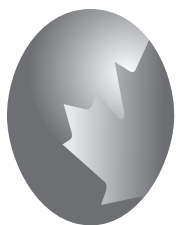


# Canadian Hatching Egg Producers

## **2020 Annual Report**





**Canadian Hatching Egg Producers**

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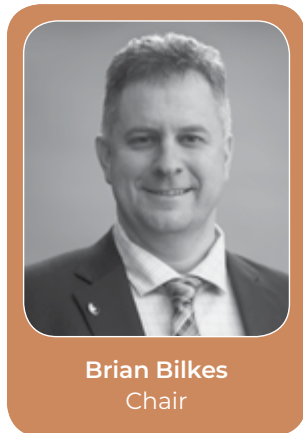
Website: <http://www.chep-poic.ca>

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## Message from the Chair



**2020** started off like any year and with strong performance from broiler breeder flocks and producers but ended up presenting one of the biggest disruptions that our industry and Canada has seen in recent memory. The impact of COVID-19 has been significant and at the same time has varied considerably based on sector, province and even from one family to another. Difficult choices were made in order to rapidly curtail the production of hatching eggs to meet a drastic reduction in demand for chicks in the spring of 2020. Hatching egg production was therefore less than originally forecast for 2020 with the final national allocation reduced from where it had been set at the outset of the year.

Like almost all organizations, CHEP transitioned to conducting its daily business and holding meetings virtually. This resulted in unexpected cost savings and so I am very pleased to indicate that in 2020 CHEP made a donation to Food Banks Canada to provide support to those at risk of going hungry. Further, CHEP was able to issue a grant totalling \$350,000 to our provincial members to help with unexpected costs and reduced revenue of the provincial commodity boards and producers. We know that true costs were much higher than this for our members and producers, but we are proud of the contribution we were able to make.

There is little to report on international trade negotiations as the work was severely impacted by the pandemic at both the World Trade Organisation and the negotiations with the Mercosur countries of South America. However, the new NAFTA, called the Canada – United States – Mexico Agreement (CUSMA) came into force in July of 2020 and Global Affairs also updated some of its policies that govern the import of TRQ. CUSMA did not grant any additional access to broiler hatching eggs or chicks and so imports under CUSMA will look the same as past imports under NAFTA. A provisional agreement was reached between Canada and the United Kingdom that did not provide for any additional access on supply managed products, but a long-term agreement is still to be developed.

One positive that was achieved after significant advocacy and consultations with the federal government was the announcement in November 2020 of a federal support program for poultry and egg producers impacted by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade agreement which had come into force in 2018. CHEP had submitted its recommendations for an on-farm investment program in 2019. Details of the programs will be released in 2021 when they launch but \$691 million will be allocated to both an on-farm investment program and a marketing program dedicated to poultry and egg producers. The federal government continues to indicate that they intend to provide additional compensation for the CUSMA agreement but 2020 did not see any discussions to advance that further yet.



CHEP values our working relationship with Farm Product Council of Canada and I was pleased to be able to attend the virtual launch of the 2019/2020 FPCC annual report in addition to our regular meetings with the council.

With 2020 now behind us, we can look forward to a reopening of the Canadian economy in 2021 with vaccination campaigns that are focused on essential workers, including in food production, and then the broader population. As Chair, I am looking forward to a return to predictability in the hatching egg industry and a speedy economic recovery for Canada.



Brian Bilkes  
Chair



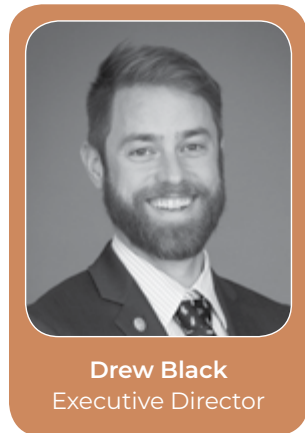
Brian Bilkes with Brian Douglas, Chairman,  
Farm Products Council of Canada.



Meeting with Minister Bibeau and the SM4.

*All group photos were taken pre-COVID-19.*

# Executive Director's Report



The pandemic brought a need to refocus on core activities and to address the dramatic decline in chicken demand that was experienced in the spring of 2020. Demand continued to be far less predictable than in typical years with numerous late stage re-considerations of chicken allocations that brought significant uncertainty to the hatching egg sector. Throughout 2020, our sector's perseverance was demonstrated regularly in the face of rapidly evolving challenges. This varied from the first rapid reduction in the chicken allocation for the spring and summer periods that impacted producers in the east more, to the unpredictability created by requests and late stage changes to the chicken allocation. Challenges in reducing production coupled with the impact at processing facilities from the pandemic culminated in a difficult year for many producers and organizations.

In the summer of 2020, CHEP was also able to launch the third-party systems audit of the Animal Care Program (ACP). This additional layer of verification demonstrates to industry, government and the public the strong commitments that hatching egg producers have to the care and welfare of their flocks. Additionally, it supports consistency in how the program is audited at the producer level and implemented at the provincial level. As the ACP is based upon continuous improvement like CHEQ™, additional updates are expected in the future as we continue to learn from the launch of the program.

The initial pandemic-related restrictions came into place in the midst of the verification audits being conducted for 2019's production. Therefore, we were significantly delayed in being able to present the 2019 verified production and to assess significant over-production penalties. The delay was due to the audits being conducted online as many workplaces were forced to work remotely while also struggling to address the impacts posed by the pandemic.

The pandemic also impacted and delayed industry and government-led research and many government activities. As a result, regulatory updates and consultations were paused. Therefore, while progress on consultations on the *Hatchery Regulations* was made, the update itself is once again delayed with more detailed information to come in late 2021. Similarly, the Global Affairs Canada consultation on TRQ administration was delayed into 2021. Currently, while there is broiler hatching egg and chick TRQ made available under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), no country has authorization to export these products to Canada. As such, no TRQ under this agreement entered Canada in 2020.

Despite delays in many areas due to the need to focus on managing the pandemic, I would like to commend the CHEP staff for their flexibility, perseverance and hard work in continuing to meet and exceed the expectations placed upon CHEP while working from home.



Progress continued to be made in addressing pathogen reduction and specifically the risk posed by *Salmonella* Enteritidis (SE). CHEP finalized its SE Framework for Broiler Breeders and Hatcheries that outlined recommended minimum practice for testing and response to establish a national baseline. Additional progress was also made in moving forward with implementing SE insurance in more of CHEP's member provinces over the course of 2020.

Unfortunately, CHEP was unable to host our summer meeting in 2020 due to pandemic restrictions, but we look forward to welcoming everyone back once it is safe to reconnect in person.

