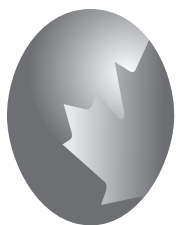


Canadian Hatching Egg Producers

2019 Annual Report





Canadian Hatching Egg Producers

21 Florence Street

Ottawa, Ontario

K2P 0W6

Tel: (613) 232-3023

Fax: (613) 232-5241

Email: info@chep-poic.ca

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

Table of Contents

Message from the Chair2
 Executive Director's Report.3
 Board of Directors and Executive Committee4
 Canadian Hatching Egg Market Review5
 Canadian Hatching Egg Producers Animal Care Program9
 Canadian Broiler Hatching Egg Producers' Association 11
 Production Management Committee.13
 Advisory Committee. 15
 Finance Committee17
 Research Committee18
 Other CHEP Committees21
 Alternates and Provincial Managers22
 Committee Participation, CHEP Staff and SM-5 Representative to the WTO.23
 CHEP Financial Statements December 31, 2019 24



Message from the Chair

I'm pleased to be able to provide this report on behalf of the Canadian Hatching Egg Producers in my first year as Chair. I am a producer in Saskatchewan and my grandfather was a producer in this industry in Ontario when I was a youngster. I am proud to represent our great farm families in our part of the chicken industry within the wonderful system of supply management in our beautiful country of Canada.

It has been another good year as growth right across the country was led by the outstanding practices of our producers, investments made into increasing capacity and meeting the national allocation for hatching eggs. Increases in hatchability and quality were made across the board. This strong growth was compounded by gains that we saw in genetics and a changing meat to egg ratio which resulted in many producers having to cut back production in the later half of 2019. CHEP expects the overall market to continue to grow in 2020, but we will have to be mindful of the impacts to our market share from concessions granted under trade agreements.

2019 saw the launch of a new three-year strategic plan that you can find on our website. It focuses on improving the performance and governance of supply management in our sector while building support among the public, federal officials and the public. The plan also emphasizes engagement and collaboration with our partners and taking additional steps regarding sustainability. Moving forward CHEP will be setting annual strategic priorities to ensure that the organization is responsive and proactive to an ever-changing environment.

One file that continues to create a number of uncertainties for our producers and which takes a significant portion of time at the national level is the

impact of recent trade agreements and advocating to ensure that no further concessions to our market are granted under ongoing or upcoming negotiations. As you know, under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) we as producers have had to accept a reduction in our market share on both broiler hatching eggs and chicks and an impact from a reduction on chicken. We were lucky that no CPTPP volume came in over the course of 2019 due to delays in ratification by other countries. The trade agreement is phased in over multiple years. So, once the CPTPP amount begins to be filled, it will be a greater shock for our production, and this will be something we will have to manage.

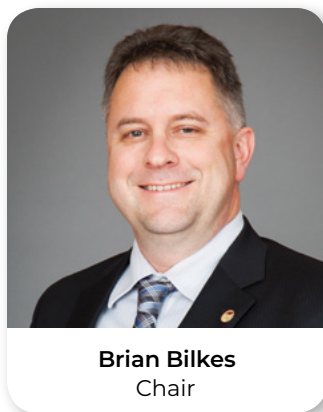
The Canada-United States-Mexico Agreement was finalized in 2019 but did not come into effect as not all countries had ratified it by the end of the year. The import amount for broiler hatching eggs and chicks remains the same as it currently exists under

NAFTA. However, the calculation for chicken tariff rate quota (TRQ) will be changing. CHEP will continue to work alongside SM4 to advocate with the federal government on a mitigation package that covers both the CPTPP and CUSMA impacts to our sector. As Chair, I can report that we also closely followed other ongoing trade negotiations that the federal government was engaged in and developments at the World Trade Organization.

Wishing you the best for 2020,



Brian Bilkes
Chair



Executive Director's Report

As 2019 comes to a close and we have an opportunity to reflect back on all that transpired over the course of the year, I'd like to recognize the hard work of all the staff at the national office which truly contributed to maintaining and continuously improving the effective national agency that we have today.

CHEP has had significant discussions throughout the year regarding pathogen reduction and specifically around *Salmonella* enteritidis testing and response. While there is still additional work to be done, the industry has been taking steps towards a common national framework that would provide greater assurance to our industry and government partners and improve upon the track record we already have. At CHEP we saw significant interest from government officials throughout 2019 on steps that could be taken to reduce the risk of pathogens and we expect this to continue in future years.

We were pleased to welcome the launch of the third Canadian Poultry Research Cluster earlier in 2019. This program remains an exemplary opportunity to leverage industry and government funding to meet the current research needs and priorities in our industry. Research into measuring, understanding and mitigating the effects of ammonia continues to be a research focus for CHEP and we're pleased to have lined up a new research project with the University of Guelph on the topic to begin on January 1st 2020.

Throughout 2019 we saw public commitments from the major federal political parties to protect supply management and ensure that full and fair mitigation to producers from recent trade agreements would take place. CHEP put in a significant amount of work through the federal working group that was tasked to quantify the impacts and were successful in that Agriculture and Agri-Food Canada has revised their methodology for determining impact to hatching egg producers. While we worked intensively alongside

our poultry and egg counterparts, we did not see a funding announcement to mitigate the impacts prior to the federal election. We will be picking up where we left off and expect the government to honour its commitments in early 2020.

In 2019 CHEP launched the Animal Care Program (ACP) which represents a significant milestone for the industry, thus providing greater assurance to the value-chain, government and public of the high animal welfare standards that hatching egg producers follow. This program is based upon the animal care codes of practice and was successfully launched in all CHEP provinces by mid-2019. It is based upon continuous improvement and will continue to be updated in future years as practices and technology evolve and as the animal care codes of practice may be updated. Lastly, it enables us at the national level to communicate to government officials and the public the strong commitment that you as producers have to the care of your flocks.

