

# **CANADIAN HATCHING EGG PRODUCERS**

## 2017 ANNUAL REPORT







## Table of Contents

Canadian Hatching Egg Producers

Message from the Chair.....	I
Board of Directors and Executive Committee .....	3
Canadian Hatching Egg Market Review.....	4
Production Management Committee .....	8
Canadian Broiler Hatching Egg Producers' Association .....	9
Advisory Committee.....	11
Finance Committee.....	13
Research Committee .....	14
Alternates .....	17
Provincial Managers.....	17
Staff .....	18
SM-5 Representative to the WTO.....	18
CHEP Financial Statements December 31, 2017 .....	19



**Canadian Hatching Egg Producers**

21 Florence Street

Ottawa, Ontario

K2P 0W6

Tel: (613) 232-3023

Fax: (613) 232-5241

Email: [info@chep-poic.ca](mailto:info@chep-poic.ca)

Website: <http://www.chep-poic.ca>



## Message from the Chair

Canadian Hatching Egg Producers

Welcome to the beginning of a brand new year – one of continued growth and optimism within the poultry industry, but also of uncertainty and unpredictability.

2017 saw that growth and uncertainty and as your chair, allow me to explain in more detail. The continuing change in consumer demand and how to respond has been a major focus for the Canadian Hatching Egg Producers (CHEP). With the goal of the Canadian chicken industry to eliminate the preventive use of Category 2 and 3 antibiotics by the end of 2018 and 2020 respectively, it is imperative that all hatching egg producers do their part. We individually must look at the way we handle our hatching eggs with the view of *“what can I do to improve the quality of the chicks that come from my hatching eggs”*.

Work continues at the board and staff level in conjunction with our hatchery partners to develop an auditable policy that shows the end user we are doing our utmost to give them a chick that will perform in their barns. We must recognize the new realities and I am very confident that all producers will respond positively to the challenge.

The Animal Care Program is also part of the CHEP's goal to do the right thing. The buying public is asking for transparency when it comes to care of the birds we own, and in 2017 we completed the CHEP Animal Care Program to answer that call. 2018 will see training sessions and materials available to all hatching egg producers. Trial audits will start shortly with the goal of all hatching egg farms being officially audited within 2 years.

Achieving 100% of our national allocation has been a challenge for the CHEP board of directors. In the Canadian supply management system, supplying all of the allocated domestic eggs is our responsibility. Directors have spent a lot of time looking at ways to meet that requirement, understanding the regulations and that CHEP has no jurisdiction around TRQ [imported eggs and chicks]. That said, we have implemented a policy to allow a province with the capability to produce some extra domestic hatching eggs to fill the domestic allocation underproduced in another. Other ideas are being entertained with the 100% goal in mind.

Trade was certainly top of mind for many of us this past year. Predictability and stability has been a benefit to the supply management system, and was one of the touted goals by governments when it was implemented years ago. That benefit has now been called into question. The TPP, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), has been concluded and will be signed this spring, but NAFTA has taken center stage when it comes to unpredictability. We all know additional market access was granted in the TPP, something we were not pleased with but understood. Within the NAFTA, we as part of supply management are adamant that the government not give additional market access for supply managed commodities when negotiating with the US, Canada's largest trading partner to the south. We will continue to be engaged at all levels to see a positive outcome within the NAFTA.



Jack Greydanus  
Chair

## Message from the Chair

CHEP continues on its goal to represent all hatching egg production in Canada. The hatching egg producers in the province of Nova Scotia are working with their government to be recognized as a supply managed commodity within the province. CHEP has and will continue to support them to that end. I as your chair have been involved at the producer level i.e., annual meetings, etc. to promote the benefits of CHEP membership. Nova Scotia producers have attended CHEP meetings throughout the year and CHEP will hold their summer meeting in Halifax next July. Discussions continue with New Brunswick.

The stability within existing staff along with the new faces will see CHEP move these strategic initiatives forward. I would like to welcome Salomon Compaoré and Aubrie Willmott-Johnson to the CHEP Ottawa office and sincerely thank the staff that left CHEP and wish them continued success.

To the staff, board of directors, alternates and provincial managers, a heartfelt thank-you for your dedication to your respective roles. I am truly honoured to represent you as your chair.

Cheers,

A handwritten signature in black ink, appearing to read 'Jack Greydanus', with a stylized flourish at the end.

