





35  
1986 -2021

In **October 1983**, the Canadian Broiler Hatching Egg Producers' Association (CBHEPA) submitted a proposal to the National Farm Products Council to establish a national marketing plan with full supply management powers as described in Section 23 of the *Farm Products Agencies Act*. After public hearings in 1984, the Council recommended that such an agency be formed and on December 22, 1986, the **Canadian Broiler Hatching Egg Marketing Agency** was proclaimed a national agency. Initially comprised of three member provinces, Ontario, Quebec and Manitoba, the Agency's membership grew to five members, adding Alberta in 1987 and, later producers in British Columbia in 1989.

On **November 24, 2004**, members of the Agency unanimously adopted the request to amend its Proclamation so that it be known as the **Canadian Hatching Egg Producers**. CHEP continued to work towards completing an amended Federal Provincial Agreement (FPA) in **2010**. In doing so, CHEP increased the membership from four to six provinces including the addition of Saskatchewan.

# Table of Contents

Message from the Chair .....	2
Executive Director's Report .....	4
CHEP Chairs 1986-2021 .....	6
CHEP Board of Directors .....	7
CHEP Executive Committee and Mission Statement .....	8
Canadian Hatching Egg Market Review .....	9
Canadian Broiler Hatching Egg Producers' Association .....	13
Production Management Committee .....	14
Advisory Committee .....	16
Finance Committee .....	18
Research Committee .....	19
Other CHEP Committees .....	22
CHEP Drawing Contest Winners .....	23
Alternates and Provincial Managers .....	23
Committee Participation, CHEP Staff and SM-5 Representative to the WTO .....	24
Financial Statements December 31, 2021 .....	25



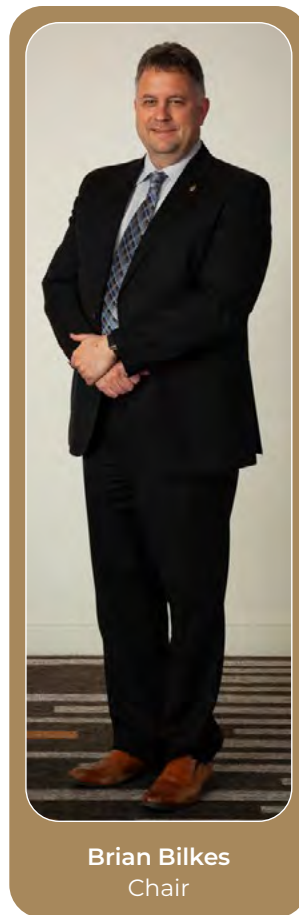
## Message from the Chair

We saw another wild year in 2021, as the impact of COVID-19 continued to wax and wane and cause additional uncertainty in the chicken market and elsewhere. We were faced a number of times with the possibility of the chicken allocation being reduced after it had already been set, including so close to the period that it would have an impact on eggs that had already been set. Nonetheless, we had some very strong performing flocks from many of our producers and provinces to meet the national allocation and the market needs. With expected recovery and growth in chicken consumption in Canada we need to be sure to put the capacity in place to be able to take advantage.

A significant achievement in our sector was the finalization and implementation of a new Liquidated Damages Assessment Agreement that results from significant discussions. This new agreement includes a temporary allocation adjustment mechanism designed to address unexpected shortfalls in production, introduce an underproduction assessment and increase the overproduction sleeve. In addition, the new agreement sets expectations in process and timelines for the use of the policies for all to present greater clarity in how they will be used.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into force for Canada at the end of 2018. Following the collaborative advocacy efforts of CHEP and other poultry and egg groups, we saw the launch of the on-farm investment program in 2021. This program was designed to mitigate trade agreements that will impact our sector in a negative way. A 10-year program providing \$88.6 million for hatching egg producers was launched by the federal government and I urge all our producers to register and make good use of the program. Unlike other funding programs, each eligible producer has an amount of funding proportionate to their quota set aside for them to use. Projects can be retroactive to fund investment made as early as March 2019, a first that we have seen. This important program allows our industry to prepare for the TRQ that will eventually enter Canada as a result of the CPTPP agreement.

As a result of the federal election in 2021, the governing Liberals have committed to address the mitigation for the new NAFTA trade agreement within their first year. While no new access was granted in our sector, we do stand to be impacted from the concessions on chicken TRQ and we will be working closely with our SM4 partners to ensure that the federal government meets its commitment.



**Brian Bilkes**  
Chair

Also, 2021 saw CHEP become more active in following pressures that the agriculture and agri-food sector are facing regarding sustainability. Working closely with SM4 and the other national animal agriculture sector groups, CHEP closely monitored and participated in the Global Food Systems Dialogues as well as the resulting UN conference. As some groups work to establish a negative link between association of animal agriculture production and sustainability, there are increasing risks to our sector that will need to be countered.

After another year of having to participate in many meetings and even AGMs on Zoom, I am looking forward to being back out to meet with producers in person in 2022.



