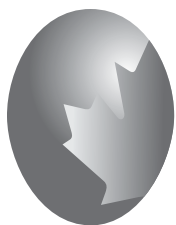




# **Canadian Hatching Egg Producers**

## 2018 Annual Report





**Canadian Hatching Egg Producers**

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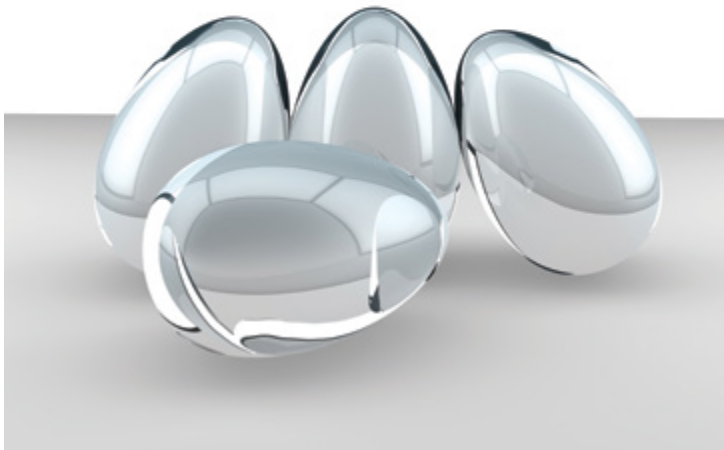
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# Message from the Chair

In the mid 1980s when CHEP was formed, the goal of its leadership was to improve stability and predictability for hatching egg producers across Canada. At the time, the Canadian government saw supply management as a mechanism to deal with the uncertainty and disorder that the hatching egg industry was facing. That system is the cornerstone to the success of the agricultural sector in many communities across Canada.

In 2018 that goal of stability still exists. Yes, recent trade agreements have left us uneasy, but the team at CHEP continues to work with its supply management partners to push the positive attributes that the system provides for all Canadians. Our industry also benefits from the program updates CHEP completed in 2018. The changes to the CHEQ™ program [our food safety program] saw us step up our game on egg quality recognizing the new reality that has led to a reduction in antibiotic use. The newly revised Animal Care Program must also be viewed as a strong factor that contributes to stability and predictability for producers in the market. I feel comfortable that our adoption of these programs will mitigate any targeted negative media coverage by providing assurance of sound production practices in our sector.

Our national board has focused significant energy in 2018 on policies in respect to achieving our domestic egg production allocation. I believe we have been successful in this area, but we must continue to invest in infrastructure within our industry. Our fellow farmers in chicken production have a strategic priority to increase per capita consumption. If they

are successful in their goal, we will need to continue to build hatching egg production capacity across Canada in order to supply the market.

So, what is in store for 2019? A new strategic plan for CHEP is in development and relationship building will be a cornerstone. Representing all hatching egg producers in Canada also remains a goal for CHEP. We are confident that Nova Scotia and New Brunswick will join the Agency in due course.

Pathogen reduction within the poultry sector is currently a major focus within the Canadian Food Inspection Agency (CFIA) and Health Canada. This will likely result in more on-farm testing and as producers we must be prepared to do our part.

As your Chair and speaking on behalf of the Board, I am very appreciative of the staff at the national office. With a new Executive Director and Animal Welfare Officer in 2018, the whole team contributed to a smooth and

professional transition and continues to support me in my position as Chair. A big thank you again to staff for a great year and making my role as Chair very enjoyable.

All the best for 2019 and beyond.

Cheers,



Jack Greydanus  
Chair, CHEP



Jack Greydanus  
Chair





# Executive Director's Report

I am honoured to have had the opportunity to join CHEP this past April and am grateful to the dedicated and highly qualified CHEP staff, CHEP Directors, Alternates and our members who have been instrumental to my smooth transition into this role. 2018 has brought some significant achievements but also some challenges for the industry as we look ahead to 2019.

Some of the highlights include CHEP launching a refreshed website to bring a more modern look to the industry and offer greater depth of information to interested stakeholders. We undertook a significant consultation and review with our members to update the CHEP Animal Care Program (ACP) in 2018 so that all member provinces are in a position to launch the new national and audited on-farm program in 2019. This program will demonstrate the commitment that our producers have to animal care to our value chain partners and others. This year also saw some revisions to the CHEQ™ (Canadian Hatching Egg Quality) program on egg quality that come into effect in 2019.

CHEP continues to invest in research for the sector with a number of topics related to ammonia emerging as clear priorities over the course of the year. We expect our strong commitment to continuous improvement in the industry through research to continue as we await the announcement of the third Poultry Science Cluster.

2018 saw intensive and ongoing negotiations to reach the Canada–United States–Mexico Agreement (CUSMA) that will replace NAFTA. CHEP followed these negotiations closely on the ground and continues to follow the ratification process at this time. Hatching egg and chick access in the new agreement is at the same level as currently under NAFTA.

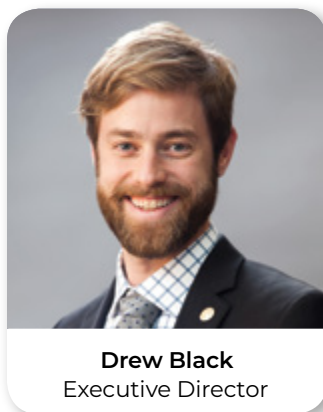
The Comprehensive and Progressive Agreement Trans-Pacific Partnership (CPTPP) also came into effect on December 30, 2018, with the second-year access coming into force on January 1, 2019. While no countries that are party to the CPTPP have regulatory approval to export hatching eggs to Canada, this will be something that CHEP follows closely in future years. It is expected that the access granted on chicken will be taken up completely.

