



Chicken Farmers
of Canada
Les Producteurs de
poulet du Canada

ANNUAL REPORT 2008



30 Years of Great Chicken

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FOR PRESENTATION TO THE MINISTER OF AGRICULTURE
AND AGRI-FOOD, THE HONOURABLE GERRY RITZ,
AND THE NATIONAL FARM PRODUCTS COUNCIL.

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WHO WE ARE AND WHAT WE DO

OUR MISSION: TO BUILD A STRONG, COMPETITIVE, CONSUMER-CENTERED CANADIAN CHICKEN INDUSTRY THAT MEETS THE CHALLENGES OF A CHANGING WORLD, AND TO PROFITABLY GROW ITS POSITION AS THE PROTEIN LEADER IN CANADA.

Chicken Farmers of Canada (CFC) is a national organization, funded completely through farmer levies paid according to the amount of chicken marketed. Established 30 years ago, CFC is proud of its role in a continuing agriculture success story and 30 great years of raising the quality chicken that Canadians trust.

CFC's main responsibility is to ensure that our 2,800 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 anticipated market requirements and set production levels accordingly.

This evolving risk management system that we operate under is commonly known as "supply management". As part of the system, CFC also monitors compliance with provincial quota allocations and the inter-provincial or market development trade of chicken.

Another CFC responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. CFC plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove that farmers continue to grow the high quality chicken that consumers trust.

Through on-farm programs such as the food safety program, *Safe, Safer, Safest*, the animal care program and biosecurity initiatives, CFC works closely with government partners and industry stakeholders to keep the industry innovative and responsive.

CFC strives to 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 made.

Our directions and policies are determined by a 15-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.

CFC and its stakeholders work together on behalf Canada's chicken industry, from farmer to consumer. Ours has long been a Canadian success story, known for its responsiveness and leadership within an evolving supply management system. Strong leadership and proactive strategies will always play an integral role in our ongoing success.

CFC ORGANIZATIONAL STRUCTURE



30 YEARS OF GREAT CHICKEN

CHICKEN FARMERS OF CANADA MET YET ANOTHER MILESTONE IN 2008, CELEBRATING 30 YEARS AS A NATIONAL ORGANIZATION WORKING FOR FARMERS.

With provincial chicken boards and industry partners, as well as all levels of government, CFC has worked hard to maintain a profitable and stable chicken industry from coast to coast in Canada.

Over the last 30 years, we have overcome many challenges and celebrated numerous successes. In the late 1970s, the supply management system for the production of chicken was created. It was the result of an agreement between producers and governments with the intent of creating a system in the interest of producers and consumers. To this day, it constitutes, in a very real sense, a partnership.

WHY WAS THE PARTNERSHIP FORMED?

1. To provide price stability and predictability of supply
2. To preserve a producer structure of independent family farms
3. To maintain chicken production in all regions of the country
4. To achieve these goals without relying on government subsidies

In June of 2001, provincial and federal agriculture ministers—along with the provincial supervisory boards, provincial chicken boards and CFC—signed a new Federal Provincial

MESSAGE FROM THE CHAIR

Agreement for chicken, demonstrating their ongoing commitment to a strong supply management system in Canada.

One very important fact is that supply management for chicken is a privilege, not a right and that privilege could be removed unless we continue to work in the best interest of the entire industry.

PERSPECTIVE

In 1978, chicken constituted only 16.4% of total meat consumed in Canada. Today we have increased our share to just over 33% of total meat consumed. This is a 110% increase. Per capita consumption of chicken was 15.7 kg in 1978 and in 2008 that number rose to 31.8 kg.

Producer prices in 1978 were 81.6 cents per kg and in 2008, they have risen to \$1.35 per kg. That's about a 39% increase compared to the 125% increase in consumer prices over the same period.

WTO NEGOTIATIONS

As I reflect back over 2008, the number one issue that continues to be front and centre at CFC is the Doha Round of the WTO negotiations.

These negotiations could impact supply management in a devastating way. We need our political leaders to secure a fair trading environment that lets Canadians determine the type of agriculture we want, now and for the future.

In 2009, as in the past, we will continue to work closely with the Canadian government and Canada's Chief Negotiator to represent the interests of Canadian chicken farmers at these crucial negotiations.

OTHER HIGHLIGHTS FROM 2008

The CFC Board of Directors approved the five-year strategic plan outlining the goals and objectives for the organization for the years 2009–2013.

During the CFC summer meeting in Halifax, the Nova Scotia Minister of Agriculture, **Brooke Taylor**, witnessed the provincial board Chairs, along with the CFC Chair, signing the On-Farm Food Safety Assurance Program Memorandum of Understanding.

The CFC Board of Directors approved the CFC Animal Care Program for implementation in 2009.

ACKNOWLEDGEMENTS

Throughout this annual report, you will find more details on a number of key priorities that CFC continues to monitor. I would like to thank the various Committees and Chairs for their work on these key priorities.

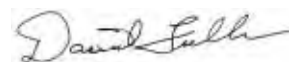
I would like to take this opportunity to welcome **Bill Smirle**, the new Chair of the National Farm Products Council, and look forward to working with him on issues relating to the chicken industry.

I must also thank the Minister of Agriculture and Agri-Food, **Gerry Ritz**, for his open-door policy, as well as the Canadian government for its continuing support of supply management.

As Chair, I need to recognize CFC's very competent staff, along with **Mike Dungate**, General Manager, for their diligent work on behalf of the entire Canadian chicken industry.

To the Board of Directors, as well as the Executive Members: I believe that you have shown true leadership in the decisions that you have made in continuing to move the industry in the right direction and I convey my gratitude to you for your support to me as Chair of CFC.

As we continue to move forward, I see a top-of-the-line, progressive and assertive national organization and I have confidence in the future as long as we, as an industry, work collectively on the issues that impact us all.



David Fuller, Chair





GENERAL MANAGER'S MESSAGE

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WORKING TOGETHER FOR 30 YEARS

HAVING HAD THE OPPORTUNITY TO DIRECTLY EXPERIENCE THE LAST 12 OF CFC'S 30 YEARS OF EXISTENCE, THIS INDUSTRY HAS PROVEN ITSELF TO BE ANYTHING BUT DULL. THAT'S WHAT HAPPENS WHEN YOU ARE NOT COMPLACENT, BUT CHALLENGE THE STATUS QUO AND DRIVE FORWARD PROACTIVELY.

CFC has always embraced challenges as the necessary hurdles to overcome if we are to rise to the next level.

CFC is anything but a monolithic block.

The diversity of interests around the CFC board can be a real advantage, as long as that diversity is not just one of representation, which leads to division, but one of inclusiveness, which unites Directors in a common cause to make better decisions and engages them to innovate and adapt within an evolving environment.

This coming together was most evident in 2008 with the development and approval of CFC's new five-year strategic plan which was heavily influenced by the evolving economy and changing world in which we live.

The eight-member steering committee consulted with a broader group of 40 stakeholders from production, feed, hatcheries,

processing, further processing, foodservice, retail, allied industry and government, and the following mission statement will guide the next five years at CFC:

"To build a strong, competitive, consumer-centered Canadian chicken industry that meets the challenges of a changing world, and to profitably grow its position as the protein leader in Canada."

This solidarity was also evident as WTO agriculture negotiations intensified in 2008 and in the approval and endorsement of CFC's Animal Care Program. While all stakeholders did not see exactly eye-to-eye on each of these initiatives, they pulled together to make them successful.

These examples must not be lost on us, particularly as we move through the current struggles regarding allocation setting. It would be easy to fall back on our diversity and scatter in defence of our own particular interests. The challenge for us is to fight through that instinct and trust that we can better succeed by coming together in a common cause.

We have to listen to each other. Each of us has to do our part. We cannot rely solely on the skilful leadership of our Chair to do it for us. While **David Fuller** has succeeded over the years in bringing us together, he cannot do it alone. We need to support his efforts.

Our supply management system is based on federal-provincial cooperation and collaboration. From an allocation perspective, that means sharing the market.

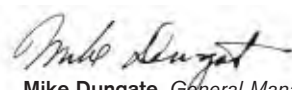
Our system cannot remain static; it needs to evolve to meet the current and future needs of regions and sectors. While CFC provides a forum to allow industry stakeholders to come together, it is provincial boards working with stakeholders in their respective provinces that make it a reality.

I have the utmost respect for CFC's Directors and Alternates, as well as their fellow colleagues on provincial boards and industry organizations, for the passion with which they lead our industry.

I am also proud of the staff, whose efforts are key to the success of the industry. Like our elected representatives, staff, whether from CFC, provincial boards or industry organizations, have a diversity of backgrounds, skills and experience. They work closely with government. They provide strong advice. They travel across the country and internationally. They believe in what we stand for. They are truly dedicated.

If our past is any indication of our future, it is surely bright.

We prove that when we pull together in a common cause, the sky is the limit.



Mike Dungate, General Manager



DIRECTORS & COMMITTEES



Chair: David Fuller (Nova Scotia)
Reg Cliche (CPEPC – Canadian Poultry and Egg Processors Council)
Yvon Cyr (New Brunswick)
Martin Dufresne (Quebec)



Erna Ference (Alberta)
Luc Gagnon (CPEPC)
Todd Grierson (FPPAC – Further Poultry Processors Association of Canada)
Matthew Harvie (Nova Scotia)



David Janzen (British Columbia)
Urs Kressibucher (Ontario)
David MacKenzie (Prince Edward Island)
Ruth Noseworthy (Newfoundland & Labrador)



Diane Pastoor (Saskatchewan)
Brian Payne (CRFA – Canadian Restaurant and Foodservice Association)
Danny Wiebe (Manitoba)

EXECUTIVE COMMITTEE

Chair: David Fuller (Nova Scotia)
1st Vice-Chair: Martin Dufresne (Quebec)
2nd Vice-Chair: Urs Kressibucher (Ontario)
Member-at-large: Erna Ference (Alberta)

PRODUCTION POLICY COMMITTEE

Chair: Keith Fuller (B.C. alternate)
Yvon Cyr (New Brunswick)
Martin Dufresne (Quebec)
Luc Gagnon (CPEPC)
Todd Grierson (FPPAC)
Urs Kressibucher (Ontario)
Brian Payne (CRFA)

FOOD SAFETY COMMITTEE

Chair: David Janzen (B.C.)
Yves Campeau (Quebec alternate)
Reg Cliche (CPEPC)
Matthew Harvie (Nova Scotia)
Adrian Rehorst (Ontario alternate)

ANIMAL CARE COMMITTEE

Chair: Danny Wiebe (Manitoba)
Yves Campeau (Quebec alternate)
Marc Cormier (New Brunswick alternate)

PROMOTION COMMITTEE

Chair: Jake Wiebe (Manitoba alternate)
Reg Cliche (CPEPC)
Diane Pastoor (Saskatchewan)

FINANCE COMMITTEE

Chair: David MacKenzie (P.E.I.)
David Janzen (B.C.)
Brian Payne (CRFA)

CANADIAN POULTRY RESEARCH COUNCIL REPRESENTATIVE

Jacob Middelkamp (Alberta alternate)

CANADIAN FEDERATION OF AGRICULTURE DELEGATES

David Fuller (CFC Chair)
Erna Ference (Alberta)

NATIONAL FARM ANIMAL CARE COUNCIL REPRESENTATIVE

Danny Wiebe (Manitoba)



HUMAN RESOURCES

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STAFF, HR AND ADMINISTRATION

2008 WAS AGAIN A YEAR CONSISTING OF SEVERAL STAFF CHANGES, WITH THREE STAFF MEMBERS FLYING THE COOP AND SIX NEW EMPLOYEES COMING INTO THE ROOST.

Two of the employees new to the roost were hired on a contract basis to cover for permanent staff members on maternity leave.

In May, another long standing employee, Yves Ruel, celebrated 10 years with CFC.

The organization is located in Ottawa and is staffed by 22 employees. We conduct our business in both official languages.