Brian Bilkes  
Chair



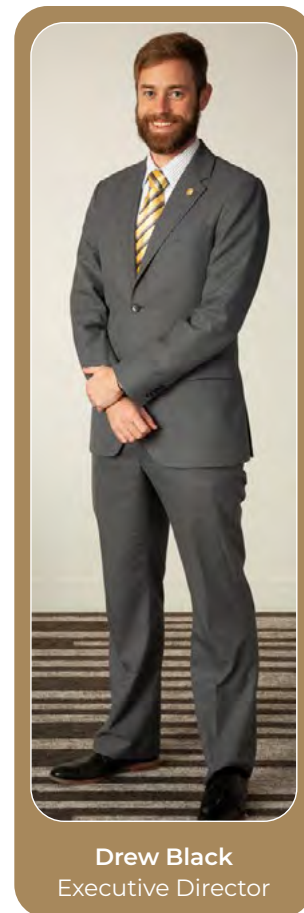
## Executive Director's Report

**W**e could not have predicted it, but I find myself reflecting back on a 2021 that was marked with successive waves of public health restrictions relaxing and then tightening again due to COVID-19 and the introduction of new variants. CHEP made a significant grant totaling \$480,000 to our member provinces to help offset some of the increased costs that provincial boards and producers faced due to the ongoing pandemic and recognizing the continued cost savings from working virtually at the national level. CHEP staff continued to work from home throughout the year yet continued to meet and exceed the high service standard and expectations placed upon them. CHEP was able to hold the November meeting in person in Ottawa, and it was great to see so many familiar faces not on a Zoom screen. However, shortly thereafter we were headed back into additional restrictions yet again.

The pandemic continued to cause disruptions and inhibit trade negotiations. This included the postponement of the 12th Ministerial Conference of the World Trade Organization (WTO) that CHEP had planned to attend. Canada continues to express interest in advancing new free trade agreements and to meet virtually to further negotiations that have already been started. That being said, CHEP follows these negotiations very closely to ensure that there will be no further concessions to the domestic market.

CHEP added a new position of Communications and Government Relations Advisor and I'd like to take the opportunity to welcome Teddy Markey to the team. The additional staff capacity has allowed CHEP to contribute in a more focused and meaningful way to policy development and to be strong advocates for our sector to government and increasingly more broadly. In 2021, we did a soft launch of both a LinkedIn and Twitter account. These will enable CHEP to raise our profile in Ottawa to support our government relations objectives and more broadly as being the national representatives for hatching egg producers in Ottawa.

On the government relations front, CHEP worked closely with our partners to meet with the main political parties ahead of the official launch of the federal election with the aim of having our industry's priorities reflected in their party platforms. During the election period, information was provided to support producers in reaching out to their local candidates and to advance issues important to hatching egg producers. Following the results of the election, we were pleased to see some of our requests reflected in the Mandate Letters to Ministers, including the commitment to mitigate the impact of CUSMA for producers within the first year.



**Drew Black**  
Executive Director

Throughout 2021, CHEP jointly supported the social media SM5 Canadian Comfort Campaign to encourage Canadians to choose quality and sustainably produced dairy, poultry and egg products. This was the second year of the campaign, first introduced to take advantage of the strong interest from Canadians that had only grown during the pandemic in supporting Canadian grown foods.

In Western Canada, there was also an unprecedented flooding disaster in the Fraser Valley in B.C. The floods continued for far longer than could have been expected due to the significant rainfall events and the failure of water management infrastructure. CHEP followed the situation closely and coordinated with industry and federal partners to support the impacted producers as best was possible from a national perspective throughout the flooding. CHEP continued to support these producers into recovery and rebuilding. Our thoughts remain with those severely impacted.

In the fall of 2021 Joy Edstron who had been with CHEP for over two decades took her retirement. We welcomed Danielle Belair to the team to fill the role of Finance Manager. I look forward to welcoming everyone back to an enlarged, refreshed and newly renovated office and board room when it is safe to do so in 2022.

