



Canadian Hatching Egg Producers



2016 Annual Report

Canadian Hatching Egg Producers

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Table of Contents

Canadian Hatching Egg Producers

Message from the Chair.....	1
Executive Director's Report.....	3
Mission Statement, Board of Directors and Executive Committee.....	5
Canadian Hatching Egg Market Review.....	6
Production Management Committee	10
Advisory Committee.....	12
Finance Committee.....	14
Research Committee	15
Canadian Broiler Hatching Egg Producers' Association	17
CHEP Alternates	19
Provincial Managers.....	19
CHEP Staff.....	20
WTO Representative	20
CHEP Financial Statements December 31, 2016	21



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Message from the Chair

Canadian Hatching Egg Producers

Fellow Canadian Hatching Egg Producers

Welcome to 2017, a year of hope and optimism around continued growth and success, but also a year that will challenge what we thought we knew about trade agreements – let's first remember 2016.

2016 was a very intense and exciting year for the Canadian Hatching Egg Producers, for which we should all be very proud. Let me reminisce on some of our accomplishments.

2016 marked the 30th anniversary as an organization representing you at the national level. It goes without saying that we sincerely thank those producers from 30 plus years ago for their foresight and determination to envision that Canada's broiler hatching egg producers be governed under the federal supply management system. A system that allows for a predictable supply of quality hatching eggs to provide to our hatchery partners, who then supply broiler farmers and ultimately the Canadian dinner table. This system is also of tremendous benefit to the whole chicken supply chain. Predictability is a cornerstone of the supply management system and as your chair, I will work tirelessly to maintain it.



Jack Greydanus
Chair

As partners in supply management, we must each do our part. Achieving the production of all the broiler hatching eggs required for the Canadian marketplace is vital. Your Board of Directors has been grappling with this issue for quite some time. In the spring of 2016, a five-year agreement was initiated to address one aspect of this issue – interprovincial chick movement. Work continues and I am confident that policies will be developed to ensure allocations are produced each year. As individual hatching egg producers, if we produce our allotment, the national goal will also be achieved.

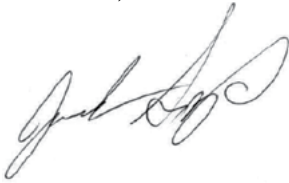
We all recognize and appreciate that Canada is a trading nation and trade will always been a significant file. We also know that a 'local solution' to food production is important to Canadians and we are that 'local solution'. The trade agreements where Canada is a member along with the United States are now in a state of unpredictability. News as of late has seen questions raised by the new leadership in the United States, our largest trading partner, surrounding the North American Free Trade Agreement and also on the recently negotiated Trans-Pacific Partnership agreement. CHEP will be diligent on keeping abreast of forthcoming discussions.

Animal care has been at the forefront with the media attention it has garnered. CHEP continues to be immersed in this issue, including participating in the new poultry Codes of Practice. A national auditable animal care program, based on these Codes, will be in place for 2017 and audits will begin in 2018.

As broiler hatching egg producers we recognize and appreciate that relationships are extremely important. From the delivery of day-old chicks, feeding and caring for our birds, and the resulting hatching egg production, we require support. That support can come in many ways, however I believe our relationships with our hatcheries is the most essential. With the reduction in antibiotic use within the poultry industry, our product that is delivered to the hatchery must continue to be second to none. We are all successful when we produce and supply the best quality hatching eggs to our hatchery. CHEP will continue to work with the Canadian Hatchery Federation to develop workable solutions for the betterment of all.

In closing, I would like to highlight the excellent work by CHEP staff in 2016. The accomplishments mentioned above would not have transpired without their thoughtfulness and their attention to detail that make our jobs much easier as directors. I would also like to thank the Board of Directors as their desire to deliver permanent solutions has made my role as Chair enjoyable.

Cheers,



Jack Greydanus
Chair



Congratulations on a successful 30 years!!

In October 1983, the Canadian Broiler Hatching Egg Producers Association submitted an application to establish a national marketing plan with full supply management powers as described in Section 23 of the Farm Products Agencies Act. Following public hearings in 1984, the Canadian Broiler Hatching Egg Marketing Agency, now known as the Canadian Hatching Egg Producers (CHEP), was formed on December 22, 1986 and proclaimed a national agency.

In 2016, CHEP celebrated its 30th anniversary. Initially comprised of three member provinces, Ontario, Quebec and Manitoba, the Agency's membership grew over the years to six provinces, after adding Alberta (1987), British Columbia (1989) and Saskatchewan (2012). CHEP continues to meet with producers in Nova Scotia and New Brunswick with the goal of having a unified broiler hatching egg industry across Canada.

Following the agreement in principle reached in the latter part of 2015 between producers and hatcheries from Ontario and Quebec as well as the CHEP Board of Directors, the final signature was placed on the Memorandum of Understanding on March 8, 2016. In addition, a revised Liquidated Damages Assessment Agreement was signed by all member provinces as well as CHEP. As a result, the complaints issued by the Ontario Broiler Hatching Egg & Chick Commission and the Syndicat des producteurs d'œufs d'incubation du Québec to the Farm Products Council of Canada were both withdrawn. It was also agreed to develop a new Liquidated Damages Assessment Agreement which is expected to be completed sometime in 2017.

CHEP continued to explore different options to better take into account the impact of differential growth in the chicken industry on provincial broiler hatching egg allocations in response to the agreement reached on differential growth in the chicken sector.

The Canadian government signed the Trans-Pacific Partnership agreement on February 4th, however the President-elect Donald Trump has indicated that the United States will not sign the agreement, which puts the entire agreement at risk. In addition, he has also signaled his intent to re-open the North American Free Trade Agreement.