Jack Greydanus  
Chair

## 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 row from left to right:*

Christian Trottier, CHF;

Dean Penner, Manitoba;

Dick Ottens, Ontario;

Gary Van Klei, Alberta;

Ernie Silveri, CHF;

Joe Neels, British Columbia

*Bottom row from left to right:*

Gyslain Loyer,

Vice-Chair, Quebec;

Jack Greydanus, Chair;

Brian Bilkes, Second

Vice-Chair, Saskatchewan



### Executive Committee



Gyslain Loyer  
Vice-Chair, Quebec



Jack Greydanus  
Chair



Brian Bilkes  
Second Vice-Chair,  
Saskatchewan



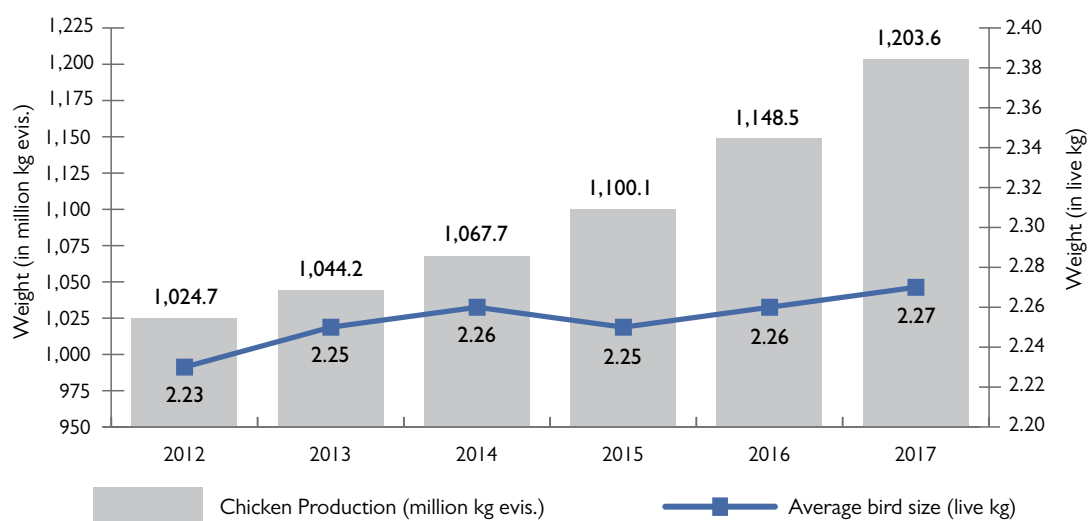
## Canadian Hatching Egg Market Review

Canadian Hatching Egg Producers

The Canadian broiler hatching egg industry entered 2017 amidst very 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

The initial 2017 broiler hatching egg allocations established in March 2016 were based on estimated chicken production of 1,188 million kilograms, which represented growth of 3.4% above 2016 chicken production of 1,148.5 million kilograms. By July 2016, the 2017 chicken production estimate decreased to 1,182 million kilograms, and remained at 1,182 million kilograms in November 2016 before being revised upwards in March 2017 to 1,196 million kilograms. In response to improving market conditions in July 2017, the final 2017 broiler hatching egg allocations were based on estimated chicken production of 1,207 million kilograms, which represents an increase of 5% above 2016 production. In the end, 2017 chicken production totaled 1,203.6 million kilograms, which represents a 4.8% increase over the previous year, and 3.4 million kilograms less than the July projection.