On behalf of all us at CHEP, I'd like to recognize what a strange year 2020 was but that we have a lot to look forward to in 2021!

Sincerely,



Drew Black  
Executive Director





# Canadian Hatching Egg Producers

## Board of Directors



*Top, from left to right:*  
Brian Bilkes, Chair; Cyslain Loyer, Vice-Chair, Quebec;  
Dean Penner, Second Vice-Chair, Manitoba;  
Calvin Breukelman, British Columbia;  
Kevin Tiemstra, Alberta; Mike Wurtz, Saskatchewan

*Bottom, from left to right:*  
Mark Woods, Ontario; Sunny Mak, CHF;  
Christian Trottier, CHF

## Executive Committee



*From left to right:*  
Cyslain Loyer, Vice-Chair, Quebec;  
Brian Bilkes, Chair; Drew Black, Executive Director;  
Dean Penner, Second Vice-Chair, Manitoba  
*All group photos were taken pre-COVID-19.*



## 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

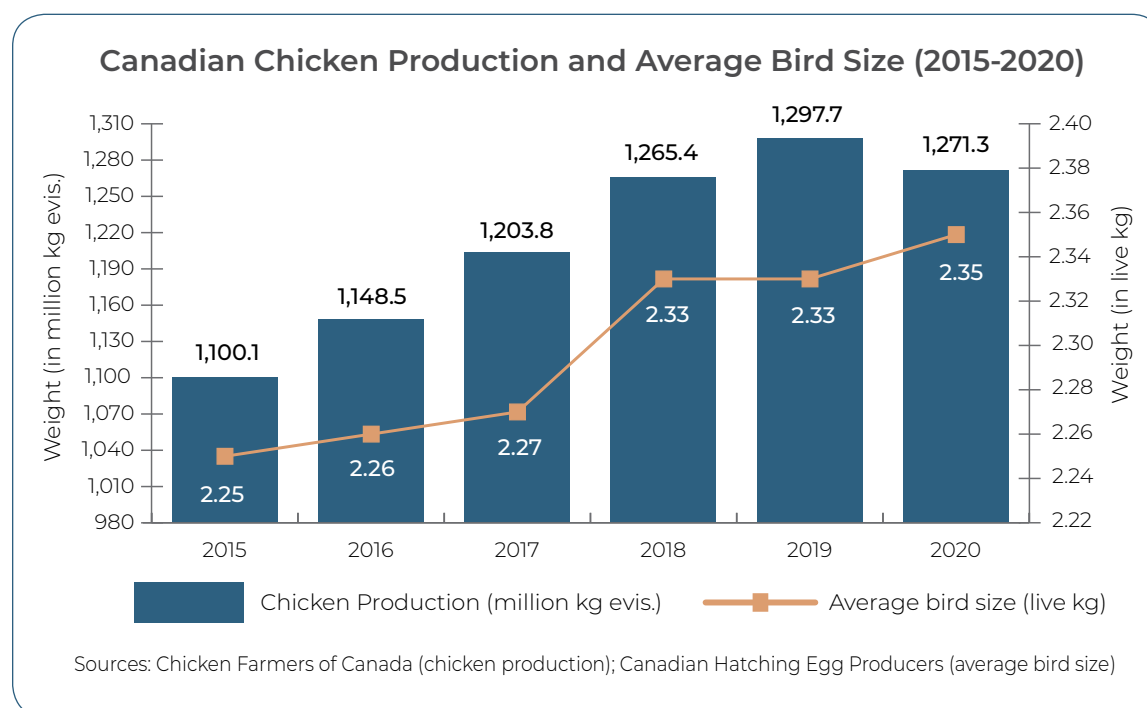




# Canadian Hatching Egg Market Review

**2020** has been a challenging year for the broiler hatching egg industry due to the COVID-19 pandemic. After first seeing a dramatic increase in the demand for chicken as individuals and families stocked up on food at the outset of the pandemic, the chicken industry saw demand quickly drop. As a result, the sector saw an immediate and unprecedented corresponding decline in the need for chicks and broiler hatching eggs. Hatching egg farmers took significant steps to reduce broiler hatching egg production, while making sure that there is room to increase the production of hatching eggs later in the year or the following year as demand recovers.

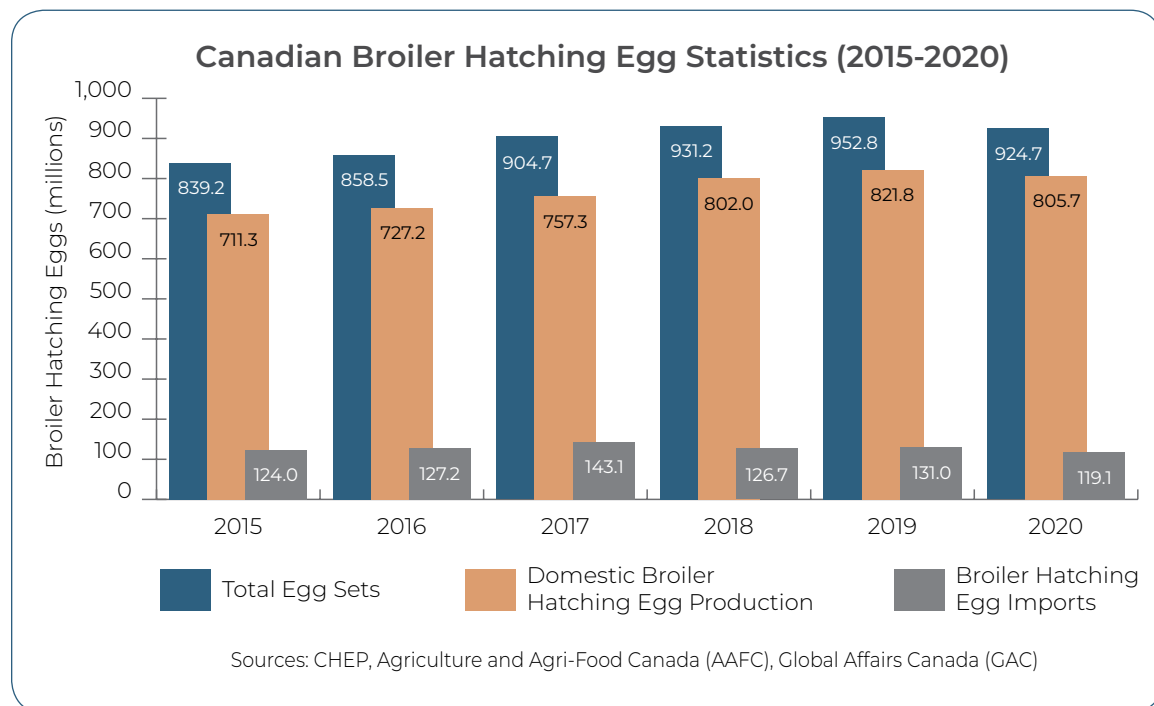
The initial 2020 broiler hatching egg allocations established in March 2019 were based on estimated chicken production of 1,320 million kilograms, which represented growth of 1.8% above 2019 chicken production of 1,297.7 million kilograms. By July 2019, the 2020 chicken production estimate increased to 1,326 million kilograms, and stayed at that level in November 2019 and March 2020. In July 2020, the decrease in demand caused by the closure of restaurants throughout the country due to the COVID-19 pandemic led to a recommendation of 1,268 million kilograms for the final chicken production estimate for 2020. This represented a decrease of 2.2% below 2019. In the end, 2020 chicken production totaled 1,271.3 million kilograms, which represents a 2% decrease over the previous year, and 3.3 million kilograms more than the July projection.