The industry has also seen the requirement as of December 2018 to obtain a veterinarian's prescription to access any on-farm use of medically important antibiotics and continued industry and government pressure when it comes to responsible antibiotic use. CHEP highlights the lack of efficient regulatory approvals for antibiotic-alternative products in Canada regularly and pushes for Canadian producers to have access to the same technologies and products that producers in other countries have.

This will be crucial with the elimination of preventive use of Category 2 (at the end of 2018) and a goal to eliminate preventive use of Category 3 (2020) antibiotics in broiler chicken to maintain quality.

The industry is also facing increasing pressure to address *Salmonella* risks and this has led to a number of industry and industry–government working groups that have picked up pace in late 2018. Reducing the risk of food-borne illness in humans is a significant issue that requires a value-chain approach to ensure that preventive actions are taken at all stages. However, the publication of draft federal Hatchery Regulations which would establish testing for *Salmonella* Enteritidis have been once again delayed.

I would also like to note the welcoming hospitality we received during our summer meeting in Halifax,



**Drew Black**  
Executive Director



# Executive Director's Report

Nova Scotia. CHEP continues to support the work of Nova Scotian producers who developed a marketing plan over the course of 2018 and are now drafting regulations.

Lastly, 2018 saw the launch of a new strategic planning process for CHEP that will lead to new guidance for the organization over the next few years once it is complete in 2019. It is expected that this document will be something that we can measure our progress against and keep our focus upon as

CHEP works to advance the industry and deliver upon its mission of ensuring a dependable supply of quality broiler hatching eggs to Canadian hatcheries and to meet 100% of national allocation.

Sincerely,



Drew Black, Executive Director



# Canadian Hatching Egg Producers

## Mission

To ensure a dependable supply of quality broiler hatching eggs to Canadian hatcheries.



## Board of Directors



*Top from left to right:*

Dean Penner, Manitoba;  
Ernie Silveri, CHF;  
Gary Van Klei, Alberta;  
Joe Neels, British Columbia;  
Christian Trottier, CHF;  
Mark Woods, Ontario

*Bottom row from left to right:*

Gyslain Loyer, Vice-Chair, Quebec;  
Jack Greydanus, Chair;  
Brian Bilkes, Second-Vice Chair,  
Saskatchewan

## Executive Committee



*From left to right:*

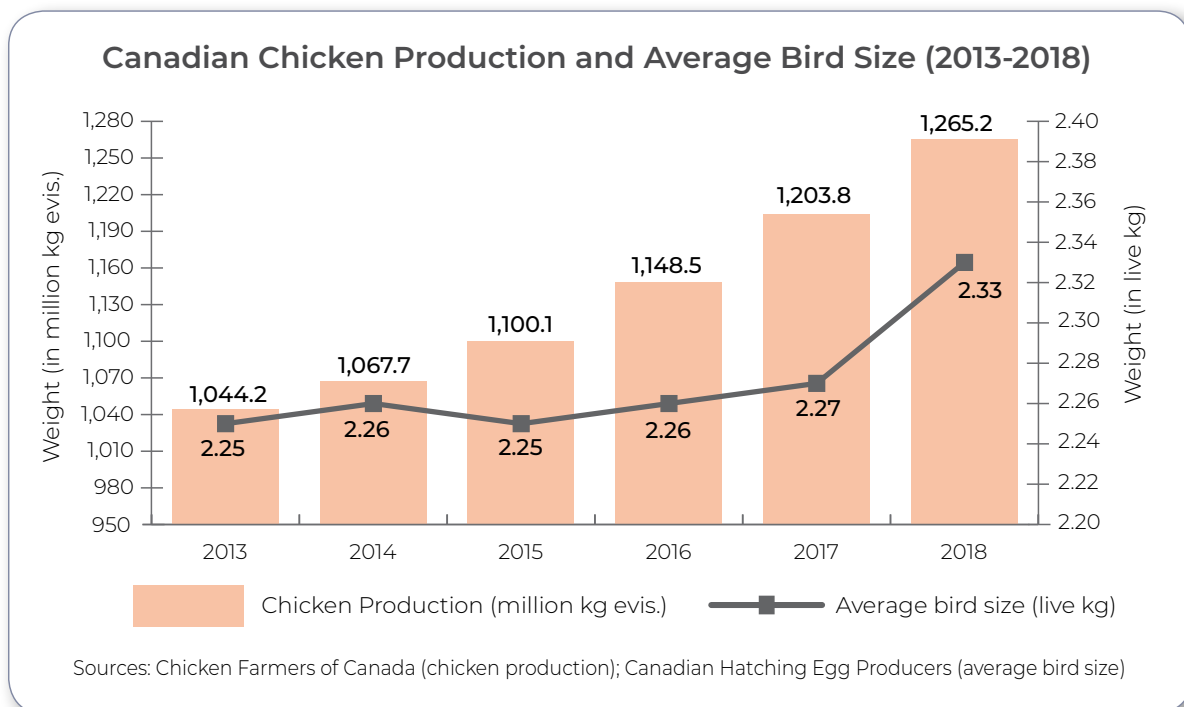
Gyslain Loyer, Vice-Chair, Quebec;  
Jack Greydanus, Chair;  
Brian Bilkes, Second-Vice Chair,  
Saskatchewan;  
Drew Black, Executive Director



# Canadian Hatching Egg Market Review

The Canadian broiler hatching egg industry began 2018 on a positive footing with strong consumer demand signals and a favourable standing for chicken against competing meat sectors. The market conditions reported in the early part of the year suggested that another strong year of growth was expected by the broiler hatching egg sector. Despite a barn fire reported at the end of 2017 in Saskatchewan and diseases reported in Quebec during the year, the industry was able to take advantage of the favourable market conditions. Domestic hatching egg production grew as hatcheries set more domestic hatching eggs with fewer imports.