**Canadian Chicken Production and Average Bird Size (2012-2017)**



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

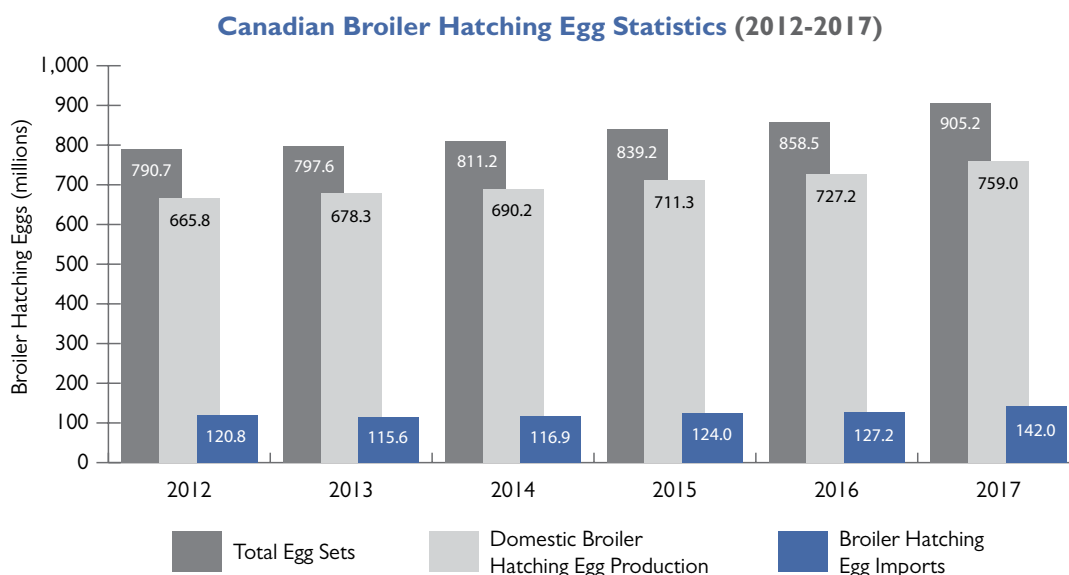


## Canadian Hatching Egg Market Review

Canadian hatcheries set a total of 905.2 million broiler hatching eggs in 2017, an increase of 46.7 million eggs (+5.4%) from 2016. Meanwhile, domestic broiler hatching egg production totaled 759 million eggs across Canada, an increase of 31.8 million eggs (+4.4%) over the previous year and equal to 99.2% of CHEP's final 2017 allocation.

Broiler hatching egg imports into Canada increased by nearly 14.7 million eggs (+11.6%) compared to last year, while broiler chicks imported into Canada increased by nearly 3.8 million chicks (+18.5%). As a result, 2017 combined imports increased by nearly 19.7 million egg equivalents (+12.8%) from 2016. Supplemental imports totaling approximately 11 million broiler hatching eggs were included in these numbers. Altogether, broiler hatching egg imports into Canada (including supplemental imports) totaled 106.6% of the tariff rate quota (TRQ) allotted to hatcheries in 2017, while broiler chick imports totaled 110.6% of TRQ.

Canadian domestic broiler hatching egg production in 2017 increased by 4.4% compared to 2016, with improved production levels reported in six of eight producing provinces. Collectively, domestic production among the six member provinces reached 94% of the final 2017 allocations.



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

## Broiler Hatching Egg Production and Imports

In 2017, domestic broiler hatching egg production in Canada increased by 31.8 million eggs (+4.4%) over 2016. Provincially, British Columbia's domestic production increased by 6.9 million eggs (+6.6%), while imports rose by 9.1%, resulting in 9.2 million (7.1%) more eggs set during the year. In Alberta, domestic production increased by 6.2 million eggs (+8.4%), with 10.5% more imports and 7.2 million (8.1%) more eggs set. Saskatchewan experienced a decline in domestic production of almost 1.0 million eggs (−3.3%), while imports increased by 26.6%, finishing the year with 1.7 million eggs (+4.6%) more eggs set. Manitoba production also decreased by 0.1 million eggs (−0.3%), while imports increased by 23.8%, resulting in 1.5 million (+3.5%) more eggs set. In Ontario, production grew by 12.9 million eggs (+5.7%), while imports fell by 8.7%, resulting in 10.7 million more eggs set (+4.3%). Quebec's production rose by more than 3.5 million eggs (1.8%), while imports increased by 19.3%, resulting in 12.9 million more eggs (+5.2%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>2017</b>	112,348	80,227	28,437	35,419	238,272	198,335	33,998	31,980	<b>759,017</b>
<b>2016</b>	105,379	74,024	29,422	35,521	225,316	194,813	31,212	31,466	<b>727,154</b>
<b>2015</b>	99,033	71,750	28,443	32,670	213,722	199,802	28,506	37,332	<b>711,257</b>
<b>2014</b>	99,421	66,306	26,654	33,548	210,634	191,024	24,681	37,970	<b>690,239</b>
<b>% Change</b>									
<b>17/16</b>	6.6	8.4	(3.3)	(0.3)	5.7	1.8	8.9	1.6	<b>4.4</b>
<b>16/15</b>	6.4	3.2	3.4	8.7	5.4	(2.5)	9.5	(15.7)	<b>2.2</b>
<b>15/14</b>	(0.4)	8.2	6.7	(2.6)	1.5	4.6	15.5	(1.7)	<b>3.0</b>

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2017 was 2.27 kg live per bird, up marginally from 2.26 kg in the previous year, led by gains in Ontario (+2%) and the combined region of New Brunswick, Prince Edward Island and Newfoundland & Labrador (+0.7%), with declines in Nova Scotia (−5%) and Saskatchewan (−0.3%).

**Table 2 – Selected Market Factors**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Total (Combined) Imports</b>									
(000 eggs equiv.)	31,388	15,188	11,079	8,713	36,902	64,771	290	4,980	<b>173,310</b>
% change 17/16	5.8	8.0	19.5	23.3	9.8	16.3	100.0	18.7	<b>12.8</b>
<b>Chicken Production</b>									
(000 kg evis.)	171,923	115,201	45,398	50,212	401,339	328,158	40,797	50,618	<b>1,203,646</b>
% change 17/16	2.6	6.5	2.2	2.6	6.4	5.5	3.3	(1.8)	<b>4.8</b>
<b>Avg. live weight of broilers</b>									
(kg live/bird)	2.12	2.24	2.15	2.03	2.36	2.32	2.21	2.31	<b>2.27</b>
% change 17/16	(1.8)	(0.2)	(0.3)	0.5	2.0	0.0	(5.0)	0.7	<b>0.5</b>

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

## Canadian Hatching Egg Market Review

### Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2017 grew by 4.5% to reach \$317.9 million, up from \$304 million in 2016. The 2017 average saleable chick price paid by hatcheries to producers ranged from 55.40 cents in Saskatchewan to 49.28 cents in Ontario.