NEW TO THE ROOST

Lude-Hena Gilles (*April*)
Lisa Riopelle (*May**)
Lise Newton-Lalonde (*August**)
Maria Elena Baisas (*September*)
Rebecca Derry (*October*)
Stephanie St. Pierre (*December*)

FLEW THE COOP

Phil Gravel (*April*)
Sanita Fejzic (*July*)
Marie Murphy (*November*)

**Maternity leave replacement*

ABSENT:

Janet Noseworthy (*maternity leave*)
Tracy Oliver (*maternity leave*)



Executive

Mike Dungate *General Manager*;
Stéphanie Turple (*left*) *Executive Assistant*;
Lise Newton-Lalonde *Senior Government Relations Officer**



Trade & Policy

Yves Ruel (*right*) *Manager of Trade & Policy*;
Mihai Lupescu *Senior Trade Analyst*



Finance

Michael Laliberté (*seated, left*)
Manager of Finance;
Jae Yung Chung (*standing, left*) *Auditor*;
Maria Elena Baisas (*seated, centre*) *Bookkeeper*

Market Information & Systems

Lori Piché (*standing, right*)
Market Information Officer;
Jan Rus (*seated, right*)
Manager of Market Information & Systems



Food Safety & Animal Care

Steve Leech (*left*) *Manager of Food Safety, Animal Care & Research*;
Caroline Wilson (*standing*) *On-Farm Food Safety Coordinator*;
Jennifer Gardner (*right*)
Animal Care & Research Coordinator



Communications

Elyse Ferland (*standing, left*)
Jr. Communications Officer;
Marty Brett (*seated, left*)
Senior Communications Officer;
Stephanie St. Pierre (*centre*)
Graphic Design & Web Administrator;
Lisa Bishop-Spencer (*seated, right*)
Manager of Communications;
Johanne Neeteson (*standing, right*)
Promotion/Education Officer;



HR & Administration

Lude-Hena Gilles (*seated, left*)
Translation Coordinator;
Paula Doucette (*standing, left*)
Manager of Administration & Human Resources;
Rebecca Derry (*seated, right*)
Meeting/Recording Coordinator;
Lisa Riopelle (*standing, right*)
*Administrative Coordinator**

STRATEGIC PLANNING



SETTING A COURSE FOR THE NEXT FIVE YEARS

IN THE FALL OF 2007, THE CFC BOARD OF DIRECTORS ESTABLISHED AN EIGHT-MEMBER, INDUSTRY-WIDE STEERING COMMITTEE TO LEAD THE DEVELOPMENT OF A FIVE-YEAR STRATEGIC PLAN FOR THE CANADIAN CHICKEN INDUSTRY FOR 2009–2013.

The purpose of this strategic plan is to provide a broad framework of policy and direction aimed at improving the performance of the supply management system for chicken; expanding markets; improving food safety; addressing consumer expectations related to animal care, the environment and food quality; and improving the capacity of CFC to serve as the national focus for the pursuit of these aims.

The Steering Committee met four times over the October 2007 to April 2008 time-frame to review the progress of the past five years, assess the current and future

operating environments of the industry, and shape recommendations for future priorities.

A full consultation was held in London, Ontario on April 7–8, 2008 to expand the discussion and debate with a broader group of 40 stakeholders from production, feed, hatcheries, processing, further processing, foodservice, retail, allied industry and government in order to test the thinking, sharpen the focus and improve the substance of the Steering Committee's recommendations. A draft five-year strategic plan was presented to the CFC Board of Directors on June 4, 2008 and a final version was approved on August 13, 2008.

YEAR-TO-YEAR PLANNING

Each year, CFC's Board of Directors and Executive Management Team take the opportunity to celebrate successes of the previous year and set priorities for the next. The 2009 strategic planning meeting was held in Montebello, Quebec on October 1–2, 2008.

On October 1, the Directors were joined by Mme **Yaprak Baltacioglu**, Deputy Minister, Agriculture and Agri-Food Canada, for a discussion on trends, factors and forces that will shape the business environment in the coming years. The format was a *tour de table*, with all Directors, staff and the Deputy Minister contributing their views.

The remainder of the meeting was focused on designing strategies for 2009 that correspond with the priorities stated in CFC's new five-year strategic plan.

CRITICAL PRIORITIES FOR 2009

Allocation Setting and Market Information

Provide a finalized "report card" with agreed upon healthy ranges, accurate and timely export statistics, improved market information on storage stocks and prices, and a process to approach differential growth and interprovincial movement.

Import to Re-Export Program

Ensure that the administration of Foreign Affairs and International Trade Canada's (DFAIT) Import to Re-Export Program and Canada Border Services Agency's (CBSA) duty deferral program does not create distortions on the domestic market.

WTO Agriculture Negotiations

Work with industry, provincial and federal governments to maintain support for supply management, both through the SM-5 coalition (dairy, poultry and egg industries) and through industry-wide representation in the face of a changing trade environment and a critical period of WTO agriculture negotiations.

OTHER PRIORITIES

Animal Care

Implement an endorsed CFC animal care program, based on science and practical goals. Raise awareness of CFC's program and participate in National Farm Animal Care Council activities.



Animal Health

Develop an effective animal disease prevention and containment strategy that can be adapted to other diseases through development and training exercises.

Antimicrobial Resistance

Develop an integrated antimicrobial resistance strategy to reduce the use of or seek alternatives to antimicrobials in the chicken industry. Ensure CFC's strategy is coordinated with future government policy.

Branding Attributes

Attain consensus amongst key industry stakeholders on branding attributes, and acquire an understanding of consumer expectations on branding attributes.

Contingency Supply Protocol

Develop a protocol for reduced/increased supply during a disease outbreak.

Corporate Social Responsibility (CSR)

Formulate and obtain approval for a CSR strategy and program, including initiatives, funding, and program approval and funding guidelines.

Environment

Set in motion the steps to achieve the goals of Strategy 3.5 of the 2009–2013 Strategic Plan (Environment – Improve overall environmental performance of the chicken industry).

Industry Efficiency and Competitiveness

Develop a workplan to address efficiency and competitiveness issues based on the

collection of benchmark data. Assess the need for, and if positive, the development and implementation of an online production performance module.

On-Farm Food Safety Assurance Program (OFFSAP)

Mandatory OFFSAP regulations in all provinces/all farms certified under OFFSAP. Consistent delivery of the *Safe, Safer, Safest* manual and the OFFSAP management manual across the country.

Online Business Initiative

Amended interprovincial movement (IPM) module that enables provincial boards to report interprovincial movement of live chickens. Modified Market Development Program (MDP) module that enables MDP license holders to report market development transactions. Increased messaging and promotion of CFC's private portal.

Organizational Capacity

Draft a succession plan for the CFC Board of Directors and management, and provide a framework for improved stakeholder engagement.

Promotion/Education Campaign

Develop and implement initiatives to inform consumers about the health benefits of chicken through health and nutrition professionals, educators and CFC Ambassadors. Introduction of a social media component including increased interactive online content, promoted to targeted web users such as consumers, students and dietitians. Develop new factsheets and materials for online and printed use. Enhance relationships

with Canadian culinary/food institutions and food writers in Canada.

Provincial Promotions Program – Year 2

Support promotion initiatives within each province; enhance existing promotions plans in provinces where they exist and assist others in developing their own initiatives; and

Risk Assessment

Obtain a low pathogenic avian influenza indemnification policy for consideration by the CFC Board of Directors. Conduct an analysis of the key risk factors that could have a severe negative impact on the Canadian chicken industry.

Social Media Strategy

Create a social media presence that builds relationships with target audiences about supply management and chicken, and creates a network that can be used in times of crisis.

Tariff Rate Quota Administration and 13% Rule

Determine a long-term allocation methodology for TRQ administration. Work with industry and federal government partners to ensure that Canada makes full use of international trade policies and procedures while not undermining the stability of supply management.

Veterinary Agreements

Explore the possibility for CFC and downstream stakeholders to provide input to CFIA on the negotiation and conclusion of veterinary agreements as part of a consultative process with the domestic industry.

MARKET WATCH

MARKET WATCH

WHILE DEMAND REMAINED STABLE, THE CANADIAN CHICKEN INDUSTRY EXPERIENCED A CHALLENGING YEAR IN 2008 THAT SAW RISING FEED COSTS FOR THE SECOND YEAR IN A ROW DUE TO HIGH CORN, SOYBEAN AND GRAIN PRICES.

Surging feed costs led to record-high producer prices. Wholesale prices also trended upward but remained below previous year levels on the whole. Frozen inventories were fairly stable in 2008 and finished slightly higher at the end of the year. Allocations for the first few periods were set fairly aggressively, became more cautious during the summer months and dipped for the remainder of the year. In the end, 2008's production level finished slightly higher than the previous year's record-setting level.

Per capita chicken consumption in 2008 is estimated to be 31.8 kg, marginally higher than in 2007. Preliminary numbers indicate that both pork and beef consumption

decreased by 1–2% in 2008 and are therefore estimated at 24.2 kg and 30 kg. Lamb, turkey and veal disappearance remained stable compared to 2007. Official per capita consumption figures will be released by Statistics Canada in June.

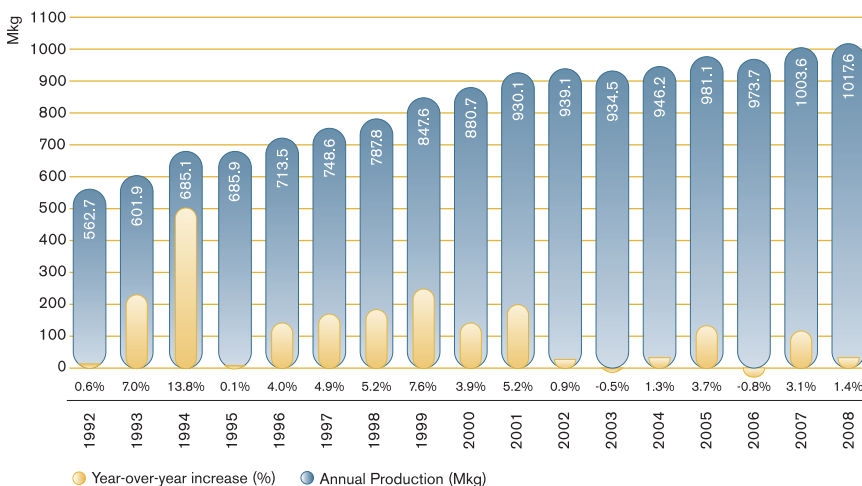
PROVINCIAL PRODUCTION

Canadian chicken production continued climbing further past the one billion mark achieved in 2007, reaching 1,017.6 million kg (Mkg), an increase of 1.4% (14 Mkg). While more than half (8.1 Mkg) of the production increase was for the domestic market, production under CFC's market development program increased by an estimated 5.9 Mkg compared to 2007.

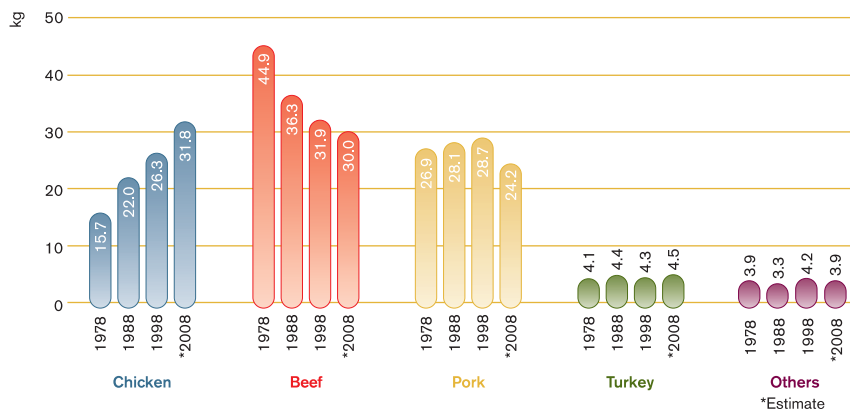
2008 PROVINCIAL CHICKEN PRODUCTION ('000 kg eviscerated)

Province	2008	2007	% Change
British Columbia	157,384	154,411	1.9%
Alberta	89,127	88,285	1.0%
Saskatchewan	38,674	38,519	0.4%
Manitoba	42,422	41,839	1.4%
WEST	327,608	323,054	1.4%
Ontario	330,087	328,652	0.4%
Quebec	280,297	273,276	2.6%
CENTRAL	610,384	601,928	1.4%
New Brunswick	27,921	27,545	1.4%
Nova Scotia	34,505	34,259	0.7%
Prince Edward Island	3,715	3,532	5.2%
Newfoundland & Labrador	13,487	13,327	1.2%
ATLANTIC	79,627	78,663	1.2%
CANADA	1,017,618	1,003,645	1.4%

ANNUAL PRODUCTION (Mkg eviscerated weight)



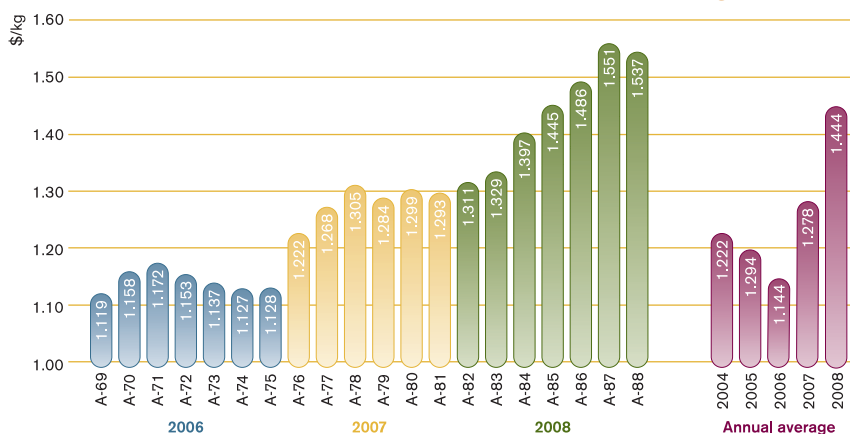
PER CAPITA CONSUMPTION (kg)



QUOTA PERIODS

	From	To
A-82	December 9, 2007	February 2, 2008
A-83	February 3, 2008	March 29, 2008
A-84	March 30, 2008	May 24, 2008
A-85	May 25, 2008	July 19, 2008
A-86	July 20, 2008	September 13, 2008
A-87	September 14, 2008	November 8, 2008
A-88	November 9, 2008	January 3, 2009

CANADIAN WEIGHTED AVERAGE PRODUCER PRICE (\$/kg)



PRODUCER PRICES

The average Canadian producer price in 2008 was \$1.444 per kg, 16.6 cents higher than in 2007, 30.0 cents higher than in 2006, and the highest in CFC history. The gains in the live price over the past two years, (11.8% in 2007 and 12.9% in 2008) represent the highest year over year increases since 1996.