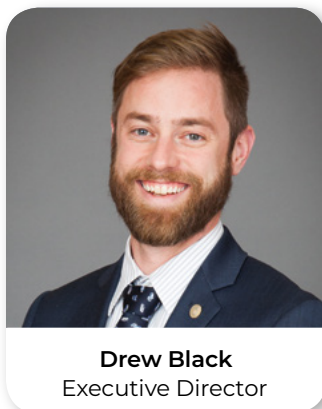
On behalf of all of us at CHEP, I would like to extend our thanks for the hospitality we were shown in Ontario during the CHEP summer meeting by the Ontario Broiler Hatching Egg & Chick Commission and the Ontario Broiler Chicken Hatching Egg Producers Association.

2019 was also a milestone. Jack Greydanus, CHEP Chair for the preceding 8 years announced his retirement. With his drive and enthusiasm, I am sure we will see Jack in other venues in the very near future!

Sincerely,



Drew Black
Executive Director



Canadian Hatching Egg Producers

Our Mission: Together with our partners and producers, CHEP ensures a dependable supply of quality broiler hatching eggs to Canadian hatcheries

Our Vision: A prosperous Canadian poultry sector, enabled by a strong and profitable broiler hatching egg industry

Board of Directors



Standing from left to right:

Mark Woods, Ontario
Sunny Mak, CHF
Christian Trottier, CHF
Mike Wurtz, Saskatchewan
Joe Neels, British Columbia
Gary Van Klei, Alberta

Front row from left to right:

Dean Penner, Second Vice-Chair,
Manitoba
Brian Bilkes, Chair
Gyslain Loyer, Vice-Chair, Quebec

Executive Committee



From left to right:

Dean Penner, Second Vice-Chair,
Manitoba
Drew Black, Executive Director
Brian Bilkes, Chair
Gyslain Loyer, Vice-Chair, Quebec



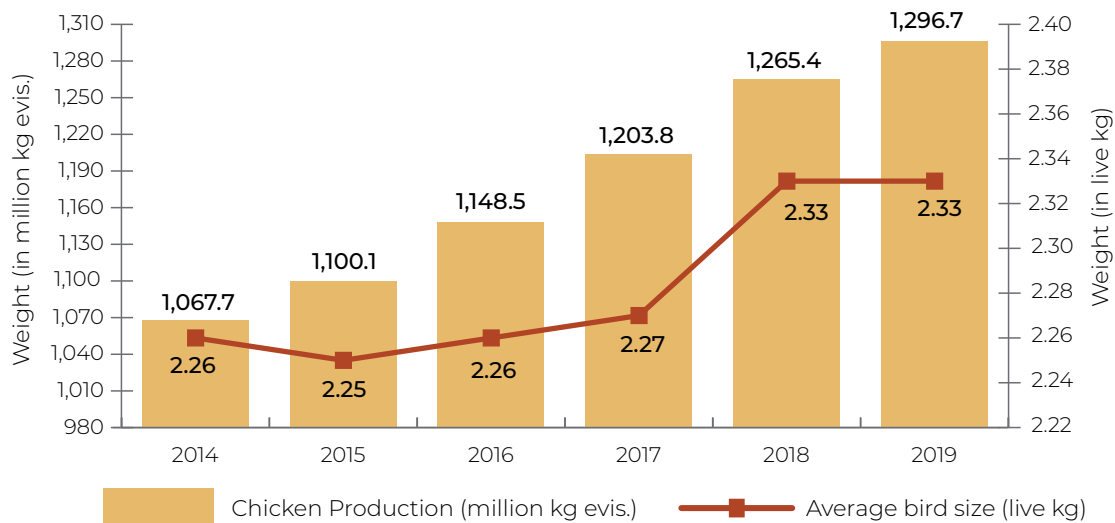
Canadian Hatching Egg Market Review

The Canadian broiler hatching egg industry entered into 2019 with steady and positive market trends for chicken demand. These market conditions which were supported by per capita consumption growth and increased population, suggested a continuous growth in the broiler hatching egg sector but at a moderate trend. The investments made in recent years to increasing farm capacity allowed producers to take advantage of these growth opportunities and meet the national allocation for hatching eggs.

The initial 2019 broiler hatching egg allocations established in March 2018 were based on estimated chicken production of 1,293 million kilograms, which represented growth of 2.2% above 2018 chicken

production of 1,265.4 million kilograms. By July 2018, the 2019 chicken production estimate increased to 1,303 million kilograms and decreased to 1295 million kilograms by November 2018 and 1290 million kilograms by March 2019. In July 2019, the uncertainty caused by the African Swine Fever crisis combined with the risk of tariff rate quota (TRQ) underutilization led to a recommendation of 1,296 million kilograms for the final chicken production estimate for 2019. This represented an increase of 2.4% above 2018. In the end, 2019 chicken production totaled 1,296.7 million kilograms, which represents a 2.5% increase over the previous year, and 0.7 million kilograms more than the July projection.

