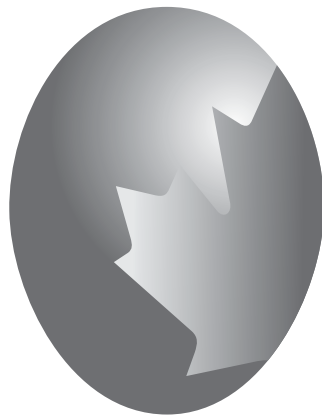
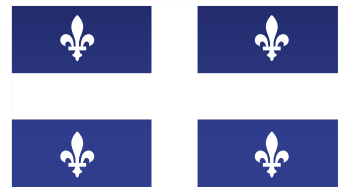
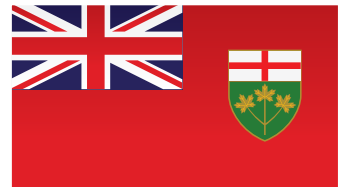
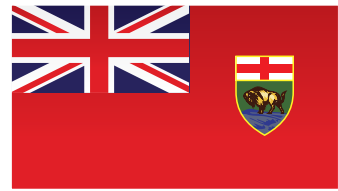


Canadian Hatching Egg Producers



ANNUAL REPORT
2013



Canadian Hatching Egg Producers

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Table of Contents

Canadian Hatching Egg Producers

Chairman's Message.....	1
General Manager's Report.....	3
CHEP Board of Directors	5
CHEP Mission Statement.....	5
Canadian Hatching Egg Market Review / Provincial Hatching Egg Production.....	6
Report of the Canadian Broiler Hatching Egg Producers' Association	12
Report of the Production Management Committee.....	14
Report of the Advisory Committee	16
Report of the Finance Committee	18
Report of the Research Committee.....	19
CHEP Alternates	21
Provincial Managers.....	21
CHEP Staff	21
CHEP Financial Statements December 31, 2013	



Chairman's Message

Canadian Hatching Egg Producers

Let me begin by saying that I am extremely honoured to represent you as Chair of the Canadian Hatching Egg Producers (CHEP). The role as CHEP Chair changed dramatically in July of 2013 when the new Federal Provincial Agreement (FPA) was concluded. The Chair position and role is now a non-voting one and will only represent the national organization. After several years of dedicated work to include Alberta and Saskatchewan as full members of CHEP, the conclusion of the FPA in 2013 was the highlight of the year for the Agency. This has also resulted in two additional Directors joining the board table: a representative from Ontario, Mr. Dick Ottens, and a second Canadian Hatchery Federation (CHF) representative, Ms. Christine Côté. The representative from Alberta is Kevin Tiemstra, while Hendrik van Steenberg represents Saskatchewan. The CHEP Board of Directors now consists of eight voting members plus the Chair. Being involved in the changes and part of the CHEP team has been and undoubtedly will continue to be very rewarding. A big thank you and congratulations goes out to all those involved to make this new structure a reality. CHEP as an organization is much stronger as a result.



Jack Greydanus
Chair, CHEP

Domestic production of hatching eggs tops the list of issues for 2013. This year, the Board of Directors' focus was the need for domestic allocation to be produced by all its members. This allocation is rightfully yours and must be produced by Canadian hatching egg producers. Continued efforts, input, and determination from all of us will make this goal a reality.

Antibiotic use within the Canadian poultry industry and the removal of the preventive use of Category I antibiotics in all Canadian poultry has also been an issue where countless time has been devoted. This strategy will have a direct impact at the farm level and may include changes to the management of broiler breeders, the broiler hatching eggs that are shipped to the hatchery and the role our hatchery partners play in setting the broiler hatching eggs. Recognizing these changes may have risks, CHEP will play its role to make them more manageable. The focus moving forward will be to develop a plan that will achieve the industry goal of the removal of preventive use of Category I antibiotics, while not placing undue hardship on hatching egg farmers across Canada.

Animal care has and will always be important to consumers, industry and in particular to us farmers – our income directly relies on our birds being healthy. The Codes of Practice are being updated, and CHEP continues to move forward on an auditable animal care program.

Representing 100% of hatching producers across Canada is a vision and goal we remain focused on and strive for at the national level. We continue our discussions with Nova Scotia and New Brunswick, the last remaining non-member provinces with broiler hatching egg production, to demonstrate the benefits of being part of the supply management system for broiler hatching eggs.



Chairman's Message

Trade remains a large part of the day-to-day activities of CHEP and ongoing attention to current and new trade negotiations are being monitored. The five national supply management organizations have a very good strategy that is continually updated to ensure any threats that may arise are understood and addressed.

The hatching egg industry is a relationship business and our livelihood is incumbent on the interaction with our hatchery partners. That being said, I can't emphasize enough that we, as individual producers, must seek to strengthen and nurture that relationship for the benefit of all of us. CHEP will continue to endeavor to do the same.

In closing, 'Thanks a Million' to the CHEP staff for a job well done in making our lives easier.

Cheers,

Jack Greydanus
Chair



General Manager's Report

Canadian Hatching Egg Producers

Following two years of extensive work with the producers, industry and governments in Alberta, Saskatchewan and at the federal level, the Canadian Hatching Egg Producers (CHEP) were ecstatic to announce the addition of the Alberta Hatching Egg Producers and Saskatchewan Broiler Hatching Egg Producers' Marketing Board as signatory members of CHEP's Federal Provincial Agreement (FPA) and as full members of the agency during CHEP's summer meetings held in July 2013 in Waskesiu Lake, Saskatchewan.

The new FPA also brings with it a new composition to the structure of CHEP's Board of Directors, which is now comprised of: a chair, one director from each of the six member provincial boards (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec) and two directors from the Canadian Hatchery Federation (CHF).

CHEP was grateful to have Rob Clarke, Member of Parliament for Desnethé-Missinippi-Churchill River, representing the Minister of Agriculture and Agri-Food, attend this significant event. Mr. Clarke stated to those gathered that: "We're here to celebrate a momentous step forward for Canada's broiler hatching egg industry" and that "the Government of Canada is proud of your efforts and dedication to this sector."

In 2013, CHEP met with producers in both Nova Scotia and New Brunswick with the desire of having both provinces become future members of the agency. In Nova Scotia, a producer organization has been created and it continues to work with its provincial government, while in New Brunswick, discussions among the producers remain in the early stages and are ongoing.

Interprovincial movement (IPM) in the broiler hatching egg and chick sector continues to be an area of focus for CHEP. The Board of Directors examined different ideas to alleviate its impact on the ability of broiler hatching egg producers to produce their allocations in each province. CHEP is striving to achieve its required allocation blend of 82.57% domestic production and 17.43% imports in each province. Producers and hatcheries are working closer together to achieve this goal and to meet the needs of the Canadian marketplace. At the end of the year, Directors agreed to conduct a full review of the current allocation system.