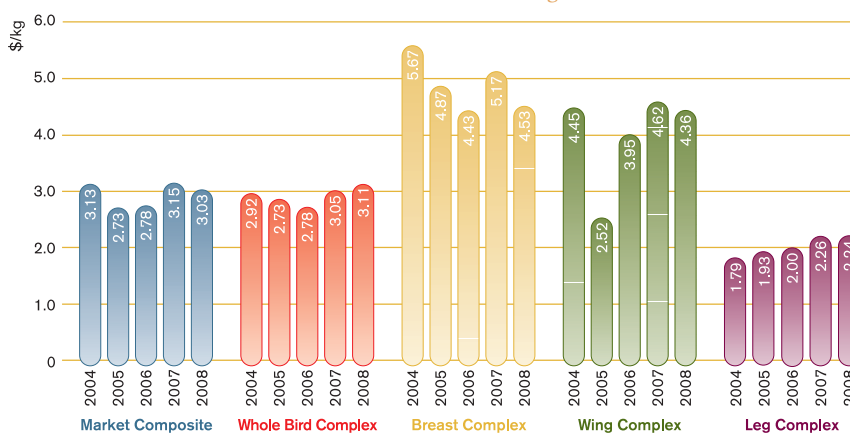
WHOLESALE PRICES

Although wholesale prices remained below 2007 levels throughout most of 2008, the overall trend was an upward one reaching above previous year's prices by the end of

the year. The only exception is the breast meat price that remained stable and lower than 2007 levels for the entire year.

The average market composite for the entire year was \$3.03, down 12 cents (4%) from the record high prices in 2007 (data available since 2002). Wholesale prices for breast meat, wings and dark meat were all lower than in 2007 but 10-40 cents higher than in 2006, while whole bird prices were somewhat higher than in 2007 and highest on record since 2002. The EMI (Express Market Inc.) breast complex averaged \$4.53; 64 cents (12%) lower than in 2007.

ANNUAL AVERAGE WHOLESALE PRICE (\$/kg)



(Note: In cooperation with CPEPC, CFC started publishing the EMI wholesale price series in July 2005. The weekly series consists of one market composite and four market complexes (breasts, wings, whole bird and legs). The series is based on actual invoice data from initially six and now nine Canadian processors, and covers a significant percentage of the total Canadian wholesale volume).

Wing prices started off the year 2008 below the record-high 2007 prices, lost more ground during the summer months and recovered during the last quarter of the year. The average EMI wing complex in 2008 was \$4.36, 26 cents (6%) lower than in 2007. Dark meat prices were lower than in 2007 for the first half of the year but experienced a steady increase reaching \$2.60 in the fall of 2008, the highest since 2002.

The EMI leg complex started the year at \$1.99 and ended it at \$2.43. Overall, the EMI leg complex averaged \$2.24; 2 cents (1%) lower than in 2007. The EMI whole bird complex increased from \$3.05 in 2007 to \$3.11 in 2008, a 5 cent (2%) increase.

RETAIL PRICES

The Consumer Price Index (CPI) as reported by Statistics Canada for fresh and frozen chicken (the only national indicator for national chicken retail prices) showed a considerable increase for the second year in a row in 2008. The CPI for chicken in 2008 was 128.0 compared to 122.9 in 2007 and 114.6 in 2006, representing yearly increases of 7.2% and 4.1% in 2007 and 2008 respectively.

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

In comparison, the consumer price index for all items combined, better known as "the cost of living index", in 2008 was 2.4% higher than last year and the one for all food items was 3.5% higher. The chicken prices at the retail level were up and down during the first four months of the year, increased steeply during the next four months, reached a high in November, but then decreased sharply in December.

All other competing meats, with the exception of turkey, also experienced price increases at the retail level in 2008 but not as significant. Retail beef prices increased by 2.0% compared to 2007, pork prices increased by 1.4%, fish and seafood prices by 1.2%, while retail turkey prices were 1.2% lower than in the year before.



Compared to ten years ago (1998), retail chicken prices are 38.1% higher. Beef prices increased 44.6% over the same timeframe, and turkey prices by 29.7%. Consumers also paid more for fish and pork than ten years ago, 12.3% and 9.5%, respectively.

IMPORTS

According to reports from International Trade Canada (ITCan), a total of 161.4 Mkg of chicken was imported into Canada during 2008. ITCan is responsible for issuing import permits for chicken and products made primarily of chicken. Under Canada's NAFTA obligations, the tariff-rate quota (TRQ, also known as global imports) is automatically set at 7.5% of chicken production in the previous year.

The TRQ for 2008 was calculated as 75,359,325 kg; 2,560,800 kg more than in 2007. According to preliminary year-end statistics, a total of 73,896,355 kg of chicken and chicken products was imported under the TRQ, a fill rate of 98.1%. The TRQ for 2009 is 76.2 Mkg.

In 2008, chicken parts (bone-in and bone-less) accounted for 80.5% of all TRQ imports, 1.5% less than last year. Further processed chicken and live chicken imports accounted for 19.3% and 0.19% of all TRQ imports, respectively. Only a very small amount of whole eviscerated chicken was imported.

As in the past, the U.S. was the largest supplier of chicken products imported under

the TRQ at a total of 48.2 Mkg (65.4%) with a total value of \$113.4 million. Global imports from Brazil totalled 21.3 Mkg (28.9%) for a value of \$44.9 million. The other countries of origin in 2008 were Thailand at 3.4 Mkg (\$8.9 million) and Chile at 0.8 Mkg (\$2.1 million). The total value of all products imported under the TRQ was \$169.3 million, \$6.7 million (3.8%) less than last year.

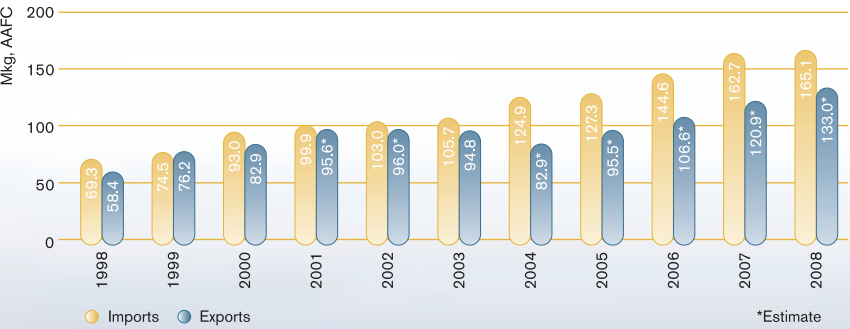
ITCan also issued additional import permits under the "import to re-export" and "import to compete" programs. The "import to re-export" program allows imports of chicken and chicken products into Canada to be further processed. All imports under this program must be exported within a six month period. In 2008, a total of 82.4 Mkg was imported under this program, 8.1 Mkg (10.9%) more than in 2007, and almost double the amount that was imported under this program in 2005.

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 5.0 Mkg was imported under this program in 2008, 3.5 Mkg more than in the previous year.

SUPPLEMENTARY IMPORTS (kg)

	2008	2007	% Change
Imports to Compete	4,964,853	1,439,995	245%
Imports to Re-export	82,428,570	74,346,349	11%
Special Imports	278,084	363,008	-23%
Imports for Market Shortage	0	0	-
CANADA	87,671,507	76,149,352	31%

CANADIAN CHICKEN IMPORTS AND EXPORTS (Mkg, AAFC)



EXPORTS

Based on a combination of Agriculture and Agri-Food Canada export data and an estimate for Canadian exports to the U.S. (USDA import data), approximately 133.0 Mkg of Canadian chicken was exported in 2008, up 10% compared to 2007.

The most important destination for Canadian chicken in 2008 was the U.S. with 58.7 Mkg; 7.5 Mkg (15%) more than in 2007. The second most important export market in 2008 was the Philippines where 17.9 Mkg was shipped; 4.8 Mkg more than in 2007. Other important export markets were South Africa, Hong Kong, Russia, Macedonia, Armenia and Jamaica.

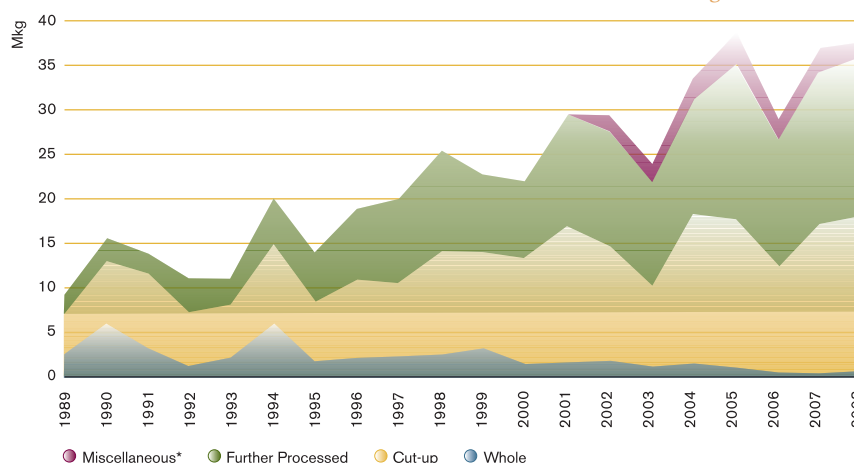
According to Statistics Canada, the value of Canadian chicken exports in 2008 was \$288 million, 11% higher than in 2007. Exports to the U.S. alone in 2008 are estimated at \$191 million; 8% higher than in 2007 and accounted for two-thirds of the total export value in 2008.

STORAGE STOCKS

Frozen chicken inventories started the year at 36.6 Mkg, saw an immediate increase, followed by several months of decreases and finished the year at 37.4 Mkg on December 31st, slightly (2.0%) more than at the beginning of the year.

Inventories of whole bird and cut-up categories increased 0.1 Mkg (15.8%) and 2.5 Mkg (16.7%) respectively throughout 2008, while the other main categories, miscellaneous

CANADIAN YEARLY STORAGE STOCKS AT DEC. 31ST (Mkg)



and further processed, decreased over the course of the year. Frozen inventories of miscellaneous chicken (such as MSM (mechanically separated meat), giblets, skin, feet) decreased significantly with 1.0 Mkg (36.3%), while stocks of further processed chicken in cold storage showed a small decrease of 0.9 Mkg (5.0%). Further processed chicken accounted for roughly half of all chicken products in cold storage in 2008.

Within the cut-up chicken category, the breast, wing and other (including whole cut-up trimmings and halves) categories increased in 2008. Breast inventories represented the highest increase, ending the year 1.5 Mkg (58.7%) higher than at the beginning, and the

other and wing cut-up category inventories increased by 43.4% and 20.6%, respectively, over the course of the year. Inventories of leg quarters decreased by 0.8 Mkg (66.4%) during the year.

Within the further processed category, stocks of further processed boneless breasts fell by 0.4 Mkg (10.1%) in 2008, while frozen inventories of other further processed products (including tenders, strips, nuggets, patties and cooked wings) saw a larger decrease in terms of volume (0.5 Mkg) but smaller percentage-wise (3.6%).



WTO AGRICULTURE TRADE NEGOTIATIONS: THE END IS NIGH

SINCE SEPTEMBER, 2007, WORLD TRADE ORGANIZATION (WTO) NEGOTIATIONS IN GENEVA HAVE BEEN EXTREMELY INTENSE, WITH A HIGH LEVEL OF ENERGY AND ENGAGEMENT CONTINUING THROUGHOUT 2008. THIS YEAR HAS PROBABLY BEEN THE MOST ACTIVE IN THE DOHA ROUND, BOTH IN TERMS OF THE NUMBER OF MEETINGS AND IN TERMS OF THE RESULTS ACHIEVED.

The focus was placed on the following three broad areas:

1. completion of a methodology for the calculation of domestic consumption
2. refining the texts of the modalities agreements in agriculture and non-agricultural market access (NAMA – industrial products)
3. organizing a ministerial conference to sign modalities agreements for agriculture and NAMA

CFC ACTIVITIES

Throughout the year, CFC continued closely monitoring the WTO negotiations and assessing the potential implications on the entire Canadian chicken industry. Together with dairy, poultry and egg industry representatives (the SM-5), CFC maintained an active presence in Geneva at the heart of negotiations. During the ministerial meeting in July, CFC sent a strong delegation to Geneva, joining other SM-5 representatives in pressing the importance of negotiating a good deal for supply management upon the nine provincial agriculture ministers and the federal agriculture and international trade ministers in attendance.