Canadian Chicken Production and Average Bird Size (2014-2019)



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



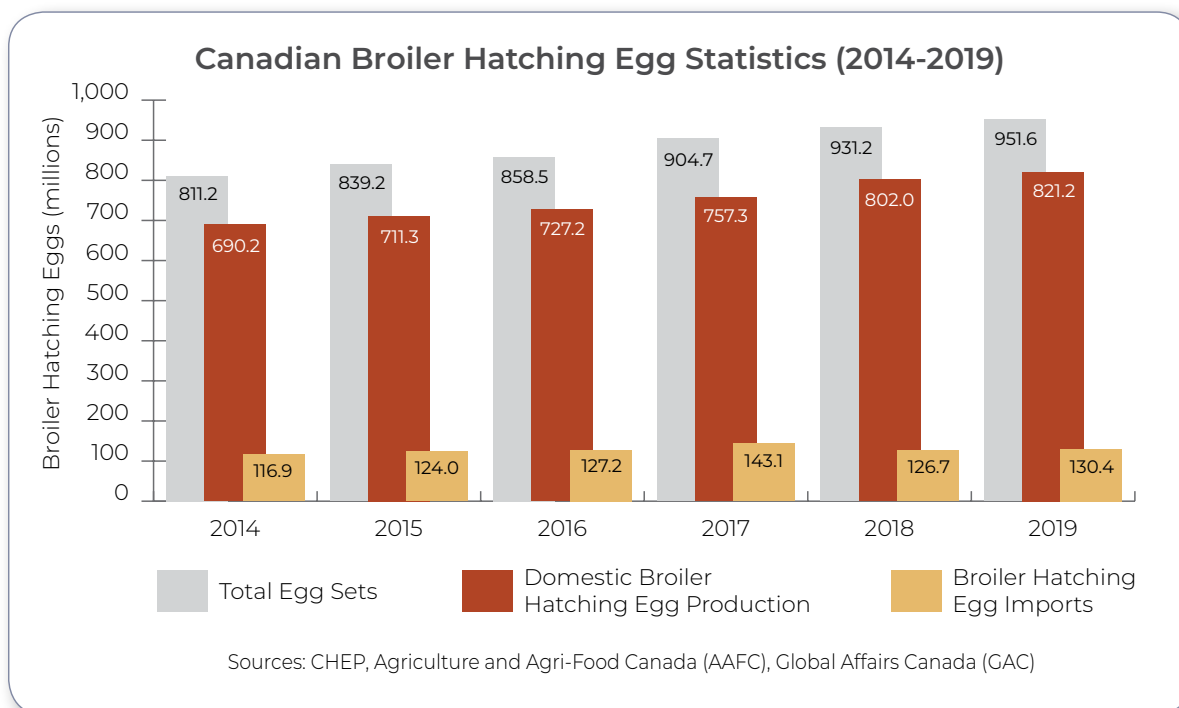
Canadian Hatching Egg Market Review

Canadian hatcheries set a total of 951.6 million broiler hatching eggs in 2019, an increase of 20.4 million eggs (+2.2%) from 2018. Meanwhile, domestic broiler hatching egg production totaled 821.2 million eggs across Canada, an increase of 19.1 million eggs (+2.4%) over the previous year and equal to 102% of CHEP's final 2019 allocation.

Broiler hatching egg imports into Canada increased by nearly 3.7 million eggs (2.9%) compared to last year, while broiler chicks imported into Canada decreased by nearly 10.3 million chicks (-38.4%). As a result, 2019

combined imports decreased by nearly 9.3 million egg equivalents (-5.8%) from 2018. Altogether, broiler hatching egg imports into Canada totaled 93.1% of the tariff rate quota (TRQ) allotted to hatcheries in 2019, while broiler chick imports totaled 70.2% of TRQ.

Canadian domestic broiler hatching egg production in 2019 increased by 2.4% compared to 2018, with improved production levels reported in six of eight producing provinces. Collectively, domestic production between the six member provinces reached 100.8% of the final 2019 allocations.



Canadian Hatching Egg Market Review

Provincial Broiler Hatching Egg Production and Imports

Provincially, British Columbia's domestic production increased by 1.3 million eggs (+1.1%), while imports fell by 0.1%, resulting in 1.3 million (+0.9%) more eggs set during the year. In Alberta, domestic production increased by 4.2 million eggs (+5%), with 18.9% less imports and 1.1 million (+1.1%) more eggs set. Saskatchewan's production experienced a surge of almost 6.4 million eggs (+23.1%) in an effort to restore production following the barn fire that struck in

December 2017, while imports decreased by 36.7%, finishing the year with 2.6 million eggs (+6.9%) more eggs set. Manitoba's production rose by more than 0.5 million eggs (+1.4%), while imports fell by 5.9%, resulting in nearly 0.1 million (+0.3%) more eggs set. In Ontario, production grew by 8.3 million eggs (+3.3%), while imports increased by 32.7%, resulting in 16.3 million more eggs set (+6%). Quebec's production declined almost 1.5 million eggs (-0.7%), while imports increased by 10.2%, resulting in 0.2 million more eggs (+0.1%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2019	120,414	88,195	34,043	39,016	255,955	213,092	37,941	32,510	821,166
2018	119,123	84,023	27,647	38,484	247,677	214,543	37,455	33,071	802,025
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
% Change									
19/18	1.1	5.0	23.1	1.4	3.3	(0.7)	1.3	(1.7)	2.4
18/17	7.0	5.1	(2.8)	8.7	3.9	8.3	10.5	3.5	5.9
17/16	5.6	8.0	(3.3)	(0.3)	5.8	1.7	8.6	1.5	4.2

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2019 remained at 2.33 kg live per bird.