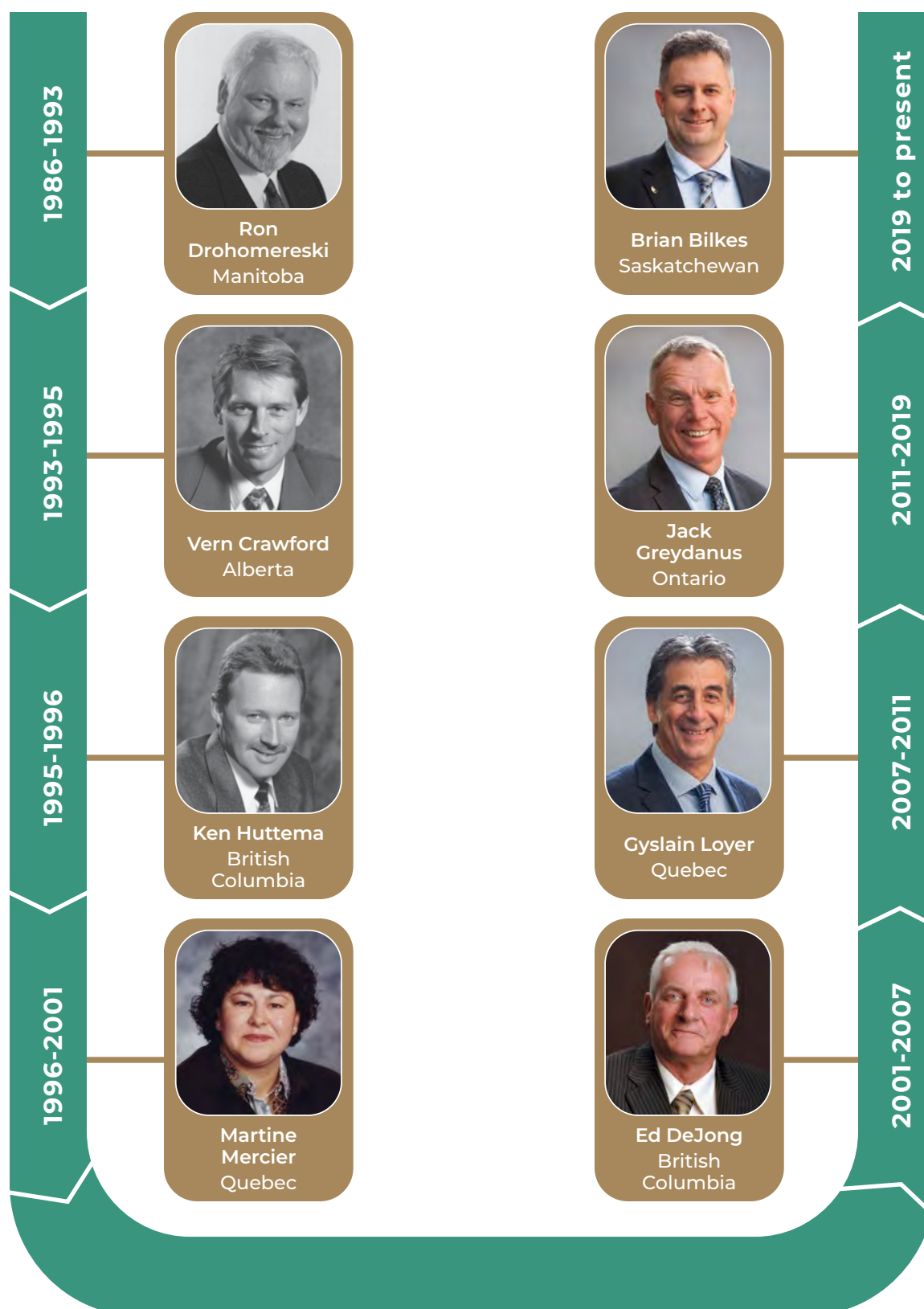
Sincerely,



Drew Black  
Executive Director



## Canadian Hatching Egg Producers Chairs 1986-2021





# Canadian Hatching Egg Producers

## Board of Directors



Calvin  
Breukelman



British Columbia currently has 54 registered hatching egg producers.

British Columbia's hatching egg production for 2021 was 115.8 million eggs.



Kevin  
Tiemstra



Alberta currently has 25 registered hatching egg producers.

Alberta's hatching egg production for 2021 was 85 million eggs.



Mike  
Wurtz



Saskatchewan currently has 10 registered hatching egg producers.

Saskatchewan's hatching egg production for 2021 was 32.8 million eggs.



Murray  
Klassen



Manitoba currently has 23 registered hatching egg producers.

Manitoba's hatching egg production for 2021 was 37.7 million eggs.



Mark  
Woods



Ontario currently has 69 registered hatching egg producers.

Ontario's hatching egg production for 2021 was 265 million eggs.



Gyslain  
Loyer



Quebec currently has 35 registered hatching egg producers.

Quebec's hatching egg production for 2021 was 215.8 million eggs.



Ernie  
Silveri



Christian  
Trottier



The Canadian Hatchery Federation sector of the Canadian Poultry and Egg Processors Council represents the interests of 47 broiler, egg-type and turkey hatcheries in 9 provinces.