With every new revision of the draft agriculture modalities text that was issued in Geneva, CFC, as well as the Canadian government, issued press releases taking a strong stance against those documents containing provisions detrimental to our industry in terms of tariff cuts and additional market access.

The SM-5 permanent representative in Geneva continued to publish the weekly updates on the WTO negotiations, *Geneva Watch*. This publication, and other trade updates, can be found on the CFC website (www.chicken.ca) or on the SM-5 website (www.farmsandfood.ca).

CFC was also very active domestically to ensure strong federal and provincial government support for supply management. In early July, CFC attended the Federal, Provincial and Territorial Agriculture Ministers Meeting in Quebec City, to advocate the need for Canada to negotiate a favourable deal for supply management at the WTO. With other representatives from the SM-5, CFC met on several occasions with Agriculture and Agri-Food Minister, **Gerry Ritz**, as well as with then-International Trade Minister, **Michel Fortier**.

REFINING THE DRAFT MODALITIES

The intensive negotiations in Geneva at the beginning of the year culminated with the February release of a revised draft modalities text by Ambassador **Crawford Falconer**, Chair of WTO Agriculture Negotiations. That was the 1st revision of the initial draft text, which had been tabled in July 2007. Throughout the spring and early summer of 2008, negotiators and senior officials managed to close some of the gaps in trade talks, allowing Falconer to issue another revised modalities agreement, the 2nd one, in May.

In a parallel process, delegates in Geneva were busy developing and agreeing upon a methodology for calculating domestic consumption. Such a methodology was required under the proposal coming from the European Union on the so-called "partial designation" of sensitive products. This was a proposal to allow countries not to designate a full agricultural product category as sensitive (e.g. chicken), but only the most sensitive tariff lines defining that product (e.g. frozen boneless cuts). For the proposal to work, countries had to find a way to allocate consumption at the tariff line level. After many weeks of negotiations, a methodology was agreed upon early in the summer and was incorporated into subsequent draft modalities texts.

THE JULY MINISTERIAL MEETING

The end of July was marked by a serious attempt by WTO members to conclude modalities agreements in agriculture and NAMA. Earlier in the month, Falconer had issued the 3rd revision of agriculture modalities. With each new version of his text, Falconer managed to gradually narrow some of the gaps and even to close some of the delicate areas.



At the end of the month, WTO Director General **Pascal Lamy** convened trade and agriculture ministers from about 35 key countries to Geneva for a ministerial meeting in an attempt to conclude the modalities for agriculture and industrial goods. They engaged in a long, 9-day marathon of formal and informal, public and closed-door meetings, negotiations and consensus-seeking sessions.

At that point, the agricultural modalities seemed to be a done deal. In the end, however, trade talks collapsed over the issue of special safeguard mechanisms in agriculture for developing countries (SSM). India wanted this safeguard mechanism to be triggered very easily and to allow charging high supplementary duties. The U.S., on the other hand, wanted to make sure that normal trade flows would not be negatively impacted by the SSM and that those provisions would really be used as a last resort safeguard.

Ministers left Geneva and the blame for the failure fell on both India and the U.S. but nevertheless everyone recognized all the progress made over those nine days. Lamy was more determined than ever to seek the conclusion of a modalities deal by the end of the year.

MAINTAINING THE MOMENTUM

In order to reinvigorate the process leading to a modalities agreement by the end of 2008, Lamy had to come up with a tight work plan. After the failed attempt in July, he wanted to capture all the progress that was achieved since the beginning of the year and avoid any long delays that would threaten the negotiating dynamic. He rushed the two negotiation chairs, agriculture and NAMA, into another series

of intensive consultations and he himself went on an international tour to discuss with world leaders the possibility of concluding a deal by year-end.

By November, little progress had been made. Countries still remained divided on those issues that blocked a deal back in July and the contentious areas began to crystallize. In agriculture, the issue of SSM and the whole issue of sensitive products had yet to be negotiated. Also, the "cotton file" was still open, wherein four African cotton-producing countries requested more substantial subsidies cuts from the United States than the general cuts agreed to for agriculture overall.

In industrial products, the so-called "sectorals" emerged as a roadblock. While the NAMA modalities were largely agreed to, the U.S., Canada and other developed countries requested deeper commitments from emerging developing countries in specific industrial sectors, commitments that would go beyond the general NAMA text.

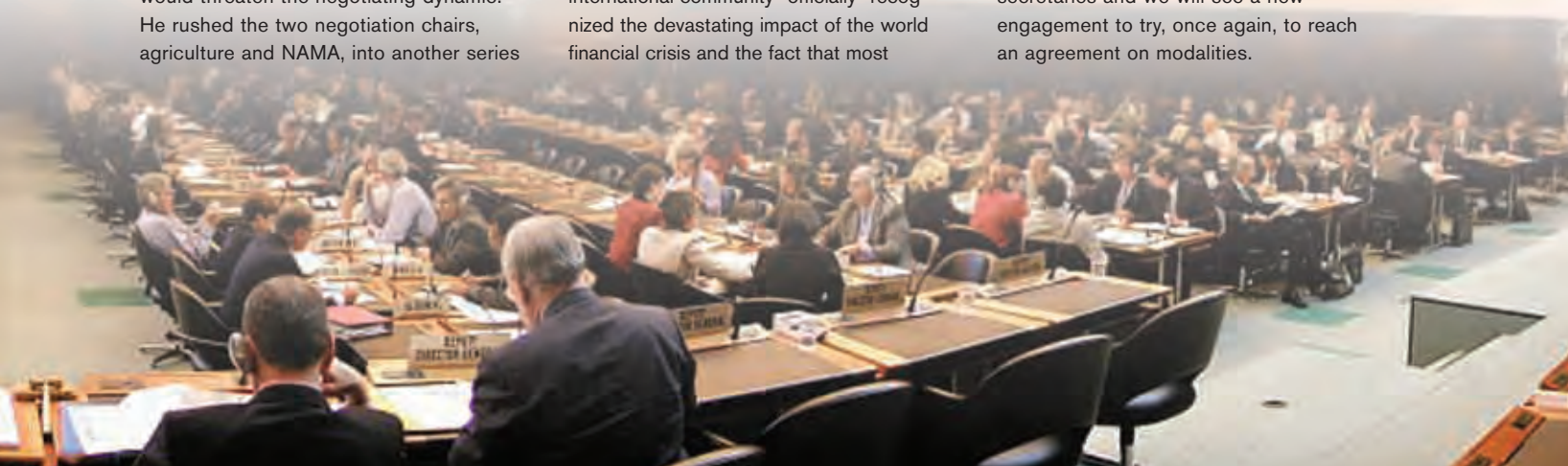
"Sectorals" are pluri-lateral agreements (agreements with only a few members) where participation is voluntary and negotiations usually take place among WTO members representing a "critical mass" of the world production and trade in a particular sector. For developed countries, it was crucial that, out of 14 sectors under negotiations, developing countries like India, China and Brazil participate in at least a few "sectorals", such as chemicals, industrial machinery and electronic goods.

November was also the month when the international community "officially" recognized the devastating impact of the world financial crisis and the fact that most

economies would enter a period of recession. World leaders from the largest developed and developing countries met to set up a plan on how to deal with the crisis. Subsequently, heads of state of the newly-created G20, which is an enlarged G8, and of the Asia Pacific Economic Cooperation (APEC) mentioned in their declarations that, with respect to trade and WTO, their ministers were instructed to meet in December and try concluding modalities agreements in agriculture and NAMA. Having this political support, Lamy started to prepare the ground for a decisive ministerial gathering in Geneva.

Despite a new series of meetings in Geneva, progress was slow. Both the NAMA Chair and Ambassador Falconer issued new draft modalities texts at the beginning of December, the 4th revision. In the case of agriculture and more specifically for supply management, the requirements were very detrimental: minimum 23% tariff cuts in over-quota tariffs and up to 6% market access in exchange for being selected as sensitive products and escaping a tariff cap of 100%.

At the WTO, the contentious issues had boiled down to three: cotton, SSM and sectorals. Initially, a ministerial meeting was planned for December 13–15; later it was postponed to December 17–19. On December 12th, Lamy had to concede defeat: there were no signs from the key countries that they were willing to reach a compromise. He cancelled the ministerial and recommended that negotiations restart in the New Year. By then, the United States will have changed its negotiators and its trade and agriculture secretaries and we will see a new engagement to try, once again, to reach an agreement on modalities.



DOMESTIC CHICKEN MARKET



DOMESTIC CHICKEN MARKET UNDER IMPORT PRESSURE

Every year, based on Canada's international market access commitments, Canada's International Trade Minister makes a ruling on the methodology to allocate the imports under the Tariff Rate Quota (TRQ) that would be permitted into Canada. In 2007, the minister decided to approve all requests for supplementary imports which led to the highest import allocation ever.

FOR THE 2008 TRQ ALLOCATION, THE INTERNATIONAL TRADE MINISTER DECIDED TO IMPOSE SOME RESTRAINT ON THE IMPORT ALLOCATION REQUESTS.

However, the 2008 allocation decision still allocated a significant level of imports above Canada's international obligations of allowing an access level representing 7.5% of the previous year's chicken production level.

Starting from a TRQ volume of 75.4 million kilograms (Mkg), the Minister's decision maintained the allocation to the processors, distributors and foodservice pools at the same volume as in 2007, which respectively received 18.1, 7.8 and 3.1 Mkg.

For the "traditional" import quota holders, i.e. companies who were importing chicken prior to the establishment of a national supply management system in 1979, they received 21.8 Mkg, the same volume as in 2007. The last part of the calculation,

requests from Canadian companies manufacturing chicken products that are not subject to the import control list (Non-ICL), was that up to 5.3 Mkg would be required as supplementary imports, bringing our anticipated access level to 8.03%, significantly higher than Canada's commitment of 7.5%.

NON-ICL PRODUCTS

Specifically for the allocation to manufacturers of Non-ICL products, the Minister decided they would receive their allocation in two instalments. The first would be comprised of the volume remaining for Non-ICL as part of the global TRQ allocation of a 7.5% access level, which represented 83% of their allocation.

For their additional eligible requests representing 17% of their annual allocation, they would need to demonstrate to Foreign Affairs and International Trade Canada that their first instalment was completely used for manufacturing eligible products and that the second instalment is required to complete the year's production.

Since the allocation to Non-ICL manufacturers is based on the previous year's production history, this process was implemented to avoid allocating supplementary imports to a company with declining sales that no longer requires the second instalment.

In addition, it was decided that Non-ICL manufacturers using certain chicken inputs such as ground, trim, finely textured or diced meat would be required to import this specific product as part of the second instalment. The Minister also announced that this "like-for-like" concept will be extended to all imports under the second instalment in 2009.

By the end of the year, the actual imports exceeded the TRQ by 4.1 Mkg, representing a total access of 7.9% access level. This is a positive sign, compared to previous years.

This methodology, approved for 2008 and 2009, represents a compromise attempting to reduce the supplementary imports

although still far from Canada's commitment. CFC strongly believes that imports should be limited to Canada's international commitment thus maximizing the opportunities for domestic production to ensure the greatest benefits possible for the Canadian economy and our rural regions.

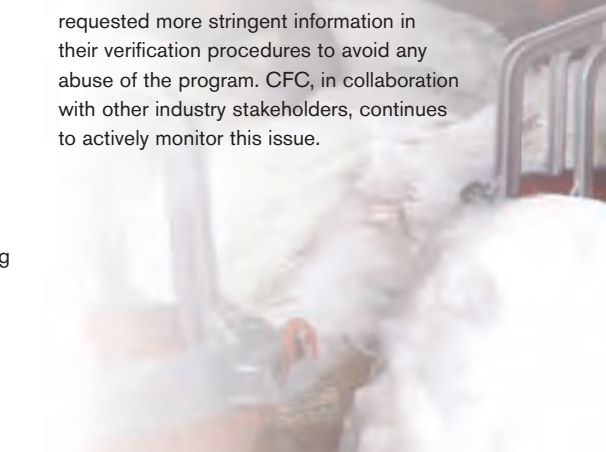
IMPORT PRESSURE

The ongoing pressure on the TRQ results mainly from Canada's generous 13% rule. This rule stipulates that any product containing at least 13% of any ingredient other than chicken is usually no longer considered as chicken for import control purposes. In other words, products containing 87% chicken or less can be imported into Canada without an import allocation, therefore eroding the Canadian market.

For many years, CFC and the entire industry have requested modifications to this rule that has no equivalent around the world and will continue to pursue changes favourable to the Canadian chicken industry.

The volume of importation under the program of imports to re-export is another growing concern for CFC and the Canadian Poultry and Egg Processors Council. This volume has increased again in 2008, now reaching 82.9 Mkg, an 11% increase over 2007. This continuous growth is leading many industry observers to doubt that leakages into the Canadian market may occur.