Table 2 – Selected Market Factors

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Total (Combined) Imports									
(000 eggs equiv.)	29,210	12,810	7,355	6,320	40,961	54,020	0	648	151,324
% change 19/18	(0.1)	(18.9)	(40.8)	(5.1)	(6.6)	7.0	–	(70.4)	(5.8)
Chicken Production									
(000 kg evis.)	187,140	126,456	47,212	52,911	438,721	347,174	42,726	54,367	1,296,707
% change 19/18	8.2	6.4	1.3	2.6	6.2	2.3	4.3	7.6	5.1
Avg. live weight of broilers									
(kg live/bird)	2.18	2.26	2.19	2.05	2.41	2.39	2.38	2.35	2.33
% change 19/18	(1.3)	(0.6)	0.5	0.8	(0.1)	0.1	(0.6)	(0.6)	(0.3)

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 2019 grew by 6.8% to reach \$374.7 million, up from \$350.9 million in 2018. The 2019 average saleable chick price paid by hatcheries to producers ranged from 54.76 cents in Ontario to 59.65 cents in Manitoba.



Table 3 – Farm Cash Receipts and Producer Prices

	Farm Cash Receipts		Hatching Egg Producer Prices	
	2019 \$ 000	% change 19/18	¢ per saleable chick (2019 average) ¹	% change 19/18
British Columbia	56,252	5.5	58.08	4.8
Alberta	40,980	4.7	57.81	0.1
Saskatchewan	16,021	23.6	58.57	0.9
Manitoba	18,693	6.1	59.65	5.1
Ontario	112,709	7.2	54.76	5.5
Quebec	98,058	6.4	56.58	6.2
Nova Scotia	17,264	7.0	–	–
NB/PE/NL	14,766	3.1	–	–
CANADA	374,743	6.8	57.57	3.7

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

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

Canadian Hatching Egg Industry Profile

Table 4 – Broiler Hatching Egg Industry Profile for 2019

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Broiler Hatching Egg Producers	54	28	10	23	73	36	12	4	240
Hatcheries	11	4	2	4	9	5	3	3	41
Average Farm Size (million eggs)	2.2	3.1	3.4	1.7	3.5	5.9	3.2	8.1	3.4

Sources: Provincial Boards, CHEP.



CHEP Animal Care Program

June 2016

Release of the revised NFACC *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*

November 2016

The CHEP ACP is approved by the CHEP Board of Directors.

Mid-2017

CHEP ACP Producer Manuals are distributed to all producers.

April 2018 and ongoing

Provincial internal auditors are trained to audit the CHEP ACP.

November 2018

The CHEP ACP is revised and updated pages are distributed to producers.

January 2019

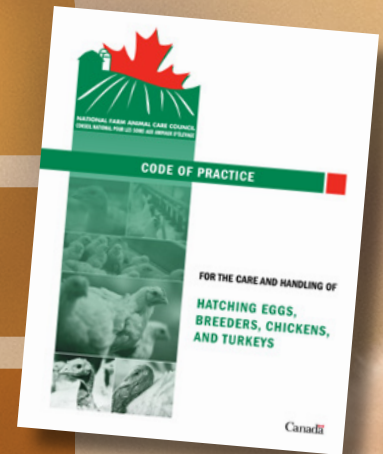
CHEP ACP audits begin and implementation takes place across member provinces.

End of 2019

All producers have completed or are ready for a CHEP ACP audit.

Mid-2020

Third party audits begin.



CHEP Animal Care Program

The Canadian Hatching Egg Producers (CHEP) launched the mandatory, audited CHEP Animal Care Program (ACP) on farm in 2019 for all our producers. The CHEP ACP is based on the 2016 *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*. The code was developed by animal care experts from industry, academia, animal welfare organizations and governments.

The CHEP ACP is similar in many ways to the other poultry on-farm animal care programs and strengthens animal care assurance for the poultry value chain. It is also based upon the continuous improvement approach and will be subject to regular review in coming years.

Audits for the CHEP ACP occur every 15 months, to cover welfare concerns that vary between seasons and during the production cycle. Audits alternate between full on-farm audits and records audits, and often occur in conjunction with CHEQ™ food safety audits.

Our producers are committed and take pride in their work to provide the best care possible for their birds. With the CHEP ACP, Canadian broiler hatching egg producers have a robust program that demonstrates and verifies their hard work and efforts. Our program verifies that farmers are meeting requirements for their birds related to space, water, feed, lighting, air circulation, handling, and more. This provides strong assurance across many factors for the value chain, government regulators and even consumers.

The CHEP ACP was distributed to producers across our member provinces at the beginning of 2019 and audits have been underway throughout 2019. All CHEP producers are expected to be currently implementing the program and receive certificates upon successful completion of their audits. On top of performing these regular audits, CHEP will be incorporating a third party systems audit into the program in mid-2020 to ensure consistency across Canada and that we are meeting the highest animal care and auditing standards.

For more information on the program, please visit our website chep-poic.ca or contact the CHEP office at info@chep-poic.ca.



Canadian Broiler Hatching Egg Producers' Association

The Association continued its work and focus on refining the CBHEPA mandate that had begun in 2018. This updated mandate supported CBHEPA in providing recommendations on allocation to CHEP informed by a producer perspective; disseminating research information to producers to spread the benefits of the results of research activities; conducting activities to engage, recruit and retain young producers; and offers to advise CHEP on other issues relevant to producers as they emerged, and help to resolve them as may be required.



Robert Massé
Chair

The Arbor Lane Farms Inc. was presented with the Producer of the Year award during CHEP's summer meeting in Niagara-on-the-Lake, Ontario. Chair Robert Massé presented the recipients, Cor and Ricky Kapteyn as well as John and Tammy Kapteyn with the award.



CBHEPA Board of Directors

Standing from left to right:

Allan Mulder, British Columbia
Ed Mosterd, Ontario
Jeff Notenbomer, Alberta
Dave Janzen, Saskatchewan

Front row from left to right:

Robert Massé, Quebec
Murray Klassen, Manitoba



Canadian Broiler Hatching Egg Producers' Association

The student programs CBHEPA funds provides opportunities to producers and encourages them to enter and remain in the broiler hatching egg sector. The most popular program for the young farmers includes covering travel expenses to attend the Canadian Young Farmers' Forum (CYFF). We are still promoting the broiler breeder research grant in order to receive the best research proposals. The opportunity for a student exchange has not received applicants for a few years now and we hope to gain some interest for the new generation.