Canadian hatcheries set a total of 924.7 million broiler hatching eggs in 2020, a decrease of 28 million eggs (-2.9%) from 2019. Meanwhile, domestic broiler hatching egg production totaled 805.7 million eggs across Canada, a decrease of 15.4 million eggs (-1.9%) over the previous year and equal to 103% of CHEP's final 2020 allocation.

Broiler hatching egg imports into Canada decreased by nearly 12 million eggs (-9.1%) compared to last year, while broiler chicks imported into Canada decreased by nearly 0.2 million chicks (-1%). As a result, 2020 combined imports decreased by 12.1 million egg equivalents (-8%) from 2019. Altogether, broiler hatching egg imports into Canada totaled 87.5% of the tariff rate quota (TRQ) allotted to hatcheries in 2020, while broiler chick imports totaled 72.5% of TRQ.

Canadian domestic broiler hatching egg production in 2020 decreased by 1.9% compared to 2019, with declined production levels reported in six of eight producing provinces. Collectively, domestic production between the six member provinces reached 101.6% of the final 2020 allocations.



## Provincial Broiler Hatching Egg Production and Imports

Provincially, British Columbia's domestic production decreased by 4.2 million eggs (-3.5%), while imports fell by 10.4%, resulting in 6.7 million (-4.7%) fewer eggs set during the year. In Alberta, domestic production remained slightly at the same level, with 12.8% fewer imports and 1.8 million (-1.8%) fewer eggs set. Saskatchewan's production experienced a small decrease of 0.7 million eggs (-2.2%), while imports decreased by 33.4%, finishing the year with 2.8 million eggs (-6.9%) fewer eggs set. Manitoba's production decreased by more than 1.3 million eggs (-3.4%), while imports fell by 9%, resulting in nearly 2 million (-4.2%) fewer eggs set. In Ontario, production dropped by 5.7 million eggs (-2.2%), while imports decreased by 3.4%, resulting in more than 6.7 million fewer eggs set (-2.3%). Quebec's production declined almost 2.8 million eggs (-1.3%), while imports decreased by 9%, resulting in 5.8 million fewer eggs (-2.2%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>2020</b>	116,198	87,970	33,303	37,795	250,309	210,771	37,116	32,207	<b>805,670</b>
<b>2019</b>	120,416	87,939	34,043	39,132	256,017	213,547	37,941	32,019	<b>821,054</b>
<b>2018</b>	119,123	84,023	27,647	38,484	247,677	214,543	37,455	33,071	<b>802,025</b>
<b>2017</b>	111,326	79,947	28,437	35,399	238,277	198,116	33,882	31,951	<b>757,336</b>
<b>% Change</b>									
<b>20/19</b>	(3.5)	0.0	(2.2)	(3.4)	(2.2)	(1.3)	(2.2)	0.6	<b>(1.9)</b>
<b>19/18</b>	1.1	4.7	23.1	1.7	3.4	(0.5)	1.3	(3.2)	<b>2.4</b>
<b>18/17</b>	7.0	5.1	(2.8)	8.7	3.9	8.3	10.5	3.5	<b>5.9</b>

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2020 was 2.35 kg live per bird, up from 2.33 kg in the previous year, led by gains in Saskatchewan (+3.4%) and British Columbia (+2%).

**Table 2 – Selected Market Factors**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Total (Combined) Imports</b>									
(000 eggs equiv.)	27,218	11,742	5,088	6,326	39,727	48,853	0	1,098	140,052
% change 20/19	(7.7)	(12.2)	(30.8)	0.1	(3.0)	(9.5)	-	69.4	(8.0)
<b>Chicken Production</b>									
(000 kg evis.)	186,853	127,242	47,955	52,182	428,742	333,091	41,062	54,128	1,271,255
% change 20/19	(0.2)	0.0	1.6	(1.4)	(2.3)	(4.1)	(3.9)	(0.4)	(2.0)
<b>Avg. live weight of broilers</b>									
(kg live/bird)	2.22	2.28	2.27	2.03	2.45	2.38	2.42	2.37	2.35
% change 20/19	2.1	1.1	3.4	(1.0)	1.5	(0.5)	2.0	0.9	0.9

Sources: CHEP; AAFC; CFC



## Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2020 grew by 3% to reach nearly \$386 million, up from \$374.7 million in 2019. The 2020 average saleable chick price paid by hatcheries to producers ranged from 63.16 cents in British Columbia to 56.53 cents in Ontario.

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

	Farm Cash Receipts		Broiler Hatching Egg Producer Prices	
	2020 \$ 000	% change 20/19	¢ per saleable chick (2020 average) <sup>1</sup>	% change 20/19
British Columbia	59,620	6.0	63.16	8.7
Alberta	42,958	4.8	60.17	4.1
Saskatchewan	16,147	0.8	59.69	1.9
Manitoba	18,945	1.4	61.71	3.4
Ontario	114,987	2.0	56.53	3.2
Quebec	100,268	2.3	58.56	3.5
Nova Scotia	17,655	2.3	–	–
NB/PE/NL	15,324	3.8	–	–
CANADA	385,904	3.0	59.97	4.2

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

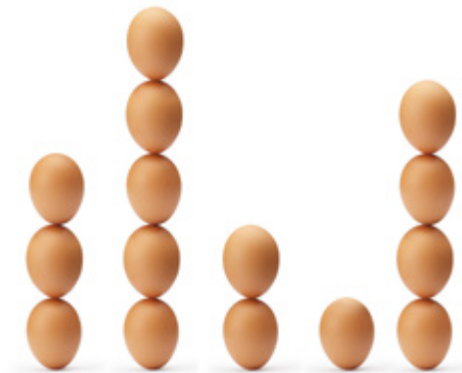
<sup>1</sup>The saleable chick price is paid by hatcheries to producers.