The initial 2018 broiler hatching egg allocations established in March 2017 were based on estimated chicken production of 1,232 million kilograms, which represented growth of 2.3% above 2017 chicken production of 1,203.8 million kilograms. By July 2017, the 2018 chicken production estimate increased to 1,261 million kilograms, and remained at 1261 million kilograms in November 2017 and March 2018. In response to improving market conditions in July 2018, the final 2018 broiler hatching egg allocations were based on estimated chicken production of 1,265 million kilograms, which represents an increase of 5% above 2017 production. In the end, 2018 chicken production totaled 1,265.2 million kilograms, which represents a 5.1% increase over the previous year, and 0.2 million kilograms more than the July projection.





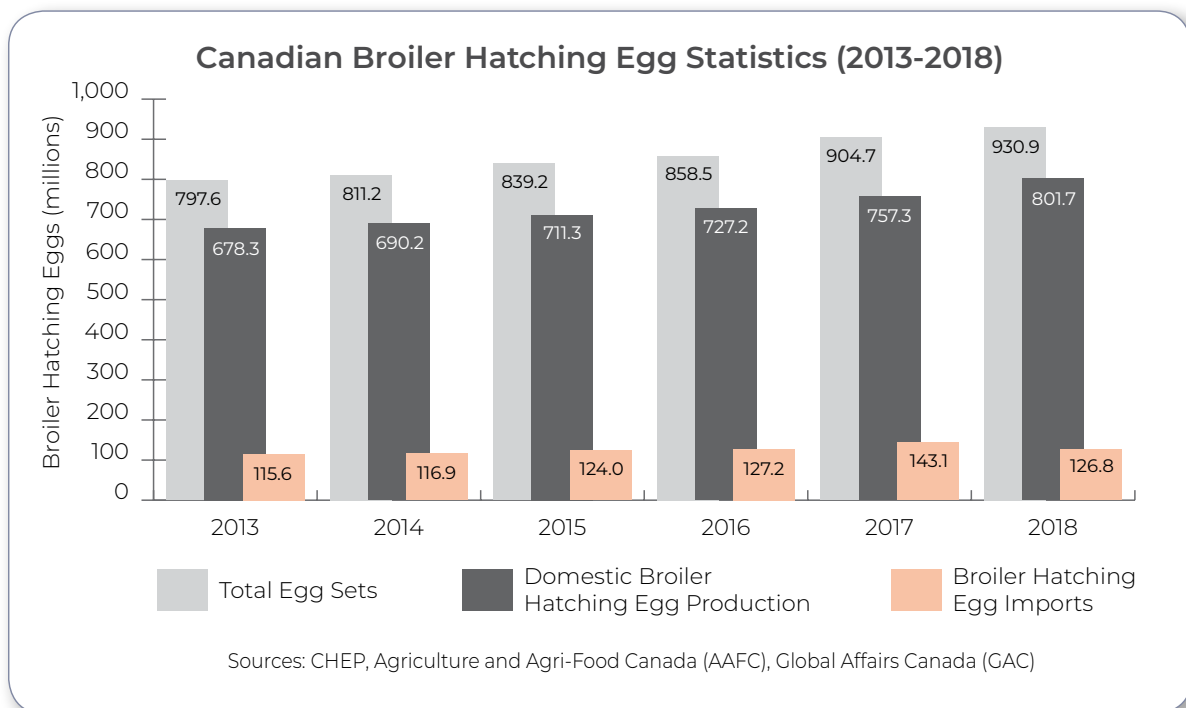
# Canadian Hatching Egg Market Review

Canadian hatcheries set a total of 930.9 million broiler hatching eggs in 2018, an increase of 26.3 million eggs (+2.9%) from 2017. Domestic broiler hatching egg production totaled 801.7 million eggs across Canada, an increase of 44.3 million eggs (+5.9%) over the previous year and equal to 101% of CHEP's final 2018 allocation.

Broiler hatching egg imports into Canada decreased by nearly 16.3 million eggs (-11.4%) compared to 2017, while broiler chicks imported into Canada increased by nearly 2 million chicks (+8.1%). As a result, 2018 combined imports decreased by nearly 13.8 million egg equivalents (-7.9%) from 2017.

Altogether, broiler hatching egg imports into Canada totaled 91.8% of the tariff rate quota (TRQ) allotted to hatcheries in 2018, while broiler chick imports totaled 115.4% of TRQ.

Canadian domestic broiler hatching egg production in 2018 increased by 5.9% compared to 2017, with improved production levels reported in seven of eight producing provinces. Collectively, domestic production between the six member provinces reached 99.4% of the final 2018 allocations.



# Canadian Hatching Egg Market Review

## Broiler Hatching Egg Production and Imports

In 2018, domestic broiler hatching egg production in Canada increased by 44.3 million eggs (+5.9%) over 2017. Provincially, British Columbia's domestic production increased by 7.8 million eggs (+7%), while imports fell by 6.7%, resulting in 6.1 million (4.4%) more eggs set during the year. In Alberta, domestic production increased by 3.8 million eggs (+4.8%), with 5.1% more imports and 4.3 million (4.5%) more eggs set. Saskatchewan's production declined almost 0.9 million eggs (-3%), while imports increased by 17.8%, finishing the year with 0.5 million eggs (+1.3%)

more eggs set. These trends follow the December 2017 barn fire which affected production at one broiler breeder farm in Saskatchewan. Manitoba's production rose by more than 2.8 million eggs (+7.8%), while imports fell by 21.9%, resulting in nearly 1 million (+2.2%) more eggs set. In Ontario, production grew by 9.4 million eggs (+3.9%), while imports increased by 8.4%, resulting in 11.3 million more eggs set (+4.3%). Quebec's production experienced a surge in domestic production of more than 16.4 million eggs (8.3%), while imports decreased by 25.4%, resulting in 0.7 million more eggs (+0.3%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2018	119,124	83,785	27,572	38,174	247,670	214,541	37,455	33,352	801,673
2017	111,326	79,947	28,437	35,399	238,277	198,116	33,882	31,951	757,336
2016	105,379	74,024	29,422	35,521	225,316	194,813	31,212	31,466	727,154
2015	99,033	71,750	28,443	32,670	213,722	199,802	28,506	37,332	711,257
% Change									
18/17	7.0	4.8	(3.0)	7.8	3.9	8.3	10.5	4.4	5.9
17/16	5.6	8.0	(3.3)	(0.3)	5.8	1.7	8.6	1.5	4.2
16/15	6.4	3.2	3.4	8.7	5.4	(2.5)	9.5	(15.7)	2.2