In October, Canada and the European Union (EU) concluded an agreement-in-principle on the Comprehensive Economic and Trade Agreement (CETA) after four years of negotiations. Although there was no additional market access given for poultry or egg products in the agreement, concerns have been raised within supply management with the concession of market access in the dairy sector having been granted to the EU, primarily for fine cheese.

After replacing Pascal Lamy as the World Trade Organization's (WTO) Director General in September, Brazil's Roberto Azevêdo worked to keep member countries negotiating with a goal of advancing the Doha Round of talks towards an agreement. In December, the WTO successfully concluded the first multilateral trade agreement negotiated at the WTO Doha Round after twelve years of negotiation.

The Trans-Pacific Partnership (TPP) trade negotiations, which began the year with Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America and Vietnam as members, were later joined by Japan late in July. Throughout the year, several meetings and negotiations were held in an attempt to conclude this agreement in 2013; however, no final deal has been reached, despite the immense pressure, primarily by the United States, to conclude a deal.



Giuseppe Caminiti
General Manager, CHEP



General Manager's Report

The national supply managed agencies, including CHEP, continue to tout the benefits of the supply management system for Canadian producers and consumers alike in response to mounting public criticism against the system. CHEP will continue to deliver this message to the Canadian government as it continues to pursue trade deals around the world.

CHEP, along with the other members of the Canadian poultry industry, is part of an industry-wide approach to demonstrate responsible antibiotic use in the poultry sector. Responsible use of antibiotics, in consultation with veterinarians, is an important part of good poultry health. As part of this approach, the Canadian poultry and egg sectors have collaborated to develop a policy regarding the preventive use of Category I antibiotics (such as Excenel® or Baytril®) in Canadian poultry and egg production.

Preventive use of Category I antibiotics will no longer be allowed on the farm or in the hatchery for commercial meat birds (chicken and turkey), layers and breeders as of May 15, 2014, while preventive use of Category I antibiotics will no longer be allowed for use in parent breeder chicks/poults as of May 15, 2015. The Canadian Hatching Egg Quality (CHEQ™) program will reflect these changes as well.

The government, with participation from CHEP and industry, continued the development of a Canadian Hatchery Supply Flock Program; however, issues such as program costs and administration, among others, require further dialogue. The *Salmonella* Enteritidis (SE) Working Group, which includes CHEP, is coordinating the development of a national strategic plan to reduce the incidence of poultry-related SE in Canada, and continued its work throughout the year.

Ongoing surveillance for notifiable avian influenza (NAI) is conducted through the Canadian Notifiable Avian Influenza Surveillance System (CanNAISS), a joint national initiative between the poultry industry and CFIA. CanNAISS has been in place since 2008, and continues to fulfill international requirements for NAI surveillance. A review of the system was initiated in December 2013 in consultation with stakeholders, including CHEP.

During the year, CHEP welcomed Sophie Neveux in the newly created role of Animal Welfare Officer. Sophie comes with a wealth of animal welfare knowledge gained from completing her Master's studies at the University of British Columbia's Animal Welfare Program.

Jack Greydanus, CHEP Chair, continued to successfully lead and represent the Canadian broiler hatching egg producers on both the domestic and international fronts, while CHEP staff – Nicole, Tim, Viki, Sophie and Joy – worked diligently to ensure that the issues and challenges facing the broiler hatching egg industry were addressed.

Giuseppe Caminiti
General Manager



CHEP Board of Directors

Canadian Hatching Egg Producers

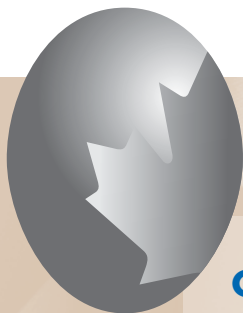


From left to right 1st row:

- ▲ Calvin Breukelman, Vice Chair, British Columbia
- ▲ Jack Greydanus, Chair, CHEP
- ▲ Kevin Tiemstra, Second Vice Chair, Alberta

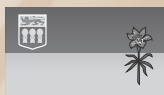
From left to right 2nd row:

- ▲ Hendrik van Steenberg, Saskatchewan
- ▲ Ernie Silveri, CHF Representative
- ▲ Dick Ottens, Ontario
- ▲ Gyslain Loyer, Quebec
- ▲ Dean Penner, Manitoba
- ▲ Christine Côté, CHF Representative



CHEP Mission Statement

Continue to grow a profitable broiler hatching egg industry in Canada in order to ensure a strong, efficient and competitive industry and a dependable supply of quality broiler hatching eggs to the Canadian chicken industry.





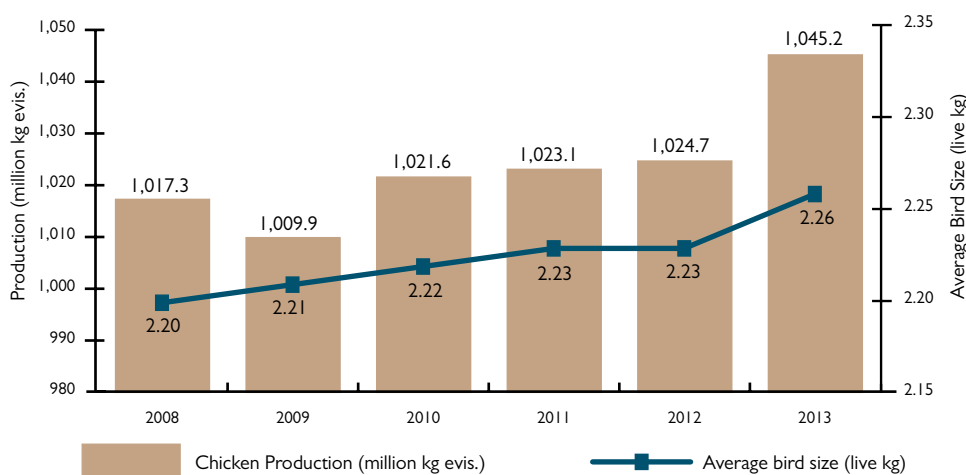
Canadian Hatching Egg Market Review

Canadian Hatching Egg Producers

The Canadian broiler hatching egg industry entered into 2013 in a much better position than the previous year. Bolstered by growing domestic hatching egg production, as hatcheries set more domestic hatching eggs with fewer imports, an improving economic outlook paired with a favourable price situation with competing meats, positioned the industry for solid growth driven by greater chicken production than what was experienced in 2012.