**Table 3 – Farm Cash Receipts and Producer Prices**

	Farm Cash Receipts		Hatching Egg Producer Prices	
	2017 \$ 000	% change 17/16	¢ per saleable chick (2017 average) <sup>1</sup>	% change 17/16
<b>British Columbia</b>	49,962	6.5	54.94	0.7
<b>Alberta</b>	35,991	9.8	55.39	2.0
<b>Saskatchewan</b>	12,740	(3.0)	55.40	1.2
<b>Manitoba</b>	15,488	1.1	54.03	0.0
<b>Ontario</b>	95,043	6.0	49.28	1.0
<b>Quebec</b>	81,579	1.8	54.94	9.0
<b>Nova Scotia</b>	13,982	8.9	–	–
<b>NB/PE/NL</b>	13,149	1.6	–	–
<b>CANADA</b>	<b>317,935</b>	<b>4.5</b>	<b>54.00</b>	<b>2.2</b>

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

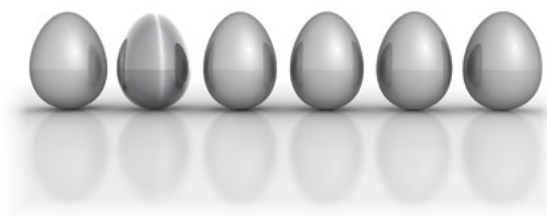
<sup>1</sup> The saleable chick price is paid by hatcheries to producers.

### Canadian Hatching Egg Industry Profile

**Table 4 – Hatching Egg Industry Profile for 2017**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Broiler Hatching Egg Producers</b>	51	28	10	23	77	36	12	4	<b>241</b>
<b>Hatcheries</b>	10	4	2	4	7	5	3	3	<b>38</b>
<b>Average Farm Size (million eggs)</b>	2.2	2.9	2.8	1.5	3.1	5.5	2.8	8.0	<b>3.1</b>

Sources: Provincial Boards, CHEP.





## Production Management Committee

Canadian Hatching Egg Producers

**Mandate:** The Production Management Committee (PMC) is responsible for advising and providing recommendations to the CHEP Board of Directors on all broiler hatching egg production matters related to food safety, animal health, animal care, and national emergency management.

### Animal care

After months of hard work and consultation, I am pleased to report that CHEP has completed the Animal Care Program (ACP). The ACP is national, auditable and based on the 2016 *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*. It was approved by the CHEP Board of Directors and distributed to provincial boards. Auditor training, producer education, and program implementation are expected to proceed in 2018.

### Food safety and antimicrobial use

The Canadian Hatching Egg Quality (CHEQ™) on-farm food safety program continues to be implemented across Canada.

We recognize that improved management practices have the potential to affect antimicrobial use in our flocks, as well as along the chicken supply chain. CHEP also developed a survey to measure the use of antibiotics on broiler hatching egg farms. CHEP was active on the Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry, which is focused on reduction of *Salmonella* and *Campylobacter* in live poultry and poultry food products.

### Biosecurity

CHEP participated in the review of the Canadian Food Inspection Agency (CFIA) National Avian On-Farm Biosecurity Standard. The revised standard is expected to be available in 2018, and will be incorporated into the CHEQ™ program.

### Regulations and policies

Several regulations and policies that affect broiler hatching egg producers were discussed, including the *Hatchery Regulations*, the Canadian Hatchery Supply Flock Policy, and the *Health of Animals Regulations*; Transportation of Animals.

Sincerely,

Dean Penner  
Chair



Dean Penner  
Chair

---

#### Membership:

Dean Penner, Chair, Manitoba  
Joe Neels, British Columbia  
Gary Van Klei, Alberta  
Brian Bilkes, Saskatchewan  
Dick Ottens, Ontario  
Gyslain Loyer, Quebec  
Glen Taschuk, CHF



## Canadian Broiler Hatching Egg Producers' Association

The CBHEPA members continue to work closely with the Canadian Hatching Egg Producers (CHEP) on issues relating to broiler hatching egg allocations, industry statistics, provincial broiler hatching egg flow, market conditions, and tariff rate quota (TRQ) imports. This year again, the association took part in the work of the Advisory Committee, providing recommendations with a clear objective to create conditions for continued growth in the broiler hatching egg sector.