## Canadian Hatching Egg Industry Profile

**Table 4 – Broiler Hatching Egg Industry Profile for 2020**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Number of Broiler Hatching Egg Producers	54	28	11	23	69	35	12	4	236
Number of Hatcheries	11	4	2	4	9	5	3	3	41
Average Farm Size (million eggs)	2.2	3.1	3.1	1.7	3.7	6.1	3.2	8.1	3.5

Sources: Provincial Boards, CHEP.





## Canadian Hatching Egg Producers Food Safety Program

### Food Safety

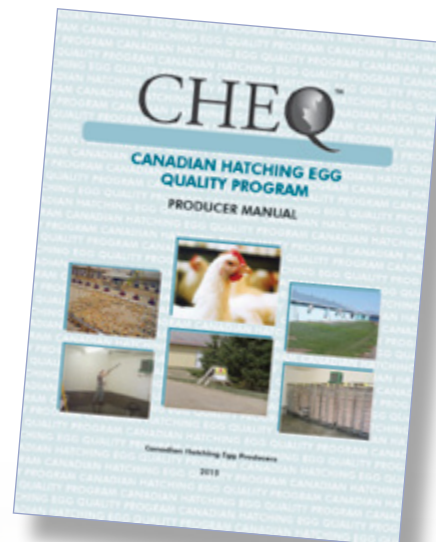
Launched in 2004, the Canadian Hatching Egg Quality (CHEQ™) Program is the national food safety standard for hatching egg producers in Canada. CHEQ™ allows producers to demonstrate their ongoing commitment to food safety through on-farm audits, critical control points, good production practices, and record-keeping. Producers are audited every 15 months, and implement the program on an ongoing basis to maintain their certification. Like the ACP, the program is mandatory in all CHEP member provinces.

***“Say what you do, do what you say, and prove it.”***

The CHEQ™ program is part of an overall management system that covers producer training and certification, auditor training, and program record-keeping. CHEQ™ is HACCP-based, which means it relies on Hazard Analysis Critical Control Point principles to address hazards such as Salmonella and antibiotic residues throughout the production process. CHEQ™ is an important component of required food safety measures across the chicken supply chain, from the primary breeder to hatcheries, feed mills, chicken producers, processors, and retail through to the consumer.

CHEQ™ follows the food safety approach set out by the Canadian Food Inspection Agency Food Safety Recognition Program (CFIA FSRP). A full program review was launched in 2020 as part of the ongoing maintenance of the program, and according to the management system requirements. Program reviews are done in consultation with CHEP's provincial boards, and are important to ensure CHEQ™ reflects current science, regulations, and on-farm practices. Once the changes have been approved by the CHEP Board of Directors and the CFIA, the program will be updated and distributed in 2021.

- **Audited**
- **National**
- **Comprehensive**







## Canadian Hatching Egg Producers Animal Care Program

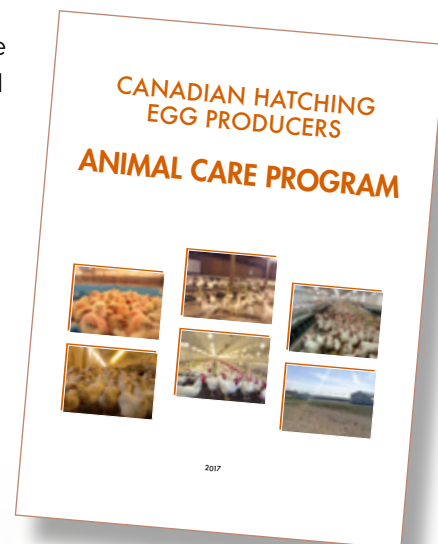
The CHEP Animal Care Program (ACP) demonstrates the commitment our producers have to the humane and respectful treatment of all animals in their care. Launched in 2019, the ACP is based on the National Farm Animal Care Council (NFACC) *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys (2016)*. The program has been made mandatory in all of CHEP's member provinces.

To ensure the program has been effectively implemented on-farm, the ACP consists of audits that occur every 15 months for all CHEP producers (usually in conjunction with CHEQ™ audits) and rotate between full on-farm and records audits. The audits are performed by our trained animal care auditors across the country.

Halfway through 2020, third party verification audits were added into the program and will be conducted on an annual basis. NSF International, a contracted third party auditing firm, had auditors review documents with the national office and some of our provincial offices to ensure that the program was being implemented consistently according to the CHEP ACP's management system. This included components such as ensuring that audits are occurring according to schedule and that auditors received a thorough training on the program from the national office.

Along with office audits, NSF auditors also began conducting on-farm witness audits of provincial auditing staff. These evaluate each provincial auditor's knowledge, understanding and assessment of the program. With the late start and varying COVID-19 restrictions across our member provinces, NSF witnessed audits in most of our provinces. Going forward, all auditors will be witnessed annually.

CHEP will use feedback from the NSF third party audits, as well as feedback from our producers and staff to continuously improve the ACP, demonstrating our producers' hard work at ensuring the best care possible is provided to the animals under their care.





## Canadian Broiler Hatching Egg Producers' Association



Robert Massé  
Chair

CBHEPA meets three times per year to make a broiler hatching egg allocation recommendation to the CHEP Advisory Committee and discuss various issues related to the Canadian hatching egg industry. These can include broiler hatching egg allocations, industry statistics, provincial broiler hatching egg flow, market conditions, tariff rate quota (TRQ) imports, and the four student programs (Broiler Breeder Research Grant, Student Exchange Program, Young Farmers Program, Canadian Young Farmers' Forum). CBHEPA works closely with the Canadian Hatching Egg Producers (CHEP).

### CBHEPA Board of Directors



Front left to right: Robert Massé, Chair, Quebec; Dave Janzen, Vice Chair, Saskatchewan; Beata Kunze, British Columbia; Jeff Notenbomer, Alberta; Murray Klassen, Manitoba, Ed Mosterd, Ontario

### CBHEPA Student Programs

COVID-19 played a major set back for the student programs in 2020. As most require travel and group settings, most of them had to be cancelled for 2020. Prior to the pandemic restrictions coming into force, CBHEPA sponsored Samantha Haverkamp of Woodstock, Ontario to participate at the Canadian Young Farmers Forum (CYFF) held in Charlottetown, PEI from March 8 to 9.



