunswick. This provides an opportunity to dispel myths and to distribute information to a key audience.

2002 – CFC investigates the feasibility and implications of creating an identifiable mark for chicken in Canada.

2003 – CFC sponsors and presents at the Agriculture in the Classroom meetings and events across Canada.

2003 – CFC appears at and sponsors the Dieticians of Canada annual conference in Calgary.

2003 – CFC creates an on-line environment as a companion tool for the school kit.

2003 – CFC creates a grassroots Education Ambassador Program to provide farmers with the tools necessary for them to confidently speak to elementary school children, older students and community groups. ▶





OUR MOST VALUABLE RESOURCES

Over the last quarter century, the Canadian chicken industry has grown to unprecedented heights, with a multi-faceted approach to its development. Chicken Farmers of Canada's staff component has grown to reflect those many facets and consists of a highly-skilled group of individuals who stand up for the industry and for the system under which it operates.

By many standards, CFC is considered unique, in that it has had many long-serving members of its family over the last quarter century, allowing expertise and skill levels among our staff to grow and develop as the organization does the same.

Our many thanks and thoughts are extended to over 70 people who have blessed CFC with their skills, their creativity and their commitment over these past 25 years.

*Judith Adamyk
Charles Akande
Eric Andriamanjay
Joseph Anton
Rita Ayotte
Nicole Beauchamp
Chantal Bédard
Sonia Bernier
Lisa Bishop
Vincent Bosquet
Erik Bourdon
Pierre Bourgoyne
Marty Brett
Giuseppe Caminiti
John Campbell
Nancy Chagnon
Albert Chambers
Renée Champigny
Paulette Charbonneau
Mike Conea*

*Nelson Coyle
Roger Cramm
Sharon Crosgrey
Cynthia Currie
Denis Desrosiers
Deborah Dobson
Thérèse Donelle
Paula Doucette
Mike Dungate
Debra Ferderber
Françoise Fournier
Patsy Gagné
Kim Garamvolgyi
Jennifer Gardner
Shamira Gillani
Monique Dorais Girard
Paul Guillotte
Mélanie Guitard
Errol Halkai
Julie Ilianu*

*Susan Jones
Yves Labbé
Chantal Lafontaine
Michel Lalande
Michael Laliberté
Tina Lalonde
Romeo Leblanc
Steve Leech
Anie Legault
Viviane Logan
Bernadette Mansfield
Juliet Marvin
Josephine McLorn
Mégame Medgueb
Marie Murphy
Johanne Neeteson
Lou Niantié
Janet Noseworthy
Gilles Pilon
Serge Poirier*

*Natalie Prud'Homme
Gisèle Romain
Morton Roodman
Yves Ruel
Jan Rus
Dale Sabourin
Erin Scullion
Yvon Séguin
Barbara Shenstone
Elaine Sigler
Krista Smyth
Garth Sundeen
Gerry Thériault
Raymond Tisi
Nathalie Trépanier
Rob Troy
Lise Turner
Stéphanie Turple
Pierre Viau*





CFC's Addresses Over 25 Years

1. 44 Peel Centre Drive, Suite 400,
Brampton, Ontario **(From 1979-1984)**
2. 160 Rideau Street, Suite 200, Ottawa,
Ontario **(From 1984-1990)**
3. 377 Dalhousie, Suite 300, Ottawa,
Ontario **(From 1990-2000)**
4. 350 Sparks Street, Suite 1007, Ottawa,
Ontario **(From 2000-present)**

2003 – Changes Keep Coming

Recently, an office expansion was accomplished to accommodate the growing staff complement, adding extra workstations, a new boardroom and an interpretation booth.

In 2003, CFC hired an Animal Care Coordinator to work with the Animal Care Committee to develop an auditable animal care program. This was not part of our original human resource plan for 2003, but was deemed an important and urgent need.

As well, one of the two vacancies supporting the On-Line Business Initiative will be hired early in the New Year.