The Comprehensive Economic and Trade Agreement was ratified, followed by an announcement by the federal government of transitional funds available to the dairy sector. The final deal is expected to be implemented in early 2017. Although the United Kingdom voted to leave the European Union as a result of the BREXIT referendum, uncertainty surrounding the resulting implications and impacts are being examined.

The World Trade Organization continues to look for ways of moving forward as it prepares for the next Ministerial meeting (MC11) to be held in Buenos Aires, Argentina in December 2017.



Giuseppe Caminiti
Executive Director

The Canadian poultry industry continues to focus a great deal of attention on antibiotic use in Canada and abroad, both as it applies to agriculture and human medicine.

CHEP continues to develop an Animal Care Program based on the "Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys" that was completed earlier in the year. The Animal Care Program is expected to be approved in 2017.

The Canadian Food Inspection Agency revised the poultry compensation models that would be deployed in the event of an outbreak of a reportable disease such as avian influenza without prior consultation with industry. The poultry industry continues to work with the CFIA to review and discuss the suite of poultry compensation models.

The Canadian Journey to Social License / Public Trust is an initiative that was discussed during the Federal Provincial Territorial (FPT) meeting. It is important as it demonstrates to the public what industries are doing and how we are doing it.

The federal government and the poultry industry have agreed to establish a Poultry Value Chain Round Table that would provide a forum to bring together key senior Canadian poultry industry representatives with senior federal and provincial governments and allied value chain partners to discuss common issues, with a focus on sustainability and public trust, and to encourage collaborative action by industry and government.

The CHEP staff – Nicole, Tim, Sophie, Madison (replacing Viki during her parental leave), Viki and Joy – continue to work together to serve and represent the Canadian broiler hatching egg industry.

Sincerely,



Giuseppe Caminiti
Executive Director





Canadian Hatching Egg Producers

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.

Board of Directors



Top from left to right: Giuseppe Caminiti, Executive Director; Gary Van Klei, Alberta; Ernie Silveri, CHF; Christian Trottier, CHF;
Bottom from left to right: Joe Neels, British Columbia; Dean Penner, Second Vice-Chair, Manitoba; Jack Greydanus, Chair; Gyslain Loyer, Vice-Chair, Quebec; Dick Ottens, Ontario; Henk van Steenberghe, Saskatchewan

Executive Committee



Jack Greydanus
Chair



Gyslain Loyer
Vice-Chair, Quebec



Dean Penner
Second Vice-Chair, Manitoba



Giuseppe Caminiti
Executive Director

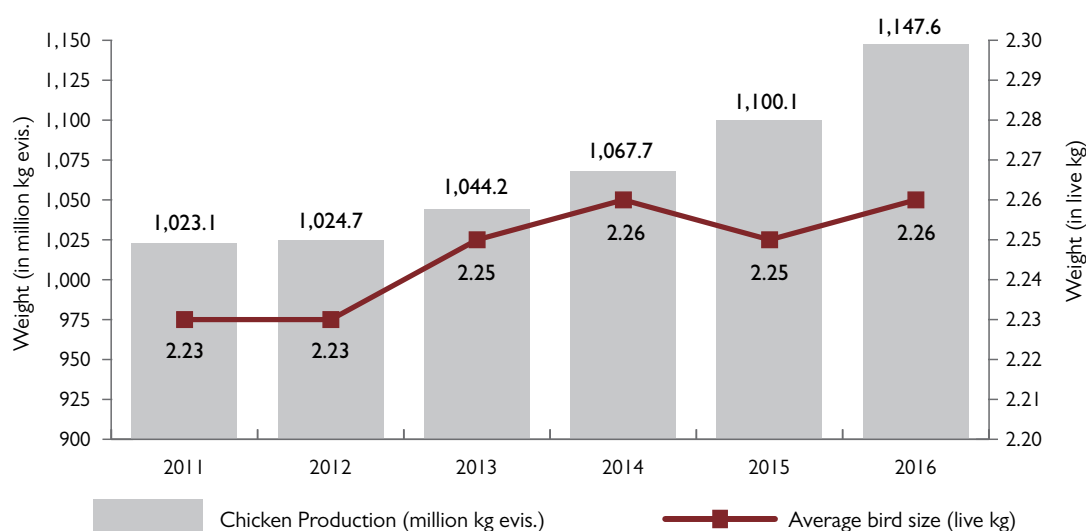
Throughout 2016, a review was undertaken of the statistics and prices reported to CHEP in order to standardize the information. As a result, the statistics and prices now being reported are more comparable across the provinces.

The Canadian broiler hatching egg industry began 2016 on a more positive footing than in 2015. The medium-term growth rate forecasted by the chicken sector increased to 3.0% (up from 2.5%), along with strong consumer demand signals and a favourable standing for chicken against the competing meat sectors. The market conditions reported in the early part of the year suggested another strong year of growth was expected by the broiler hatching egg sector after considerable efforts were made throughout 2015 to restore lost production following the highly pathogenic avian influenza event that had stricken several farms in British Columbia and Ontario beginning in December 2014.

Despite greater competition from the competing meat sectors, steady demand for chicken throughout the year allowed for strong increases to the broiler hatching egg allocations needed to meet the needs of the chicken industry. By year's end, the chicken industry experienced an annual increase of 4.3% – a level of growth not seen since 2000 – while domestic broiler hatching egg production grew by 2.2%.

The initial 2016 broiler hatching egg allocations established in March 2015 were based on estimated chicken production of 1,124 million kilograms, which represented growth of 2.2% above 2015 chicken production of 1,100.1 million kilograms. By July 2015, the 2016 chicken production estimate increased to 1,135 million kilograms, and increased again in November 2015 to 1,144 million kilograms before being revised upwards again in March 2016 to 1,154 million kilograms. In response to softening market conditions reported in July 2016, the final 2016 broiler hatching egg allocations were based on estimated chicken production of 1,149.9 million kilograms, which represents an increase of 4.5% above 2015 production. In the end, 2016 chicken production totaled 1,147.6 million kilograms, which represents a 4.3% increase over the previous year, and 2.3 million kilograms less than the July projection.