The Canadian Hatching Egg Producers' (CHEP) initial allocations for 2013 were established in March 2012 based on a projected chicken production of 1,041 million kilograms (Mkg), which represented growth of 1.0% above the then-projection of 1,031 Mkg for 2012. This estimate remained unchanged in July 2012, but was revised downwards in November 2012 to 1,036 Mkg; however, in response to positively shifting markets, the 2013 allocations were adjusted upwards in March 2013 to 1,040 Mkg and again during the setting of the 2013 final allocation in July 2013 to 1,044 Mkg. CHEP's Board of Directors carefully weighed the reported patterns of chicken overproduction in the early half of 2013 with the growing optimism for favourable economic conditions and continued consumer demand heading into 2014, and ultimately decided on basing the final hatching egg allocations on an estimated level of chicken production that finished within 1.2 million kilograms of actual production (1,045.2 Mkg) in 2013.

Canadian Chicken Production and Average Bird Size (2008-2013)



Sources: Chicken Farmers of Canada (chicken production); Canadian Hatching Egg Producers (average bird size)

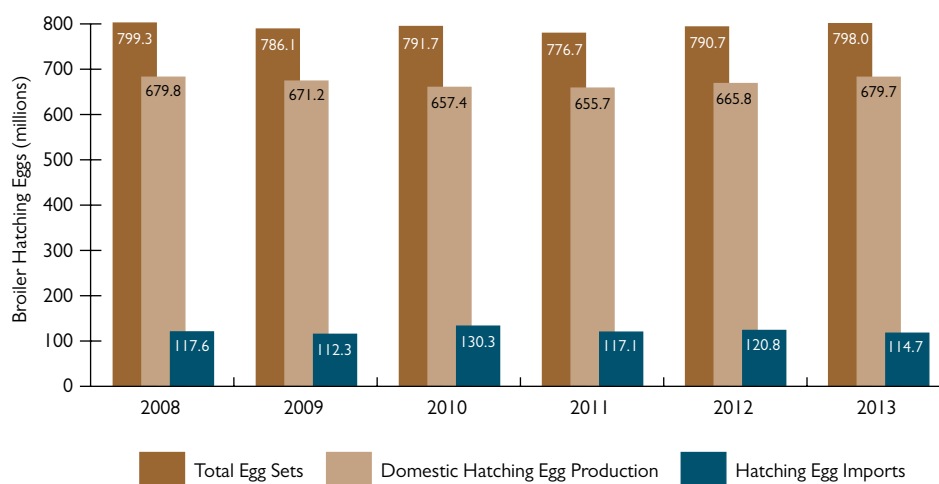


Canadian Hatching Egg Market Review

In 2013, Canadian hatcheries set a total of 798.0 million broiler hatching eggs, an increase of more than 7.3 million eggs (or 0.9%) from 2012. Meanwhile, domestic broiler hatching egg production totaled 679.7 million eggs in 2013, an increase of 13.9 million eggs (or 2.1%) over 2012. Domestic broiler hatching egg production in Canada totaled 100.8% of the final allocation for 2013, while broiler hatching egg imports fell by 6.1 million eggs (or -5.1%) and broiler chicks imports fell by nearly 0.9 million chicks (or -4.4%) from 2012. As a result, combined imports (egg equivalent) in 2013 fell by 7.2 million eggs (or -4.9%) from 2012, while the total number of broiler hatching egg exports totaled 57,000 eggs, down from 143,000 eggs (or -60.3%) in 2012.

For the first time since 2003, Canadian domestic broiler hatching egg production reached 100% of the final allocation in 2013, with improved overall production reported in the majority of provinces. Among CHEP's six member provinces, domestic production reached 100.2% of their share of the 2013 final allocations, up from 97.5% in 2012.

Canadian Broiler Hatching Egg Statistics (2008-2013)



Sources: CHEP; Agriculture and Agri-Food Canada (AAFC)

Starting in November, CHEP received a number of requests from hatcheries seeking supplemental imports. While some requests were filled with domestic production and unused import quota (TRQ), the remaining requests resulted in the authorization of supplemental import permits for hatcheries in British Columbia, Manitoba, Ontario and Quebec totaling 3.3 million hatching eggs. In all, fewer than 2.1 million broiler hatching eggs entered into Canada as supplemental imports in 2013.



Provincial Hatching Egg Production



In British Columbia, domestic broiler hatching egg production grew by 0.7 million eggs (or 0.7%) in 2013, finishing the year at 98.7% of its final allocation, with 2.8% more eggs set during the year and a 2.9% increase in total imports from 2012. B.C.'s hatchability rate for 2013 fell to 82.7%, down from 84.0% in 2012, while chicken production increased by 0.9% from the previous year.



In Alberta, domestic broiler hatching egg production grew by nearly 2.2 million eggs (or 3.4%) in 2013, reaching 105.3% of its final allocation, with 0.8% more eggs set during the year and 10.9% fewer total imports compared to the previous year. Alberta's hatchability rate for 2013 fell to 79.4%, down from 80.7% in 2012, while chicken production remained relatively unchanged from the previous year.



Saskatchewan's domestic broiler hatching egg production contracted in 2013, falling by more than 1.3 million eggs (or -4.6%) from 2012, finishing the year at 94.2% of its final allocation. While total egg sets grew by nearly 0.5 million eggs (or 1.4%) in 2013, total imports into Saskatchewan grew by a significant 29.9% from 2012. The hatchability rate decreased slightly to 81.3% in 2013, down from 81.6% in 2012, while chicken production grew by a solid 3.9% during that span.



Manitoba experienced the strongest growth in its domestic broiler hatching egg production in 2013, having produced more than 2.1 million more eggs (or 6.6%) above 2012, reaching 102.3% of its final allocation. While setting nearly 0.2 million fewer eggs in 2013, Manitoba's hatcheries brought in 25.7% fewer total imports, while hatchability held steady at 80.8%, and total chicken production fell by 0.7% from the previous year.



In Ontario, domestic broiler hatching egg production grew by nearly 8.0 million eggs (or 4.1%) in 2013, achieving 98.1% of its final allocation, on the strength of higher egg sets (1.8 million eggs or 0.8%), while total imports fell sharply (-18.5%, including supplemental imports) from the previous year. Meanwhile, Ontario saw its hatchability drop slightly to 82.3% in 2013, down from 82.4% in 2012, while its chicken production increased by 2.6% above the previous year.



Quebec's domestic broiler hatching egg production grew by nearly 5.1 million eggs (or +2.9%) from the previous year, while Quebec hatcheries set nearly 3.6 million more eggs (or 1.6%) in 2013 while total imports increased by 4.2% (including supplemental imports), leading to domestic production totaling 102.4% of its final allocation for 2013. Quebec's hatchability rate fell to 81.8% in 2013, down from 83.0% in 2012, while chicken production grew by 3.2% over the previous year.