Tighter regulations on conversion factors and on the description of what constitutes a bone-in product have been agreed to by the Chicken and Turkey Tariff Rate Quota Advisory Committee (TQAC). As a result of industry discussions, Foreign Affairs and International Trade Canada have also requested more stringent information in their verification procedures to avoid any abuse of the program. CFC, in collaboration with other industry stakeholders, continues to actively monitor this issue.



ANIMAL CARE

ANIMAL CARE

CANADA'S CHICKEN FARMERS DO THEIR UTMOST TO ENSURE THAT CHICKENS ARE RAISED WITH THE BEST POSSIBLE CARE.

Farmers and industry stakeholders take pride in the measures and precautions that the industry takes to ensure the safety, health and well-being of its flocks. Protecting flocks is an investment in a sustainable industry—it makes good economic sense as well as common sense for the industry to take excellent care of its birds.

FINALIZED PROGRAM

In 2008, the final version of the CFC Animal Care Program was approved by the CFC Board of Directors.

The Animal Care Program is an auditable program designed to demonstrate the high level and standards of the Canadian chicken industry's on-farm animal care. The program is based on the *Canadian Recommended Code of Practice for the Care and Handling of Chickens, Turkeys and Breeders from Hatchery to Processing Plant*.

CFC worked diligently with its partners in order to create the best possible Animal Care Program for Canada's chicken farmers. The Animal Care Committee consulted over forty Canadian stakeholders representing farmers, industry, academia, farm

animal councils, catching companies, humane organizations, federal and provincial governments, the veterinary profession, as well as restaurants and grocers on the content of the Animal Care Program. The Program was also piloted on chicken farms across Canada.

Implementation of the Animal Care Program will begin in 2009 and the first audits are expected to take place in the spring.

Management of the Animal Care and Food Safety programs will be integrated in order to make the two programs easier for farmers to implement concurrently.

Furthermore, the stocking density requirements of the Animal Care Program will be phased-in over five years; the phase-in period commenced in December 2008.

ANIMAL CARE PROGRAM SUPPORT

As a result of the efforts of many stakeholders, both the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association support the implementation of CFC's Animal Care Program. Obtaining third party support is very important to the credibility of a program such as this as it simplifies communication and promotion of the program and instils confidence about the high standards on which it is based.

CFC is pleased to be able to work with our partners to create a quality Animal Care Program for our industry and looks forward to the next chapter of the Animal Care Program—its implementation. A successful,

auditable Animal Care Program will help demonstrate that Canadian chicken farmers belong with world leaders in animal care.

THE NATIONAL FARM ANIMAL CARE COUNCIL

In 2006, CFC became a member of the National Farm Animal Care Council (NFACC). NFACC is striving to achieve a national, coordinated approach to responsible farm animal care in Canada with one of its key activities being to establish a process for developing and revising the Canadian Codes of Practice for the Care and Handling of Livestock.

NFACC was established in 2005. Currently, 23 organizations are represented on the council. **Danny Wiebe**, Chair of CFC's Animal Care Committee, is CFC's representative on the NFACC council.

In 2008, NFACC focused on revising its business plan. In 2007, the NFACC membership began working toward securing enough funding to make NFACC a sustainable organization. NFACC had previously operated under start up funding received through the Agriculture and Agri-Food Canada's Advancing Canadian Agriculture and Food Program (ACAAF). Funding now comes from its membership. In light of these changes, NFACC began revising its business plan to better reflect the direction of the organization under its new structure. This business plan is in the process of being finalized.

CFC looks forward to continuing to work effectively with NFACC to address animal care issues in Canada.



ANIMAL HEALTH

AVIAN INFLUENZA, ANIMAL HEALTH AND DISEASE MANAGEMENT

CFC HAS BEEN COLLABORATING WITH INDUSTRY PARTNERS TO MAINTAIN THE STRONG HEALTH OF THE CANADIAN CHICKEN INDUSTRY BY INCREASING THE LEVEL OF DISEASE PREVENTION AND PREPAREDNESS, AT BOTH THE INDUSTRY AND THE GOVERNMENT LEVELS.

Throughout 2008, CFC continued to work with industry stakeholders to refine and continually improve the prevention and response plans in place. CFC, in coordination with the national poultry organizations and the

Canadian Poultry and Egg Processors Council (CPEPC), collectively known as the National Poultry Group (NPG), work together to ensure a common direction on animal health issues.

PREVENTION

In 2008, several different subject areas were advanced to improve the level of prevention within Canada. These included developing a set of national avian biosecurity requirements with the Canadian Food Inspection Agency (CFIA) and other avian organizations, coordinating with the CFIA on the avian surveillance survey, contributing to the development of a National Farmed Animal Health Strategy and participating on the industry-government advisory council for traceability.

The Canadian poultry industry's best approach to preventing an animal disease incursion comes in the form of appropriate biosecurity. CFC has already incorporated biosecurity measures into the On-Farm Food Safety Assurance Program—*Safe, Safer, Safest*. While these standards are currently in place, CFC has been participating on CFIA's Avian Biosecurity Advisory Committee; this committee is developing a standard set of requirements for producers and the supply sector. Any additional requirements not already part of

Safe, Safer, Safest will be considered for addition to the OFFSAP. The expectation is that the producer standards will be completed in the first quarter of 2009, and the supplier standards will be completed by the end of 2009.

The notifiable avian influenza (AI) surveillance survey, which consists of an on-farm testing regime, started in June 2008 and was initiated based on the need to understand the prevalence of low pathogenic AI in Canadian flocks. This was in direct response to a need for Canada to meet international standards. Developing the survey with CFIA meant striking a balance between performing the survey to obtain the data vs. working to ensure industry sustainability. In total, over 500 flocks were surveyed in 2008, with all flocks testing negative for notifiable AI. A new edition of the AI survey will be conducted in 2009.

While the NPG was working with government on avian diseases, it became clear that a multi-commodity approach working in conjunction with government would be beneficial for the future health of Canadian agriculture. To this end, CFC has participated on an industry-government working group to develop a National Farmed Animal Health Strategy. The objective of the strategy is to form a coordinated governance structure



between government and industry to manage animal health issues. A draft document has been developed; future progress on this file will depend on the results of the consultation process with government and industry which is slated for the first half of 2009.

As part of the disease preparedness mechanism, CFC has maintained involvement with the traceability discussions and standard development at the national level through the industry-government advisory council on traceability. Activities at these meetings require close communication with provincial boards to reduce any potential duplication.

RESPONSE

A significant number of protocols and procedures have been developed in past years to help with the response mechanism of an animal disease, ranging from CFIA's Hazard Specific Plan for AI, to national and provincial producer emergency response plans.

These successes were built on in 2008 by refining the National Poultry Group Emergency Response Plan, developing a standard set of cleaning & disinfecting protocols after a depopulation event, and investigating the option of an indemnification policy for low pathogenic AI.

The National Poultry Group Emergency Response Plan was updated based on a national table-top disease management exercise coordinated by the NPG and CFIA, held in October 2007. This plan describes the processes and procedures for members of the NPG during a disease situation; examples of the content include the communication triggers and channels between industry and government, as well as technical working groups that would be used during an outbreak situation. This plan will be used for future training exercises and disease outbreaks.

Past AI cases indicated a clear need to have a standard set of cleaning & disinfecting protocols for farms that have been depopulated by CFIA. Premises need to undergo a CFIA-supervised and approved cleaning & disinfection after depopulation, and lacking a standard set of protocols has caused confusion for both farmers and the CFIA.

To resolve this, CFC worked with CFIA to develop standard procedures that could be used in the event of an AI outbreak. These have been developed with CFIA and have been finalized as CFIA documents. These protocols will act as a template that will be customized to each farm. These standards have been provided to each provincial

emergency response committee for incorporation into their plans.

In part due to the AI surveillance survey being conducted by CFIA, CFC began investigating the possibility of obtaining indemnification for producers for low pathogenic notifiable AI. The *Health of Animals Act* only compensates farmers for flocks that have been ordered depopulated by the CFIA and not downtime or cleaning & disinfecting or other financial implications.

Throughout the course of 2008, CFC dealt with the insurance market to develop an indemnification policy. This work is closely linked to similar activities being performed by the Ontario Livestock and Poultry Council. These activities will continue into 2009 with the objective of presenting options to the CFC Board of Directors. Future development of this strategy will be dependent on the cost, viability and linkages to other programs.

CFC is committed to ensuring a strong Canadian industry is prepared to mitigate the threat of contagious animal disease, by having the protocols in place to quickly contain a disease and by ensuring a recovery system is in place to ensure the sustainability of the industry.



ON-FARM FOOD SAFETY

ON-FARM FOOD SAFETY

The Canadian chicken industry's proactive nature and aspiration to maintain a high level of on-farm protocols are demonstrated by the development and implementation of CFC's On-Farm Food Safety Assurance Program (OFFSAP), *Safe, Safer, Safest*.

Safe, Safer, Safest has become a great tool to communicate and promote to consumers and to industry stakeholders by being able to demonstrate the food safety principles being implemented by chicken farmers across Canada.

Safe, Safer, Safest includes an on-farm producer manual and an overall management system. The on-farm producer manual provides producers a means to implement the program to address the potential food safety hazards that can occur at the farm level. The management system, which is jointly administered by the national and provincial board offices, is a standardized set of protocols for auditing and certifying farms, and auditor training to ensure consistency across the country.

The credibility of the program rests with the level of implementation on farms and the adherence to the audit and certification schedule. This credibility is reinforced by the Federal-Provincial-Territorial recognition program for on-farm food safety programs.

Managed by the Canadian Food Inspection Agency (CFIA), the recognition process consists of three phases: recognition of the producer manual, recognition of the management manual protocols and lastly recognition of the implementation of both these manuals.

CFC has obtained recognition for the first two phases, in 2002 and 2006 respectively. CFC is preparing to undergo phase three which would provide CFC with full recognition for *Safe, Safer, Safest* which includes 3rd party audits of the entire system.

PRODUCER IMPLEMENTATION

The program has evolved significantly from its development and the first set of audits that occurred in 2001.

To date, 8 provinces have completed, at minimum, the initial full audits for farmers in the province and farmers in 8 provinces are completely certified. Nationally, over 2,300 producers (83%) are certified on the *Safe, Safer, Safest* program and over 93% have been audited.

While the regulatory authority to enforce the program rests with the provincial boards, the CFC Board of Directors have made the recommendation that the program be made mandatory at the provincial level. At the end of 2008, 6 provinces have enforcement mechanisms through regulation or policies, while another 2 are in the approval process.

In addition, the Quebec provincial board has approved an action plan that will see all farms certified by December 31, 2009. Enforcement measures will then be imposed for farms that are not certified.

These actions clearly demonstrate the commitment of Canadian chicken farmers to *Safe, Safer, Safest*.

FURTHER PROOF WAS THE SIGNING OF A MEMORANDUM OF UNDERSTANDING BETWEEN CFC AND THE PROVINCIAL BOARDS, WHICH OUTLINES THE DIVISION OF ROLES, RESPONSIBILITIES AND AUTHORITY BETWEEN THE PROVINCIAL CHICKEN BOARDS AND CFC IN ORDER TO DELIVER A CONSISTENT NATIONAL PROGRAM THAT PROVIDES HIGH QUALITY CHICKEN CONSUMERS CAN TRUST.



THIS MEMORANDUM WAS SIGNED AT CFC'S SUMMER MEETING IN HALIFAX, NOVA SCOTIA AND WAS WITNESSED BY BROOKE TAYLOR, MINISTER OF AGRICULTURE FOR THE GOVERNMENT OF NOVA SCOTIA.

MANAGEMENT SYSTEM IMPLEMENTATION

The OFFSAP Management manual is a set of protocols and policies used by the national and provincial boards. A standard set of procedures ensures that the OFFSAP is being applied consistently across the country. This manual underwent a review in 2008 and a new version was released in September, all the time maintaining the recognition from the Federal, Provincial and Territorial governments.

To ensure consistent delivery of the program across Canada, CFC engaged in internal audits at the provincial board offices, witness audits of auditors and auditor training exercises. Internal audits were conducted at each of the provincial board offices and at the CFC office to determine if the protocols and policies of the management manual were being followed.

These internal audits served two purposes: the first was to ensure that there is consistency in delivery across the country and the second was to determine the industry's level of preparedness for a 3rd party audit of the system—the third phase of the government recognition process.

As a subsequent step of ensuring consistency at the farm level, CFC performed witness audits of on-farm auditors across Canada to evaluate their performance. This is another important step in ensuring credibility from both a producer and a government perspective. In 2008, 18 witness audits were performed, representing 75% of auditors.

A series of group auditor training sessions were held, whereby auditors participated in an on-farm audit; this was followed up with a group discussion to share information and strategies with the objective of consistent auditing across the country. From these sessions, an Auditor Guidance Tool was created to help auditors with interpreting the manual in different situations while keeping within the protocols and policies of the management system.

Internal audits, witness audits of auditors and auditor training will continue in 2009 as CFC prepares for the 3rd party audit.