Canadian Young Farmers Forum

Nick Daunt was the selected candidate from Ontario to participate at the CYFF held in Toronto, Ontario on April 5-7, 2019. The conference is well worth attending for young people in agriculture as the direct learning provided in the formal lectures and the networking are highly regarded.

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

Sincerely,



Robert Massé
Chair



Drawing Contest Winners

This continues to be a favorite and brings together the best artists! The theme for this year was "Christmas on the Farm".



Winner Age 2-4 Category
Peter Driessen, British Columbia



Winner Age 5-7 Category
Addison DeJong, British Columbia



Winner Age 8-11 Category
Joline Friesen, British Columbia



Winner Age 12-14 Category
Drawing Contest Winner
Danida Kleinsasser, Saskatchewan



Production Management Committee

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 new CHEQ™ requirements designed to improve hatching egg quality and by extension chick quality in the context of pathogen reduction and responsible antibiotic use along the supply chain came into effect January 1, 2019. No implementation issues were identified over the course of 2019. A full CHEQ™ program review was also launched in December 2019.

Antimicrobial use (AMU) continues to be an important issue for CHEP. AMU surveillance is a key piece of responsible use in the broiler breeder industry. The committee agreed we should continue with CHEP's AMU survey to better inform our decision-making. CHEP continued to be involved in the Chicken Farmers of Canada antimicrobial use initiative, given the potential impact on broiler hatching egg producers. Committee members also closely followed Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS)-led research on AMU, presence of foodborne pathogens, and antimicrobial resistance

(AMR) in broiler breeders sent to federally registered processing plants. The project is ongoing and more information will be provided when it is available.

Salmonella was a significant topic in 2019. The committee felt that it was important all partners in the chicken industry to work together, given that this is a national supply chain issue and is a high priority for government. Chicken supply chain partners were invited to join the committee to discuss these issues in March 2019. Industry discussions continued throughout 2019 as the committee worked on the document *Salmonella Enteritidis (SE) Framework – Broiler Breeders and Hatcheries*, which describes sampling and response protocols for SE. More

work will be required to ensure the document reflects current protocols in provinces that have SE insurance, and is as consistent as possible at every stage.

The committee also closely followed the developments from the Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry, including discussions on SE reduction targets, and the decision to set a public health

target which will be a major driver for future policy.

Finally, we were disappointed to learn that the proposed changes to the *Hatchery Regulations* will be delayed as there has been a very strong focus on controlling *Salmonella*. According to the CFIA, these changes are now expected to be brought forward in Winter 2020.



Dean Penner
Chair



Production Management Committee

Animal Care

The CHEP Animal Care Program (ACP) was officially launched on January 1st, 2019. From this date onward, full on-farm audits commenced across our member provinces, often in conjunction with the existing CHEQ™ audits. CHEP's Animal Welfare Officer visited several member provinces to support provincial staff in the implementation process and to receive feedback on the program to return to the committee.

Throughout the course of 2019, the committee reviewed a plan to implement third-party audits of the CHEP ACP. There will be two types of third-party audits in order to verify the CHEP ACP management system: office audits and on-farm witness audits. The office audits will occur annually at the national office and at two provincial offices. The on-farm witness audits will occur during scheduled on-farm ACP audits, with the third-party auditor witnessing the ACP auditor. The reports from these audits will give CHEP information on how consistently the program is being audited and managed across provinces, and the feedback will be used to continuously improve CHEP ACP and its management system.

Sincerely,



Dean Penner, Chair

Membership

Dean Penner, Chair, Manitoba
Joe Neels, British Columbia
Gary Van Klei, Alberta
Mike Wurtz, Saskatchewan
Mark Woods, Ontario
Gyslain Loyer, Quebec
Sunny Mak, Canadian Hatching Egg Federation



Advisory Committee

The Committee acts as an advisory group in matters related to global allocation and develops a recommendation to the Board of Directors on the anticipated level of annual chicken production in Canada for the current and/or coming year.

After two years of very strong growth, due in great part to spent fowl import controls, the chicken industry was set to experience more moderate growth in 2019. Over the previous three years, chicken's share of total meat consumption increased in Canada at the expense of competing meats, although Canadian per capita consumption of meats remained stable. The favourable standing for chicken against competing meat sectors was expected to continue with good market conditions for sustainable growth in the broiler hatching egg sector in 2019. With some uncertainty around the level of chicken imports in Canada, the Advisory Committee strived to reach a balance between meeting the future needs of the Canadian chicken marketplace and offering hatching egg producers the necessary signals they need to properly plan their breeder placements.

In March, data already suggested that the 2019 chicken demand would be supported by per capita disappearance growth and increased population. Stock levels were setting new five-year highs, closing at 34.4% above the February 1st five-year average, while wholesale prices for chicken were below the 5-year average, following a decrease in the latter part of 2018. Broiler hatcheries reported at that time that egg supply was adequate across Canada and increases in placements indicated an

expansion of between 4 and 6% in the national broiler breeding flock in the US. Meanwhile, the average pace of economic activity in Canada was expected to be above potential growth following a temporary slowdown in the first quarter of 2019. Recognizing a moderate growth in chicken demand, a revised 2019 chicken production estimate of 1,290 million kilograms was recommended, representing a 2% increase over 2018. For 2020, with the expectation that the market will remain positive for the medium term, an initial chicken production of 1,320 Mkg was recommended, which represented a 2.3% increase over 2019.