Canadian Hatching Egg Market Review

Table 1 – Hatching Egg Production ('000 hatching eggs)

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2013	99,217	66,896	28,019	34,497	205,704	185,194	25,248	34,966	679,741
2012	98,541	64,720	29,358	32,364	197,641	180,026	25,355	37,767	665,772
2011	97,430	65,035	26,460	30,296	195,781	182,386	24,019	34,314	655,721
2010	97,896	68,107	26,665	31,402	199,190	175,712	23,602	34,874	657,448
% Change									
13/12	0.7	3.4	(4.6)	6.6	4.1	2.9	(0.4)	(7.4)	2.1
12/11	1.1	(0.5)	11.0	6.8	1.0	(1.3)	5.6	10.1	1.5
11/10	(0.5)	(4.5)	(0.8)	(3.5)	(1.7)	3.8	1.8	(1.6)	(0.3)

Sources: CHEP, AAFC

In 2013, the national hatchability rate fell slightly to a level of 81.6%, down from a rate of 82.3% in 2012, with all provinces in the regulated area recording decreased hatchability by as much as 1.6%, while some gains (+4.3%) were recorded in parts of the Atlantic region. The average live weight of broilers produced in Canada increased to 2.26 kg live per bird in 2013, with all provinces and regions experiencing growth in bird size, led by large gains in Saskatchewan (+3.5%), the combined region of New Brunswick, P.E.I. and Newfoundland & Labrador (+2.7%) and Ontario (+2.1%). Several provinces encountered a change in their market share of chicken production in 2013, with declines in Manitoba (-2.7%) and Alberta (-1.9%) offset by increases in Saskatchewan (+1.9%) and Quebec (+1.1%), with more gradual shifts observed in the other provinces.

Table 2 – Selected Factors Impacting Hatching Egg Production (2013)

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Hatchability									
2013 (%)	82.7	79.4	81.3	80.8	82.3	81.8	82.9	78.4	81.6
% change 13/12	(1.6)	(1.6)	(0.3)	(0.1)	(0.2)	(1.5)	(1.7)	4.3	(0.8)
Total (Combined) Imports									
(000 eggs equiv.)	24,694	10,963	6,051	7,528	35,533	48,735	774	4,084	138,362
% change 13/12	2.9	(10.9)	29.9	(25.7)	(18.5)	4.2	40.2	15.8	(4.9)
Chicken Production									
(000 kg evis.)	156,543	93,003	41,380	43,198	339,428	289,644	35,887	46,088	1,045.2
% change 13/12	0.9	0.0	3.9	(0.7)	2.6	3.2	0.7	0.4	2.0
Chicken Production									
Market Share (%)	15.0	8.9	4.0	4.1	32.5	27.7	3.4	4.4	100.0
% change 13/12	(1.1)	(1.9)	1.9	(2.7)	0.6	1.1	(1.3)	(1.5)	-
Avg. live weight of broilers									
(kg live/bird)	2.19	2.27	2.12	1.98	2.34	2.29	2.18	2.15	2.26
% change 13/12	0.3	0.4	3.5	0.1	2.1	0.5	1.3	2.7	1.2

Sources: CHEP (Hatchability); AAFC (Imports); CFC (Chicken Production)



Farm Cash Receipts and Producer Prices

In 2013, total farm cash receipts for broiler hatching egg producers in Canada grew by 2.1% to reach \$276.7 million, up from the \$270.9 million earned in 2012. This increase is more modest than those observed in recent years due largely to a downward trend in the saleable chick prices observed in the regulated area during the second half of the year in response to falling costs of production. On average, the saleable chick price in most provinces remained relatively unchanged or slightly higher (by up to 6.0%) from 2012, and rising 2.0% at the national level. In all, farm cash receipts rose by a combined 2.1% in 2013 on the strength of near identical growth in both domestic hatching egg production and in the average prices paid to producers.

Table 3 – 2013 Farm Cash Receipts and Producer Prices in the Regulated Area

	Farm Cash Receipts		Hatching Egg Producer Prices	
	2013 \$ 000	% change 13/12	¢ per saleable chick (2013 average)	% change 13/12
British Columbia	43,456	0.4	54.75	0.4
Alberta	29,816	7.2	55.72	4.5
Saskatchewan	12,768	0.3	56.94	6.0
Manitoba	14,557	7.0	52.71	1.0
Ontario	78,842	3.2	47.89	(0.1)
Quebec	73,360	2.1	49.52	0.0
CANADA	276,659	2.1	52.92	2.0

Source: CHEP (Farm Cash Receipts); Provincial Boards and Commissions (Prices)



2012 Final Production Report

During the CHEP meeting in July 2013, the final assessment for 2012 audited broiler hatching egg production was presented. As outlined in Table 4 below, CHEP's six member provinces encountered production levels whose variances from their 2012 final allocations were alleviated with transactions in the quota lease pool. After accounting for the quota transactions stemming from the four lease pools held for 2012, domestic broiler hatching egg production in Canada reached 98.9% of total allocations for the year, up from 97.0% in 2011. The final allocation for 2012 was nearly 2.6 million hatching eggs fewer than for 2011, owing to a stronger meat-to-egg ratio in 2012 that resulted from greater yields of chicken meat from fewer hatching eggs. Since each of CHEP's signatory member provinces finished with a utilization rate equal to or less than 101.0% of their 2012 final allocation, no penalties were assessed for liquidated damages.

Table 4 – 2012 LDA Production and Allocations by Province

Province	Domestic Production (eggs)	2012 Final Allocations (eggs)	% utilization	Quota Leased (eggs)	Final % utilization
British Columbia	98,541,164	101,798,273	96.80%	-460,824	97.24%
Alberta	64,719,797	70,848,633	91.35%	-698,668	92.26%
Saskatchewan	29,357,884	29,694,905	98.87%	0	98.87%
Manitoba	32,363,793	32,838,615	98.55%	0	98.55%
Ontario	197,641,399	207,173,334	95.40%	-1,318,056	96.01%
Quebec	180,026,129	175,766,144	102.42%	2,477,548	101.00%
CANADA	665,772,150	673,164,706	98.90%	0	98.90%

Source: CHEP





Report of the Canadian Broiler Hatching Egg Producers' Association (CBHEPA)

The Canadian Broiler Hatching Egg Producers' Association (CBHEPA) had a successful year with its student programs. Some of the recipients of the CBHEPA 2013 programs were interviewed by the *Canadian Poultry* magazine.

The 2013 CBHEPA Young Farmers Program participant was Ryan Kleinsasser, who manages his breeder farm near Steinbach, Manitoba. In September, he travelled to the Aviagen headquarters in Huntsville, Alabama where he mentioned the experience was very valuable.