Samantha  
Haverkamp

*"Through effective communication we can learn a new perspective, figure out a new procedure or technique, or have a shoulder to lean on when we have hard days. It's also so important to see the wider struggles our fellow farmers, consumers, and everyone in between are dealing with. If we know what they're going through maybe, we can fill a niche or hole that's apparent. Whether it is a succession plan that was successful for one farm and bits and pieces can help make the transition easier for our own farm."*

Samantha Haverkamp – Extract on her report to CBHEPA

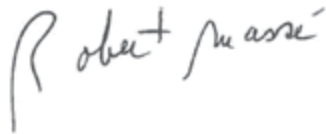




CBHEPA is planning to review opportunities to partner with the CYFF to provide more engagement and support for our young producers that wish to take advantage of the training and networking opportunities. CYFF has worked diligently since 1997 to support young Canadian agriculture producers of every commodity from across Canada – the organization continues to focus on delivering and developing programs and activities that educate, energize and empower young and new entrant agriculture producers.

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

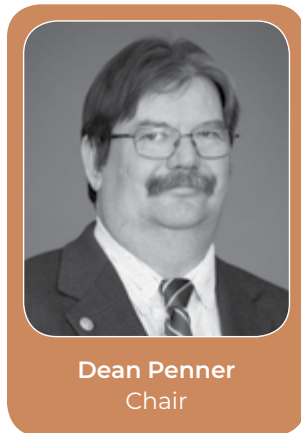
Sincerely,



Robert Massé  
Chair



# Production Management Committee



## Food Safety

Through the Production Management Committee (PMC), a full CHEQ™ program review was initiated in 2020 with a focus on biosecurity, antimicrobial use, critical control points including egg sorting, and ensuring the requirements reflect current science, regulations, and good production practices on-farm. It is expected that the review will be completed and updated manuals will be available to producers in 2021. This program review is an important element of continuous improvement in the CHEQ™ program management system and includes oversight by the Canadian Food Inspection Agency (CFIA).

The Spent Broiler Breeder Flock Sheet was updated to ensure it reflects current federal regulations and interpretation.

*Salmonella* continued to be an active and important topic. CHEP dedicated significant effort to discussion on sampling and response protocols for *Salmonella* enteritidis (SE) with provincial boards and industry stakeholders. The results of these discussions were incorporated into CHEP's drafting of the SE framework under the supervision of the committee. In November 2020, the document *Salmonella Enteritidis (SE) Framework – Broiler Breeders and Hatcheries* was approved. This framework encompasses the main elements of CHEP's SE measures as part of a broader, supply chain approach to addressing SE.

A critical development on *Salmonella* in 2020 was progress on the revision to the *Hatchery Regulations*. The proposed revisions were published in *Canada Gazette I* just as the pandemic was starting to take hold in Canada. CFIA was invited to virtually present these changes to the committee. CHEP provided extensive comments on the proposed revisions and continued to engage with CFIA after the closing of the comment period over the remainder of 2020. The revised regulations, once completed, are expected to come into force in 2022.

The committee also engaged with the Public Health Agency of Canada on public health surveillance trends related to *Salmonella* as related to SE public health reduction targets and interventions implemented by the poultry industry. The committee continues to be highly engaged to ensure these initiatives are credible and work for producers.

## Animal Care

2020 represents the second year of the CHEP Animal Care Program (ACP) and included the launch of a third-party system audit component. These were performed by NSF International, a third party auditing firm, and included three components: a national office audit, two provincial office audits, and on-farm witness audits of ACP auditors. All components of the systems audits were expected to start in mid-2020, but there were significant delays and challenges due to the pandemic. Two out of the three office audits were successfully performed remotely, and most provinces were able to schedule the on-farm witness audits while respecting travel and lockdown restrictions. We expect to be able to complete all on-farm witness audits as planned in 2021.



In the fall of 2020, a scheduled management review of the CHEP ACP was launched. Feedback was requested from all members of the CHEP board, along with our provincial offices (including producers, auditors, and other program staff). This feedback, along with the results from the third-party audits, will be used to inform the committee's discussions around the program review in 2021 as we look forward to learning from the implementation of this still relatively new program for our producers.

The committee also approved small changes to the *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chicken and Turkeys* (2016) to align the transportation section with the updated *Health of Animal Regulations* and is preparing for the launch of the five-year Code review in 2021.

Sincerely,



Dean Penner  
Chair

### Membership

Dean Penner, Chair, Manitoba  
Calvin Breukelman, British Columbia  
Kevin Tiemstra, Alberta  
Mike Wurtz, Saskatchewan  
Mark Woods, Ontario  
Gyslaine Loyer, Quebec  
Sunny Mak, Canadian Hatchery Federation



## Advisory Committee



**Mark Woods**  
Chair

In 2020, the chicken and the broiler hatching egg industry experienced unprecedented pressure due to the COVID-19 pandemic which triggered significant shifts in chicken demand, prices and consumer purchasing habits. With the restriction measures, the chicken industry experienced a drastic collapse in demand for chicken products from the foodservice and restaurant sectors resulting in overall sharply reduced chicken demand. This led to a decline in the need for chicks and broiler hatching eggs. Clearly, the biggest challenge for the Advisory Committee was to properly gauge current and future production recommendations in an environment of uncertainty where market conditions were changing rapidly.

In March, the COVID-19 pandemic hit Canada and the chicken industry was anticipating a shift in the demand from food service to retail due to the restriction measures put in place by governments and the significant closure of restaurants and food service. The latest 12-month (March 2019-February 2020) domestic disappearance was showing a 3.1% increase over the same timeframe a year prior, and broiler hatcheries reported at that time that egg supply was adequate across the country. Stock levels continued to set new five-year highs, closing at 33% above the February 1st five-year average. Wholesale prices for chicken were in line with previous years, following a slow pace in the beginning of the year. In regard to the Canadian economy, the COVID-19 virus was a material negative shock to the Canadian and global outlooks, and it was now clear that the first quarter of 2020 would be weaker than the Bank of Canada had expected. Recognizing that the ongoing situation surrounding COVID-19 created a lot of uncertainty in the meat protein industry, the committee decided to recommend a revised 2020 chicken production estimate of the same volume projected in November 2019 at 1,326 million kilograms - a 2.2% increase over 2019. For 2021, with the expectation that the market will remain positive for the medium term, an initial chicken production of 1,352 Mkg was recommended, which represented a 2% increase over 2020.