Canadian Chicken Production and Average Bird Size (2011-2016)

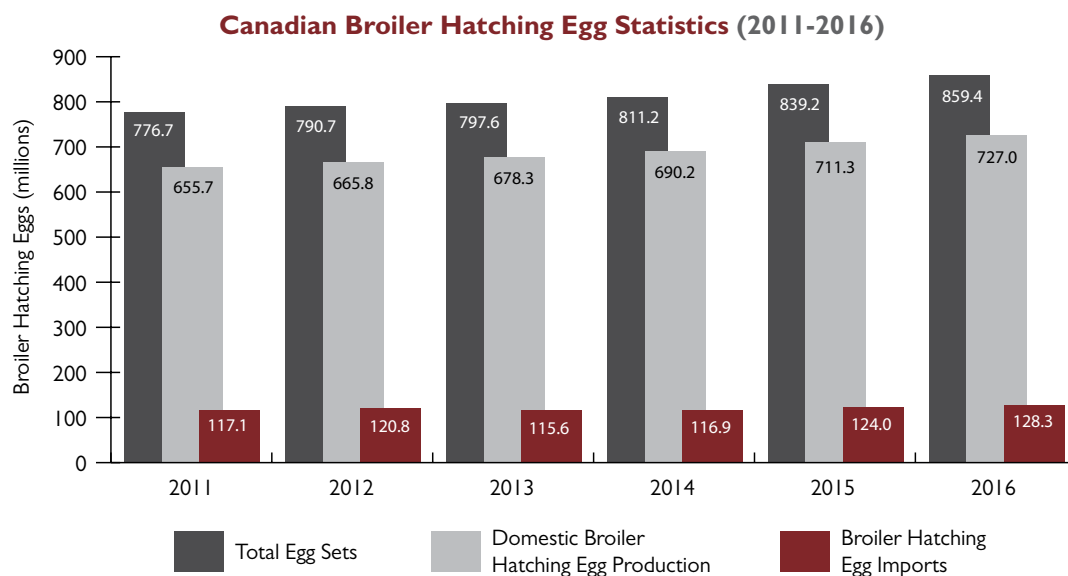


Sources: Chicken Farmers of Canada (chicken production); Canadian Hatching Egg Producers (average bird size)

Canadian hatcheries set a total of 859.4 million broiler hatching eggs in 2016, an increase of 20.2 million eggs (+2.4%) from 2015. Meanwhile, domestic broiler hatching egg production totaled 727.0 million eggs across Canada, an increase of 15.7 million eggs (+2.2%) over the previous year and equal to 98.9% of CHEP's final 2016 allocation.

Broiler hatching egg imports into Canada increased by nearly 4.4 million eggs (+3.5%) compared to last year, while broiler chicks imported into Canada increased by nearly 3.7 million chicks (+22.5%). As a result, 2016 combined imports increased by nearly 9.1 million egg equivalents (+6.3%) from 2015. Supplemental imports totaling approximately 3.0 million broiler hatching eggs were included in these numbers. Altogether, broiler hatching egg and broiler chick imports into Canada (including supplemental imports) totaled 101.0% of the Global Tariff Rate Quota (TRQ) volume allotted to hatcheries in 2016.

Canadian domestic broiler hatching egg production in 2016 increased by 2.2% compared to 2015, with improved production levels reported in six of eight producing provinces. Collectively, domestic production between the six member provinces reached 98.3% of the final 2016 allocations.



Sources: CHEP, Agriculture and Agri-Food Canada (AAFC), Global Affairs Canada (GAC)

Broiler Hatching Egg Production and Imports

In 2016, domestic broiler hatching egg production in Canada increased by 15.7 million eggs (+2.2%) over 2015. Provincially, British Columbia's domestic production increased by 6.3 million eggs (+6.4%) in an effort to restore production following the AI outbreak that struck in December 2014, while imports fell by 4.5%, resulting in 3.4 million (2.7%) more eggs set during the year. In Alberta, domestic production increased by 2.1 million eggs (+3.0%), with 6.7% fewer imports and 2.3 million (2.7%) more eggs set. Saskatchewan's production rose almost 1.0 million eggs (+3.4%), while imports increased by 9.0%, finishing the year with 1.0 million eggs (-2.8%) fewer eggs set. Manitoba experienced a surge in domestic production of more than 2.6 million eggs (+8.1%), while imports fell by 21.5%, resulting in 0.9 million (+2.2%) more eggs set. In Ontario, production grew by 11.6 million eggs (+5.4%), while imports fell by 8.2%, resulting in 7.7 million more eggs set (+3.2%). Quebec's production fell by more than 4.8 million eggs (-2.4%), while imports increased by 32.4%, resulting in 5.6 million more eggs (+2.3%) being set.

Table 1 – Broiler Hatching Egg Production (000 broiler hatching eggs)

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2016	105,360	73,911	29,422	35,300	225,316	194,965	31,212	31,466	726,953
2015	99,033	71,750	28,443	32,670	213,722	199,802	28,506	37,332	711,257
2014	99,421	66,306	26,654	33,548	210,634	191,024	24,681	37,970	690,239
2013	99,203	66,242	27,649	34,350	205,615	184,889	25,248	35,094	678,290
% Change									
16/15	6.4	3.0	3.4	8.1	5.4	(2.4)	9.5	(15.7)	2.2
15/14	(0.4)	8.2	6.7	(2.6)	1.5	4.6	15.5	(1.7)	3.0
14/13	0.2	0.1	(3.6)	(2.3)	2.4	3.3	(2.2)	8.2	1.8

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2016 was 2.26 kg live per bird, up marginally from 2.25 kg in the previous year, led by gains in Nova Scotia (+3.6%) and Saskatchewan (+3.2%), with declines in Ontario (-0.6%) and Alberta (-0.3%).