After numerous attempts to participate in the Exchange Student Program we were able to match Monica Kunze from British Columbia and Melissa Sinnige from Ontario. These two students benefited from the experiences in their day to day involvement on the family farms and have become really close friends.

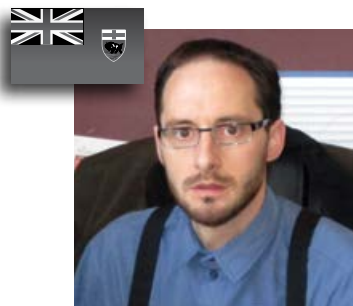
The recipient for the CBHEPA Broiler Research Grant was Misaki Cho of Edmonton, Alberta for her project entitled *"Poultry immunology research involving a look at the mechanism of how young broiler chicks defend against the pathogen, Salmonella enteritidis"*.



Brian Bilkes, Chair, British Columbia

Membership:

- ▲ Jeff Regier, Vice-Chair, Saskatchewan
- ▲ Dennis Wickersham, Alberta
- ▲ Murray Klassen, Manitoba
- ▲ Cheryl Firby, Ontario
- ▲ Robert Massé, Quebec



Ryan Kleinsasser



Monica Kunze



Melissa Sinnige



Misaki Cho



Report of the Canadian Broiler Hatching Egg Producers' Association (CBHEPA)

CBHEPA 2012 Producer of the Year

The Producer of the Year was presented during the CHEP summer meeting in Waskesiu Lake, Saskatchewan. The award went to Hepburn Holdings and Sprucehill Livestock. Ben Kleinasser accepted the award.



Ben Kleinasser and Brian Bilkes

I would like to take this opportunity to thank Tina Notenbomer for all her work with CBHEPA. Tina will be retiring after numerous years of participation and activities on behalf of the province of Alberta.

Brian Bilkes
Chair, CBHEPA

CBHEPA 2013 Drawing Contest

The members selected the drawing of Annette Bilkes, 9 years old, from British Columbia for this year's contest. Annette's drawing was the cover of the Christmas card sent to the Prime Minister of Canada, the Right Honourable Stephen Harper.



Thank you to all the other participants for their amazing drawings which we proudly displayed as CHEP's 2013 Christmas card collection. The entries received were from Julaine Neels, Claire Bilkes, Thaya Neels, Jared Neels, John Bilkes, Hannah Neels, and Jane Bilkes. All these artists are from the province of British Columbia!





Report of the Production Management Committee

Canadian Hatching Egg Producers

The Production Management Committee (PMC) membership is comprised of producers from each of CHEP's member provinces, and is responsible for discussing topics such as food safety, CHEQ™, and animal welfare.

Food safety – A Top Priority

Food safety is a priority for producers, consumers and government and in 2013, progress was made with the *Safe Food for Canadians Act*. The federal government also decided to move the responsibility for food safety-related oversight of the Canadian Food Inspection Agency (CFIA) from the Minister of Agriculture and Agri-Food to the Minister of Health.



Broiler hatching egg producers use CHEQ™ to say what they do, do what they say, and prove it when it comes to on-farm food safety. The program, which includes electronic record-keeping templates, is available online to member producers and provincial boards.

CHEQ™ is about continuous improvement. In 2013, two joint training sessions were held for CHEQ™ auditors and delivery agents across the country – one in Abbotsford, British Columbia, and the other in Guelph, Ontario. Many thanks go to the producers and provincial board offices who gave their time for these sessions and the on-farm audits. The purpose of joint training is to increase the consistency of program auditing and delivery, and to facilitate the exchange of ideas and information among CHEQ™ auditors and delivery agents.

We also continue to work with our supply chain partners with respect to responsible use of medications. CHEP developed a guidance document for responsible antibiotic use that includes consulting with a veterinarian, and following the CHEQ™ requirements for antibiotic use. Producers must follow the food safety, biosecurity and breeder health management practices outlined in CHEQ™ as well as in other applicable programs, such as provincial biosecurity programs, that may prevent and reduce the incidence of disease and the need for antibiotics. The committee is also reviewing ideas to maintain egg quality, and improve barn management protocols.

Animal Care – A Continued Commitment

Animal welfare plays an integral part in broiler hatching egg production. It is important that producers pursue high levels of animal care and meet the expectations of our stakeholders.

The Poultry Code Development Committee held two meetings in 2013 with significant progress. The review of the poultry codes involves various members of the poultry industry, scientific and animal welfare communities. The National Farm Animal Care Council (NFACC) has submitted a Growing Forward II government funding application to continue its work on various items, including the poultry codes. Pending funding, the *Recommended Code of Practice for the Care and Handling of Farm Animals: Chickens, Turkeys and Breeders from Hatchery to Processing Plant* is expected to be completed in early 2016.



Dean Penner, Chair, Manitoba

Membership:

- ▲ Calvin Breukelman, British Columbia
- ▲ Kevin Tiemstra, Alberta
- ▲ Hendrik van Steenberg, Saskatchewan
- ▲ Dick Ottens, Ontario
- ▲ Gyslain Loyer, Quebec



Report of the Production Management Committee

Work on the broiler breeder care program continues. Review of the document is progressing in conjunction with changes to other relevant documents including the poultry Code of Practice and government regulations.

The *Recommended Best Practices for Bird Care in the Canadian Poultry Supply Chain from Farmer to Processor* addresses activities not covered by on-farm or processing welfare programs. The guidelines suggest supplemental responsibilities for farmer, catcher, transporter and processor and describe the transfer of care and control of poultry from one link to the next. The document is available online for our members.

CHEP is dedicated to encouraging high standards of animal care and broiler breeder husbandry and are involved in various animal welfare initiatives including: Ag & Food Exchange, Canadian Livestock Transport revision of the poultry module, Tim Hortons Sustainable Food Management Summit, PAACO Poultry Welfare Auditor course, Poultry Innovations Conference, NFACC Conferences and the Animal Care Assessment Framework workshop, and the National Farmed Animal Health and Welfare Council Forum.

Collaboration and consultations with government

CHEP, in consultation with provincial boards, continues to work with the CFIA on the draft Canadian Hatchery Supply Flock Policy and Program (CHSFPP). CHEP provided a response to CFIA's survey on the potential economic impact of the draft policy on producers, recognizing that more work is required with respect to the policy framework and administration. Our main priority is to ensure any new requirements are manageable for broiler hatching egg producers, and contribute to continued confidence when it comes to food safety.

CHEP is a member of the National *Salmonella* Enteritidis (SE) Working Group. This group is responsible for developing goals to reduce the incidence of poultry-related incidence of SE in Canada, as well as addressing human incidence of SE. A draft sector strategy was created in consultation with provincial boards, and will be included in the final strategy for the entire poultry industry, as well as the human health sector.