Gary Van Klei
Chair

In July, chicken production covering the first half of 2019 showed a total production that was 2.6% higher than during the same timeframe in 2018. After a 6% increase year over year in 2018, domestic disappearance levels to May 2019 were up 2.8% from the previous year, while stock levels continued to set new five-year highs. In the meantime, wholesale price rebounded to near the 5-year average in the second quarter of

2019. Regarding the Canadian economy, the Bank of Canada was forecasting real gross domestic product (GDP) growth of 1.2% in 2019 and 2.1% in 2020. Domestic broiler hatching egg supplies remained adequate for hatcheries, while the US supply of hatching eggs was expected to be sufficient for the near future. For 2019, the uncertainty caused by the African Swine Fever crisis combined with the risk of TRQ underutilization led to a recommendation of 1,296 million kilograms for the final chicken production estimate. This represented an increase of 2.4% above 2018 and was also up 6 million kilograms from the March recommendation. For 2020, a revised chicken production of 1,326 Mkg was recommended, an increase of 2.3% above 2019, and up 6 Mkg from the March 2019 recommendation.



Advisory Committee

As the chicken industry approached the final weeks of the year, it continued to benefit from the conditions that will allow for the continuation of sustainable consumer demand. In November, year-to-date domestic chicken disappearance to September was up 3.6% from the previous year, while stock levels continued to set five-year highs and finished October at 16.4% above last year. Wholesale prices fell back to near or below their respective 5-year lows after a modest lift in the second quarter of 2019. Domestic broiler hatching egg supplies were long in most provinces and the US supply of hatching eggs was expected to be sufficient for the coming months until the end of 2020. Total chicken production in 2019 was forecast to reach 1,296 million kilograms, 2.4% above 2018. For 2020, the possible entry in force of CUSMA and the ratification of CPTPP by Chile were considered when setting the 2020 CHEP allocation. As such, a revised 2020 chicken production of 1,326 Mkg was recommended, which was 2.3% above the 2019 total expected production (1,296 Mkg).

Sincerely,



Gary Van Klei
Chair, Advisory Committee



Advisory Committee Members:

Standing from left to right:

Robert Massé, Canadian Broiler Hatching Egg Producers' Association (CBHEPA)

Christian Trottier, Canadian Hatchery Federation (CHF)

Gary Van Klei, Chair

Front row from left to right:

Geneviève Rodrigue, Agriculture and Agri-Food Canada (AAFC)

Jan Rus, Chicken Farmers of Canada (CFC)

Missing:

Nicolas Paillat, Canadian Poultry and Egg Processors Council (CPEPC)

Robert deVal, Further Poultry Processors Association of Canada (FPPAC)

Larisa Averkieva, Global Affairs Canada (GAC)



Finance Committee

The Committee reviews all CHEP budgets and financial statements, whether final or interim, and reports to the Board of Directors thereon.

The Finance Committee met throughout the year where the Canadian Hatching Egg Producers' (CHEP) financial situation was examined and reviewed and financial policies were streamlined and updated.

In 2019, revenues equalled \$2.38 million, while expenditures totalled \$2.09 million, which resulted in a surplus of \$291,000. Actual revenues were higher than the projected budget of \$2.36 million primarily due to a higher increase in production levels than the previous year offset by the decrease in national levy rate effective in the fourth period of 2019. Actual expenditures of \$2.09 million were below the budget of \$2.31 million by \$226,000. This was primarily due to the ammonia research budget being delayed to 2020; director fees/participant expenses being under budget from the continued effort in significantly reducing travel costs and investment in capital assets. Other expenditures were less due to fewer trade

related meetings, decreased interpretation costs and less professional fees. Actual expenditures increased by \$39,000 compared to the previous year due to compositional changes in personnel.

The Finance Committee presented a budget for 2020 with projected revenues of \$2.35 million and projected expenses of \$2.37 million resulting in a deficit of approximately \$24,000. The decrease in budgeted revenues reflect the current levy rate of

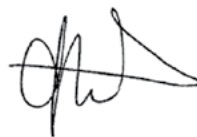
0.0030 being effective for the entire 2020 year rather the partial year in 2019. Budgeted expenditures are expected to increase by \$56,000 due to increases in professional fees and annual staff compensation offset by lower costs for meetings and shared building equipment.

At CHEP's Annual General Meeting held in March 2019, the firm of PricewaterhouseCoopers LLP was re-appointed to perform the 2019 year-end audit.



Joe Neels
Chair

Sincerely,



Joe Neels
Chair



Members:

Joe Neels, Chair, British Columbia
Gary Van Klei, Alberta
Michael Wurtz, Saskatchewan
Mark Woods, Ontario
Christian Trottier, CHF



Research Committee

The Committee is responsible for advising CHEP on all broiler hatching egg production matters related to research. CHEP is a founding member of the Canadian Poultry Research Council (CPRC) whose purpose is to enhance and make more efficient Canadian research efforts in support of Canada's poultry sector. The Committee will align with current CPRC priorities and issues specific to the broiler hatching egg industry.

Research is a key component of CHEP's continuous improvement in production and quality. CHEP's 2019 research priorities are as follows:

Ammonia and *Salmonella* Enteritidis (SE) reduction have been designated as top priorities 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?
 - Research on new and emerging technology to assess on-farm, real-time fertility

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



Jeff Notenbomer
Chair



Research Committee

- 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.
- b. Effects of lighting on broiler breeder production, fertility, and bird health
 - LED lighting long-term
 - Light intensity, spectrum, colour temperature (K)

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/SE

- 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)

CHEP's research priorities are distributed by the Canadian Poultry Research Council (CPRC) in its national call for poultry research proposals. As a founding member, CHEP provides funding to CPRC for poultry research. CHEP's director to CPRC provides valuable input on CPRC activities such as funding poultry research that is important to broiler hatching egg producers, and communication of research results to producers and industry.