Board Needs

CFC is committed to ensuring that the members of the Board of Directors have the tools they need in order to be as effective as possible in executing their responsibilities to CFC. As a result, CFC conducts the training required to assist with this task. This may include media training, orientation seminars, trade seminars, etc.

In 2003, an Orientation Seminar was held in early spring, bringing new Directors and Alternates together with those who had worked with the Board for some time.

The intention of this was for members to review their roles and responsibilities as participants within the Board of Directors, as well as to give them a sense of the roles and responsibilities of the CFC staff.

Each participant at the seminar was provided with a copy of the CFC Orientation Manual for reference and retention. The manual, which has been a useful tool for directors for many years, had undergone a substantial updating and overhaul.

In our efforts to continue to provide information for our Directors, the manual will now be updated twice yearly and the Orientation Seminar will be a yearly CFC activity.

In addition, a Policy Manual, outlining the practices and policies of the organizations will be provided to the Directors and Alternates at the beginning of 2004. This will also form part of their orientation. ▶



CFC BOARD OF DIRECTORS



David Fuller

Chairman
Nova Scotia



John Slot

1st Vice-Chairman
Ontario



Martin Dufresne

2nd Vice-Chairman
Quebec



Remi Cyr

Executive Member
Alberta



Ron teStroete

Nova Scotia



Michel Maurer

British Columbia



Eugene Zagrodny

Saskatchewan



Waldie Klassen

Manitoba



David Mackenzie

Prince Edward Island



Yvon Cyr

New Brunswick



Martin Howlett

Newfoundland



Eric Anderson

Canadian Restaurant and
Foodservices Association



Luc Gagnon

Canadian Poultry and
Egg Processors Council



Ross MacLeod

Further Poultry Processors
Association of Canada



Tony Tavares

Canadian Poultry and
Egg Processors Council

CFC STAFF



Executive: Mike Dungate: *General Manager*, Juliet Marvin: *Executive Assistant*, Janet Noseworthy: *Government Relations Officer (standing)*



Administration: (l. to r.) Paula J. Doucette: *Manager of Administration and Human Resources*, Julie Iliau: *Administration Services*, Stéphanie Turple: *Meeting Coordinator*, Paulette Charbonneau: *Administration Coordinator*



Finance: (l. to r.) Yvon Séguin: *Manager of Finance*, Kim Garamvolgyi: *Bookkeeper*, Michael Laliberté: *Monitoring & Enforcement Officer*



Communications: (l. to r.) Johanne Neeteson: *Project Coordinator*, Marty Brett: *Communication Officer*, Marie Murphy: *Communication Coordinator*, Lisa Bishop: *Manager of Communication*



Production: (l. to r.) Erik Bourdon: *Statistician*, Steve Leech B.Sc. (Agr.), M.Sc.: *Food Safety Officer*, Jennifer M. Gardner B.Sc. (Agr.), M.Sc.: *Animal Care Coordinator*, Jan Rus: *Manager of Production and Food Safety*



Policy: (l. to r.) Yves Ruel: *Manager of Trade and Policy*, Charles Akande: *Policy Analyst*, Hired in 2004 – Mihai Lupescu: *Policy Analyst*



CFC Committees 2003

Executive:

Chair: David Fuller (Nova Scotia)
 1st Vice-chair: John Slot (Ontario)
 2nd Vice-chair: Martin Dufresne (Quebec)
 Executive Member: Remi Cyr (Alberta)

Finance Committee:

Chair: David Mackenzie (Prince Edward Island)
 Yvon Cyr (New Brunswick)
 Waldie Klassen (Manitoba)

Food Safety Committee:

Chair: Waldie Klassen (Manitoba)
 Ron teStroete (Nova Scotia)
 Murray Booy (Ontario alternate)
 Luc Gagnon (Canadian Poultry and Egg Processors Council)
 Yves Campeau (Quebec alternate)

Animal Care Committee:

Chair: David Hyink (Alternate Alberta)
 Murray Booy (Alternate Ontario)
 Jean-Paul Ouellet (Alternate New Brunswick)

Market Development Committee:

Chair: John Slot (Ontario)
 Remi Cyr (Alberta)
 Martin Dufresne (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 representatives:

David Fuller (Nova Scotia)
 John Slot (Ontario)

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.