CFIA is in the process of reviewing several transport related files, including Part XII of the Health of Animals Regulations and an inaugural Compromised Poultry Policy. Consultations have taken place between CFIA, the National Poultry Groups, transporters and veterinarians. CHEP remains engaged to ensure a balance between animal welfare, validity and feasibility throughout the poultry industry.

Sincerely,

Dean Penner
Chair, Production Management Committee



Report of the Advisory Committee

Canadian Hatching Egg Producers

The Advisory Committee met a number of challenges in 2013 to properly interpret market conditions and to measure their influence on overall chicken demand for the Canadian marketplace throughout the year. Among the key challenges influencing the demand for chicken in 2013 and 2014 were alternating economic growth forecasts, chicken overproduction in the early half of the year, the growing share of spent fowl imports into the Canadian marketplace, as well as the opportunities created by the ever-evolving escalation of prices for competing meats.

In March, the committee sought to assess the expected level of growth in 2013 and 2014. The discussion focused on: the effects that growing spent fowl imports and chicken overproduction were having on current and future domestic chicken production; the potential shortages of hatching egg and chicken meat supplies in the United States due to recently reported AI outbreaks in Mexico; the continuously growing broiler bird weights; the declines in competing meat production; and slowing inflation rates on food and meat prices. Expecting improved prospects for growth in chicken demand, particularly through a favourable competing meat situation, members revised their 2013 recommendation to 1,040 million kilograms (Mkg), up from a level of 1,036 Mkg that was established in November 2012 and represents growth of 1.50% over the 1,024.7 Mkg produced in 2012. For 2014, it was agreed that the competing meat situation and consumers' economic standing would be even more promising for chicken, and recommended a volume of 1,053 Mkg for 2014, which represents an increase of 1.25% compared to the 2013 recommendation. In both cases, CHEP's Board of Directors approved the recommendations.

In July, there were encouraging reports of an improving economic outlook for North America, as well as higher reported sales of chicken products throughout the first half of the year, and the combination of higher prices and tighter supplies in the competing meat sectors; however, there were concerns related to higher growth of spent fowl imports, tight supplies of broiler hatching eggs and chicken products in the United States, as well as slow chicken TRQ usage in the first half of the year, and its impact on 2013 production. The 2013 recommendation was 1,044 Mkg, which is 1.8% above 2012 production. As for 2014, the conditions were encouraging for chicken well beyond 2013, with the expectation that a similar level of growth could be repeated again and as a result recommended 1,062 Mkg, which represents an increase of 1.7% above the 2013 recommendation. Directors approved each of these recommendations.

In November, with a falling cost of production fueled by falling feed costs expected to hold into the New Year, reports indicated that the broiler hatching egg and chicken supply issue in the United States was improving, while spent fowl import levels were slowly showing signs of declining from levels recorded in the previous year. Meanwhile, despite the re-emergence of a softened economic growth outlook in North America, there remained a general sense of optimism for profitability in the chicken sector in 2014, with the continuation of tight supplies and price inflation in the competing meat sectors all lending favourably to chicken. Ultimately,



Dean Penner, Chair, Manitoba

Membership:

- ▲ Brian Bilkes, CBHEPA
- ▲ Jan Rus, CFC
- ▲ Ernie Silveri, CHF
- ▲ Steve Welsh, AAFC
- ▲ Guy Giroux, DFATD
- ▲ Nicolas Paillat, CPEPC
- ▲ Robert DeValk, FPPAC



Report of the Advisory Committee

it was agreed that a second consecutive year of strong growth should continue in 2014, and recommended a 2014 volume of 1,062 Mkg, which is unchanged from the previous volume set by Directors in July. Directors approved this recommendation.

The whole industry benefits when broiler hatching egg allocations are established on a reliable level of chicken estimates, and the work done by the Advisory Committee helps to achieve this goal.

Sincerely,

Dean Penner
Chair, Advisory Committee





Report of the Finance Committee

Canadian Hatching Egg Producers

The Finance Committee reviewed the Canadian Hatching Egg Producers' (CHEP) financial situation and financial policies during the year. In 2013, revenues equalled \$1.84 million, while expenditures totalled \$1.85 million, which resulted in a deficit of \$9,000. Revenues were marginally higher than the projected budget of \$1.83 million primarily due to an increase in production levels compared to the previous year. The national levy rate remained constant in 2012 and 2013. Expenditures of \$1.85 million were lower than the budget of \$1.93 million due in large part to the CHEP Directors' continued efforts in reducing meeting and travel costs. As well, some items were lower than budget, delayed or cancelled, which offset some items that were not in this budget. Expenditures increased by almost \$0.3 million compared to the previous year on account of items being above budget including: an increase in Board compensation as well as a part year increase in composition; the Federal Provincial Agreement (FPA); development of a web-based statistical program; strategic planning costs; part year additional staffing and trade activities.

The Finance Committee presented a budget for 2014 that included a projected deficit of \$176,500 for the year, however it was decided that no increase in the national levy was required. 2014 budgeted revenues are estimated at \$1.87 million, while budgeted expenditures are expected to increase by \$121,000 as a result of several factors including: full year for the larger Board composition and increase in compensation, the location and frequency of meetings with related costs, capital building expenditures, additional staffing, media training activities and additional funding for research expenditures.

The Research Fund, created in 2001, continued to be funded by an amount set aside of 0.1 cents per hatching egg to an annual maximum of \$60,000. An additional \$8,505 was committed to research expenditures in 2013.

At CHEP's Annual General Meeting held in March 2013, the firm of Welch LLP was reappointed to perform the 2013 year-end audit.

Sincerely,

Gyslain Loyer
Chair, Finance Committee



Gyslain Loyer, Chair, Quebec

Membership:

- ▲ Hendrik van Steenberg, Saskatchewan
- ▲ Dean Penner, Manitoba
- ▲ Dick Ottens, Ontario
- ▲ Ernie Silveri, CHF Representative
- ▲ Christine Côté, CHF



Report of the Research Committee

Canadian Hatching Egg Producers

Research is an important priority for our producers to continue to ensure safe, high quality and efficient production of broiler hatching eggs.

The Research Committee recommends a list of research priorities to the CHEP Board of Directors annually, based on feedback from the members. These priorities are also used to consider project funding through the Canadian Poultry Research Council (CPRC).