## Canadian Hatching Egg Producers Executive Committee



Brian  
Bilkes



Cyslain  
Loyer



Calvin  
Breukelman



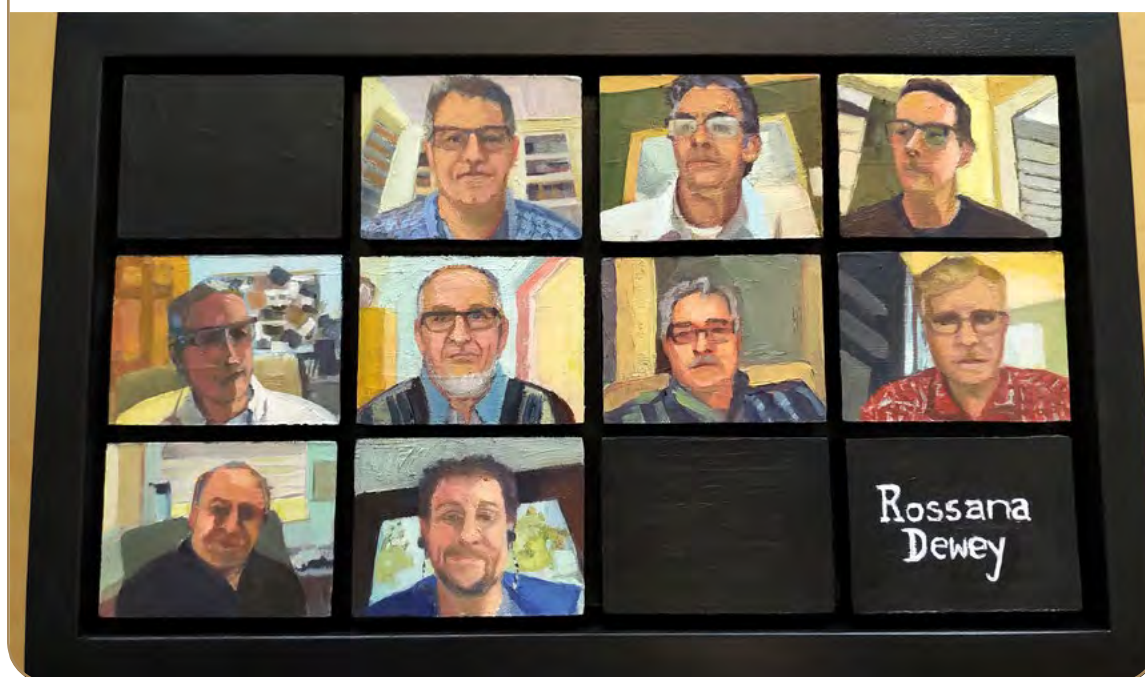
Drew  
Black

### Our Mission:

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

### Our Vision:

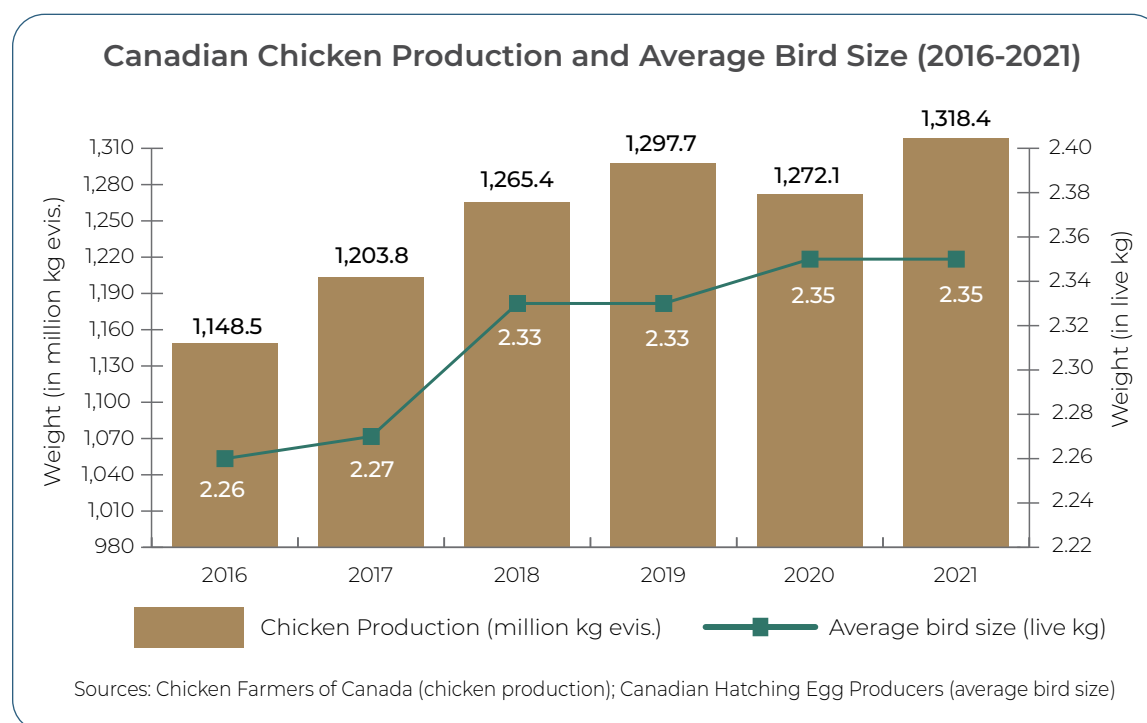
A prosperous Canadian poultry sector, enabled by a strong and profitable broiler hatching egg industry



# Canadian Hatching Egg Market Review

In 2021 the Canadian broiler hatching egg industry faced a variety of challenges, including a heatwave in Western Canada and the COVID 19 pandemic, which, this year again, caused a lot of uncertainty around the chicken demand. The impacts of these challenges on hatching egg production would remain top of mind during the full year and broiler hatching egg farmers had to continue to ensure a steady supply of broiler hatching eggs to the Canadian chicken industry in an environment where market conditions were changing rapidly.