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2018 was 2.33 kg live per bird, up from 2.27 kg in the previous year, led by gains in Nova Scotia (+8.2%) and British Columbia (+4%).

**Table 2 – Selected Market Factors**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Total (Combined) Imports</b>									
(000 eggs equiv.)	30,171	15,786	12,425	6,658	43,866	49,585	0	2,192	160,684
% change 18/17	(6.9)	3.9	12.1	(23.8)	18.9	(23.8)	(100.0)	(54.3)	(7.9)
<b>Chicken Production</b>									
(000 kg evis.)	186,061	122,550	45,972	51,510	426,378	335,697	42,562	54,474	1,265,204
% change 18/17	8.2	6.4	1.3	2.6	6.2	2.3	4.3	7.6	5.1
<b>Avg. live weight of broilers</b>									
(kg live/bird)	2.21	2.27	2.18	2.04	2.41	2.39	2.39	2.38	2.33
% change 18/17	4.0	1.5	1.6	0.1	2.2	3.0	8.2	3.0	2.7

Sources: CHEP; AAFC; CFC



# Canadian Hatching Egg Market Review

## Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2018 grew by 10.2% to reach \$349.6 million, up from \$317.3 million in 2017. The 2018 average saleable chick price paid by hatcheries to producers ranged from 51.91 cents in Ontario to 58.06 cents in Saskatchewan.

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

	Farm Cash Receipts		Hatching Egg Producer Prices	
	2018 \$ 000	% change 18/17	¢ per saleable chick (2018 average) <sup>1</sup>	% change 18/17
<b>British Columbia</b>	53,356	7.7	55.39	0.8
<b>Alberta</b>	39,076	8.9	57.76	4.3
<b>Saskatchewan</b>	12,935	1.5	58.06	4.8
<b>Manitoba</b>	17,482	12.9	56.74	5.0
<b>Ontario</b>	103,904	9.3	51.91	5.3
<b>Quebec</b>	92,377	13.3	53.29	4.9
<b>Nova Scotia</b>	16,143	15.8	–	–
<b>NB/PE/NL</b>	14,336	9.1	–	–
<b>CANADA</b>	<b>349,608</b>	<b>10.2</b>	<b>55.52</b>	<b>4.2</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 – Broiler Hatching Egg Industry Profile for 2018**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Broiler Hatching Egg Producers</b>	54	28	10	23	75	37	12	4	<b>243</b>
<b>Hatcheries</b>	10	4	2	4	7	5	3	3	<b>38</b>
<b>Average Farm Size (million eggs)</b>	2.2	3.1	2.8	1.7	3.3	5.8	3.1	8.5	<b>3.3</b>

Sources: Provincial Boards, CHEP.



# Evolution of the Canadian Hatching Egg Quality (CHEQ™) Program

1996

In 1996, CBHEMA published its first set of industry measures, entitled *Bio-security & Sanitation Practices for Broiler Hatching Egg Production*. The first priority of the program was human safety and protecting flocks from diseases such as *Salmonella*, while also being cost-effective for producers.



2004



In 2004, the CHEQ™ Program was officially launched following the completion of the CFIA Technical Review, Part 1. CHEQ™ expanded on many of the original measures from 1996. A HACCP-based approach was used, and included on-farm audits by trained auditors. Provincial enforcement measures were introduced over time to ensure a credible yet practical program for producers.

## Canadian Hatching Egg Quality (CHEQ™) Program completes Canadian Food Inspection Agency (CFIA) Technical Review

October 27, 2004

The Canadian Hatching Egg Quality (CHEQ™) program has successfully completed the technical review phase of the Canadian Food Inspection Agency (CFIA) on-farm food safety recognition program.



CHEQ™ will be implemented by Canadian broiler hatching egg producers to ensure that only safe and high quality products leave their premises. As a HACCP-based program, it is an important link in the Canadian poultry industry's "gate to plate" food safety strategy. It will also be frequently reviewed and regularly

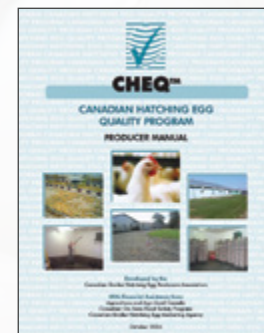
updated to reflect the most current regulations and scientific research. Up-to-date program materials will be available electronically, both on CD and on the Canadian Broiler Hatching Egg Marketing Agency's (CBHEMA) website, [www.cbhema.com](http://www.cbhema.com).

CHEQ™ is also designed to be practical on-farm as it was developed by producers and industry experts, and piloted on Canadian farms. The program provides

producers with a comprehensive set of generic Good Production Practices (GPPs) focused on food safety. These GPPs build on the existing good production practices current in the Canadian hatching egg industry and they incorporate CBHEMA's 1996 *Bio-Security & Sanitation Practices for Broiler Hatching Egg Production*. These assist producers to fully document the controls they have in place by "saying what they do, doing what they say, and proving it".