Table 2 – Selected Market Factors

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Total (Combined) Imports									
(000 eggs equiv.)	29,665	14,331	9,272	6,887	33,613	55,819	108	4,194	153,889
% change 16/15	(4.5)	(6.7)	9.0	(21.5)	(8.2)	32.4	100.0	79.6	6.3
Chicken Production									
(000 kg evis.)	167,576	108,129	44,441	48,955	376,338	311,104	39,498	51,539	1,147,580
% change 16/15	5.0	6.7	5.9	5.4	3.5	3.0	5.6	7.5	4.3
Avg. live weight of broilers									
(kg live/bird)	2.16	2.24	2.15	2.02	2.32	2.30	2.32	2.29	2.26
% change 16/15	0.4	(0.3)	3.2	0.7	(0.6)	0.2	3.6	2.5	0.3

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

Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2016 grew by 4.5% to reach \$303.6 million, up from \$290.4 million in 2015. The 2016 average saleable chick price paid by hatcheries to producers ranged from 48.80 cents in Ontario to 54.76 cents in Saskatchewan.

Table 3 – Farm Cash Receipts and Producer Prices

	Farm Cash Receipts		Hatching Egg Producer Prices	
	2016 \$ 000	% change 16/15	¢ per saleable chick (2016 average) ¹	% change 16/15
British Columbia	46,840	9.5	54.58	2.9
Alberta	32,688	4.3	54.28	1.2
Saskatchewan	13,121	5.6	54.76	2.0
Manitoba	15,543	10.3	54.06	1.9
Ontario	89,550	7.8	48.80	2.2
Quebec	80,078	(0.2)	50.43	2.1
Nova Scotia	12,821	11.9	–	–
NB/PE/NL	12,926	(13.8)	–	–
CANADA	303,567	4.5	52.82	2.0

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

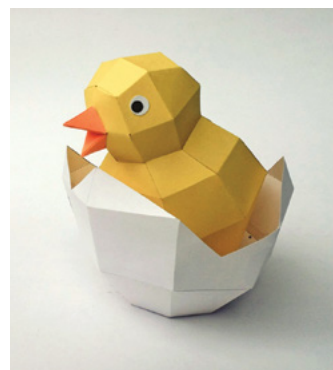
¹ The saleable chick price is paid by hatcheries to producers.

Canadian Hatching Egg Industry Profile

Table 4 – Hatching Egg Industry Profile for 2016

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Broiler Hatching Egg Producers	52	30	10	23	76	36	12	4	243
Hatcheries	10	4	2	4	9	5	3	3	40
Average Farm Size (million eggs)	2.0	2.5	2.9	1.5	3.0	5.4	2.6	7.9	3.0

Sources: Provincial Boards, CHEP.



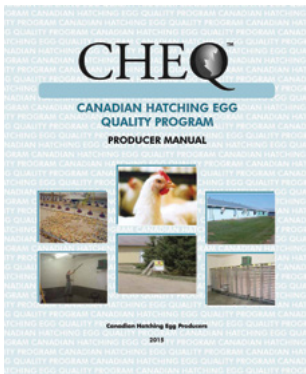
The National Farm Animal Care Council (NFACC) is the national lead for farm animal care and welfare in Canada. The Canadian Hatching Egg Producers, Chicken Farmers of Canada, Canadian Poultry and Egg Processors Council, Turkey Farmers of Canada and NFACC were pleased to announce the release of the revised Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys in June 2016.

Canada's Codes of Practice are nationally developed guidelines for the care and handling of farm animals that are scientifically informed, practical, and reflect societal expectations for responsible farm animal care. The Codes of Practice are used as educational tools, reference materials for regulations, and will be the foundation for CHEP's Animal Care Program (ACP).

CHEP worked diligently in 2016 to further develop its ACP through consultation with stakeholders and on-farm test pilots. The dedication to this initiative reflects CHEP's commitment to the importance of animal care by broiler hatching egg producers in Canada. At the farm level, the ACP will be integrated with the pre-existing on-farm food safety program, Canadian Hatching Egg Quality (CHEQ™) Program, to allow for better efficiencies and smoother implementation on the farm.



Dean Penner
Chair



The revised CHEQ™ producer manual was distributed to all producers and the changes came into effect January 1, 2016. Biosecurity, egg handling, egg quality and antibiotic use protocols are the main focus of the most recent changes. In November 2016, the national allowable maximum number of cracked and dirty eggs was modified to "a total of 3% dirt/stains and 3% cracks allowable in a lot" which is below the CFIA limits of 5% dirt/stains and 5% cracks. Updated pages for the manual will be distributed to producers in early 2017. CHEQ™ will continue to be reviewed and updated regularly as a part of continuous improvement. The CHEQ™ multi-year certificate for certified producers was also updated and distributed to provincial boards at the end of 2016.

CHEP continues to demonstrate the responsible use of antibiotics as part of an industry-wide approach in the poultry sector. As part of the poultry industry's Category I antibiotic use initiative, the Spent Broiler Breeder Flock Sheets were updated asking farmers to indicate whether Category I antibiotics were used in a preventative manner over the life of a flock. In addition, the flock sheets request farmers to report if they participate in the CHEQ™ on-farm food safety program and whether there was any unusual mortalities in the last 120 days of production. Updated flock sheets became available in June 2016. CHEP continues to look at alternatives to antibiotics in order to preserve treatment options and promote flock health and welfare.