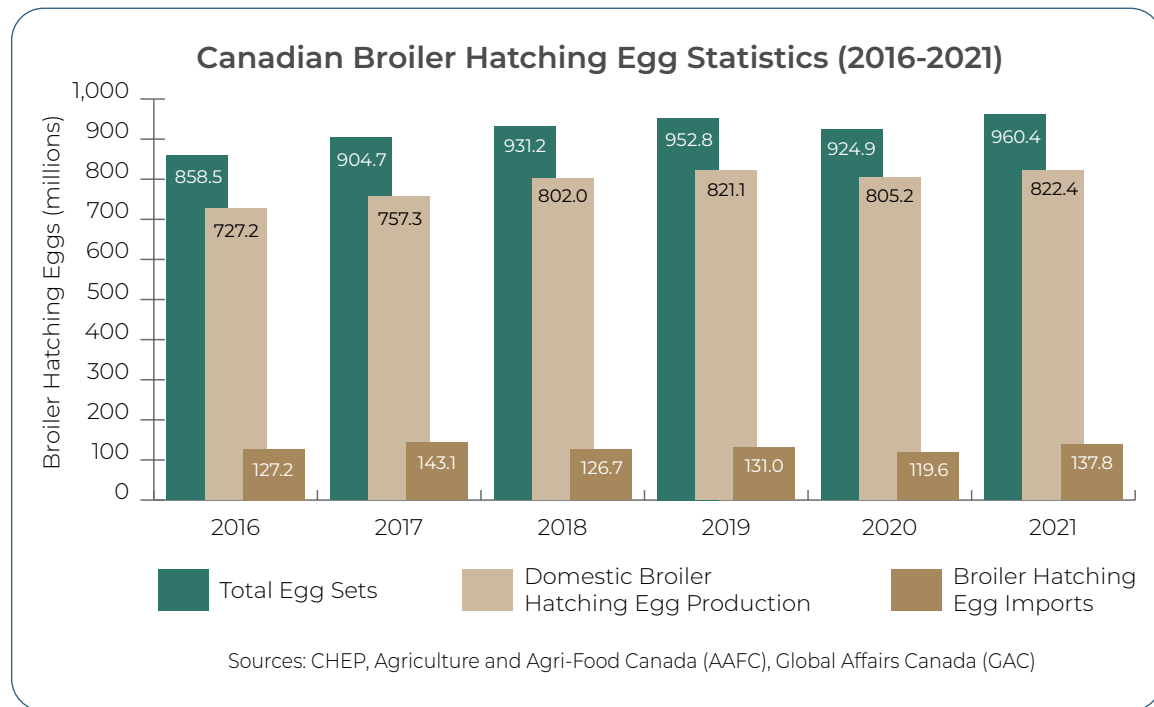
The initial 2021 broiler hatching egg allocations established in March 2020 were based on estimated chicken production of 1,352 million kilograms, which represented growth of 6.3% above 2020 chicken production of 1,272.1 million kilograms. By July 2020, the 2021 chicken production estimate decreased to 1,330 million kilograms and decreased again to 1,300 million kilograms in November 2020 before finally increasing to 1,311 million kilograms in March 2021. In July 2021, the favourable chicken market conditions during the summer with the re-opening of dining rooms and patios led to a recommendation of 1,325 million kilograms for the final chicken production estimate for 2021. This represented an increase of 4.2% above 2020. In the end, 2021 chicken production totaled 1,318.4 million kilograms, which represents a 3.6% increase over the previous year, and 6.6 million kilograms less than the July projection. This underproduction compared to the July projection was mainly due to a heatwave in Western Canada and a major strike in a processing plant in Quebec.



Canadian hatcheries set a total of 960.4 million broiler hatching eggs in 2021, an increase of 35.5 million eggs (3.8%) from 2020. Meanwhile, domestic broiler hatching egg production totaled 822.4 million eggs across Canada, an increase of nearly 17.2 million eggs (2.1%) over the previous year and equal to 101.1% of CHEP's final 2021 allocation.

Broiler hatching egg imports into Canada increased by 18.2 million eggs (15.2%) compared to last year, while broiler chicks imported into Canada increased by 2 million chicks (12.2%). As a result, 2021 combined imports increased by nearly 20.8 million egg equivalents (14.8%) from 2020. Altogether, broiler hatching egg imports into Canada totaled 97.5% of the tariff rate quota (TRQ) allotted to hatcheries in 2021, while broiler chick imports totaled 78.4% of TRQ.

Canadian domestic broiler hatching egg production in 2021 increased by 2.1% compared to 2020, with growth in production levels reported in four of eight producing provinces. Collectively, domestic production between the six member provinces reached 99.7% of the final 2021 allocations.





## Provincial Broiler Hatching Egg Production and Imports

Provincially, British Columbia's domestic production decreased by 0.5 million eggs (-0.5%), while imports increased by 9.3%, resulting in 1.5 million (1.1%) more eggs set during the year. In Alberta, domestic production fell by 3.4 million eggs (-3.9%), with 43.3% more imports and 1.8 million (1.8%) more eggs set. Saskatchewan's production experienced a small decrease of 0.5 million eggs (-1.5%), while imports increased by 28.2%, finishing the year with nearly 0.6 million eggs (1.5%) more eggs set. Manitoba's production decreased by more than 0.3 million eggs (-0.9%), while imports increased by 20.6%, resulting in nearly 0.9 million (2%) more eggs set. In Ontario, production increased by 15.8 million eggs (6.3%), while imports decreased by 5.6%, resulting in more than 13.9 million more eggs set (5%). Quebec's production increased by 5.3 million eggs (2.5%), while imports increased by 25.7%, resulting in 15.7 million more eggs (6.2%) 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>2021</b>	115,785	85,043	32,808	37,725	265,008	215,824	37,938	32,278	<b>822,410</b>
<b>2020</b>	116,339	88,468	33,303	38,056	249,247	210,500	37,116	32,190	<b>805,218</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>% Change</b>									
<b>21/20</b>	(0.5)	(3.9)	(1.5)	(0.9)	6.3	2.5	2.2	0.3	<b>2.1</b>
<b>20/19</b>	(3.4)	0.6	(2.2)	(2.7)	(2.6)	(1.4)	(2.2)	0.5	<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>

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2021 was 2.35 kg live per bird, unchanged from the previous year.