In July, the Canadian chicken industry was now severely affected by the COVID-19 pandemic with a reduced demand due to the closure of restaurants throughout the country. CFC had revised downward the allocations for A-163 (May 10, 2020 – July 4, 2020) and A-164 (July 5, 2020 – August 29, 2020) that had been set a few weeks prior to the beginning of the crisis in Canada. This created significant challenges for broiler hatching egg producers and hatcheries as a significant number of eggs were destroyed because of the lateness in the allocation cutback. Despite this, year-to-date (January-May) domestic disappearance was showing a 2.3% increase over the same timeframe a year prior. In the meantime, stock levels continued to set new five-year highs, while wholesale prices were back at more normal levels following a rapid drop during the first few weeks of the lockdown. Regarding the Canadian economy, the COVID-19 pandemic was having a dramatic effect on economic activity and employment and the Bank of Canada was forecasting the level of real GDP to be about 1% to 3% and 15% to 30% lower in the first and second quarters of 2020, respectively, than in the fourth quarter of 2019. For 2020, the weak chicken market conditions led to a recommendation of 1,268 million kilograms for the final chicken production estimate. This represented a decrease of 2.2% below 2019 and was also down 58 million kilograms from



the March recommendation. For 2021, with the expectation that the effects of the pandemic would have worn off, a revised chicken production of 1,330 Mkg was recommended, an increase of 4.9% above 2020, and down 22 Mkg from the March 2020 recommendation.

As the chicken industry approached the final weeks of the year in November, Canada was experiencing a second wave of COVID-19 pandemic with a resurgence of cases, triggering new restriction measures across the country. Once again, the chicken industry was seeing a decrease in demand for chicken products from the foodservice and restaurant sectors. Despite a strong start in 2020, cumulative disappearance up to September 2020 was 0.4% below the same period last year, with a decrease in per capita disappearance of 1.9%. In the meantime, stocks had increased for three consecutive months, remaining in the 5-year high range. Wholesale prices had been volatile throughout the year due to the COVID-19 impact on the market. They dropped sharply during the first few weeks of the first lockdown, experienced a strong recovery in late spring and summer and had dropped off significantly during the last weeks of the year. Total chicken production in 2020 was forecast to reach 1,268 million kilograms, 2.2% below 2019.

For 2021, it was very difficult to estimate how the chicken market condition will evolve due to the uncertainty around the economic recovery and the end of restriction measures. However, there was an agreement that the effect of the COVID-19 pandemic will carry over to 2021. As such, a revised 2021 chicken production of 1,300 Mkg was recommended, which was 2.5% above the 2020 total expected production (1,268 Mkg).

Sincerely,



Mark Woods  
Chair

### **Membership:**

Mark Woods, Chair

Robert Massé, Canadian Broiler Hatching Egg Producers' Association

Jan Rus, Chicken Farmers of Canada

Christian Trottier, Canadian Hatchery Federation

Nicolas Paillat, Canadian Poultry and Egg Processors Council

Robert de Valk, Further Poultry Processors Association of Canada

Geneviève Rodrigue, Agriculture and Agri-Food Canada

Larisa Averkieva, Global Affairs Canada



## Finance Committee



The Finance Committee met throughout the year to examine the Canadian Hatching Egg Producers' (CHEP) financial situation and review and update existing financial policies. In 2020, revenues equalled \$3.2 million, while expenditures totalled \$2.0 million, which resulted in a surplus of \$1.2 million. Actual revenues were higher than the projected budget of \$2.35 million primarily due to an unexpected revenue source resulting from assessed liquidated damages offset by a decrease in hatching egg production. Actual expenditures of \$2.0 million were below the budget of \$2.37 million by \$370,000.

The onset of the global COVID-19 pandemic in early 2020 resulted in reductions in several expenditure lines. Pandemic restrictions on travel and gatherings resulted in reduced participant expenses, staff travel, and trade activities. Virtual replacing in-person meetings for the majority of 2020 resulted in lower meeting expenses, interpretation and professional fees. These decreases in expenditures were offset by a financial grant to all provincial commodity boards in light of their significant costs associated with the impact of COVID-19 borne at the provincial and producer level.

While the economic outlook and chicken demand for 2021 remains uncertain, the Finance Committee presented a budget for 2021 with projected revenues of \$2.31 million and projected expenses of \$2.22 million resulting in a surplus of approximately \$92,000. This is based on the national levy rate remaining unchanged throughout 2021. In addition, the decrease in budgeted revenues stems from an expected reduction in production and decreased interest income due to low available interest rates. The budgeted expenditures expected to decrease by \$148,000 is derived from COVID-19 measures continuing for part of 2021 resulting in decreased costs for director fees, participant expenses, staff travel costs, trade related activities and meetings. This is offset in part by increases in building occupancy due to CHEP's increased ownership share and additional COVID-19 related occupancy precautions, interpretation, membership fees, professional fees, research activities and staff compensation.

At CHEP's Annual General Meeting held in March 2020, the firm of PricewaterhouseCoopers LLP was re-appointed to perform the 2020 year-end audit.

Sincerely,



Mark Woods  
Chair

### Members:

Mark Woods, Chair, Ontario  
Kevin Tiemstra, Alberta  
Mike Wurtz, Saskatchewan  
Calvin Breukelman, British Columbia  
Christian Trottier, Canadian Hatchery Federation



## Research Committee



Ammonia continued to be a top priority in 2020. Specifically, CHEP is supporting work in the following areas:

- Developing more accurate methods to measure ammonia concentrations on-farm, and validating existing ammonia measurement equipment (such as the ammonia meters used by auditors),
- Establishing baseline ammonia concentration levels on farm, and once a consistent methodology is established, have CHEP compile national data to inform decisions going forward, and;
- Validating benchmarks (such as those referenced in the 2016 Code of Practice for the Care and Handling of Hatching

Eggs, Breeders, Chickens, and Turkeys, 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.

The goal of CHEP's work on ammonia is to expand on evidence for future discussions on on-farm requirements, including those in the CHEP Animal Care Program (ACP). This includes baseline data, information on effects of ammonia on bird health, particularly in older flocks and winter conditions. Equipment that can accurately and affordably measure ammonia coupled with additional products and technology that can effectively and affordably mitigate ammonia to ensure a continued high standard of bird health and welfare remains needed.

To this end CHEP is currently supporting two research projects:

- Measurement of Ammonia Concentrations led by Dr. Van Heyst from the University of Guelph (2020-2022)
- Impact of ammonia and dust concentrations on worker and animal health and well-being in Canadian hatching egg production led by Dr. Duchaine and Dr. Gaucher from Université Laval and the University of Montreal respectively (2020-2022)

*Salmonella* is also a top priority for CHEP. We continued to support the Canadian Integrated Program for Antimicrobial Resistance Surveillance's (CIPARS) work on foodborne pathogens and antimicrobial use in broiler breeders. We also investigated means of addressing *Salmonella* by reaching out to researchers working on this topic and continued to fund work in this area through the Canadian Poultry Research Council (CPRC).

We continued to work with the CPRC to communicate research results from the Poultry Science Cluster, and to approve projects for funding through CPRC's annual call for letters of intent. CHEP also began work with CPRC on a proposal to look at broiler breeder male fertility.