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Auditors' Report

The Minister
Agriculture and Agri-Food 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, 2003 and the statements of operations and of changes in fund balances 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

January 23, 2004

CHICKEN FARMERS OF CANADA

Statement of Operations

year ended December 31, 2003

	General Fund	Promotion Fund	Research Fund	25th Anniversary Fund	2003	2002
Revenue						
Levy and fee revenue	\$ 5,569,813	\$ -	\$ -	\$ -	\$ 5,569,813	\$ 5,605,081
Interest and other revenue	343,588	20,821	132,487	-	496,896	312,043
Overmarketing and market development levies	-	1,228,478	-	-	1,228,478	20,708
British Columbia fees and interest	-	-	-	-	-	712,900
	5,913,401	1,249,299	132,487	-	7,295,187	6,650,732
Expenses						
Amortization of capital assets	37,558	-	-	-	37,558	39,550
Canadian Poultry Research Council Committees	35,036	-	-	-	35,036	50,565
Communication	162,435	-	-	-	162,435	178,213
Directors and alternates	463,222	-	-	-	463,222	501,589
Membership fees	1,128,488	-	-	-	1,128,488	1,059,639
Office	67,494	-	-	-	67,494	76,390
Professional fees	471,355	-	-	-	471,355	467,583
Promotion activities	368,954	-	-	-	368,954	234,971
Salaries, benefits and travel	-	19,117	-	-	19,117	31,088
Special studies	1,685,129	-	-	-	1,685,129	1,472,202
Trade	58,817	333,990	-	-	392,807	465,853
Translation	313,276	-	-	-	313,276	203,911
CFC's 25th Anniversary	91,175	-	-	-	91,175	79,510
	-	-	-	116,993	116,993	-
	4,882,939	353,107	-	116,993	5,353,039	4,861,064
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 1,030,462	\$ 896,192	\$ 132,487	\$ (116,993)	\$ 1,942,148	\$ 1,789,668

CHICKEN FARMERS OF CANADA
Statement of Changes in Fund Balances
year ended December 31, 2003

	General Fund	Promotion Fund	Research Fund	25th Anniversary Fund	Total	
					2003	2002
BALANCE, BEGINNING OF YEAR	\$ 7,083,042	\$ -	\$ 3,144,340	\$ 178,000	\$ 10,405,382	\$ 8,615,714
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,030,462	896,192	132,487	(116,993)	1,942,148	1,789,668
INTERFUND TRANSFERS (Note 7)	(612,577)	173,584	500,000	(61,007)	-	-
BALANCE, END OF YEAR	\$ 7,500,927	\$ 1,069,776	\$ 3,776,827	\$ -	\$ 12,347,530	\$ 10,405,382

CHICKEN FARMERS OF CANADA

Balance Sheet

as at December 31, 2003

	2003	2002
CURRENT ASSETS		
Cash	\$ 295,308	\$ 131,785
Short-term investments (Note 3)	2,448,707	1,701,156
Accounts receivable (Note 4)	867,486	854,328
Prepaid expenses	16,943	53,364
	3,628,444	2,740,633
INVESTMENTS (Note 3)	8,875,362	8,242,459
CAPITAL ASSETS (Note 5)	236,103	102,347
	\$ 12,739,909	\$ 11,085,439
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 392,379	\$ 680,057
COMMITMENTS (Note 6)		
FUND BALANCES		
Invested in capital assets	236,103	102,347
Internally restricted - Promotion Fund	1,069,776	-
Internally restricted - Research Fund	3,776,827	3,144,340
Internally restricted - 25th Anniversary Fund	-	178,000
Unrestricted	7,264,824	6,980,695
	12,347,530	10,405,382
	\$ 12,739,909	\$ 11,085,439

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, 2003

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.