**Table 2 – Selected Market Factors**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
<b>Total (Combined) Imports</b>									
(000 eggs equiv.)	30,408	16,856	5,882	7,790	37,866	61,875	0	648	<b>161,326</b>
% change 20/19	11.3	42.3	15.6	20.7	(5.0)	26.5	–	(41.0)	<b>14.8</b>
<b>Chicken Production</b>									
(000 kg evis.)	188,971	131,058	48,463	52,703	449,199	348,231	43,627	56,171	<b>1,318,423</b>
% change 20/19	1.1	3.0	1.0	1.0	4.7	4.4	6.2	3.5	<b>3.6</b>
<b>Avg. live weight of broilers</b>									
(kg live/bird)	2.23	2.30	2.29	2.02	2.45	2.37	2.45	2.37	<b>2.35</b>
% change 20/19	0.4	0.8	1.1	(0.7)	0.1	(0.2)	1.3	(0.4)	<b>0.2</b>

Sources: CHEP; AAFC; CFC

## Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2021 grew by 8.7% to reach \$419.4 million, up from \$385.7 million in 2020. The 2021 average saleable chick price paid by hatcheries to producers ranged from 68.84 cents in British Columbia to 60.45 cents in Ontario.

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

	Farm Cash Receipts		Broiler Hatching Egg Producer Prices	
	2021 \$ 000	% change 21/20	¢ per saleable chick (2021 average) <sup>1</sup>	% change 21/20
British Columbia	63,961	7.1	68.84	9.0
Alberta	45,998	6.5	67.32	11.9
Saskatchewan	16,797	4.0	63.75	6.8
Manitoba	19,998	4.8	66.08	7.1
Ontario	128,621	12.3	60.45	6.9
Quebec	108,685	8.5	62.67	7.0
Nova Scotia	19,096	8.2	–	–
NB/PE/NL	16,254	6.1	–	–
<b>CANADA</b>	<b>419,410</b>	<b>8.7</b>	<b>64.85</b>	<b>8.1</b>

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	25	10	23	69	35	12	4	<b>232</b>
Number of Hatcheries	10	4	2	4	9	5	3	3	<b>40</b>
Average Farm Size (million eggs)	2.1	3.4	3.3	1.6	3.8	6.2	3.2	8.1	<b>3.5</b>

Sources: Provincial Boards, CHEP.



## Canadian Broiler Hatching Egg Producers' Association

The Canadian Broiler Hatching Egg Producers' Association (CBHEPA) Board of Directors met both virtually and in person this year due to COVID restrictions. The meetings are held to discuss various issues related to the Canadian hatching egg industry, including, but not limited to broiler hatching egg allocations, industry statistics, provincial broiler hatching egg flow, market conditions, tariff rate quota (TRQ) imports, and student programs. CBHEPA works closely with the Canadian Hatching Egg Producers (CHEP), keeping them informed of our initiatives and provides a critical producer allocation recommendation to the Advisory Committee.

The student programs continue to be very positive for producers and their families.



Robert Massé  
Chair



Katrina  
Pedgerachny

In 2021, CBHEPA provided a research grant to Katrina Pedgerachny of the University of Alberta for her research on the *"Impact of Body Weight on Reproduction. Effect of Feed Restrictions and Body Weight on Reproductive Success in Broiler Breeders"*.

CBHEPA also sponsored Chantel Van Dorp of Ontario to participate at the Canadian Young Farmers Forum National Conference in February.

*"The Canadian Young Farmers Forum has given me a great opportunity to expand my knowledge on what it is like to be a young person in the agriculture industry. I was able to listen and talk with many different young people to learn more about their experiences as well as share my own with others. I was very fortunate to attend the conferences and events, even though they were virtual, it was still a great way to get to know more people that are young farmers today and how they are managing their lives in general and through the pandemic. I would recommend that other young people get involved because it is a great opportunity!"*



Chantel Van Dorp

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

Sincerely,

Robert Massé  
Chair

### Membership

Robert Massé, Chair, Quebec  
Dave Janzen, Vice Chair, Saskatchewan  
Beata Kunze, British Columbia  
Dennis Wickersham, Alberta  
Henry Heppner, Manitoba  
Ed Mosterd, Ontario

# Production Management Committee

## Food Safety

The Production Management Committee (PMC) continued its full review of the CHEQ™ program to ensure it reflects current, practical, and effective food safety and biosecurity practices for broiler hatching egg production. Once the changes recommended by the committee have been accepted by the Canadian Food Inspection Agency (CFIA), the changes will be finalized, and updated program manuals will be available to producers in 2022. Electronic certificates will also be offered as an option to paper certificates for CHEP's on-farm programs beginning in 2022. Paper certificates will still be available for producers who prefer this option.



We continued to engage with our members, our supply chain partners, and the government on *Salmonella*. The proposed revisions to the *Hatchery Regulations* are expected to be published in *Canada Gazette II* in Winter 2022. This is one of the final steps in the regulatory process before the regulations come into force, which is expected to be one year after publication (Winter 2023). Under the new regulation, all broiler hatching egg flocks that supply federally registered hatcheries will be tested for *Salmonella enteritidis* (SE). CHEP continued to press CFIA to ensure our comments were taken into consideration throughout 2021. We are also looking ahead to implementation to ensure the transition to the new regulation is as smooth as possible.