CHEP's 2013 Research Priorities are as follows:

1. Food safety
 - a. Alternatives to antimicrobials
2. Control of *Salmonella*
 - a. Vaccination - methods and effectiveness
 - b. General control
3. Breeder welfare
 - a. Stocking density
 - b. Euthanasia methods for birds >3kg
 - c. Feed restriction programs
 - d. Male mortality/longevity, including the influence of barn design, feed delivery systems or genetic influences
 - e. Early mortality of breeder hens
4. Production-based research
 - a. Low production of young breeders
5. Poultry health and disease
 - a. White chick syndrome
6. Environmental research

CHEP supports research as one of five founding members of the CPRC. I also serve on the CPRC Board of Directors as CHEP's representative. Through the CPRC, CHEP supports the Poultry Welfare Centre, which aims to foster the exchange of knowledge and techniques by connecting poultry researchers from universities and research stations across Canada. CPRC submitted an application for a new Poultry Science Cluster under *Growing Forward II*. The cluster includes a project from the University of Guelph looking at alternative feeding strategies for broiler breeders.

CHEP also funds the Industrial Research Chair in Poultry Nutrition announced this year at the University of Saskatchewan.



Brian Bilkes, Chair, British Columbia

Membership:

- ▲ Dennis Wickersham, Alberta
- ▲ Jeff Regier, Saskatchewan
- ▲ Murray Klassen, Manitoba
- ▲ Cheryl Firby, Ontario
- ▲ Robert Massé, Quebec



Report of the Research Committee

2013 saw staff changes at Agriculture and Agri-Food Canada (AAFC), and a cessation of federal AAFC poultry research. CHEP is committed to working with AAFC and CPRC to ensure there is a strong foundation for poultry research in Canada.

CHEP continues to support the research on the development of a precision feeding system for broiler breeders. Researchers from the University of Alberta presented their work at the July meeting in Waskesiu Lake, Saskatchewan.

As incoming chair, I would like to take this opportunity to thank Cheryl Firby for her dedication and hard work in chairing the Research Committee since 2007, and acting as CHEP's representative to the CPRC since 2010.

Sincerely,

Brian Bilkes
Chair, Research Committee



Canadian Hatching Egg Producers

CHEP Alternates



Clockwise from top left to right:
 Jeff Regier, Saskatchewan;
 Murray Klassen, Manitoba;
 Cheryl Firby, Ontario;
 Dennis Wickersham, Alberta;
 Robert Massé, Quebec;
 Brian Bilkes, British Columbia

Provincial Managers



Clockwise from top left to right:
 Bob Guy, Ontario;
 Pierre Belleau, Quebec;
 Stephanie Nelson, British Columbia;
 Clinton Monchuk, Saskatchewan;
 Bob Smook, Alberta;
 Wayne Hiltz, Manitoba

CHEP Staff



Clockwise from top left to right:
 Nicole Duval, Office Administrator;
 Tim Nikita, Economist;
 Joy Edstron, Bookkeeper;
 Sophie Neveux, Animal Welfare Officer;
 Giuseppe Caminiti, General Manager;
 Victoria Sikur, Food Safety Officer

Notes

FINANCIAL STATEMENTS
For
CANADIAN HATCHING EGG PRODUCERS
For the year ended
DECEMBER 31, 2013

CANADIAN HATCHING EGG PRODUCERS
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF OPERATIONS	3
STATEMENT OF CHANGES IN NET ASSETS	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 11

Welch LLP

INDEPENDENT AUDITOR'S REPORT

To the Minister of Agriculture and Agri-Food, Government of Canada, the Farm
Products Council of Canada and the members of Canadian Hatching Egg Producers

We have audited the accompanying financial statements of Canadian Hatching Egg Producers, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Hatching Egg Producers as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountant
Licensed Public Accountants

Ottawa, Ontario
February 19, 2014.

CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 85,901	\$ 42,158
Short-term investments - note 4	1,005,000	1,028,630
Accounts receivable	345,563	386,336
Prepaid expenses	<u>17,256</u>	<u>13,456</u>
	<u>1,453,720</u>	<u>1,470,580</u>
PROPERTY AND EQUIPMENT		
Land and building - note 5	619,024	635,312
Other - note 6	<u>4,032</u>	<u>5,103</u>
	<u>623,056</u>	<u>640,415</u>
	<u>\$ 2,076,776</u>	<u>\$ 2,110,995</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 133,228	\$ 134,871
Government remittances payable	13,383	27,766
Current portion of long-term debt - note 5	<u>9,679</u>	<u>9,146</u>
	156,290	171,783
LONG-TERM DEBT - note 5	<u>309,214</u>	<u>318,904</u>
	<u>465,504</u>	<u>490,687</u>
NET ASSETS		
Internally restricted for research purposes	-	8,023
Internally restricted for severance contingency	133,794	112,909
Unrestricted	<u>1,477,478</u>	<u>1,499,376</u>
	<u>1,611,272</u>	<u>1,620,308</u>
	<u>\$ 2,076,776</u>	<u>\$ 2,110,995</u>

Approved on behalf of the Board:



Jack Greydanus, Chair



Calvin Breukelman, Vice Chair

(See accompanying notes)

CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Levies	\$ 1,825,637	\$ 1,808,576
Interest	<u>13,484</u>	<u>11,643</u>
	<u>1,839,121</u>	<u>1,820,219</u>
Expenses		
Amortization	21,477	25,275
Building occupancy	47,743	48,949
Directors' and participants' fees	355,299	285,377
Interest on long-term debt	12,387	12,894
Meetings	60,096	39,788
Membership fees	35,341	32,933
Office and administrative	145,306	129,822
Professional fees	220,667	143,645
Research	68,505	67,000
Salaries, benefits and travel	691,652	615,035
Trade	97,886	82,008
Translation and interpretation	<u>91,798</u>	<u>73,190</u>
	<u>1,848,157</u>	<u>1,555,916</u>
Net revenue (expense)	<u>\$ (9,036)</u>	<u>\$ 264,303</u>

(See accompanying notes)

CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>				<u>2012</u>
	Internally restricted for research purposes	Internally restricted for severance contingency	Unrestricted	Total	Total
Balance, beginning of year	\$ 8,023	\$ 112,909	\$ 1,499,376	\$ 1,620,308	\$ 1,356,005
Net revenue (expense)	-	-	(9,036)	(9,036)	264,303
Internally imposed restrictions - note 7	<u>(8,023)</u>	<u>20,885</u>	<u>(12,862)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 133,794</u>	<u>\$ 1,477,478</u>	<u>\$ 1,611,272</u>	<u>\$ 1,620,308</u>

(See accompanying notes)

CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue (expense)	\$ (9,036)	\$ 264,303
Adjustment for amortization	<u>21,477</u>	<u>25,275</u>
	12,441	289,578
Changes in non-cash working capital components:		
Accounts receivable	40,773	(65,672)
Prepaid expenses	(3,800)	(3,036)
Accounts payable and accrued liabilities	(1,643)	18,916
Government remittances payable	<u>(14,383)</u>	<u>3,419</u>
	<u>33,388</u>	<u>243,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,005,000)	(1,028,630)
Maturity of investments	1,028,630	800,000
Purchase of property and equipment	<u>(4,118)</u>	<u>(7,007)</u>
	<u>19,512</u>	<u>(235,637)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long-term debt	<u>(9,157)</u>	<u>(8,649)</u>
INCREASE (DECREASE) IN CASH	43,743	(1,081)
CASH AT BEGINNING OF YEAR	<u>42,158</u>	<u>43,239</u>
CASH AT END OF YEAR	<u>\$ 85,901</u>	<u>\$ 42,158</u>

(See accompanying notes)

CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. ORGANIZATION AND PURPOSE

Canadian Hatching Egg Producers (the "Organization") is a statutory corporation created under the Farm Products Agencies Act.