Fund accounting

CFC implemented the Fund accounting method in 2003 which has no impact on comparative figures.

Resources are classified for accounting and reporting purposes into funds, that are in accordance with specific activities, or objectives. Accordingly, separate accounts are maintained for the General Fund as well as for the Promotion, Research and 25th Anniversary Funds, which are internally restricted.

The General Fund accounts for operating and administrative activities as well as all transactions related to capital assets.

The Promotion Fund reports the overmarketing and market development levies collected and expenses that relate to the promotion and marketing of chickens, as indicated in the Market Development Policy and the Monitoring and Enforcement Policy.

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

The 25th Anniversary Fund reports expenses related to the 25th anniversary of CFC in 2003.

CHICKEN FARMERS OF CANADA

Notes to the Financial Statements

year ended December 31, 2003

2. ACCOUNTING POLICIES (Continued)

Revenue recognition

CFC recognizes revenue using the deferral method of accounting.

Levies are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Investments

Short-term investments are carried at the lower of cost and market value. Long-term 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
Leasehold improvements	7 years

3. INVESTMENTS

	2003		2002	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 2,448,707	\$ 2,451,925	\$ 1,701,156	\$ 1,701,156
Government of Canada savings bonds	7,543,268	7,599,815	6,910,365	6,999,000
Farm Credit Canada notes	1,332,094	1,360,604	1,332,094	1,356,851
	8,875,362	8,960,419	8,242,459	8,355,851
	\$ 11,324,069	\$ 11,412,344	\$ 9,943,615	\$ 10,057,007

CHICKEN FARMERS OF CANADA

Notes to the Financial Statements

year ended December 31, 2003

3. INVESTMENTS (Continued)

Short-term investments are comprised of a Treasury Bill and Government of Canada bonds in the amount of \$1,799,520 (2002 - \$1,701,156) and \$649,187 (2002 - \$NIL) respectively which mature over the next year.

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 four years (2002 - five years). Interest rates for these securities range from 3.70% to 6.00% (2002 - 3.50% - 6.00%).

Determination of market values

The cost of Treasury Bills approximate fair value due to the short period to maturity. The market values of the bonds 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.

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.

CHICKEN FARMERS OF CANADA

Notes to the Financial Statements

year ended December 31, 2003

5. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 267,128	\$ 151,038	\$ 116,090	\$ 90,667
Computer equipment	138,627	105,368	33,259	11,680
Leasehold improvements	97,316	10,562	86,754	-
	\$ 503,071	\$ 266,968	\$ 236,103	\$ 102,347

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:

2004	\$ 135,435
2005	126,361
2006	131,047
2007	131,047
2008	131,096
Thereafter	198,929
	\$ 853,915

7. INTERFUND TRANSFERS

During the year, the Board of Directors approved the transfer of \$500,000 (2002 - \$1,060,000) from the General Fund to the Research Fund with the objective of building the Research Fund to \$10,000,000. In addition to the transfer to the Research Fund, the Operating Fund transferred \$173,584 to the Promotion Fund which reflects the total excess of revenue over expenses related to the overmarketing and market development levies and related promotion expenses for the period from 2000 to 2002. The Board of Directors approved the transfer of \$61,007 from the 25th Anniversary Fund to the General Fund to reduce the balance to \$NIL.

CHICKEN FARMERS OF CANADA

Notes to the Financial Statements

year ended December 31, 2003

8. 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 contributions made by CFC under this plan in 2003 were \$ 42,362 (2002 - \$23,825).

9. STATEMENT OF CASH FLOWS

As sources and uses of cash are otherwise adequately disclosed, these statements do not include a statement of cash flows.