2021 marked the first full year of CHEP's *Salmonella Enteritidis (SE) Framework – Broiler Breeders and Hatcheries*. This framework encompasses the main elements of CHEP's SE measures as part of a broader, supply chain approach to addressing SE, including provincial SE monitoring programs in all CHEP member provinces. The document will be regularly reviewed and updated, and is a key part of CHEP's response to regulatory changes and continued surveillance at many levels around SE.

We continued to closely follow *Salmonella* public health surveillance trends from the Public Health Agency of Canada. The goal is to ensure interventions implemented by the poultry industry are effective when it comes to public health and communicated to government as practical ways in which producers can contribute to achieving public health reduction targets.

## Animal Care

2021 was the third year of the CHEP Animal Care Program (ACP) and our second year of our third-party systems audits. The third-party audits performed by NSF included witness audits in all provinces, two provincial office audits, and the annual national office audit. Two out of three office audits were once again performed remotely due to the pandemic, but all witness audits were able to take place in person with no significant disruptions from travel or public health restrictions.



The committee spent the year reviewing our ACP as part of our scheduled management review, based on feedback from the CHEP Board and our provincial offices (including staff, auditors, and producers). The changes made to the program will help improve upon consistent implementation across our member provinces and will come into effect in 2022.

Sincerely,



Calvin Breukelman  
Chair

### Membership

Calvin Breukelman, Chair  
Beata Kunze, British Columbia  
Kevin Tiemstra, Alberta  
Mike Wurtz, Saskatchewan  
Murray Klassen, Manitoba  
Mark Woods, Ontario  
Gyslain Loyer, Quebec  
Ernie Silveri, Canadian Hatchery Federation



## Advisory Committee

The chicken and broiler hatching egg industry entered 2021 in the midst of a second wave of the COVID-19 pandemic with a resurgence of cases that triggered additional public health measures across the country. Once again, the chicken industry was seeing a decrease in demand for chicken products from the foodservice and restaurant sectors resulting in an overall reduced demand. Clearly, the environment of uncertainty where market conditions were changing rapidly was set to continue throughout the year when we expected that the industry would return to favourable market conditions.

Following a resurgence of COVID-19 cases that had triggered new lockdowns, by March we were seeing a gradual lifting of restriction measures. There was an expectation of a return to favourable and more normalized chicken market conditions during summer 2021 with the re-opening of dining rooms and patios across the country. Combined disappearance in December 2020 and January 2021 was 0.1% above the corresponding period of the previous year and broiler hatcheries reported at that time that egg supply was tight to adequate depending on the province. Stock levels continued to set five-year highs, and finished February 2021 at 56.3Mkg, 16% (7.7Mkg) above the five-year average. Wholesale prices were volatile in 2020 and the first few weeks 2021 but prices had been firming up in the first two months of 2021 across the board. In regard to the Canadian economy, the resurgence of COVID-19 cases and tightening public health measures had interrupted growth and imposed renewed hardship on many households and businesses. The economic activity was expected to decline in the first quarter, but the Bank of Canada was forecasting the level of real GDP to grow by about 4% in 2021 and almost 5% in 2022. Although the impacts of COVID continued to be the main driver for the chicken market and restriction measures continued to be in place in many provinces, the Advisory Committee recognized that there were reasons for optimism, most notably regarding the accelerating vaccine rollout. Therefore, in March 2021 a revised 2021 chicken production of 1,305 Mkg was recommended, representing a 2.6% increase over 2020 (1,272.1 Mkg). For 2022, an initial chicken production of 1,340 Mkg was recommended, which represented a 2.7% increase over 2021.

By July, there seemed to be a return to positive and more predictable chicken market conditions during the summer with the re-opening of dining rooms and patios, the gradual lifting of restrictions measures and increasing COVID-19 vaccination rates. Chicken disappearance between January and April 2021, was 4% below the same period in 2020, but 0.7% above the same period in 2019. In the meantime, stocks had been decreasing since April 2021 but remained above the five-year average at 54Mkg on June 1st, 2021, (+10% +5Mkg). Regarding the Canadian economy, the rollout of vaccines, fiscal and monetary policy support, strong foreign demand and higher commodity prices were expected to contribute to robust growth in 2021. The economic activity was now forecast to grow at a robust pace of around 6.5% in 2021. GDP growth was projected to then moderate to around 3.75% in 2022 and around 3.25 percent in 2023. For 2021, a return to favourable chicken market conditions during the summer led to a recommendation of 1,325 million kilograms



Mark Woods  
Chair

for the final chicken production estimate. This represented an increase of 4.2% above 2020 and was also up 20 million kilograms from the March recommendation. For 2022, with the expectation that the effects of the pandemic would have worn off, a revised chicken production of 1,371 Mkg was recommended, an increase of 3.5% above 2021, and up 31 Mkg from the March 2021 recommendation.

In November 2021, the continued progress on managing COVID-19 was expected to reduce uncertainty and cautiousness. In turn, this would boost consumption, exports and business investment. The economic activity was forecasted to grow at a still robust pace of around 5% in 2021. GDP growth was projected to then moderate to around 4.25% in 2022, and around 3.75% in 2023. Until September 2021, the total disappearance of chicken was 0.3% below 2019's level. However, the total disappearance during the third quarter was 0.4% higher than Q3-2019. Although total consumption ultimately surpassed 2019 levels, per capita chicken consumption remained below 2019 (-1% in Q3-2021). In the meantime, stocks were recorded at 52.1Mkg, 2% below the 5-year high and 11% above the 5-year average. Wholesale prices have been very strong throughout the year for the market composite and the various complexes. Looking ahead to 2022, while there was still expected to be economic headwinds from lingering COVID-19 restrictions and high inflationary food prices, there was also reasons for optimism. Though food inflation was high, chicken was still the most affordable protein and was expected to remain so. As such, a revised 2022 chicken production of 1,362 Mkg was recommended, which represents a 2.8% increase above the 2021 estimate (1,325 million kilograms).