CHEP continues to be involved in a number of committees and groups including: the development of the Canadian Hatchery Supply Flock Policy Program; the modernization of the Hatchery Regulations; the revision of the Hatchery Manual of Procedures (MOP); and the Merged Salmonella Enteritidis (SE) / Pathogen Reduction Initiative (PRI) Working Group. In addition, CHEP participates on the Canadian Hatchery Federation (CHF) Antimicrobial Use committee, which was created to discuss: the definition of preventative and therapeutic use of antimicrobials on farm; how to improve egg quality with antimicrobial reduction; and sharing additional costs as a result of reduction of antibiotic use in the broiler industry.

As countries in Europe and Asia deal with avian influenza's impact on their poultry industries in 2016, the limited impact in Canada demonstrates the importance that broiler hatching egg producers have placed on prevention and preparation. The focus rests on maintaining high biosecurity standards, supporting surveillance efforts and funding pertinent research.

The Canadian Food Inspection Agency (CFIA) has proposed amendments to the Health of Animals Regulations: Part XII which deals with humane transportation. The proposed regulations are the product of over ten years of consultation with industry, the public and special interest groups. CHEP will reiterate the views of the broiler hatching egg industry during the public comment period.

CHEP will continue to capitalize on opportunities to communicate animal health and welfare resources to broiler hatching egg producers. In collaboration with governments, researchers, the national poultry groups, and extension services (e.g. Poultry Industry Council), CHEP is working to address the need for information on issues that impact producers such as transport, euthanasia, and responsible antibiotic use.

CHEP also remains involved in opportunities to engage in dialogue about safeguarding and building the future for a robust poultry health and welfare approach in Canada.

Sincerely,



Dean Penner
Chair

Members:

Dean Penner, Chair, Manitoba
Joe Neels, British Columbia
Gary Van Klei, Alberta
Henk van Steenberg, Saskatchewan
Dick Ottens, Ontario
Gyslain Loyer, Quebec



The year 2016 began on a more positive note than in 2015, with a 3.0% medium-term growth rate forecasted by the chicken sector (up from 2.5%) coupled with strong consumer demand and a favourable standing for chicken against the competing meat sectors. As such, the market conditions in early 2016 were aligning themselves to usher in continued growth for the broiler hatching egg sector following a year in which considerable efforts were made to recover from the highly pathogenic Avian Influenza event that had stricken several farms in British Columbia and Ontario beginning in December 2014.

In March, strong growth in per capita chicken consumption and domestic disappearance levels were reported to start the year. Prices for chicken remained more stable than those for its competing meats, which were poised to become more competitive with chicken as the year progressed. Domestic broiler hatching egg supplies were adequate in most provinces, while imports from the United States were stable. Meanwhile, the Canadian economy was showing mixed signals, with real GDP growth forecasts by the Bank of Canada at 1.9% for 2016 and 2.5% for 2017, down slightly from previous forecasts. Year-over-year inflation to January remained low for most consumer goods including food prices (+4.0%) and meats (+2.0%). Recognizing the outlook on competing meats and the strong growth in chicken demand in 2016, a revised 2016 chicken production estimate of 1,154 million kilograms was recommended, representing a 4.9% increase over 2015. For 2017, the mixed economic signals for the medium term horizon required a more cautious approach, resulting in an initial chicken production estimate recommendation of 1,188 million kilograms, which represented a 3.0% increase over the 2016 estimate.

In July, domestic disappearance levels to mid-June were down 1.3% from the previous year. As greater price competition from the competing meat sectors began to build, it became apparent that growth in chicken demand during the second half of the year would be lower than the forecast in March. The forecasts on real GDP growth were downgraded again by the Bank of Canada to 1.3% in 2016 and 2.2% in 2017. The year-over-year inflation in Canada (to May) continued to fall for food prices (+1.8%) and for meats (+1.5%), both down significantly from levels reported in March. Domestic broiler hatching egg supplies remained adequate in most provinces. As a result of the slowing growth, a final 2016 chicken production estimate of 1,148 million kilograms was recommended, representing growth of 4.3% above 2015 and 6 million kilograms lower than the March recommendation. For 2017, the growing competition from the competing meat sectors combined with bleaker long term economic growth forecasts led to a recommendation of 1,182 million kilograms for the revised chicken production estimate. This represented an increase of 3.0% above 2016, and was also down 6 million kilograms from the March recommendation.



Dean Penner
Chair

In November, year-over-year increases were reported in domestic chicken disappearance (3.1%) and per capita chicken consumption (+1.4%). Once again, the Bank of Canada downgraded its outlook on real GDP growth for 2016 (1.1%) and 2017 (2.0%). Inflation continued its downward path, with year-over-year food inflation rising by only 0.1% to September, while the prices of meats fell by 0.9%. Domestic broiler hatching egg supplies were short to adequate in most provinces, with concerns of a production shortage as some supplemental imports had been authorized. Total chicken production in 2016 was forecast to reach 1,145 million kilograms, 4.0% above 2015. Meanwhile, efforts to stop the inflow of spent fowl imports from the United States showed early signs of success, which may allow the Canadian chicken industry an opportunity to produce additional domestic chicken. For 2017, amidst greater competition from the competing meat sectors and low food price inflation, the previous recommendation of a chicken production estimate for 2017 at 1,182 million kilograms was maintained. This volume represented growth of 3.3% above total expected production in 2016, and unchanged from the July recommendation.