Producers will be trained to implement and customize the program to their operation. After they have three months of required record-keeping available, they will be eligible for an on-farm food safety audit. After initial certification, producers will require subsequent audits to maintain their certified status.

The program could not have been completed without the hard work of the CHEQ™ Technical Committee, consisting of two hatching egg producers and a hatchery veterinarian who also worked on the hatchery HACCP program.





## 2005

The first CHEQ<sup>TM</sup> Certified Producer was announced in 2005.



“We as producers have a responsibility in maintaining our reputation for safe food production in Canada.”

*Ed De Jong, Chair, CBHEMA*  
2004

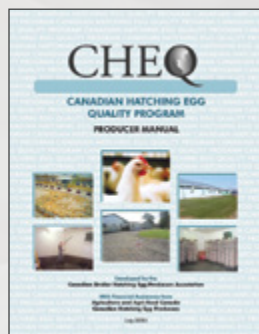
## 2006



In 2006, CHEQ<sup>TM</sup> was updated to include additional biosecurity requirements following avian influenza in 2004.

## 2010

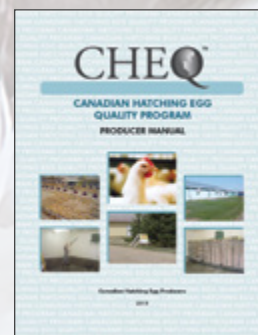
In 2010, CHEQ<sup>TM</sup> was updated to include additional requirements and clarifications on biosecurity and food safety to reflect the CFIA National Avian On-Farm Biosecurity Standard, and feedback from provincial boards and producers.



## 2015 – Current

In 2015, the focus was on additional requirements for responsible antimicrobial use, and removal of preventive use of Category I antibiotics for the life of the flock starting in May 2015.

The program was updated in 2018 to include new requirements designed to improve egg quality in order to demonstrate broiler hatching egg producers' commitment to reducing the need for antibiotics along the supply chain.



# Canadian Broiler Hatching Egg Producers' Association

This year's focus for Canadian Broiler Hatching Egg Producers' Association (CBHEPA) was to work on defining and implementing a mandate for the producer association. A facilitated workshop was held in November to provide members with direction and guidance on moving forward to better utilize our resources. The work on our mandate will continue in 2019.

Meetings also focused on providing recommendations for allocation, egg flow, as well as a number of other issues including the decrease of hatchability in North America and policies to discontinue the preventive use of category 1 anti-biotics in broiler chicken. CBHEPA also provided regular updates at the Canadian Hatching Egg Producers (CHEP) meetings.

The student programs continue to be of great value to producers and their families.

Melissa Sinnige of Guelph, Ontario had the opportunity to attend the Canadian Young Farmers' Forum in February. The feedback of her experience was very positive as she continued to stay involved in the growth of our industry.

The drawing contest brings out the artists amongst producers' families and continues to be a favourite. This initiative remains the artwork for CHEP Christmas card collection. The overall winner was Annette Bilkes, her drawing was the face of the card sent to the Prime Minister of Canada, Justin Trudeau.

I wish to thank the members for their continued support and dedication.

Sincerely,



Robert Massé  
Chair



Robert Massé  
Chair



## CBHEPA Board of Directors

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

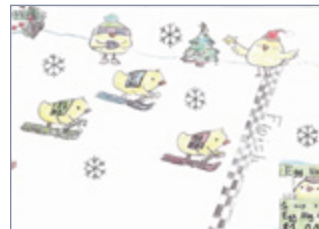
## Drawing Content Winners



Winner – Age 2-4 Category  
Isla Van Dietsen, Ontario



Winner – Age 5-7 Category  
Jaysen Van de Velde, Alberta



Winner – Age 8-11 Category  
Claire Bilkes, Saskatchewan



Winner – Age 12-14 Category  
Drawing Contest Winner  
Annette Bilkes, Saskatchewan





# Production Management Committee

**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.*

## Food Safety and Antimicrobial Use

The Canadian Hatching Egg Quality (CHEQ™) on-farm food safety program was updated in 2018 to improve egg quality by building on existing requirements for egg sorting, handling, washing, and storage. These changes were made in collaboration with provincial boards and the Canadian Food Inspection Agency (CFIA). The changes will come into effect for audits starting January 1, 2019. CHEP's *Spent Broiler Breeder Flock Sheet* was updated in anticipation of the new Safe Food for Canadians Regulations coming into force on January 15, 2019 and governing a wide range of activities, including meat inspection.

We continued our work on addressing foodborne pathogens, specifically *Salmonella* Enteritidis (SE). We continue to be 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, and on an industry committee with the rest of the chicken supply chain to focus on SE. While we awaited progress on the revised *Hatchery Regulations*, including requirements for all breeder flocks in Canada shipping hatching eggs to registered hatcheries, this was delayed until 2019. Biosecurity continues to be a critical component to control the spread of pathogens and disease.

CHEP circulated a survey to measure the use of antibiotics on broiler hatching egg farms and participated on several committees focused on

antimicrobial use (AMU) and antimicrobial resistance (AMR). This included an AMU industry committee with the other poultry organizations, the Poultry Sustainability Value Chain Roundtable (PSVCRT) AMR/AMU Working Group, and the Canadian Animal Health Surveillance System (CAHSS) Antimicrobial Use Surveillance Network Group.

## Animal Care

The CHEP Animal Care Program (ACP) was reviewed and updated in 2018 to improve the robustness of the program and ensure the best standards of animal care. These changes were initiated by feedback from member provinces and producers earlier in the year, which led to a workshop in September 2018 to discuss possible solutions to improve the CHEP ACP. The workshop was attended by the CHEP Board of Directors, Alternates, provincial managers, provincial staff, and other relevant stakeholders. The revised pages were reviewed and approved

in November 2018 with the changes to the CHEP ACP coming into effect with the first CHEP ACP audits, starting January 1, 2019.