TOOLS FOR THE INDUSTRY

There are many stakeholders that play a role in ensuring the integrity of a farm's biosecurity. As a result, CFC developed a brochure

entitled "You have a role to play in *Safe, Safer, Safest*" about the responsibilities of industry personnel that service the poultry industry when visiting a farm and that briefly explains the benefits of an OFFSAP program. These brochures have been provided to each provincial board for distribution to industry partners including field inspectors, service technicians, feed delivery drivers and the transport industry.

FUTURE PROGRESS

CFC has begun a review of the *Safe, Safer, Safest* manual; the review of the manual will include significant communications with provincial boards prior to the release of a revised version. Several ongoing consultations could have an impact on revising the manual, including the biosecurity guidelines being developed by the Avian Biosecurity Advisory Council and the development of medicated feed mixing regulations by CFIA.

This review will continue to ensure the maintenance of linkages to other supply managed food safety programs, feed mills and hatcheries, in addition to charting a practical and sustainable approach.

In the foreseeable future, CFC intends to achieve full recognition of *Safe, Safer, Safest* by the Federal-Provincial and Territorial governments. This will require an integrated effort from all stakeholders and, once achieved, will be invaluable in promoting the development, implementation and status of the program to consumers and stakeholders.



GOVERNMENT RELATIONS



GOVERNMENT RELATIONS

CFC PLAYS A STRONG ROLE IN ENSURING THAT CANADIAN CHICKEN FARMERS AND, INDEED, THE ENTIRE CANADIAN CHICKEN INDUSTRY ARE HEARD BOTH DOMESTICALLY AND INTERNATIONALLY, WHEN IMPORTANT AGRICULTURE AND TRADE POLICY DECISIONS ARE MADE.

Through relationships with federal and provincial governments, bureaucrats and other industry stakeholders, CFC works collaboratively to anticipate and react to changes in government, legislation and policies, both domestically and internationally.

POLICY, PROGRAMS AND INITIATIVES

Product of Canada Labelling

The Canadian Food Inspection Agency (CFIA) released a discussion paper on May 21, 2008 detailing proposed changes to the current *Product of Canada* guidelines and introducing new *Made in Canada* regulations for food.

CFC provided feedback to CFIA on the proposed changes. In addition, **Mike Dungate**, CFC's General Manager, appeared before the House of Commons Standing Committee on Agriculture and Agri-Food on April 29 and proposed the following:

- Packaging and advertising should not be included in the calculation used to define *Product of Canada*
- Improved labelling requirements and related consumer education is an ideal way to promote Canada's excellent standards
- Differentiate any new labelling requirements from the unpopular U.S. Country of Origin Labelling (COOL) program

- Imported foods must be subject to the same safety measures as Canadian foods
- A positive, pro-Canadian agriculture communications strategy must be a part of any proposed changes

The new *Product of Canada* guidelines will come into effect in January 2009 on new products. It is recognized that many products produced or manufactured before this date may already be on store shelves. However, it is expected that all products produced after this date would comply with the new guidelines.

Growing Forward

Agriculture and Agri-Food Canada held consultations in Winnipeg on May 27-28, 2008 to obtain stakeholder feedback on proposed *Growing Forward* policy initiatives. CFC was represented by Executive Committee member **Erna Ference**.

Growing Forward is a Federal-Provincial-Territorial (FPT) commitment to Canada's agriculture sector that is focused on achieving results, reflects input from across the sector, and will deliver programs that are simpler, more effective and tailored to local needs. Governments (federal-provincial-territorial) are investing \$1.3 billion over five years in *Growing Forward* programs.

This national consultation meeting offered participants the opportunity to provide governments with their considerable input and ideas on proposed *Growing Forward* programs and initiatives designed to position the sector to respond to new challenges and to seize new market opportunities.

Input from this two-day session was used to brief FPT Ministers at their May 29-30 meeting in Toronto and is informing FPT governments as they continue to finalize *Growing Forward* program details and initiatives. As governments further refine program details, delivery options, and implementation strategies, it is anticipated that more FPT participant engagement sessions will be held with a more regional focus.

Growing Forward was signed in July and program implementation will follow.

AGREEMENT ON INTERNAL TRADE (AIT)

CFC is pleased that provincial and federal governments have expressed their intent to maintain the exemption for supply management from the AIT.

Recognizing the Ministers' commitment to completing the review of the Agriculture and Food Chapter, the SM-5 has undertaken significant work to develop a proposal that will provide an effective exemption for supply management and submitted it to government in keeping with the deadline of October 31, 2008. It is our understanding that the elections last fall have delayed progress on the revisions to Chapter Nine of the AIT.

CFC looks forward to working closely with the Parties to finalize the AIT review in a manner that preserves effective supply management.

NEW LOBBYING ACT

The new *Lobbying Act* came into effect on July 2, 2008 and features substantial changes from the previous *Lobbyists Registration Act*. The new Act is in effect the lobbying section of the *Federal Accountability Act*. It is intended to curtail abuses in access to government, through increased regulation and prosecution for under reporting.

Important Changes

- The position of Registrar has been replaced by a Commissioner of Lobbying – an officer of Parliament, and a new category has been created entitled Designated Public Office Holder (DPOH).
- Reporting and Returns – There is no longer a requirement to file semi-annual returns. However, consultant lobbyists (CFC Directors) and in-house lobbyists (CFC staff) will still be required to file initial returns. A Detailed Monthly Return must be submitted by the 15th of the month. Monthly returns do not involve all communications with a DPOH, only communications which fit specific criteria.

Section 9.1 will allow the Commissioner of Lobbying to ask any former or current

DPOH to confirm that information contained within the reports is accurate and complete.

The administrative burden that this legislation has placed on CFC is onerous. Our Directors are now required to register individually and until recently, most were not exposed to the intricacies of the new rules. CFC has had to invest an enormous amount of resources into acquiring the legislative knowledge, training staff and coaching Directors on their personal requirements and setting up protocols and systems to ensure that the regulations are properly followed. This requirement is in addition to the task of ensuring that a detailed monthly return is submitted by the 15th of each month.

GOOD BUSINESS, GREAT CHICKEN DVD

In the spring of 2008, CFC launched its new DVD, *Good Business, Great Chicken*, created to educate Members of Parliament, policy makers and Canadians about the chicken industry and its supply management system.

The video was launched in May by four Members of the House of Commons Standing Committee on Agriculture and Agri-Food: **Guy Lauzon**, Government Parliamentary Secretary for Agriculture (Stormont-Dundas—South Glengarry); **Alex Atamanenko**, New Democrat Agriculture Critic (British Columbia—Southern Interior); **André Bellavance**, Bloc Québécois Agriculture Critic (Richmond—Arthabaska); **Ken Boshcoff**, Liberal Agriculture Committee member (Thunder Bay—Rainy River)

2008 FEDERAL ELECTION

On October 15, 2008, Canadians cast their ballots in Canada's 40th General

Federal Election. The final tally gave Prime Minister **Stephen Harper** and his Conservative Party a stronger minority but no majority in the House of Commons.

SPEECH FROM THE THRONE (40TH PARLIAMENT)

Support for Supply Management

CFC was very pleased that the Canadian government stated its continued commitment to supply management in the Speech from the Throne delivered on November 19, 2008 by Canada's Governor General, **Michaëlle Jean**.

The speech stated that the government continues "strongly supporting our supply-managed sectors at home and in international negotiations."

CFC renewed its commitment to working closely with Agriculture and Agri-Food Minister, **Gerry Ritz** and Minister of International Trade, **Stockwell Day** to ensure that the three pillars of supply management—import controls, producer pricing and production discipline remain intact following WTO negotiations.

CFC Election Material

CFC produced and distributed election kits for producers. CFC's initial producer kit was sent out to provincial boards during the first week of the campaign, along with questions to use when communicating with candidates on supply management, the WTO, and the environment. CFC also provided producers with background information to help prepare themselves for meetings: a summary of past

election platforms and recent party policy positions on key issues, economic contributions of the Canadian dairy, poultry and egg industries, as well as guides on how to get involved in the campaign in local ridings.

Weekly election updates containing information from the unfolding campaign were produced and forwarded to provincial boards. CFC's goal was to provide everyone with timely information from the political parties that would impact our sector and were also of general interest.

In addition, CFC placed a series of three ads in *The Hill Times*. The ads were intended to thank and remind political parties of their support for supply management. The first ad was published on September 29, the second on October 6 and the third ad appeared on October 20, the week following the election, congratulating new and returning MPs to the House of Commons.

A RECEPTIVE AUDIENCE

CFC Parliamentary Reception

On November 26, 2008, the CFC Board of Directors hosted its annual Parliamentary reception. The event, which was held at the Fairmont Château Laurier, offered CFC's board members and staff the opportunity to meet with Ministers, Senators, Parliamentary Secretaries, government and opposition MPs, as well as senior political and departmental staff in an informal setting, and communicate key messages to help raise awareness among decision-makers on the current negotiations at the WTO, the pressure facing supply management, food safety, the state of the economy, as well as many others. There was an excellent turnout with over 220 attendees.



PROMOTING A GREAT PRODUCT



MARKETING & OUTREACH

2008 MARKED THE IMPLEMENTATION OF A THREE-YEAR PROVINCIAL PROMOTIONS PROGRAM, WITH A TOTAL OF \$1.2 MILLION IN FUNDING, DEVELOPED TO OFFER PROVINCIAL CHICKEN BOARDS THE OPPORTUNITY TO UNDERTAKE PROMOTIONAL ACTIVITIES THAT THEY MIGHT NOT OTHERWISE BE ABLE TO IMPLEMENT.

PROVINCIAL PROMOTIONS PROGRAM

The goal of the program is to offer provincial boards the opportunity to conduct promotions activities targeting specified themes and audiences. The funds may be used for new initiatives or to expand and enhance initiatives already in place.

Projects must demonstrate that they meet specific criteria to receive funding. Each year, core themes and target audiences are developed by CFC and Provincial Promotion coordinators, in cooperation with the new CFC Promotions Committee prior to being forwarded to the CFC Board for approval at the annual Strategic Planning meeting in October. Provincial boards submit project proposals by mid-January of each year, with the objective of funding approved projects by April 1st of each year.

2008 THEMES

- Chicken is a great choice for your lifestyle (with supporting messages about nutrition, versatility, absence of hormones and steroids in feed, and cooking times)
- The chicken industry is concerned about animal care (with supporting messages about standard animal care misconceptions)
- The chicken industry provides safe, quality chicken (with supporting messages about food safety standards and practices throughout the industry)

For 2008, CFC received and approved applications from seven provinces. The three provinces that did not apply have opted to have their funds carried over until 2009.

In addition, two of the seven applicants applied for amounts below their allotted funds, and will have the remainder of their eligible amounts carried over until 2009.

OUTREACH TO HEALTH PROFESSIONALS

Two new educational nutrition factsheets were developed for health professionals and their patients. One focused on sodium and was launched at the Canadian Diabetes Health Professional Conference and Canadian Cardiovascular Congress in the fall of 2008. These factsheets are designed to be a teaching tool for health professionals. Patients are counselled on making lifestyle and dietary changes and are given the factsheets to take home as a reminder of how to make those changes. While the factsheets do not focus directly on chicken, each includes references to eating lean protein as part of a healthy diet, such as chicken, and also includes healthy chicken recipes.

Based on requests from health professionals and comments from attendees at the conferences, this year's second factsheet focused specifically on obesity. This will be a useful tool for obesity clinics across Canada and will be launched at the 2009 health professional conferences.



Both tools were created with a registered dietitian. CFC is also currently investigating how to better provide information to dietitians and other health professionals, including a more modern approach involving social media.

CFC was also part of the Dietitians of Canada national conference through its sponsorship of the welcome reception and by staffing a booth during the conference to speak with dietitians from across Canada who attended the conference in Winnipeg. CFC also staffed booths during both the Canadian Diabetes Professional Conference in Montreal and the Canadian Cardiovascular Congress in Toronto.

Both of these conferences had three full days of trade shows, where staff had an opportunity to talk to health professionals, including physicians, about our nutritional factsheets and of the many health benefits of including chicken in a healthy lifestyle.

OTHER SPONSORSHIPS

Other sponsorships included the National Agriculture Awareness Conference held in St. John's, Newfoundland this year. During this conference, staff talked to the Agriculture in the Classroom program representatives across the country to review opportunities for collaborating on specific chicken-related projects.

CFC also contributed to the Nutrient Databank Conference held earlier this year. This conference provides a forum for collaborating and generating food composition data to be shared to serve the needs of industry and research. This was the first time the conference was hosted outside of the U.S. and served as an occasion to familiarize health professionals with the issues surrounding the use of nutrient data.

CFC's sponsorship of the Cuisine Canada Culinary Awards was expanded in 2008, as the awards were held at the Royal Winter Fair and included cooking demonstrations with chefs as well as a media tour for prominent food writers. Chicken was the main focus of the cooking demonstrations. Part of the media tour included a visit to the Chicken Farmers of Ontario booth for a live demonstration of how chickens are raised in Canada. Cuisine Canada is a national alliance of Canadian culinary professionals who share a common desire to encourage the development, use and recognition of fine Canadian food and beverages.