The research going on in Canada is exciting. As Chair, I've become more involved in Canadian poultry research and it has become obvious to me that we can strengthen the communication between producers and researchers, for the benefit of all. If we are to encourage research that producers can use, we need to work with those in academia to ensure they have a solid understanding of broiler breeder production, including a better understanding of what we do daily and the challenges producers are experiencing. I have made it my personal priority over the last few years to be the conduit for researchers to communicate with our industry which I have found to be greatly rewarding. A simple conversation with a researcher on what you know can make a big difference. Building the links between, processors, service people, breeding companies and researchers will make for more effective and practical results, and I encourage all producers to look for similar opportunities. I look forward to working on behalf of Canadian broiler hatching egg farmers in 2021.

### Research Priorities

November 21, 2019

**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

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)

Sincerely,



Jeff Notenbomer  
Chair

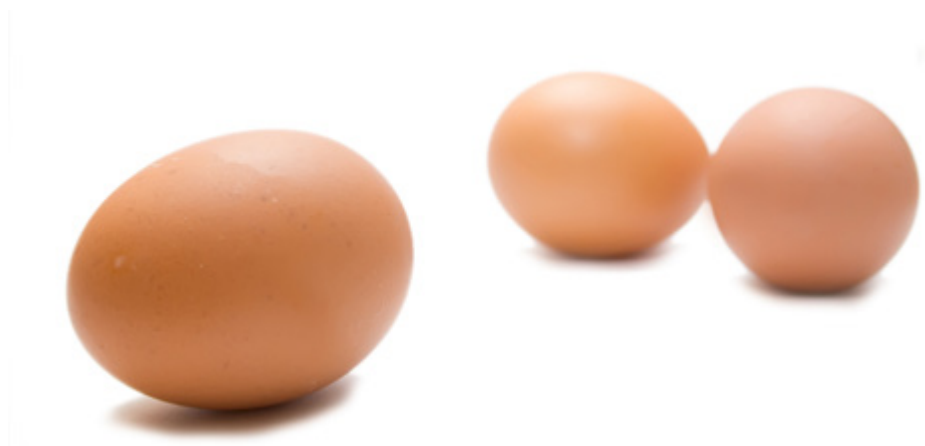
### Membership:

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



## Other CHEP Committees

<b>Canadian Federation of Agriculture Director</b>	Gyslain Loyer since 2016
<b>Canadian Poultry Research Council Director</b>	Jeff Notenbomer since 2019
<b>National Farm Animal Care Council Director</b>	Dean Penner since 2020
<b>National Farm Animal Care Council Transportation Code Representative</b>	Dean Penner since 2019
<b>National Farmed Animal Health and Welfare Council Representative</b>	Mark Woods since 2019
<b>Canadian Hatchery Supply Flock Working Group Representative</b>	Brian Bilkes since 2020
<b>Industry AMU / AMR Working Group Representative</b>	Brian Bilkes since 2020
<b>Joint Government-Industry Working Group on the Control of <i>Salmonella</i> and <i>Campylobacter</i> in Poultry Representative</b>	Dean Penner since 2020
<b>Industry <i>Salmonella</i> Working Group Representative</b>	Gyslain Loyer, Dean Penner, and Jeff Notenbomer since 2018



# Canadian Hatching Egg Producers

## CHEP Drawing Contest Winners

The Christmas drawings for 2020 had to represent “*Protecting the health of our birds and families*”. The contest is open to all producers’ children, grandchildren, nieces and nephews in four age categories.



Winner Age 2-4 Category  
**Huxley Poettcker**  
Alberta



Winner Age 5 to 7 Category  
**Ivy DeJong**  
British Columbia



Winner Age 8 to 11 Category  
2020 Drawing Contest Winner  
**Bryce DeJong**  
British Columbia



Winner Age 12 to 14 Category  
**Claire Bilkes**,  
Saskatchewan

## Alternates



*Top, from left to right:*

Beata Kunze, British Columbia; Jeff Notenbomer, Alberta;  
Dave Janzen, Saskatchewan, Murray Klassen, Manitoba;  
Ed Mosterd, Ontario; Robert Massé, Quebec;

*Bottom, from left to right:*

Ernie Silveri, Canadian Hatchery Federation;  
Gordon Hastie, Canadian Hatchery Federation

## Provincial Managers



*From left to right:*

Stephanie Nelson, British Columbia; Bob Smook, Alberta; Michael Kautzman, Saskatchewan,  
Wayne Hiltz, Manitoba; Bill Van Heeswyk, Ontario; Simon Doré-Ouellet, Quebec



# Canadian Hatching Egg Producers

## CHEP Staff participated in the following committees and organizations during 2020:

- Canadian Hatchery Supply Flock Policy and Program Working Group
- Animal Health Canada (observer)
- AI Compensation Working Group
- Border Measures Workshop
- Canadian Animal Health Surveillance System (CAHSS)
  - AMU Working Group
  - Poultry Sector Network Group
- Canadian Centre for Food Integrity
- CFA Food Loss Steering Committee
- CFA Lab Made Commodities Committee
- Canadian Livestock Transport (CLT) Advisory Group
- Canadian Poultry Research Council
  - Governance Steering Committee
- Canadian Supply Chain Food Safety Coalition
- CPEPC's Poultry Operations Technical Committee (POTC)
- COVID-19 Industry-Government Working Group
- Industry-Government Advisory Committee (IGAC)
- Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry
- National Farm Animal Care Council (NFACC)
  - NFACC Transportation Code – Poultry working group
- National Farmed Animal Health and Welfare Council (NFAHWC)
- Poultry Sustainability Value Chain Roundtable (PSVCRT)
- SM5 Trade Technical Committee
- SM5 Communications Committee

## CHEP Staff



*From left to right:*  
Victoria Sikur, Food Safety Officer; Salomon Compaoré, Economist;  
Drew Black, Executive Director; Aubrie Willmott-Johnson,  
Animal Welfare Officer; Nicole Duval, Office Administrator  
*All group photos were taken pre-COVID-19.*

## SM-5 Representative to the WTO



Charles Akande  
Geneva, Switzerland



# **Canadian Hatching Egg Producers**

Financial Statements  
**December 31, 2020**







## 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.

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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, 2020 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, 2020;
- 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 significant accounting policies and other explanatory information.

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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

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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.



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.