Sincerely,



Dean Penner, Chair

## Membership

Dean Penner, Chair, Manitoba  
Joe Neels, British Columbia  
Gary Van Klei, Alberta  
Brian Bilkes, Saskatchewan  
Mark Woods, Ontario  
Gyslain Loyer, Quebec  
Ernie Silveri, Canadian Hatchery Federation



Dean Penner  
Chair



# Advisory Committee

In 2018, the chicken industry continued to build momentum from the previous year, with strong consumer demand and a favourable standing for chicken against competing meat sectors. As such, the market conditions in early 2018 were aligning themselves to usher in continued growth for the broiler hatching egg sector. During the year, the biggest challenge for the advisory committee was to properly gauge current and future production recommendations in a market context where storage stock levels and wholesale price were high.

In March, a continuous growth in per capita chicken consumption and domestic disappearance levels were reported to start the year. Stock levels were setting new five-year highs, closing at 22% above the March 1<sup>st</sup> five-year average, while wholesale prices for chicken were higher than they were during the same time in 2017. Domestic broiler hatching egg supplies were short to adequate depending on the province and some issues with U.S. supply in terms of productivity and hatchability were raising concerns for hatcheries. Meanwhile, the outlook for the Canadian economy was positive as the level of economic activity was now close to capacity, with real gross domestic product (GDP) growth forecasts by the Bank of Canada at 2.2% for 2018 and 1.6% for 2019, up slightly from previous forecasts. Recognizing the strong growth in chicken demand, a revised 2018 chicken production estimate of 1,261 million kilograms was recommended, representing a 4.8% increase over 2017. For 2019, with the expectation that the market will remain positive for the medium term, an initial chicken production of 1,293 Mkg was recommended, which represented a 2.5% increase over 2018.

In July, chicken production covering the first half of 2018 showed a total production that was 6.6% higher than during the same timeframe in 2017. Domestic disappearance levels reported at the end of June were up 6% from the previous year while stock levels continued to set new five-year highs. Although wholesale price started to fall, the strong chicken demand was expected to keep current price levels slightly above the 5 year average during the rest of the summer and only gradually decline most of the fall. The outlook for the Canadian economy remained

positive as the economic activity was projected to average slightly above that of potential output over the next three years and the Bank of Canada was forecasting real GDP growth of 2% in both 2018 and 2019. Domestic broiler hatching egg supplies were adequate for hatcheries except in one province, while the U.S. supply of hatching eggs was still experiencing some performance challenges in term of eggs produced per hen and hatchability. As a result of a strong

demand for chicken meat protein combined with high wholesale chicken price, a final 2018 chicken production estimate of 1,265 million kilograms was recommended, representing growth of 5% above 2017 and 4 million kilograms higher than the March recommendation. For 2019, a revised chicken production of 1,303 Mkg was recommended, an increase of 3.0% above 2018, and up 10 Mkg from March.

In November, The Bank of Canada outlook for the Canadian economy remained positive with a GDP growth forecasted at 2.1% in both 2018 and 2019. Year-to-date domestic chicken disappearance to October was up 6.9% from the previous year, while



**Gary Van Klei**  
Chair





# Advisory Committee

stock levels continued to set five-year highs and finished October at 12.5% above last year. Wholesale prices decreased in the latter part of the year and were lower than they were a year ago. Domestic broiler hatching egg supplies were adequate for hatcheries and production performance in the U.S. had improved compared to the beginning of 2018. Total chicken production in 2018 was forecast to reach 1,265 million kilograms, 5.0% above 2017. For 2019, factors considered when setting the 2019 CHEP allocation included the entry into force of the CPTPP as this was expected to increase chicken imports, and policies to prevent the preventive use of Category 1 antibiotics in broiler chicken, because of their impact on bird mortality. As such, a revised 2019 chicken production of 1,295 Mkg was recommended, which was 2.4% above the 2018 total expected production (1,265 Mkg), and down 8 Mkg from July.

Sincerely,



Gary Van Klei  
Chair

## **Membership**

Gary Van Klei, Chair, Alberta  
Robert Massé, CBHEPA  
Jan Rus, CFC  
Kyle Deslauriers, CFC  
Christian Trottier, CHF  
Nicolas Paillat, CPEPC  
Marta Haley, FPPAC  
Robert De Valk, FPPAC  
Geneviève Rodrique, AAFC  
Anne-Marie Broadbent, GAC



# Finance Committee

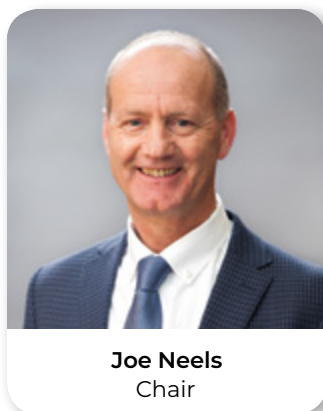
The Finance Committee met throughout the year where the Canadian Hatching Egg Producers' (CHEP) financial situation was reviewed and financial policies were evaluated, streamlined and updated. In 2018, revenues equalled \$2.62 million, while expenditures totalled \$2.05 million, which resulted in a surplus of \$570,000. Actual revenues were higher than the projected budget of \$2.39 million primarily due to a higher increase in production levels than the previous year and an unexpected source of other income from a liquidated damages assessment (LDA). The national levy rate has remained constant for the fourth consecutive year. Actual expenditures of \$2.05 million were lower than the budget of \$2.17 million due in large part to compositional changes in personnel but offset by increased investment in trade related activities, professional services and development of the Animal Care Program.

CHEP Directors' continued efforts to reduce travel costs contributed to offset additional Directors' fees and participant expenses due to additional meetings over the course of 2018. As well, some items were lower than budget, delayed to the subsequent year or cancelled altogether.