2008 HARVEST AWARD

In 2008, Chicken Farmers of Canada sponsored a new scholarship program through kidsworld magazine. The magazine is distributed to 1,500 elementary schools across Canada. The Harvest Award was part of the kidsworld Student of the Year Awards. The Harvest Award goes to the student who can best manage school and farm life. The winner receives a \$1,000 scholarship which can be used for post secondary education and a \$200 iTunes gift card.

Nominees chosen for the Harvest Award were asked to write a letter describing how they balance life on the farm with school and extracurricular activities. They were also required to submit a letter from a teacher, parent or community member that describes how they have balanced the three.

The winner of the 2008 award, **Ethan Woerlen**, lives on a farm in North Gower, Ontario with his family. He was thrilled to win the award which recognizes the balancing act farm kids have to manage daily.

NEW WEB CONTENT

CFC created a new component for its website targeted at youth/young adults. The section focuses on the concept of having a healthy mind and a healthy body. It demonstrates how to adopt or improve a healthy lifestyle by providing key nutritional information as well as information on exercise and getting more active. Visitors can go to the site and assess their level of activity and

nutrition knowledge and participate in several informative quizzes.

TEST THE NATION ON CBC

"Canadians discovered insulin, invented basketball, the paint roller and the stubby beer bottle. We also throw wicked kitchen parties, make a mean poutine and say 'sorry' a lot. Canada breeds superstar actors and comedians like nobody's business. Canadians have done a lot of great things, but how much do we REALLY know about our Native Land?" (CBC website)

On September 7th, Canadians got a chance to find out!

Chicken Farmers of Canada was a key sponsor of the latest edition of CBC's *Test the Nation! Test the Nation: Canada, Eh?*, a two-hour television event, with well over 2 million viewers playing at home and six teams of Canadians competing in CBC's Toronto studio.

This was the 5th instalment to be aired in Canada since the first was launched in March 2007, all hosted by **Wendy Mesley** and **Brent Bambury**.

Test the Nation: Canada, Eh? had an in-studio panel of specially-selected teams including:

- American Canadians
- Tour Guides
- Canadian Forces
- Weathercasters
- Reach for the Toppers
- New Canadians

CFC's sponsorship included pre-promotion spots, regionalized commercials branded by province with both provincial logos and provincial voice-over recognitions, on-line visibility and presence during the airing of the show, distribution of a score-card branded with CFC's logo, a contest for a \$25,000 Registered Education Savings Plan (RESP) and trivia-themed vignettes addressing common myths about chicken.

*Promoting a Great Product
Continued...*



The anticipated impact (total reach) of the sponsorship package was expected to be roughly 4 million impressions. However, the total was over 50 million impressions, 12.5 times more than anticipated. Pre-event ads ran during the summer Olympics, a prime time slot, offering high visibility for Canada's chicken farmers.

CANADA DAY – SWEET 16

July 1, 2008 marked the 16th Canada Day in a row for the Great Canadian Chicken BBQ.

Visitors to Major's Hill Park this year were welcomed to the new "Chicken Corner" which featured the BBQ, several cooking demonstrations by Chef **Fouad El-Jaydyle** of the Centurion Conference and Event Center, who showed his culinary expertise with savoury chicken dishes made on the grill. The area was also a hot spot for live entertainment on the "Chicken Corner" Stage.

RECIPE DEVELOPMENT AND PHOTOGRAPHY

CFC developed 30 original recipes and photographed 50 recipes for posting on CFC's website. Ongoing recipe creation and collection has resulted in well over 200 chicken recipes for all occasions being available to site visitors. They are organized by course and cooking method. They also

feature some that cater to high-fibre, low-fat or low-sodium dietary requirements.

ANIMAL DISEASE COMMUNICATIONS

CFC staff continued to implement the Animal Disease Communications plan by developing specific tools in 2008 and into 2009. These tools will be used in the event of an animal disease crisis in Canada affecting consumption and/or confidence in chicken. All related industry resources on CFC's website have been updated, after the look and feel of the materials, as well as the messaging itself, were tested in focus groups across the country.

Scripts for the commercials were created and tested in focus groups in Toronto, Vancouver and Quebec City. The scripts were then adapted based on the feedback from the focus groups. Filming for the commercials was carried out in British Columbia, Saskatchewan and Ontario. Filming will be completed in 2009. The commercials will be created in an "unfinished" format, to allow for voice-over messaging that reflects the exact circumstances of the crisis.

Filming of the commercial has been combined with the filming of interviews with subject experts, including doctors, animal care specialists, scientists and others. Many

of these interviews will be available on the CFC website in 2009, while others will be held back for use during a crisis.

GEORGE MORRIS CENTRE STUDY

CFC has been participating in a three-year study with the George Morris Centre and several other national commodities, including those representing the pork, lamb and veal industries. This research had two main areas of study; monthly food/shopping diaries filled out by families, as well as a usage & attitude survey detailing consumption habits, trends and preferences. The goal of this study is to provide valuable information to determine if new markets are emerging and to expand existing markets.

The food/shopping diary is very specific in that consumers are required, for example, to record all chicken purchases, including the cut, and when and how it was eaten. This information is normally very costly to obtain, but because costs for the overall study were shared among commodities, the project was eligible for funding from Agriculture and Agri-Food Canada. Results will be finalized and presented to the Board of Directors in 2009.



POULTRY RESEARCH

POULTRY RESEARCH

THE CANADIAN POULTRY RESEARCH COUNCIL (CPRC) WAS ESTAB- LISHED IN 2001 BY THE FIVE NATIONAL POULTRY ORGANIZATIONS IN CANADA.

CPRC's mandate is to create and implement programs for poultry research and development addressing specific industry needs. **Jacob Middelkamp**, from Alberta is CFC's representative on the CPRC Board of Directors. In 2008, Jacob was elected as Vice-Chair of CPRC.

CPRC has been successful in its endeavour to foster poultry research in Canada. To date, CPRC has allocated \$1,070,271 to poultry research and these funds have been leveraged to over \$5.1 million. Furthermore, CPRC has committed an additional \$538,839, which could be leveraged for another \$1.6 million, to poultry research for projects that are currently under consideration for matching funding.

The research priority areas targeted by CPRC are:

1. Animal Welfare
2. Antibiotic Replacement
3. Environmental Concerns
4. Food Safety
5. Poultry Health and Disease
6. Product Development/Value-Added Products

In addition, CPRC has also solicited research in the area of novel feeds. Research into alternatives to conventional grains (especially corn) for use in poultry rations has become an emerging priority due to the increasing demand for those grains from the energy sector (ethanol).

Summaries of all research priority projects are available on the CPRC website (www.cp-rc.ca).

ENVIRONMENT AND NOVEL FEEDSTUFFS

In 2008, CPRC considered research in the areas of the environment and novel feedstuffs. The CPRC Board of Directors approved up to \$335,437 in funding for six research projects; (up to) \$167,719 will be contributed by CFC.

These projects have been submitted to various funding partners for consideration for matching funding. Decisions are expected by spring 2009.

The six environment and novel feedstuffs projects approved for funding are:

1. Title: *Managing nitrogen loss through ammonia emissions from poultry mortality composting*. Lead Researcher: **B. Van Heyst**, University of Guelph
2. Title: *Assessment of indoor particulate, ammonia and secondary inorganic aerosol levels at poultry operations*. Lead Researcher: **B. Van Heyst**, University of Guelph
3. Title: *Protein-based biomaterials from spent hens*. Lead Researcher: **J. Wu**, University of Alberta
4. Title: *Use of alternative ingredients in turkey feed*. Lead Researcher: **H. Classen**, University of Saskatchewan
5. Title: *Growth promoting and immunomodulating activity of distillers dried grains with solubles (DDGS) for poultry*. Lead Researcher: **B. Slominski**, University of Manitoba
6. Title: *Nutritive evaluation of cold-pressed meals for broiler chickens*. Lead Researcher: **D. Anderson**, Nova Scotia Agricultural College
7. Title: *Elucidation of critical characteristics of *Clostridium perfringens* and pathogen-host-environment interactions defining*

CPRC also approved funding for an addendum to a 2007 project funded under the avian gut microbiology priority area.

susceptibility of poultry necrotic enteritis.

Lead Researcher: **A. Olkowski**,
University of Saskatchewan

FUNDING POULTRY RESEARCH IN CANADA

In 2008, CPRC hosted a workshop focused on poultry research funding in Canada. The objectives of the workshop were:

- To clarify the scope and orientation of current poultry research funding in Canada
- To clarify the current mix/balance of public/private research investment in Canada
- To identify opportunities for collaboration and increased leverage of funding for poultry research
- To identify gaps in funding poultry research priorities
- To discuss how funding gaps might be filled
- To clarify the role CPRC and other agencies could play in ensuring appropriate collaboration/leveraging

Approximately 30 participants from across Canada attended the workshop. A major outcome was a consensus among participants that CPRC should take on a greater role as the national coordinator and voice for Canadian poultry research. The CPRC is currently examining its capacity to do so and will further define its role in 2009.

CFC'S RESEARCH FUND

By the end of 2008, CFC's research fund is expected to total just over \$5.1 million, demonstrating CFC's ongoing commitment to research.

Interest earned by the Research Fund is the source of CFC's annual support for poultry research projects and initiatives. CFC will continue to work closely with CPRC and other industry stakeholders to ensure that the industry remains responsive to the needs of the industry, competitive on the world stage and state-of-the-art through ongoing support of poultry research.

AUDITING THE SYSTEM

In 2008, staff audited provincial commodity boards for compliance with CFC policies from periods A-78 to A-81 and began the audit of periods A-82 to A-85, which will be completed in the first quarter of 2009.

CFC's external auditors conducted the audit of processing facilities for periods A-78 to A-85. The audit report will be presented to CFC Directors in March 2009.

In recent years, CFC has collected levies on a number of overmarketing and market development assessments from provincial commodity boards and primary processors.

In 2008, overmarketing and market development levy assessments significantly decreased when compared to recent years.

This is explained by provincial boards' effective management of their periodic allocations and primary processors' timely marketing of the market development production they received.

OVERMARKETING ASSESSMENTS

During the audit period A-80 and A-81, one provincial commodity board was assessed overmarketing levies totalling \$1,068. The report was presented and approved by the CFC Board of Directors in August 2008 and the levies were received in September 2008.

During the audit period A-82 and A-83, three provincial commodity boards were assessed overmarketing levies of \$68,079. During the audit period A-84 and A-85, two provincial commodity boards were assessed overmarketing levies of \$14,273. The report was presented and approved by the CFC Board Directors in November 2008 and all outstanding levies were received by January 2009.

In 2006, CFC assessed overmarketing levies of \$2,204,578 against Chicken Farmers of Ontario (CFO) for the audit period A-68 and A-69. In 2007, the CFC Board of Directors and CFO signed a memorandum of understanding in which CFO agreed to pay the overmarketing levies of \$2,204,578 over 5 years in 5 equal payments with interest charged at 3% per annum. The second instalment of \$440,916 plus interest was received in October 2008.

MONITORING & ENFORCEMENT

MARKET DEVELOPMENT ASSESSMENTS

During period A-79, one primary processor marketed production it received other than in accordance with the CFC Market Development Policy (MDP) and was assessed levies of \$17,541. CFC received the levy payment in March 2008.

One primary processor that was assessed market development levies of \$59,549 in 2005 had filed an application for judicial review in the Federal Court. The case was heard in January 2007 and the Court dismissed the processor's application for judicial review in February 2007. In March 2007, the primary processor filed a Notice of Appeal to Federal Court. The case was heard in February 2008 and the Court dismissed the appeal. The levies of \$59,549 were paid to CFC in May 2008.

In 2006, a primary processor was assessed market development levies of \$228,450 for periods A-66, A-67 and A-68. A show cause hearing was scheduled for 2007 to address the unpaid levies. In 2007, the processor requested an adjournment of the show cause hearing pending a provincial appeal that was still pending. The processor also signed an undertaking where it agreed not to market any chicken pursuant to the CFC MDP throughout the period of adjournment. The CFC Board of Directors granted the processor's request and the case is still pending.

ONLINE BUSINESS INITIATIVE (OBI)

A MDP database was developed on CFC's OBI private portal and fully implemented during period A-87 as a result of the 2007 comprehensive review of the CFC Policies and Regulations. The objective was to increase the efficiency and effectiveness in the system and also reduce the administrative burden for provincial commodity boards and licence holders. Webinars (online seminars) were held with program participants to explain the database's functions and report features. Since A-87, processors have been reporting MDP activities online and CFC's external auditors initiated processor audits in December 2008.

INTERPROVINCIAL MOVEMENT

CFC monitors the number of live chickens that move in the interprovincial and export trade and reports the figures weekly to each provincial commodity board.

INTER-PERIOD QUOTA TRANSFERS

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

In 2008, CFC received 2 requests for inter-period quota transfers totalling 64,818 kilograms live weight compared to 3 requests in 2007 totalling 286,688 kilograms live weight.