Sincerely,



Dean Penner
Chair

Membership:

Dean Penner, Chair, Manitoba
Robert Massé, Canadian Broiler Hatching Egg Producers' Association
Ernie Silveri, Canadian Hatchery Federation
Christian Trottier, Canadian Poultry and Egg Processors Council
Jan Rus, Chicken Farmers of Canada
Robert DeVal, Further Poultry Processors Association of Canada
Mathieu Boucher, Agriculture and Agri-Food Canada
Guy Giroux, Global Affairs Canada





Finance Committee

Canadian Hatching Egg Producers

Three meetings were held during the course of the year to review the financial situation and financial policies for the Canadian Hatching Egg Producers. In 2016, revenues totalled \$2.16 million, while expenditures totalled \$1.90 million, which resulted in a surplus of \$0.27 million. Actual revenues were marginally lower than the projected budget of \$2.18 million as a result of slightly lower hatching egg production compared to the 2016 budgeted production. Actual expenditures were lower than the budget of \$2.12 million due in large part to the chair, directors and members purchased less expensive travel options, combined meetings, diminished trade activities, composition changes in personnel resources and interpretation being under budget. In addition, there were budgeted expenses that were delayed including animal care printing, legal review work, food safety meetings and the purchase of equipment.

The 2017 budget presented included projected revenues of \$2.22 million, expenditures of \$2.14 million, resulting in a surplus of \$0.08 million. 2017 budgeted revenues are projected to increase \$0.05 million compared to last year's actual, while expenditures are expected to decrease by \$0.2 million. This budget takes into account some of the savings achieved in 2016, while recognizing the current makeup of the CHEP Executive Committee could change, possibly impacting Director fees and participants' expenses and the location of meetings for 2017. The CHEQ™ program continues to evolve, which requires ongoing resources. In addition, CHEP continues to focus substantial time and resources to develop and implement an animal care program. Expenditures related to the office space operating costs are slightly higher due to planned building projects. The remaining expenditures are forecast to increase in tandem with inflation.

PricewaterhouseCoopers LLP was appointed to perform the 2016 year-end audit during the March 2016 meetings.

Sincerely,

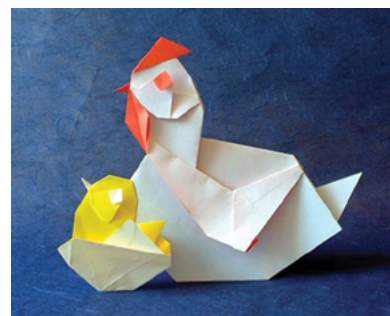
Henk van Steenberg
Chair

Members:

Henk van Steenberg, Chair, Saskatchewan
Gary Van Klei, Alberta
Dean Penner, Manitoba
Dick Ottens, Ontario
Christian Trottier, CHF



Henk van Steenberg
Chair



<http://www.giladorigami.com>

Research continues to be a top priority for CHEP. Improvements to productivity, egg quality, bird health, bird welfare and food safety remain a focus and are best made when they are based on scientifically proven methods. In 2016, CHEP supported several projects and studies including providing funds for a Canadian poultry research student to attend this year's World's Poultry Congress in Beijing to present their study results.

This year's list of national research priorities, based on input from broiler hatching egg producers across Canada, were as follows:

1. Food Safety*

- a. Alternatives to antimicrobials
- b. Egg washing / Egg sanitization
 - Mechanical sanitization
 - Effectiveness
 - e.g. H_2O_2 , quaternary ammonia, ultraviolet light
 - What effect does proper sanitization have on chick quality?
 - Could it be a possible solution for periodic shortages in the industry?
 - Method: *Salmonella* control
 - Fumigation
- c. Egg size
 - The ability to be able to set eggs below 52 grams if required
 - What is the largest acceptable egg: 75 grams or larger?
 - Potential factors that contribute to large egg size at the end of lay

2. Control of *Salmonella**

- a. Vaccination (methods and effectiveness)
- b. General control
- c. Sources of infection
- d. Possible barn differences, what type of construction, material, insulation, volume of air, angle to the sun (infrared radiation)
- e. What is transferred to the chick? How does egg incubation affect *Salmonella* cells?
- f. On-farm strategies to reduce and prevent *Salmonella* while birds are in production

3. Breeder Welfare*

- a. Stocking density
- b. Euthanasia methods for birds >3kg, including low atmospheric pressure stunning (LAPS)
- 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 (calcium tetany)



Murray Klassen
Chair

4. Environmental Research
 - a. Ammonia control
 - b. Effects of improper temperature control on egg transfer vehicles, including egg sweating and links to rots after eggs leave the farm.
5. Poultry Health and Disease
 - a. White chick syndrome
6. Production-based Research
 - a. Ways to increase fertility

* indicates high priority

As a founding member of the Canadian Poultry Research Council (CPRC), CHEP's research priorities are communicated to researchers through the CPRC where research is supported based on member's needs and priorities. In 2016, seven projects of the 28 letters of intent submitted were selected for funding. One of the selected projects, based at the University of Montreal and expected to begin in 2017, intends to conduct a broiler breeder national survey to determine the prevalence of foodborne pathogens, antimicrobial resistance and antimicrobial use on farm and at slaughter.

CHEP also continues to support other research projects including a project at the University of Guelph on alternative feeding strategies for broiler breeders and a project at the University of Alberta on broiler breeder precision feeding systems. In 2016, the University of Montreal project on the effect of fasting on chick gut morphology and absorption and how it relates to chick transport was successfully completed and results were distributed.

Through the CPRC, CHEP continues to support the redevelopment of the Poultry Welfare Centre, which will now be known as the Poultry Welfare Research Advisory Committee. This committee will consist of researchers, industry, and producer members from each of the four major poultry commodities. The aim of the committee is to provide a link between industry and welfare researchers to foster the advancement of poultry welfare research in Canada and help communicate and disseminate research results to the industry.