The Agriculture and Agri-Food Canada (AAFC) Poultry Science Cluster under the Canadian Agricultural Partnership was officially announced in May 2019 and will provide \$8.24 million from AAFC. Additional funds include \$3.15M from industry, and \$0.63M from other governments, which totals \$12M and represents a significant boost to poultry research in Canada. CPRC, through the cluster, is also dedicating significant resources to communicating cluster research results to producers.



Research Committee

Ammonia in particular was a top priority for the committee. It was agreed to fund a two-year project with Dr. Van Heyst at the University of Guelph on two main areas as they relate to the 2016 *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*:

- Developing more accurate methods to measure ammonia concentrations on-farm, and validating existing ammonia measurement equipment (such as the ammonia meters used by auditors), and;
- Establishing baseline ammonia concentration levels on farm, and once a consistent methodology is established, have CHEP compile national data to inform decisions going forward.

This project is expected to start in 2020. The committee continued to explore other possibilities for ammonia research to inform the requirements of CHEP's Animal Care Program (ACP), and future code reviews.

The committee hosted a research videoconference in an ongoing effort to ensure research results reach producers. Michael Czarick, an extension engineer with the University of Georgia led a discussion on management of in-barn ammonia concentrations. The committee also regularly exchanged research information from their respective regions.

Sincerely,



Jeff Notenbomer
Chair

Membership:

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



Other CHEP Committees

Canadian Federation of Agriculture Representative	Gyslain Loyer (2016)
Canadian Poultry Research Council Representative	Jeff Notenbomer (2019)
National Farm Animal Care Council Representative	Jack Greydanus (2016)
National Farm Animal Care Council Transport Code Representative	Dean Penner (2019)
National Farmed Animal Health and Welfare Council Representative	Mark Woods (2019)
Canadian Hatchery Supply Flock Working Group Representative	Joe Neels (2016)
Industry AMU / AMR Working Group Representative	Jack Greydanus (2012)
Joint Government-Industry Working Group on the Control of <i>Salmonella</i> and <i>Campylobacter</i> in Poultry Representative	Gyslain Loyer (2015)
Industry <i>Salmonella</i> Working Group Representative	Gyslain Loyer, Dean Penner, Jeff Notenbomer (2018)
Poultry Sustainability Value Chain Round Table Representative	Brian Bilkes (2019)



Canadian Hatching Egg Producers

Alternates



Standing from left to right:
Allan Mulder, British Columbia
Ed Mosterd, Ontario
Jeff Notenbomer, Alberta
Dave Janzen, Saskatchewan

Front row from left to right:
Robert Massé, Quebec
Murray Klassen, Manitoba

Missing:
Rick Weiss, CHF
Gordon Hastie, CHF

Provincial Managers



Standing from left to right:
Stephanie Nelson, British Columbia
Michael Kautzman, Saskatchewan
Simon Doré-Ouellet, Quebec

Front row from left to right:
Bob Smook, Alberta
Wayne Hiltz, Manitoba

Missing:
Bill Van Heeswyk, Ontario



Canadian Hatching Egg Producers

CHEP Staff participated in the following committees during 2019:

- CPEPC's Poultry Operations Technical Committee (POTC)
- National Farm Animal Care Council (NFAACC)
 - NFAACC Transportation Code – Poultry working group
- National Farmed Animal Health and Welfare Council (NFAHWC)
- Industry-Government Advisory Committee (IGAC)
- Canadian Poultry Research Council
- Canadian Supply Chain Food Safety Coalition
- Canadian Livestock Transport (CLT) Advisory Group
- Industry AMU Working Group
- Poultry Sustainability Value Chain Roundtable (PSVCRT)
 - Steering Committee
 - Public Trust Working Group
 - Global Scan Working Group
 - AMR/AMR Working Group
 - Research Coordination Working Group
- Canadian Animal Health Surveillance System (CAHSS)
 - AMU Working Group
 - Poultry Sector Network Group
- Industry *Salmonella* Working Group
- Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry
 - *Salmonella* Enteritidis Reduction and Target Setting Task Group
 - Ad hoc Technical Group on Public Health Targets for Reduction of Foodborne Salmonellosis
- Canadian Hatchery Supply Flock Policy and Program Working Group
- In-barn Hatching Working Group
- Canadian Quality Assurance Alliance
- CFA Food Loss Steering Committee
- CFA Lab Made Commodities Committee
- Avian Biosecurity Advisory Council (ABAC)
- Federal SM4 Working Group on CUSMA and CPTPP Impact
- AI Compensation Working Group
- Border Measures Workshop
- SM5 Trade Technical Committee
- SM5 Communications Committee

CHEP Staff



From left to 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, 2019



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

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, 2019 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, 2019;
- 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.

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.

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.

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.