CBHEPA has been providing student and young farmers' programs for producers' families, as it offers a variety of possibilities for their future in the industry. These programs are offered via application at the end of the year for the following year.

CBHEPA Student Exchange Program – this exchange program was initiated to help Canadians gain a better understanding of the challenges and opportunities available to the hatching egg industry. It will allow the exchange of high school students of Canadian broiler hatching egg producers from different regions to experience a new environment.

CBHEPA Young Farmers' Program – Through this program, the CBHEPA provides support to one young producer looking to acquire or broaden his/her knowledge of the hatching egg industry in other countries. Tours are available at Cobb and/or Ross, both located in the United States. This year's young farmers for 2017 were Clarke and Cindy Goossen of Ste-Anne, Manitoba.

Canadian Young Farmers' Forum – this is a new addition to our programs this year. Established in 1997, it is CYFF's goal to assist young farmers with information, while exchanging ideas that lead to progressive strategies to ensure farming success in Canada. Through networking with young farmers, the organization's goal is to provide education, leadership training and capacity building for young agriculture producers of Canada. Our first candidate to experience the forum held in Ottawa, Ontario in 2017 was Rachel Malda of Barrhead, Alberta.

CBHEPA Broiler Breeder Research Grant – through this program, CBHEPA will provide grants for one or two university students (3rd year or graduate students). Each of these grants will provide an opportunity for a student to perform a short-term broiler breeder research project at a university or a research facility in Canada. The selection is based on research priorities brought forward by the CHEP Research Committee.



Robert Massé  
Chair

## Canadian Broiler Hatching Egg Producers' Association

CBHEPA also sponsors a program to recognize the "Hatching Egg Producer of the Year." This program's objective is to increase the awareness and use of sound farm management practices among Canadian hatching egg producers. By annually recognizing individual hatching egg producers who have displayed exemplary farm management practices, the CBHEPA believes this program can provide a small but important incentive for producers to strive to improve their farm operations. This year's recipient was Dennis and Marlene Wickersham of Chinook Ridge Poultry Farm in Linden, Alberta who were honoured at the CHEP Summer Meeting in Jasper.

The 2017 drawing contest theme was the broiler hatching egg celebrating Canada's 150<sup>th</sup> birthday!



Dennis and Marlene Wickersham



Winner category age 5 to 7:  
Jared Goosen, 5 Manitoba



Winner Category Age 8 to 11:  
Jolina Friesen, British Columbia  
and 2017 Drawing Contest Winner



Winner Category Age 12 to 14:  
Annette Bilkes, Saskatchewan

I wish to thank the members of the association for their continued efforts.

Sincerely,

A handwritten signature in black ink that reads 'Robert Massé'.

Robert Massé  
Chair

---

#### Membership:

Robert Massé, Chair, Quebec  
Mark Woods, Vice Chair, Ontario  
Allan Mulder, British Columbia  
Jeff Notenbomer, Alberta  
Mike Wurtz, Saskatchewan  
Murray Klassen, Manitoba





## Advisory Committee

Canadian Hatching Egg Producers

**Mandate:** “Shall establish by By-law a supply management committee to advise on matters related to global allocation whose members shall represent affected parties including producers, hatcheries, allied industries and the public in general.”

The Canadian broiler hatching egg industry entered 2017 amidst a very strong demand for chicken and an improving economy, creating the conditions for a continued growth in the broiler hatching egg sector. Arguably the biggest challenge for the Committee was in harnessing the positive market signals and ensuring that the opportunity for strong growth would be properly captured in its discussions and recommendations.

In March, year-to-date domestic chicken disappearance levels at the end of February were up 1.9% over 2016 and strong growth in per capita chicken consumption for a fifth consecutive year was reported. Prices for chicken remained stable, however beef and pork were expected to remain strong competitors to chicken in 2017 and 2018. Domestic broiler hatching egg supplies in Canada were short to adequate in most provinces, while lower broiler breeder placements in the U.S. were a growing concern for Canadian hatcheries due to the potential strain on import supplies. Meanwhile, the Canadian economy evolved in a manner that exceeds expectations with real GDP growth forecasts by the Bank of Canada at 2.1% in each of 2017 and 2018, up from previous forecasts. Recognizing the outlook on competing meats and the early prospects for strong growth in chicken demand in 2017, a revised 2017 chicken production estimate of 1,196 million kilograms was recommended, representing a 4.2% increase above the 2016 production. For 2018, the need to prepare for continued strength in chicken demand was acknowledged, however a slower rate of growth was suggested until signals become clearer. As a result, an initial chicken production of 1,232 Mkg was recommended, which represented a 3% increase over 2017.