Sincerely,



Murray Klassen
Chair

Members:

Murray Klassen, Chair, Manitoba
Allan Mulder, British Columbia
Cora Scheele, Alberta
Brian Bilkes, Saskatchewan
Mark Woods, Ontario
Robert Massé, Quebec



Canadian Broiler Hatching Egg Producers' Association

I am honoured to provide you with my first report as chair of the Canadian Broiler Hatching Egg Producers' Association (CBHEPA). I have been a member of the producer's association since 2007.

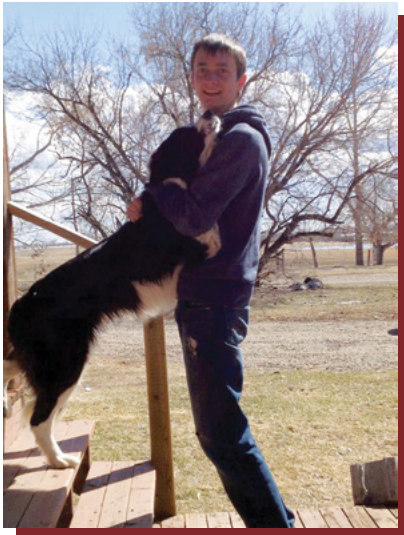
CBHEPA meets three times per year to discuss various issues related to the Canadian broiler hatching egg industry including: broiler hatching egg allocations, industry statistics, provincial broiler hatching egg flow, market conditions, tariff rate quota (TRQ) imports, and the four student programs. CBHEPA works closely with the Canadian Hatching Egg Producers (CHEP), keeping them informed of our initiatives.

In 2016, CBHEPA provided continual support to Aitor Arrazola, as the Broiler Breeder Research Grant recipient, to further his research on *"The effect of alternative feeding strategies for broiler breeders"*.

In September, Luuk Scheele of Linden, Alberta, became the recipient of the Young Farmer program. Luuk was given the opportunity to tour, visit and experience the Cobb-Vantress Inc. facilities in Arkansas. Luuk submitted a report outlining his experience and the knowledge acquired during the tour. A big "thank you" goes out to Cobb and its team for the generosity and hospitality provided.



Robert Massé
Chair



CBHEPA 2016 Young Farmer
Luuk Scheele



CBHEPA 2016 Broiler Breeder Research Grant recipient
Aitor Arrazola

Membership:

Robert Massé, Chair, Quebec
Brian Bilkes, Vice-Chair, Saskatchewan
Allan Mulder, British Columbia
Cora Scheele, Alberta
Murray Klassen, Manitoba
Mark Woods, Ontario

Canadian Broiler Hatching Egg Producers' Association

Dave and Debbie Barkman of Hylite Poultry in Steinbach, Manitoba, were awarded the Producer of the Year at the CHEP meeting in July.



◀ Producer of the Year recipients Dave and Debbie Barkman of Hylite Poultry accepted the award from Robert Massé, CBHEPA Chair



◀ In July 2016, a newly created "Stanley Cup" trophy was unveiled and presented to recipients of the CBHEPA Producer of the Year award. The trophy will remain in the recipient's provincial board office for the year.

The annual drawing contest was held to promote CHEP's 30th anniversary. The winning entries in each category were as follows:



Ages 2-4: Cruise Turner, B.C.
(4 years of age)



Ages 5-7: Julaine Neels, B.C.
(7 years of age)



Ages 8-11: Claire Bilkes, Saskatchewan
(8 years of age)

Angie Jones of Ontario was selected as the overall winner. Her drawing graced the cover of the CBHEPA Christmas card that was sent to Prime Minister Justin Trudeau.

Sincerely,

Robert Massé

Robert Massé
Chair



Ages 12-14: Angie Jones, Ontario
(14 years of age)



Canadian Hatching Egg Producers

Alternates



Top from left to right:
Brian Bilkes, Saskatchewan;
Robert Massé, Quebec;
Cora Scheele, Alberta;

Bottom from left to right:
Murray Klassen, Manitoba;
Mark Woods, Ontario;
Allan Mulder, British Columbia

Absent:
Glen Taschuk, CHF;
Gord Hastie, CHF

Provincial Managers



From left to right:
Clinton Monchuk,
Saskatchewan;
Stephanie Nelson,
British Columbia;
Bob Guy, Ontario;
Pierre Belleau, Quebec;
Bob Smook, Alberta;

Absent:
Wayne Hiltz, Manitoba

Staff



From left to right:

Sophie Neveux, Animal Welfare Officer; Giuseppe Caminiti, Executive Director; Madison Kozak, Food Safety Officer; Tim Nikita, Economist; Nicole Duval, Office Administrator

Absent:

Viki Sikur, Food Safety Officer (parental leave)

SM-5 Representative to the WTO



Charles Akandé,
Geneva, Switzerland



Canadian Hatching Egg Producers

Financial Statements
December 31, 2016



February 15, 2017

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 the Canadian Hatching Egg Producers

We have audited the accompanying financial statements of the Canadian Hatching Egg Producers, which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise 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.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 the Canadian Hatching Egg Producers as at December 31, 2016 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.