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 19, 2020



Canadian Hatching Egg Producers

Statement of Financial Position

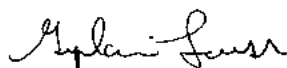
As at December 31, 2019

	2019	2018
Assets		
Current assets		
Cash	\$ 101,378	\$ 69,476
Guaranteed investment certificates (note 3)	1,955,947	1,681,566
Accounts receivable (note 4)	456,844	517,077
Prepaid expenses	80,811	58,169
	<u>\$ 2,594,980</u>	<u>\$ 2,326,288</u>
Capital assets (note 5)	566,412	562,631
	<u>\$ 3,161,392</u>	<u>\$ 2,888,919</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 93,049	\$ 94,500
Government remittances payable	33,816	28,682
Current portion of long-term debt (note 6)	22,755	21,982
	<u>\$ 149,620</u>	<u>\$ 145,164</u>
Long-term debt (note 6)	71,042	93,797
	<u>\$ 220,662</u>	<u>\$ 238,961</u>
Net assets		
Unrestricted	2,053,111	2,018,144
Internally restricted (note 7)	887,619	631,814
	<u>\$ 2,940,730</u>	<u>\$ 2,649,958</u>
	<u>\$ 3,161,392</u>	<u>\$ 2,888,919</u>
Commitments (note 8)		

Approved by the Board of Directors



Brian Bilkes, 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, 2019

	Balance – Beginning of year	Net revenue for the year	Transfers from (to)	Balance – End of year
Unrestricted	\$ 2,018,144	\$ 290,772	\$ (255,805)	\$ 2,053,111
Internally restricted (note 7)	631,814	-	255,805	887,619
	<u>\$ 2,649,958</u>	<u>\$ 290,772</u>	<u>\$ -</u>	<u>\$ 2,940,730</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, 2019

	2019	2018
Revenues		
Levies	\$ 2,327,907	\$ 2,390,933
Interest	50,680	21,560
	<u>\$ 2,378,587</u>	<u>\$ 2,412,493</u>
Expenses		
Amortization	30,409	22,705
Building occupancy	35,159	37,275
Directors' fees and participants' travel	508,208	517,001
Interest on long-term debt	3,660	4,406
Meetings	108,848	105,817
Membership fees	59,896	59,179
Office and administrative	141,302	132,775
Professional fees	149,678	164,372
Research	88,788	93,105
Salaries, benefits and travel	770,741	712,641
Trade	113,385	130,237
Translation and interpretation	77,741	69,505
	<u>\$ 2,087,815</u>	<u>\$ 2,049,018</u>
Net revenue before other income	\$ 290,772	\$ 363,475
Other income		
Liquidated damages	\$ -	\$ 206,228
Net revenue for the year	<u>\$ 290,772</u>	<u>\$ 569,703</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, 2019

	2019	2018
Cash flows from (used in)		
Operating activities		
Net revenue for the year	\$ 290,772	\$ 569,703
Item not affecting cash – amortization	30,409	22,705
Net change in non-cash working capital items		
Accounts receivable	60,233	(92,356)
Prepays	(22,642)	(19,770)
Accounts payable and accrued liabilities	(1,451)	(142,925)
Government remittance payable	5,134	8
	<u>\$ 362,455</u>	<u>\$ 337,365</u>
Investing activities		
Purchase of capital assets	(34,190)	(30,827)
Purchases of guaranteed investment certificates	(1,955,947)	(1,681,566)
Proceeds on disposal of guaranteed investment certificates	1,681,566	1,351,044
	<u>\$ (308,571)</u>	<u>\$ (361,349)</u>
Financing activity		
Repayment of long-term debt	<u>\$ (21,982)</u>	<u>\$ (21,236)</u>
Net change in cash for the year	<u>\$ 31,902</u>	<u>\$ (45,220)</u>
Cash – Beginning of year	<u>69,476</u>	<u>114,696</u>
Cash – End of year	<u>\$ 101,378</u>	<u>\$ 69,476</u>

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



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2019

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

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows.

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.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2019

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.

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 1.5% to 2.5% and mature in 2020 (2018 – rates ranging from 1.30% to 2.50%, maturing in 2019).

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

	2019	2018
Levies	\$ 390,178	471,279
Interest and other	66,666	45,798
	<u>\$ 456,844</u>	<u>517,077</u>

5 Capital assets

	2019		2018	
	Cost	Accumulated amortization	Net	Net
Land	\$ 54,135	\$ -	\$ 54,135	\$ 54,135
Building	671,261	185,333	485,928	500,786
Office furniture and equipment	32,597	32,478	119	-
Electronic equipment	54,447	28,217	26,230	7,710
	<u>\$ 812,440</u>	<u>\$ 246,028</u>	<u>\$ 566,412</u>	<u>\$ 562,631</u>

Cost and accumulated amortization amounted to \$796,591 and \$233,960, respectively, as at December 31, 2018.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2019

6 Long-term debt

	2019	2018
Bearing interest at 3.46%, payable in blended monthly payments of \$2,137, due November 30, 2022	\$ 93,797	\$ 115,779
Less: current portion	(22,755)	(21,982)
	<u>\$ 71,042</u>	<u>\$ 93,797</u>

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

Year ending December 31, 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 \$1,169,533 (2018 – \$1,443,627) should an owner default on payment.

7 Internally restricted

The Board of Directors has internally restricted funds for capital assets, severance contingency and research.

	2019	2018
Capital assets	\$ 512,132	\$ 479,891
Severance contingency	169,259	151,923
Research	206,228	-
	<u>\$ 887,619</u>	<u>\$ 631,814</u>

Internally restricted for capital assets comprises capital assets including cash reserves held by the property management company to facilitate the maintenance and long-term projects of 21 Florence, offset by long-term debt.

8 Commitments

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

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

9 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations. The Organization does not use derivative financial instruments to manage its risks.



Canadian Hatching Egg Producers

Notes to Financial Statements

December 31, 2019

Investment risk

Investment in financial instruments renders the Organization subject to investment risks. Interest risk is the risk arising from fluctuations in interest rates and their degree of volatility. The Organization's exposure to interest rate risk arises from its investment in guaranteed investment certificates (note 3) and its long-term debt (note 6). There is also risk arising from the failure of a party to a financial instrument to discharge an obligation when it is due. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. The Organization's investments are detailed in note 3.

10 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