In July, it became apparent that growth in chicken demand during the second half of the year would be higher than the forecast in March. There was some significant chicken under-production and supplementary imports for shortage were issued. Domestic disappearance levels to June was estimated at 4.2% over the same timeframe in 2016. Meanwhile, Canadian economy had been stronger than expected and the Bank of Canada expected the economy to continue to grow at a more moderate pace with real GDP growth of 2.6% in 2017 and 1.9% in 2018. Domestic broiler hatching egg supplies in Canada were short to adequate depending on province and lower broiler breeder placements in the U.S. continued to be a concern for supply for Canadian hatcheries. As there were many positive factors supporting the strong growth in the chicken industry, a final 2017 chicken production estimate of 1,207 million kilograms was recommended, representing growth of 5% above 2016 and 11 million kilograms higher than the March recommendation. For 2018, a revised chicken production of 1,261 Mkg was recommended, an increase of 4.5% above 2017, and up 29 Mkg from March.



Dean Penner  
Chair

## Advisory Committee

In November, year-to-date domestic disappearance levels reported at the end of September were up 3.1% from the previous year. The Bank of Canada's outlook for the Canadian economy remained positive with a GDP growth forecasted at 3.1% in 2017 and 2.2% in 2018. Domestic broiler hatching egg supplies were short to long depending on the province and production shortage became a real concern as supplemental imports of almost 4 million eggs that were utilized. The chicken market remained strong with total production in 2017 expected to reach around 1,200 Mkg, up 4.5% from 2016. For 2018, the previous recommendation of a chicken production estimate at 1,261 million kilograms was maintained as continued growth in demand for chicken was expected. This volume represented growth of 5.1% above total expected production in 2017, and unchanged from the July recommendation.

Sincerely,



Dean Penner  
Chair

---

*Membership:*

Dean Penner, Chair, Manitoba  
Robert Massé, CBHEPA  
Jan Rus, CFC  
Christian Trottier, CHF  
Nicolas Paillat, CPEPC  
Robert de Valk, FPPAC  
Geneviève Rodrigue, AAFC  
Guy Giroux, GAC





## Finance Committee

Canadian Hatching Egg Producers

The Finance Committee met throughout the year where the Canadian Hatching Egg Producers' (CHEP) financial situation and financial policies were examined and reviewed as required. In 2017, revenues equalled \$2.38 million, while expenditures totalled \$2.14 million, which resulted in a surplus of \$240,000. Actual revenues were higher than the projected budget of \$2.22 million primarily due to a higher increase in production levels than the previous year and unexpected revenues from two sources: LDA and some interprovincial activity. The national levy rate has remained constant for the third consecutive year. Actual expenditures of \$2.14 million equalled the budget. Actual expenditures increased by \$245,000 compared to the previous year due to increased investment in trade related activities, compositional changes in personnel and professional services.

The Finance Committee presented a budget for 2018 that included a projected surplus of \$223,000 for the year. 2018 budgeted revenues are estimated at \$2.39 million. Budgeted expenditures are expected to increase by \$32,000 as a result of several factors. These include: the location and frequency of meetings with related costs, capital building expenditures, investment in trade related activities, (particularly NAFTA as TPP is concluded) and committed additional funding for research projects.

At CHEP's Annual General Meeting held in March 2017, the firm of PricewaterhouseCoopers LLP was re-appointed to perform the 2017 year-end audit.

Sincerely,

Joe Neels  
Chair

---

*Members:*

Joe Neels, Chair, British Columbia  
Gary Van Klei, Alberta  
Dean Penner, Manitoba  
Dick Ottens, Ontario  
Christian Trottier, CHF



Joe Neels  
Chair





## Research Committee

Canadian Hatching Egg Producers

**Mandate:** The Research Committee is responsible for advising on all broiler hatching egg production matters related to research.

CHEP's research priorities are as follows:

### 1. Production-based Research

- a. Methods to increase fertility and number of saleable chicks
  - Differences in fertility and paid hatch
  - When is it most beneficial to add spiking roosters?
- b. Egg size
  - Effect of maximum protein on egg size
  - Causes of egg weight differences



Murray Klassen  
Chair

### 2. Breeder Welfare

- a. Density
- b. Euthanasia
  - Methods for birds >3kg, including low atmospheric pressure stunning (LAPS)
  - Is LAPS practical for on farm application?
  - Efficient and quick way to euthanize breeder flocks in an emergency situation
- c. Aggression
  - Feed energy and male aggression
  - Research linking specific genetic traits with male to female aggression
- d. Early mortality of breeder hens (*E.coli*, staphylococci)
  - *E.coli* and staphylococci more likely to post peak mortality association
- e. Ammonia control
  - Cost-effective methods to control ammonia via barn ventilation, additives, barn design and structural and equipment changes, especially in minimum ventilation situations (e.g. cathedral vs. flat ceilings as related to ammonia and animal care)
- f. Physical alterations
  - Toe-trimming, beak trimming: ideal methods and timing for procedures
  - Cost-effective, practical management practices that can eliminate physical alterations

- g. Transporting newly hatched chicks
  - Length of time that newly hatched chicks are sustained by the yolk sac
  - Effectiveness of hydration/nutrient products used prior to and during transit
- h. Effects of vaccination programs on breeder welfare
  - Current status
  - Maximum thresholds – how much is too much?