Actual expenditures in 2018 decreased by \$92,000 compared to the previous year primarily due to compositional changes in personnel, decreased expenditures in trade related activities (particularly NAFTA & CPTPP) and professional services offset by increased expenditures in Directors' fees and participant expenses.

The Finance Committee presented a budget for 2019 that reflects a projected surplus of \$46,000. 2019 budgeted revenues are estimated at \$2.36 million which reflects a decrease in anticipated revenues primarily as a result of the reduction in the national levy effective in the fourth period of 2019 and is

somewhat compensated for in an increase in broiler hatching egg production. Budgeted expenditures are expected to increase by \$144,000 as a result of several factors. These include: approved 2019 increase in directors' fees and participant expense rates, full year for the compositional changes in personnel, the location and frequency of meetings with related costs, continued capital building expenditures, investment in ongoing trade related activities, and committed additional funding for research projects.



In addition to overseeing the Agency's finances, the Finance Committee also recommended changes to CHEP's financial policies in 2018 to come into effect in 2019. Given that the director's fee and monthly stipend has largely remained constant over the last 5 years, the Finance Committee recommended that the amount be increased to ensure that CHEP rates are both comparable and reasonable for all Board members. The meal and incidental allowance rates which had

not changed since 2008, were also increased. All these recommendations were accepted by CHEP's Board of Directors and Farm Products Council of Canada (FPCC).

In July 2018, CHEP re-appointed the firm of PricewaterhouseCoopers LLP to perform the 2018 year-end audit.

Sincerely,



Joe Neels  
Chair

## **Membership**

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



# Research Committee

The Research Committee's role is to review and consult on research that affects broiler breeder producers. CHEP's 2018 research priorities are as follows:

**Ammonia has been designated as a top priority issue by the CHEP Research Committee.**

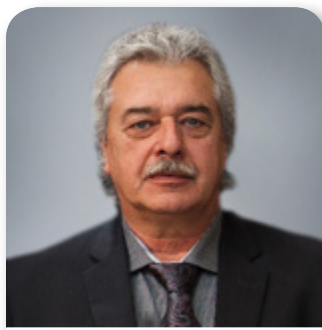
## 1. Production-based Research

- 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

## 2. Breeder Welfare

- a. Ammonia control
  - Developing more accurate methods to measure ammonia on-farm, and validating existing ammonia measurement equipment (such as the ammonia meters used by auditors)
  - Establishing baseline ammonia levels on the farm, and once a consistent methodology is established, have CHEP compile national data to inform decisions going forward
  - Validating benchmarks (such as those referenced in the code, or those determined as a result of on-farm baseline data), including the study of the impacts of different levels of ammonia concentration on the health and well-being of birds and humans in order to determine appropriate level(s) of ammonia to include in the animal care program as maximum thresholds depending on climate and temperature
  - Cost-effective methods to control ammonia

- b. Density
- c. 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
- d. Aggression
  - Feed energy and male aggression
  - Research linking specific genetic traits with male to female aggression
- e. Early mortality of breeder hens (*E.coli*, staphylococci)
  - *E.coli* and staphylococci more likely to post peak mortality association
- 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?



**Murray Klassen**  
Chair

## 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.



# Research Committee

## 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 is a priority for CHEP. CHEP's research priorities are considered by the Canadian Poultry Research Council (CPRC) when it posts calls for research projects, and the CHEP Research Committee Chair sits as a director at CPRC. CHEP contributes funding for CPRC research, and for the Agriculture and Agri-Food Canada (AAFC) Poultry Science Cluster under the Canadian Agricultural Partnership.

In 2018 CHEP also supported research on slow-growing broiler breeders and on the development of a disinfectant spray targeting pathogens such as *Enterococcus* in the chicken industry. The committee feels ammonia is going to become an increasingly critical issue as it relates to welfare and production for our industry.

The committee hosted its first ever research videoconference in an ongoing effort to ensure research results reach producers. Dr. Martin Zuidhof, University of Alberta, led a discussion on *Fertility Implications with Precision Feeding*. The committee also reviewed various research information and exchanged research updates from across the country at each of their meetings.

Sincerely,



Murray Klassen  
Chair

## Membership

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





# Canadian Hatching Egg Producers

## Alternates



*Top row from left to right:*  
Ed Mosterd, Ontario;  
Jeff Notenbomer, Alberta;  
Mike Wurtz, Saskatchewan

*Bottom row from left to right:*  
Allan Mulder, British Columbia;  
Robert Massé, Quebec;  
Murray Klassen, Manitoba

*Missing:*  
Rick Weiss, CHF Alternate, West  
Gordon Hastie, CHF Alternate, East

## Provincial Managers



*From left to right:*  
Stephanie Nelson,  
British Columbia;  
Simon Doré-Ouellet, Quebec;  
Bob Smook, Alberta;  
Michael Kautzman, Saskatchewan,  
Bill Van Heeswyk, Ontario

*Missing:*  
Wayne Hiltz, Manitoba



# Canadian Hatching Egg Producers

## Staff



*From left of right:*

Nicole Duval, Office Administrator;  
Aubrie Willmott-Johnson,  
Animal Welfare Officer;  
Drew Black, Executive Director;  
Salomon Compaoré, Economist;  
Victoria Sikur, Food Safety Officer

## SM-5 Representative to the WTO



Charles Akande,  
Geneva, Switzerland



# **Canadian Hatching Egg Producers**

Financial Statements  
**December 31, 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 of Canadian Hatching Egg Producers

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Hatching Egg Producers (the Organization) as at December 31, 2018 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.

#### **What we have audited**

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

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*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.