The mission of the Organization is to continue to grow a profitable broiler hatching egg industry in Canada in order to ensure a strong, efficient and competitive industry and a dependable supply of quality broiler hatching eggs to the Canadian chicken industry.

The Organization is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Organization receives levies based on the number of hatching eggs marketed in intra-provincial, inter-provincial and export trade. Levies are recorded as revenue in the period earned.

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other sources of revenue are recorded using the accrual basis of accounting.

Financial instruments

Measurement of financial instruments

Cash and short-term investments are initially recognized and subsequently measured at fair value.

All other financial instruments are subsequently measured at amortized cost.

Transaction costs

Transaction costs associated with the acquisition and disposal of investments are capitalized to the acquisition costs or reduce proceeds on disposal.

Investment in co-owned property

The Organization accounts for its investment in the co-owned property using proportionate consolidation. Under this method, the organization's share of the assets, liabilities, revenues, expenses and cash flows of the co-owned property are reported in these financial statements.

CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Property and equipment and related amortization

Property and equipment are recorded at cost.

Property and equipment are amortized by the straight-line method over their estimated useful lives, as follows:

Building	40 years
Office furniture and equipment	5 years
Electronic equipment	3 years

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The estimated useful life of the Organization's property and equipment, the net realizable value of accounts receivable and the amount of accrued liabilities are the most significant items where estimates are used.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at December 31, 2013.

The Organization does not use derivative financial instruments to manage its risks.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments and its accounts receivable. The Organization's cash and short-term investments are deposited with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote. The Organization manages its credit risk by reviewing accounts receivable aging monthly and following up on outstanding amounts. Management believes that all accounts receivable at year-end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that the Organization cannot meet a demand for cash or fund its obligations as they become due. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

3. FINANCIAL INSTRUMENTS - Cont'd.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Organization's financial instruments are all denominated in Canadian dollars and the Organization transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization's exposure to interest rate risk arises from its short-term investments and long-term debt. The Organization's short-term investments include amounts on deposit with financial institutions that earn interest at market rates and its long-term debt bears interest at a fixed rate until 2017.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization is not exposed to other price risk.

Changes in risk

There have been no changes in the Organization's risk exposures from the prior year.

4. SHORT-TERM INVESTMENTS

Short-term investments are as follows:

	<u>2013</u>	<u>2012</u>
Guaranteed investment certificates, bearing interest rates between 1.15% and 1.25% maturing at various dates in 2014.	<u>\$ 1,005,000</u>	<u>\$ 1,028,630</u>

Investments are managed by the board of directors in consultation with the Organization's financial advisors. The organization limits its investments to those authorized investments under the Farm Products Agencies Act ("Act"). These limits restrict the Organization to only invest money in its possession or control that is not immediately required for the purposes of its operations. Furthermore, the Act requires the investments to be in securities of or guaranteed by the Government of Canada.

CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

5. PROPERTY AND EQUIPMENT - LAND AND BUILDING

Land and building

The Organization holds an 8.02% interest, as co-owner with Egg Farmers of Canada, Dairy Farmers of Canada and Canadian Federation of Agriculture, in a property located at 21 Florence Street, Ottawa, Ontario, that houses the Organization's office.

The Organization's proportionate share of the cost and related accumulated amortization is as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 54,135	\$ -	\$ 54,135	\$ -
Building	<u>651,519</u>	<u>86,630</u>	<u>651,519</u>	<u>70,342</u>
	705,654	<u>\$ 86,630</u>	705,654	<u>\$ 70,342</u>
Less accumulated amortization	<u>86,630</u>		<u>70,342</u>	
Net book value	<u>\$ 619,024</u>		<u>\$ 635,312</u>	

Long-term debt

The Organization is responsible for its pro-rata share of the long-term debt to the Bank of Montreal. The Organization's share of the principal balance owing at December 31, 2013 is as follows:

	<u>2013</u>	<u>2012</u>
Long-term debt - 5.68% interest rate, payable in blended monthly payments of \$2,296, due November 30, 2017	\$ 318,893	\$ 328,050
Less current portion	<u>9,679</u>	<u>9,146</u>
	<u>\$ 309,214</u>	<u>\$ 318,904</u>

The Organization's share of principal repayments required in future fiscal years is as follows:

2014	\$ 9,679
2015	10,243
2016	10,840
2017	288,131

The Organization and the other co-owners have jointly and severally entered into the loan agreement and therefore the Organization is contingently liable for that portion of the long-term debt attributable to the other co-owners in the event that they should default in their financial commitment. The balance of the long-term debt attributable to the other co-owners at December 31, 2013 is \$3,657,328.

CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

6. PROPERTY AND EQUIPMENT - OTHER

Property and equipment - other consists of:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Office furniture and equipment	\$ 35,396	\$ 35,396	\$ 36,747	\$ 36,196
Electronic equipment	<u>42,851</u>	<u>38,819</u>	<u>48,341</u>	<u>43,789</u>
	78,247	\$ 74,215	85,088	\$ 79,985
Less accumulated amortization	<u>74,215</u>		<u>79,985</u>	
Net book value	\$ <u>4,032</u>		\$ <u>5,103</u>	

7. INTERNALLY IMPOSED RESTRICTIONS

During the year, the Board of Directors internally restricted \$20,885 (2012 - \$3,993) for severance contingency. During the year the Organization utilized \$8,023 (2012 - \$7,000) of the reserve internally restricted for research purposes.

8. COST SHARING ARRANGEMENT

The Organization shares office facilities and certain staff costs with Dairy Farmers of Canada, Egg Farmers of Canada and Canadian Federation of Agriculture. Each organization bears its proportionate share of the related costs.

9. COMMITMENTS

The Organization has various agreements with remaining terms ranging from 3 to 4 years. The aggregate future minimum payments under these agreements are as follows:

2014	\$ 7,957
2015	7,957
2016	7,531
2017	5,400

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform with the presentation adopted for the current year.