### **3. Environmental Research**

- a. Effects of temperature control on egg handling and holding, and egg transfer vehicles, including egg sweating and links to rots after eggs leave the farm.

### **4. Poultry Health and Disease**

- a. Variant bronchitis-impact on breeder production and fertility
- b. White chick syndrome
- c. More efficient vaccination programs
- d. Effect of probiotics

### **5. Alternatives to antimicrobials**

### **6. Control of Foodborne Pathogens**

- a. Control of *Salmonella* by vaccination (methods and effectiveness)
  - Newer *Salmonella* vaccinations or supplemental adjuvants to improve vaccine efficacy
- b. Sources of infection
  - What is transferred to the chick? How does egg incubation affect *Salmonella* cells?
- c. Possible barn differences, what type of construction, material, insulation, volume of air, angle to the sun (infrared radiation)
- d. Prevalence
- e. Population density
- f. Control of *Campylobacter jejuni*
- g. On-farm strategies to reduce and prevent *Salmonella* while birds are in production
  - Reduce/prevent *Salmonella* via competitive exclusion (probiotics and antagonistic bacterial species for controlling foodborne pathogens)


## Research Committee

These priorities are included in the Canadian Poultry Research Council (CPRC) call for letters of intent.

CHEP continues to be a strong supporter of research. Funds were committed for ongoing research at the CPRC, and for the Agriculture and Agri-Food Canada (AAFC) Poultry Science Cluster under the Canadian Agricultural Partnership. Projects were reviewed for the cluster application, which will be submitted for consideration by AAFC. Research at the University of Regina looking at development of a disinfectant spray targeting *Enterococcus* and related pathogens in the chicken industry was also supported.

The Research Committee continues to fulfill its mandate to consult and advise on research that matters to CHEP.

Sincerely,



Murray Klassen  
Chair

---

*Membership:*

Murray Klassen, Chair, Manitoba  
Allan Mulder, British Columbia  
Jeff Notenbomer, Alberta  
Mike Wurtz, Saskatchewan  
Mark Woods, Ontario  
Robert Massé, Quebec





## Canadian Hatching Egg Producers

### Alternates

*Top from left to right:*

Jeff Notenbomer, Alberta;  
Mike Wurtz, Saskatchewan;  
Murray Klassen, Manitoba;

*Bottom from left to right:*

Allan Mulder, British Columbia;  
Mark Woods, Ontario;  
Robert Massé, Quebec

*Absent:*

Rick Weiss, CHF  
Gord Hastie, CHF



### Provincial Managers

*Top from left to right:*

Stephanie Nelson, British Columbia;  
Pierre Belleau, Quebec  
Kari Tosczak, Saskatchewan

*Bottom from left to right:*

Wayne Hiltz, Manitoba;  
Bob Smook, Alberta

*Absent:*

Bob Guy, Ontario

## Canadian Hatching Egg Producers

### Staff

*From left to right:*

Nicole Duval, Office Administrator;  
Salomon Compaoré, Economist;  
Viki Sikur, Food Safety Officer



### SM-5 Representative to the WTO

Charles Akande,  
Geneva, Switzerland



# **Canadian Hatching Egg Producers**

Financial Statements  
**December 31, 2017**



February 20, 2018

## **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 the Canadian Hatching Egg Producers, which comprise the statement of financial position as at December 31, 2017 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.

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

*PricewaterhouseCoopers LLP*  
99 Bank Street, Suite 710, 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.





**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, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

**Canadian Hatching Egg Producers**

## Statement of Financial Position

As at December 31, 2017

	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 114,696	\$ 12,008
Guaranteed investment certificates (note 3)	1,351,044	1,130,000
Accounts receivable	424,722	482,242
Prepaid expenses	38,399	38,278
	<u>\$ 1,928,861</u>	<u>\$ 1,662,528</u>
<b>Capital assets</b> (note 4)	554,508	571,431
	<u>\$ 2,483,369</u>	<u>\$ 2,233,959</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 237,425	\$ 79,782
Government remittances payable	28,674	25,532
Current portion of long-term debt (note 5)	21,236	288,097
	<u>\$ 287,335</u>	<u>\$ 393,411</u>
<b>Long-term debt</b> (note 5)	115,779	-
	<u>\$ 403,114</u>	<u>\$ 393,411</u>
<b>Net assets</b>		
Unrestricted	1,973,052	1,656,785
Internally restricted for severance contingency	107,203	183,763
	<u>\$ 2,080,255</u>	<u>\$ 1,840,548</u>
	<u>\$ 2,483,369</u>	<u>\$ 2,233,959</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 Assets