In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
February 12, 2019



# Canadian Hatching Egg Producers

## Statement of Financial Position

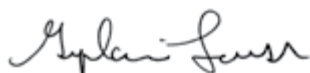
As at December 31, 2018

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 69,476	\$ 114,696
Guaranteed investment certificates (note 3)	1,681,566	1,351,044
Accounts receivable (note 4)	517,077	424,722
Prepaid expenses	58,169	38,399
	<u>\$ 2,326,288</u>	<u>\$ 1,928,861</u>
<b>Capital assets</b> (note 5)	<u>562,631</u>	<u>554,508</u>
	<u>\$ 2,888,919</u>	<u>\$ 2,483,369</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 94,500	\$ 237,425
Government remittances payable	28,682	28,674
Current portion of long-term debt (note 6)	21,982	21,236
	<u>\$ 145,164</u>	<u>\$ 287,335</u>
<b>Long-term debt</b> (note 6)	<u>93,797</u>	<u>115,779</u>
	<u>\$ 238,961</u>	<u>\$ 403,114</u>
<b>Net assets</b>		
Unrestricted	2,498,035	1,973,052
Internally restricted for severance contingency (note 7)	151,923	107,203
	<u>\$ 2,649,958</u>	<u>\$ 2,080,255</u>
	<u>\$ 2,888,919</u>	<u>\$ 2,483,369</u>
<b>Commitments</b> (note 8)		

### 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, 2018

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	Balance - Beginning of year	Net revenue for the year	Transfers from (to)	Balance - End of year
<b>Unrestricted</b>	\$ 1,973,052	\$ 569,703	\$ (44,720)	\$ 2,498,035
<b>Internally restricted for severance contingency (note 7)</b>	107,203	-	44,720	151,923
	<u>\$ 2,080,255</u>	<u>\$ 569,703</u>	<u>\$ -</u>	<u>\$ 2,649,958</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, 2018

	2018	2017
<b>Revenues</b>		
Levies	\$ 2,390,933	\$ 2,278,763
Interest	21,560	14,396
	<u>\$ 2,412,493</u>	<u>\$ 2,293,159</u>
<b>Expenses</b>		
Amortization	22,705	16,923
Building occupancy	37,275	34,915
Directors' fees and participants' travel	517,001	406,298
Interest on long-term debt	4,406	9,578
Meetings	105,817	83,247
Membership fees	59,179	56,866
Office and administrative	132,775	131,702
Professional fees	164,372	195,912
Research	93,105	99,226
Salaries, benefits and travel	712,641	841,286
Trade	130,237	181,133
Translation and interpretation	69,505	84,235
	<u>\$ 2,049,018</u>	<u>\$ 2,141,321</u>
Net revenue before other income	\$ 363,475	\$ 151,838
<b>Other income</b>		
Liquidated damages	\$ 206,228	\$ 87,869
<b>Net revenue for the year</b>	<u>\$ 569,703</u>	<u>\$ 239,707</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, 2018

	2018	2017
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Net revenue for the year	\$ 569,703	\$ 239,707
Item not affecting cash - amortization	22,705	16,923
Net change in non-cash working capital items	(255,043)	218,184
	<u>\$ 337,365</u>	<u>\$ 474,814</u>
<b>Investing activities</b>		
Purchase of capital assets	(30,827)	-
Purchases of guaranteed investment certificates	(1,681,566)	(1,351,044)
Proceeds on disposal of guaranteed investment certificates	1,351,044	1,130,000
	<u>\$ (361,349)</u>	<u>\$ (221,044)</u>
<b>Financing activity</b>		
Repayment of long-term debt	\$ (21,236)	\$ (151,082)
<b>Net change in cash for the year</b>	<u>\$ (45,220)</u>	<u>\$ 102,688</u>
<b>Cash - Beginning of year</b>	<u>114,696</u>	<u>12,008</u>
<b>Cash - End of year</b>	<u>\$ 69,476</u>	<u>\$ 114,696</u>

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



# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2018

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### 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 ensure a dependable supply of quality broiler hatching eggs to Canadian hatcheries.

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, 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 5) and long-term debt (note 6) 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.

(1)





# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2018

Liquidated damages are assessed on the production of broiler hatching eggs over allocated amounts, consistent with the Liquidated Damages Agreement, and are recorded once approved by the Board of Directors.

### 3 Guaranteed investment certificates

Guaranteed investment certificates bear interest at rates ranging from 1.30% to 2.50% and mature in 2019 (2017 - rates ranging from 0.90% to 1.70%, maturing in 2018).

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 Accounts receivable

	2018	2017
Levies	\$ 471,279	382,175
Interest and other	45,798	42,547
	<u>\$ 517,077</u>	<u>424,722</u>

### 5 Capital assets

	2018			2017	
	Cost	Accumulated amortization	Net	Net	
Land	\$ 54,135	\$ -	\$ 54,135	\$ 54,135	
Building	670,782	169,996	500,786	499,738	
Office furniture and equipment	34,634	34,634	-	-	
Electronic equipment	37,040	29,330	7,710	635	
	<u>\$ 796,591</u>	<u>\$ 233,960</u>	<u>\$ 562,631</u>	<u>\$ 554,508</u>	

Cost and accumulated amortization amounted to \$771,293 and \$216,785 respectively as at December 31, 2017.

(2)



# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2018

### 6 Long-term debt

	2018	2017
Bearing interest at 3.46%, payable in blended monthly payments of \$2,137, due November 30, 2022	\$ 115,779	\$ 137,015
Less: current portion	(21,982)	(21,236)
	<u>\$ 93,797</u>	<u>\$ 115,779</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 \$1,443,627 (2017 - \$1,708,413) should an owner default on payment.

### 7 Internally restricted for severance contingency

During the year, the Board of Directors increased the net assets internally restricted for severance contingency by \$44,720 (2017 - reduced by \$76,560).

### 8 Commitments

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

2019	\$ 2,670
2020	\$ 2,670
2021	\$ 1,335

(3)