INTERPROVINCIAL MOVEMENT OF LIVE CHICKENS *(in kg live weight)*

Province	2008		2007	
	To	From	To	From
British Columbia	1,446,000	-	-	-
Alberta	-	3,062,000	-	-
Saskatchewan	1,438,000	-	-	-
Manitoba	178,000	-	-	-
Ontario	26,130,000	34,593,000	21,317,000	30,695,000
Quebec	35,710,000	26,130,000	30,695,000	21,317,000
New Brunswick	25,003,000	1,117,000	15,573,000	-
Nova Scotia	-	19,922,000	1,516,000	12,283,000
Prince Edward Island	-	5,081,000	-	4,806,000
Newfoundland & Labrador	-	-	-	-
TOTAL	89,905,000	89,905,000	69,101,000	69,101,000

- From September 21 to November 21, 2008, a processor in Alberta was on strike and some chickens were slaughtered at processing facilities in other western provinces.
- The increase in interprovincial movement out of Nova Scotia is explained mostly by the closure of one of its processing facilities in April 2007.
- There has been a significant increase in interprovincial movement between Ontario and Quebec during 2008.



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Auditors' Report

The Minister
Agriculture and Agri-Food Canada

The National Farm Products Council

The Members of
Chicken Farmers of Canada

We have audited the balance sheet of Chicken Farmers of Canada ("CFC") as at December 31, 2008 and the statements of operations, changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of CFC'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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is stylized, with the "D" being particularly large and the "LCP" at the end being written in a cursive-like font.

Chartered Accountants
Licensed Public Accountants

January 30, 2009

A member firm of
Deloitte Touche Tohmatsu

STATEMENT OF OPERATIONS

year ended December 31, 2008

	GENERAL FUND	PROMOTION FUND	RESEARCH FUND	2008	2007
Revenue					
Levy and fee revenue	\$ 6,100,396	\$ –	\$ –	\$ 6,100,396	\$ 5,992,326
Interest and other revenue	383,554	163,104	220,963	767,621	768,529
Overmarketing and market development levies	–	160,510	–	160,510	3,866,470
	6,483,950	323,614	220,963	7,028,527	10,627,325
Expenses					
Amortization of capital assets	58,120	–	–	58,120	73,369
Canadian Poultry Research Council	–	–	146,860	146,860	121,371
Committees	230,635	–	–	230,635	158,097
Communication	221,762	–	–	221,762	225,388
Directors and alternates	1,156,945	–	–	1,156,945	1,236,061
Membership fees	129,264	–	–	129,264	120,502
Office	424,671	–	–	424,671	444,156
Online Business Initiative	111,788	–	–	111,788	114,470
Professional fees	250,106	30,863	–	280,969	353,466
Promotion activities	–	205,572	–	205,572	202,023
Salaries, benefits and travel	2,091,837	–	–	2,091,837	2,112,505
Special studies	319,402	987,642	–	1,307,044	1,065,339
Trade	207,185	–	–	207,185	176,051
Translation	127,927	–	–	127,927	130,691
	5,329,642	1,224,077	146,860	6,700,579	6,533,489
Excess (deficiency) of revenue over expenses	\$ 1,154,308	\$ (900,463)	\$ 74,103	\$ 327,948	\$ 4,093,836



STATEMENT OF CHANGES IN FUND BALANCES

year ended December 31, 2008

	GENERAL FUND	PROMOTION FUND	RESEARCH FUND	2008	2007
Balance, beginning of year	\$ 7,257,705	\$ 6,002,996	\$ 4,999,605	\$ 18,260,306	\$ 14,105,838
Excess (deficiency) of revenue over expenses	1,154,308	(900,463)	74,103	327,948	4,093,836
Net decrease in unrealized losses on available-for-sale financial assets	9,840	—	4,290	14,130	60,632
Net increase in unrealized gains on available-for-sale financial assets	347,484	202,595	208,868	758,947	—
Interfund transfers (Note 10)	28,865	(28,865)	—	—	—
Balance, end of year	\$ 8,798,202 ^❶	\$ 5,276,263	\$ 5,286,866	\$ 19,361,331	\$ 18,260,306
Accumulated unrealized gains (losses) on available-for-sale financial assets	\$ 347,484	\$ 208,866	\$ 208,868	\$ 765,218	\$ (7,859)

❶ Consists of:

Invested in capital assets
Unrestricted

\$ 135,850
8,662,352

\$ 8,798,202



BALANCE SHEET

as at December 31, 2008

	2008	2007
Current assets		
Cash	\$ 978,688	\$ 1,425,250
Short-term investments (Note 5)	2,665,210	2,702,834
Accounts receivable (Note 6)	1,450,789	1,501,898
Restricted cash (Note 8)	680,743	703,240
Prepaid expenses	48,836	31,382
	5,824,266	6,364,604
Investments (Note 5)	13,886,652	11,874,761
Accounts receivable (Note 6)	881,832	1,322,747
Capital assets (Note 7)	135,850	143,905
	\$ 20,728,600	\$ 19,706,017
Current liabilities		
Accounts payable and accrued liabilities	\$ 686,526	\$ 745,525
Deferred revenue (Note 8)	680,743	700,186
	1,367,269	1,445,711
Commitments (Note 9)		
Fund balances		
Invested in capital assets	135,850	143,905
Internally restricted - Promotion Fund	5,276,263	6,002,996
Internally restricted - Research Fund	5,286,866	4,999,605
Unrestricted	8,662,352	7,113,800
	19,361,331	18,260,306
	\$ 20,728,600	\$ 19,706,017

On behalf of the Board


David MacKenzie, Finance Committee, Director


David Janzen, Finance Committee, Director


Brian Payne, Finance Committee, Director

STATEMENT OF CASH FLOWS

year ended December 31, 2008

	2008	2007
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenses	\$ 327,948	\$ 4,093,836
Items not affecting cash		
Change in fair value of available-for-sale financial assets	17,884	35,290
Amortization of capital assets	58,120	73,369
	403,952	4,202,495
Changes in non-cash operating working capital items (Note 12)	(44,787)	(469,337)
	359,165	3,733,158
Investing and financing		
Purchase of capital assets	(50,065)	(50,939)
Purchase of investments	(3,921,885)	(5,195,403)
Proceeds on sale of investments	2,702,811	2,834,288
Decrease in restricted cash	22,497	93,130
Decrease (increase) in long-term accounts receivable	440,915	(1,322,747)
	(805,727)	(3,641,671)
Net cash inflow (outflow)	(446,562)	91,487
Cash position, beginning of year	1,425,250	1,333,763
Cash position, end of year	\$ 978,688	\$ 1,425,250



NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2008

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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and reflect application of the following significant accounting policies:

Fund accounting

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 and Research Funds, which are internally restricted.

The General Fund accounts for operating and administrative activities as well as all transactions related to capital assets and other interest revenue not allocated to the other funds.

The Promotion Fund reports the overmarketing and market development levies collected and expenses that relate to the promotion and marketing of chicken, as indicated in the Market Development Policy and the Monitoring and Enforcement Policy, and expenses incurred in collecting overmarketing and market development levies. It also reports interest earned on resources held for the purpose of the Promotion Fund.

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

Revenue recognition

CFC recognizes revenue using the deferral method of accounting.

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

Cash

Cash is classified as held-for-trading and carried at fair value.

Investments

Short-term investments and investments are classified as available for sale and recorded at fair value. Interest on interest-bearing investments is calculated using the effective interest rate method.

The fair values of securities are based on quoted market prices when available. If quoted market prices are not available, fair values are estimated using quoted market prices of similar securities or other third-party information.

Transaction costs related to investments are expensed as incurred. Unrealized gains and losses on available for sale financial assets are recorded directly in fund balances until realized when the cumulative gain or loss is transferred to interest and other income.

Accounts receivable

Amounts receivable, including due from related parties, are classified as loans and receivables and carried at amortized cost and fair value approximates amortized cost.

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	Term of lease

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities and carried at amortized cost and fair value approximates amortized cost.

Use of estimates

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

The estimated useful life of capital assets, the net realizable value of accounts receivable and accrued liabilities are the most significant items where estimates are used.

3. CHANGES IN ACCOUNTING POLICIES

Capital disclosures

On January 1, 2008, CFC adopted a new disclosure standard that was issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1535, *Capital Disclosures*.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Future accounting changes

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, CFC will have to adopt the amended standards for its fiscal year beginning January 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

CFC is currently evaluating the impact of the adoption of these new standards on its financial statements. CFC does not expect that the adoption of these new sections will have a material impact on its financial statements.

4. CAPITAL MANAGEMENT

As disclosed in Note 3, CFC adopted Handbook Section 1535 effective January 1, 2008. This new standard establishes disclosure requirements about CFC's capital and how it is managed. CFC's objectives in managing capital are:

- to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual strategic plan review;
- to maintain a minimum reserve in the General Fund of twelve months of budgeted operating expenses;
- to invest funds in financial instruments permitted under the *Farm Products Agencies Act*;
- to determine, on an annual basis, the appropriate levy imposed on farmers for marketing chicken; and
- to build the internally restricted Research Fund to \$10 million where only revenue generated from the capital investment will be used to fund research projects.

The reserve of the General Fund as of December 31, 2008 is 13 months of the budgeted operating expenses (2007 - 12.5 months).

5. INVESTMENTS

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 2,638,317	\$ 2,665,210	\$ 2,717,589	\$ 2,702,834
Government of Canada savings bonds	—	—	1,648,844	1,649,662
Farm Credit Canada notes	363,718	385,086	1,363,082	1,351,407
Guaranteed Investment Certificates (GICs)	500,000	500,000	—	—
Canada Housing Trust bonds	12,284,609	13,001,566	8,855,939	8,873,692
	13,148,327	13,886,652	11,867,865	11,874,761
	\$ 15,786,644	\$ 16,551,862	\$ 14,585,454	\$ 14,577,595

Short-term investments are comprised of Farm Credit Canada Notes and Government of Canada bonds in the amount of \$2,665,210 (2007 - \$2,702,834) which mature over the next year bearing interest at rates that range from 3.5% to 5.5% (2007 - 3.75%).

Bonds and notes are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds, notes and GIC's mature at face value on a staggered basis over the next five years (2007 - five years). Interest rates for these securities range from 3.55% to 4.8% (2007 - 3.5% to 4.8%).

Investment risk

The maximum investment risk to CFC is represented by the fair value 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.

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of levies and fees, overmarketing levies receivable from the provincial organizations and accrued interest on investments.

CFC has a long-term account receivable from the Chicken Farmers of Ontario totaling \$1,322,747 (2007 - \$1,763,662) which has a fair value of \$1,295,448 (2007 - \$1,718,321). This account receivable bears interest at 3% per year with principal repayment terms as follows:

Current portion	
2009	\$ 440,915
Long-term portion	
2010	440,916
2011	440,916
	881,832
	\$ 1,322,747

7. CAPITAL ASSETS

	Cost	2008 Accumulated Amortization	Net Book Value	2007 Net Book Value
Office equipment	\$ 293,160	\$ 252,790	\$ 40,370	\$ 45,414
Computer equipment	201,035	131,894	69,141	56,979
Leasehold improvements	110,504	84,165	26,339	41,512
	<u>\$ 604,699</u>	<u>\$ 468,849</u>	<u>\$ 135,850</u>	<u>\$ 143,905</u>

8. RESTRICTED CASH AND DEFERRED REVENUE

In 2005, CFC received \$875,956 as full and final payment of a vitamins class action settlement. The monies received are to be used by CFC to decrease the cost of on-farm audits of CFC's food safety assurance program, to enhance or increase on-farm biosecurity, and to allocate funds to research and development for protocols and methods to alleviate and contain any foreign animal disease outbreak in Canada.

	2008	2007
Balance, beginning of year	\$ 700,186	\$ 793,776
Interest earned	19,657	29,217
Recognized as revenue	(39,100)	(122,807)
Balance, end of year	<u>\$ 680,743</u>	<u>\$ 700,186</u>

The expenses incurred include \$39,100 (2007 - \$96,000) for on-farm audits of CFC's Food Safety Assurance Program and \$NIL (2007 - \$26,807) for the development for protocols and methods to alleviate and contain any foreign animal disease outbreak in Canada which are recognized in special studies. The revenue is recognized in interest and other revenue of the General Fund.

9. 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:

2009	\$ 140,676
2010	66,338
	<u>\$ 207,014</u>

10. INTERFUND TRANSFERS

During the year, the Board of Directors approved a transfer of \$28,865 from the Promotion Fund to the General Fund for the legal fees related to a case settled during the year.

11. EMPLOYEE PENSION PLAN

CFC has a defined contribution pension plan providing benefits to employees. The contribution is a net percentage of the employees' annual income. The total contributions made by CFC under this plan in 2008 was \$53,535 (2007 - \$50,100).

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2008	2007
Accounts receivable	\$ 51,109	\$ (460,347)
Prepaid expenses	(17,454)	(8,720)
Accounts payable and accrued liabilities	(58,999)	93,320
Deferred revenue	(19,443)	(93,590)
	<u>\$ (44,787)</u>	<u>\$ (469,337)</u>

13. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