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 24, 2021



# Canadian Hatching Egg Producers

## Statement of Financial Position

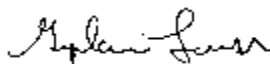
As at December 31, 2020

	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 631,123	\$ 101,378
Guaranteed investment certificates (note 3)	2,113,963	1,955,947
Accounts receivable (note 4)	980,649	456,844
Prepaid expenses	61,405	80,811
	<u>\$ 3,787,140</u>	<u>\$ 2,594,980</u>
<b>Capital assets</b> (note 5)	<u>536,567</u>	<u>566,412</u>
	<u>\$ 4,323,707</u>	<u>\$ 3,161,392</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 78,619	\$ 93,049
Government remittances payable	32,689	33,816
Current portion of long-term debt (note 6)	71,042	22,755
	<u>\$ 182,350</u>	<u>\$ 149,620</u>
<b>Long-term debt</b> (note 6)	<u>-</u>	<u>71,042</u>
	<u>\$ 182,350</u>	<u>\$ 220,662</u>
<b>Net assets</b>		
Unrestricted	3,300,165	2,053,111
Internally restricted (note 7)	841,192	887,619
	<u>\$ 4,141,357</u>	<u>\$ 2,940,730</u>
	<u>\$ 4,323,707</u>	<u>\$ 3,161,392</u>
<b>Commitments</b> (note 8)		

### Approved by the Board of Directors



Brian Bilkes, Chair



Gyslaine 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, 2020

	Balance – Beginning of year	Net revenue for the year	Transfers from (to)	Balance – End of year
Unrestricted	\$ 2,053,111	\$ 1,200,627	\$ 46,427	\$ 3,300,165
Internally restricted (note 7)	887,619	-	(46,427)	841,192
	<u>\$ 2,940,730</u>	<u>\$ 1,200,627</u>	<u>\$ -</u>	<u>\$ 4,141,357</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, 2020

	2020	2019
<b>Revenues</b>		
Levies	\$ 2,239,711	\$ 2,327,907
Interest	71,463	50,680
	<u>\$ 2,311,174</u>	<u>\$ 2,378,587</u>
<b>Expenses</b>		
Amortization	32,682	30,409
Building occupancy	37,004	35,159
Directors' fees and participants' travel	246,423	508,208
Interest on long-term debt	2,887	3,660
Meetings	10,718	108,848
Membership fees	64,464	59,896
Office and administrative	87,766	135,302
Professional fees	152,632	149,678
Research	145,333	88,788
Salaries, benefits and travel	727,970	770,741
Trade and advocacy	72,759	119,385
Translation and interpretation	64,859	77,741
	<u>\$ 1,645,497</u>	<u>\$ 2,087,815</u>
Net revenue before the undernoted	<u>\$ 665,677</u>	<u>\$ 290,772</u>
<b>Other income (expense)</b>		
Liquidated damages	\$ 884,950	\$ -
COVID-19 grant (note 10)	(350,000)	-
	<u>\$ 534,950</u>	<u>\$ -</u>
<b>Net revenue for the year</b>	<u>\$ 1,200,627</u>	<u>\$ 290,772</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, 2020

	2020	2019
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Net revenue for the year	\$ 1,200,627	\$ 290,772
Item not affecting cash – amortization	32,682	30,409
Net change in non-cash working capital items		
Accounts receivable	(523,805)	60,233
Prepays	19,406	(22,642)
Accounts payable and accrued liabilities	(14,430)	(1,451)
Government remittance payable	(1,127)	5,134
	<u>\$ 713,353</u>	<u>\$ 362,455</u>
<b>Investing activities</b>		
Purchase of capital assets	(2,837)	(34,190)
Purchases of guaranteed investment certificates	(2,113,963)	(1,955,947)
Proceeds on disposal of guaranteed investment certificates	1,955,947	1,681,566
	<u>\$ (160,853)</u>	<u>\$ (308,571)</u>
<b>Financing activity</b>		
Repayment of long-term debt	\$ (22,755)	\$ (21,982)
<b>Net change in cash for the year</b>	<b>\$ 529,745</b>	<b>\$ 31,902</b>
<b>Cash – Beginning of year</b>	<b>101,378</b>	<b>69,476</b>
<b>Cash – End of year</b>	<b><u>\$ 631,123</u></b>	<b><u>\$ 101,378</u></b>

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





# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2020

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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

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.

(1)



# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2020

### 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 0.25% to 2% and mature in 2021 (2019 – rates ranging from 1.5% to 2.5%, maturing in 2020).

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

	2020	2019
Levies	\$ 352,445	\$ 390,178
Liquidated damages	519,662	-
Interest and other	108,542	66,666
	<u>\$ 980,649</u>	<u>\$ 456,844</u>

### 5 Capital assets

	2020			2019	
	Cost	Accumulated amortization	Net	Net	
Land	\$ 54,135	\$ -	\$ 54,135	\$ 54,135	
Building	671,261	202,114	469,147	485,928	
Office furniture and equipment	33,477	32,684	793	119	
Electronic equipment	56,404	43,912	12,492	26,230	
	<u>\$ 815,277</u>	<u>\$ 278,710</u>	<u>\$ 536,567</u>	<u>\$ 566,412</u>	

Cost and accumulated amortization amounted to \$812,440 and \$246,028, respectively, as at December 31, 2019.

(2)



# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2020

### 6 Long-term debt

	2020	2019
Bearing interest at 3.46%, payable in blended monthly payments of \$2,137	\$ 71,042	\$ 93,797
Less: current portion	(71,042)	(22,755)
	<u>\$ -</u>	<u>\$ 71,042</u>

The loan is secured by the property at 21 Florence Street. All owners are jointly and severally liable for the total outstanding amount of the long-term debt of \$885,804 (2019 – \$1,169,533) should an owner default on payment. The Organization has committed to purchase an additional 1.98% ownership of the property, bringing their total ownership to 10%. The deal is expected to be finalized on March 31, 2021, during which time the Organization will pay out the remaining balance of its portion of the mortgage originally due November 2022.

### 7 Internally restricted

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

	2020	2019
Capital assets	\$ 504,164	\$ 512,132
Severance contingency	190,800	169,259
Research	146,228	206,228
	<u>\$ 841,192</u>	<u>\$ 887,619</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:

2021	\$ 1,335
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### 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.

(3)



# Canadian Hatching Egg Producers

## Notes to Financial Statements

December 31, 2020

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### 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 Implications of COVID-19 pandemic

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures taken by the authorities to contain the virus have affected global and local economic activity. The long-term impact of the outbreak remains uncertain; management is closely monitoring economic developments and any potential impacts there may be on operations.

The Organization's Board of Directors considered and supported making a financial contribution to all provincial commodity boards in light of the significant costs associated with the impact of COVID-19 that have been borne by the provinces and producers. As a result, the Organization contributed \$350,000 in the form of a grant to all provinces, based on their 2020 market shares.

## 11 Comparative figures

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

(4)