For the year ended December 31, 2017

	Balance - Beginning of year	Net revenue for the year	Transfers from (to)	Balance - End of year
Unrestricted	\$ 1,656,785	\$ 239,707	\$ 76,560	\$ 1,973,052
Internally restricted for severance contingency (note 6)	183,763	-	(76,560)	107,203
	<u>\$ 1,840,548</u>	<u>\$ 239,707</u>	<u>\$ -</u>	<u>\$ 2,080,255</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, 2017

	2017	2016
<b>Revenues</b>		
Levies	\$ 2,278,763	\$ 2,153,719
Liquidated damages	87,869	-
Interest	14,396	11,168
	<u>\$ 2,381,028</u>	<u>\$ 2,164,887</u>
<b>Expenses</b>		
Amortization	16,923	16,923
Building occupancy	34,915	39,531
Directors' fees and participants' travel	406,298	401,671
Interest on long-term debt	9,578	10,681
Meetings	83,247	87,139
Membership fees	56,866	55,064
Office and administrative	131,702	103,449
Professional fees	195,912	160,480
Research	99,226	81,449
Salaries, benefits and travel	841,286	793,253
Trade	181,133	59,883
Translation and interpretation	84,235	86,582
	<u>\$ 2,141,321</u>	<u>\$ 1,896,105</u>
<b>Net revenue for the year</b>	<u>\$ 239,707</u>	<u>\$ 268,782</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, 2017

	2017	2016
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Net revenue for the year	\$ 239,707	\$ 268,782
Item not affecting cash - amortization	16,923	16,923
Net changes in non-cash working capital items	218,184	(62,265)
	<u>\$ 474,814</u>	<u>\$ 223,440</u>
<b>Investing activities</b>		
Purchase of capital assets	-	(1,906)
Purchases of guaranteed investment certificates	(1,351,044)	(1,130,000)
Proceeds on disposal of guaranteed investment certificates	1,130,000	877,813
	<u>\$ (221,044)</u>	<u>\$ (254,093)</u>
<b>Financing activity</b>		
Repayment of long-term debt	\$ (151,082)	\$ (10,863)
<b>Net change in cash for the year</b>	<u>\$ 102,688</u>	<u>\$ (41,516)</u>
<b>Cash - Beginning of year</b>	<u>12,008</u>	<u>53,524</u>
<b>Cash - End of year</b>	<u>\$ 114,696</u>	<u>\$ 12,008</u>

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



# Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2017

---

## 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 recognized in these financial statements.

### 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.



# Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2017

## 3 Guaranteed investment certificates

Guaranteed investment certificates bear interest at rates ranging from 0.90% to 1.70% and mature in 2018 (2016 - rates ranging from 0.95% to 1.35%, maturing in 2017).

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

	2017			2016	
	Cost	Accumulated amortization	Net	Net	
Land	\$ 54,135	\$ -	\$ 54,135	\$ 54,135	
Building	651,519	151,781	499,738	516,026	
Office furniture and equipment	34,634	34,634	-	-	
Electronic equipment	31,005	30,370	635	1,270	
	<u>\$ 771,293</u>	<u>\$ 216,785</u>	<u>\$ 554,508</u>	<u>\$ 571,431</u>	

Cost and accumulated amortization amounted to \$773,487 and \$202,056 respectively as at December 31, 2016.

**Canadian Hatching Egg Producers**

Notes to Financial Statements

**December 31, 2017****5 Long-term debt**

	2017	2016
Bearing interest at 3.46%, payable in blended monthly payments of \$2,137, due November 30, 2022 (2016 - bearing interest at 5.68%, payable in blended monthly payments of \$2,296, due November 30, 2017)	\$ 137,015	\$ 288,097
Less: current portion	(21,236)	(288,097)
	<u>\$ 115,779</u>	<u>\$ -</u>

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

Year ending December 31, 2019	\$ 21,982
2020	\$ 22,755
2021	\$ 23,555
2022	\$ 24,383
2023	\$ 23,104

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 \$1,708,413 (2016 - \$3,592,240) should an owner default on payment.

**6 Internally imposed restrictions**

During the year, the Board of Directors reduced the net assets internally restricted for severance contingency by \$76,560 (2016 - increased by \$20,571).

**7 Commitments**

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

Year ending December 31, 2018	\$ 2,969
2019	\$ 2,969
2020	\$ 2,820
2021	\$ 1,335