Other matter

The financial statements of the Canadian Hatching Egg Producers for the year ended December 31, 2015 were audited by another auditor who expressed an unqualified opinion on those statements on February 17, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

**Canadian Hatching Egg Producers**

Statement of Financial Position

As at December 31, 2016

	2016	2015
Assets		
Current assets		
Cash	\$ 12,008	\$ 53,524
Guaranteed investments certificates (note 3)	1,130,000	877,813
Accounts receivable	482,242	464,309
Prepaid expenses	38,278	30,195
	<u>\$ 1,662,528</u>	<u>\$ 1,425,841</u>
Capital assets (note 4)	571,431	586,448
	<u>\$ 2,233,959</u>	<u>\$ 2,012,289</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 79,782	\$ 132,840
Government remittances payable	25,532	8,723
Current portion of long-term debt (note 5)	288,097	10,840
	<u>\$ 393,411</u>	<u>\$ 152,403</u>
Long-term debt (note 5)	-	288,120
	<u>\$ 393,411</u>	<u>\$ 440,523</u>
Net assets		
Unrestricted	1,656,785	1,408,574
Internally restricted for severance contingency	183,763	163,192
	<u>\$ 1,840,548</u>	<u>\$ 1,571,766</u>
	<u>\$ 2,233,959</u>	<u>\$ 2,012,289</u>
Commitments (note 7)		

Approved by the Board of Directors

Jack Greydanus, Chair

Gyslain Loyer, Vice Chair

The accompanying notes are an integral part of these financial statements.

**Canadian Hatching Egg Producers**

Statement of Changes in Net Assests

For the year ended December 31, 2016

	Balance - Beginning of year	Net revenue for the year	Transfer from (to)	Balance - End of year
Unrestricted	\$ 1,408,574	\$ 268,782	\$ (20,571)	\$ 1,656,785
Internally restricted for severance contingency (note 6)	163,192	-	20,571	183,763
	<u>\$ 1,571,766</u>	<u>\$ 268,782</u>	<u>\$ -</u>	<u>\$ 1,840,548</u>

The accompanying notes are an integral part of these financial statements.

**Canadian Hatching Egg Producers**

Statement of Operations

For the year ended December 31, 2016

	2016	2015
Revenues		
Levies	\$ 2,153,719	\$ 2,091,073
Interest	11,168	11,901
	<u>\$ 2,164,887</u>	<u>\$ 2,102,974</u>
Expenses		
Amortization	16,923	17,542
Building occupancy	39,531	40,330
Directors' fees and participants' travel	401,671	488,315
Interest on long-term debt	10,681	11,300
Meetings	87,139	76,139
Membership fees	55,064	63,191
Office and administrative	103,449	191,329
Professional fees	160,480	270,379
Research	81,449	81,283
Salaries, benefits and travel	793,253	782,355
Trade	59,883	117,340
Translation and interpretation	86,582	104,453
	<u>\$ 1,896,105</u>	<u>\$ 2,243,956</u>
Net revenue (expense) for the year	<u>\$ 268,782</u>	<u>\$ (140,982)</u>

The accompanying notes are an integral part of these financial statements.

**Canadian Hatching Egg Producers**

Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
Cash flows from (used in)		
Operating activities		
Net revenue (expense) for year	\$ 268,782	\$ (140,982)
Item not affecting cash – Amortization	16,923	17,542
Net changes in non-cash working capital items	(62,265)	(114,418)
	<u>\$ 223,440</u>	<u>\$ (237,858)</u>
Investing activities		
Purchase of capital assets	(1,906)	-
Purchases of guaranteed investment certificates	(1,130,000)	(877,813)
Proceeds on disposal guaranteed of investment certificates	877,813	1,125,000
	<u>\$ (254,093)</u>	<u>\$ 247,187</u>
Financing activity		
Repayment of long-term debt	\$ (10,863)	\$ (10,243)
Net change in cash for the year	<u>\$ (41,516)</u>	<u>\$ (914)</u>
Cash - Beginning of year	<u>53,524</u>	<u>54,438</u>
Cash - End of year	<u>\$ 12,008</u>	<u>\$ 53,524</u>

The accompanying notes are an integral part of these financial statements.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2016

1 Organization and purpose

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

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Guaranteed investment certificates

Guaranteed investment certificates are measured at fair value. Changes in fair value are recorded in the statement of operations.

Capital assets

Capital assets are initially recorded at cost and are then amortized by using the straight-line method over their estimated useful lives as follows:

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

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 land and building (note 4) and long-term debt (note 5) are reorganized in these financial statements.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2016

Revenue recognition

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

3 Guaranteed investment certificates

	2016	2015
Guaranteed investment certificates bear interest at rates ranging from 0.95% to 1.35% and mature in 2017 (2015 - rates ranging from 1.05% to 1.15%, maturing in 2016).	\$ 1,130,000	\$ 877,813

The Organization limits its investments to those authorized investments under the 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.

4 Capital assets

	2016			2015	
	Cost	Accumulated amortization	Net	Net	
Land	\$ 54,135	\$ -	\$ 54,135	\$ 54,135	
Building	651,519	135,493	516,026	532,313	
Office furniture and equipment	34,634	34,634	-	-	
Electronic equipment	33,199	31,929	1,270	-	
	<u>\$ 773,487</u>	<u>\$ 202,056</u>	<u>\$ 571,431</u>	<u>\$ 586,448</u>	

Cost and accumulated amortization amounted to \$775,301 and \$188,853 respectively as at December 31, 2015.

5 Long-term debt

	2016	2015
Bearing interest at 5.68%, payable in blended monthly payments of \$2,296, due November 30, 2017	\$ 288,097	\$ 298,960
Less: current portion	<u>(288,097)</u>	<u>(10,840)</u>
	<u>\$ -</u>	<u>\$ 288,120</u>

The loan is secured by the property at 21 Florence Street. All owners are jointly and severally liable for the total outstanding amount of the long-term debt of \$3,592,240 (2015 - \$3,728,035) should an owner default on payment.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2016

6 Internally imposed restrictions

During the year, the Board of Directors internally restricted an additional \$20,571 (2015 - \$14,796) for severance contingency.

7 Commitments

Minimum future annual lease payments relating to office equipment are as follows.

Year ending December 31, 2017	\$	2,670
2018	\$	2,670
2019	\$	2,670
2020	\$	2,670
2021	\$	1,335