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

Nik Zylstra, Further Poultry Processors Association of Canada

Nicolas Paillat, Canadian Poultry and Egg Processors Council

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 2021, revenues equalled \$2.33 million, while expenditures totalled \$2.22 million, which resulted in a surplus of \$0.1 million. Actual revenues were slightly higher than the projected budget of \$2.3 million primarily due to higher interest collected. Actual expenditures of \$1.9 million were below the budget of \$2.22 million by \$320,000. In addition a liquidated damages assessment resulted in additional revenue, which was more than offset by grants issued as a result of the unprecedented flooding in BC and to aid provincial boards due to unexpected costs associated with the ongoing pandemic.



The ongoing global COVID-19 pandemic throughout 2021 resulted in reductions in several expenditure lines. Pandemic restrictions on travel and gatherings continued to have an impact on CHEP's operations that resulted in reduced participant expenses, meetings, staff travel, and trade activities. As a result of meetings continuing to being held virtually throughout 2021, there was significant cost savings compared to budget which had been based on a return to in-person meetings in spring of 2021. These decreases in expenditure were offset by a second 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 and a grant to provide support to producers impacted by the severe BC flooding that occurred in late 2021. A liquidated damages assessment relating to 2020 production also served to increase the revenue.

The Finance Committee presented a budget for 2022 with projected revenues of \$2.38 million and projected expenses of \$2.5 million resulting in a deficit of approximately \$118,000. This is based on the national levy rate remaining unchanged throughout 2022. Over the past number of years, CHEP's financial position has continued to strengthen with successive surpluses, partly as a result of public health restrictions limiting activities. Therefore, the Finance Committee was comfortable with budgeting for a deficit to work down the financial reserves closer to the long term goal of 75% of expenses. Revenue in 2022 is expected to increase slightly due to additional levies collected due to increased broiler hatching egg production while expenditures are expected to return to pre-pandemic levels as meetings will be once again held in person.

In 2021, the Committee also oversaw the updating of CHEP's financial accounting and payment systems and the implementation of the results of an insurance policy coverage review. Upon receiving the required federal approvals, CHEP appointed Welch LLP as the financial auditor at the July 2021 meetings.

Sincerely,



Mark Woods  
Chair

### Membership

Mark Woods, Chair, Ontario

Kevin Tiemstra, Alberta

Mike Wurtz, Saskatchewan

Calvin Breukelman, British Columbia

Christian Trottier, Canadian Hatchery Federation

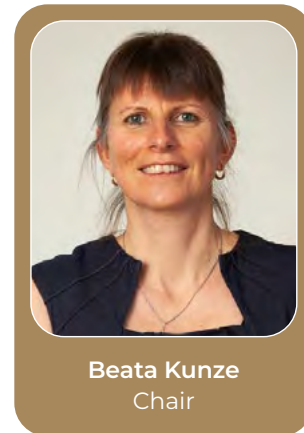


# Research Committee

The Research Committee is responsible for making recommendations to the CHEP Board of Directors on CHEP's research priorities, and research funding. Canadian research on broiler breeders is a major factor in informing CHEP's continuous improvement in production and quality.

## CHEP's 2021 research priorities

**Ammonia and *Salmonella* Enteritidis (SE) reduction have been designated as top priorities by the CHEP Research Committee.**



**Beata Kunze**  
Chair

### 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
- e. *Mycoplasma synoviae*

### 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 included in the Canadian Poultry Research Council (CPRC)'s national call for poultry research proposals. As a founding member, CHEP provides funding to CPRC for poultry research. Through our CPRC Director (Jeff Notenbomer, hatching egg producer from Alberta), we communicated cluster research results from the Agriculture and Agri-Food Canada (AAFC) Poultry Science Cluster, and approved projects for funding through CPRC's annual call for letters of intent. The current Poultry Science Cluster under the Canadian Agricultural Partnership provides \$8.24 million from AAFC, as well as \$3.15M from industry, and \$0.63M from other governments, totalling \$12M for poultry research in Canada. CHEP has also contributed to an ongoing governance review at CPRC in 2021 which is expected to adopt recommendations in 2022.

### CHEP ammonia research:

CHEP funded two ongoing research projects in 2021 that aligned with the committee's top ammonia research priorities:

- *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)

These projects will contribute valuable evidence for effective and practical on-farm ammonia requirements, including those in the CHEP Animal Care Program (ACP), that also reflects actual conditions that producers manage to the best of their ability, particularly in older flocks and winter conditions.

Sincerely,



Beata Kunze  
Chair

### Membership

Beata Kunze, Chair, British Columbia  
Dennis Wickersham, Alberta  
Dave Janzen, Saskatchewan  
Henry Heppner, Manitoba  
Ed Mosterd, Ontario  
Robert Massé, Quebec

## Other CHEP Committees

<b>Canadian Federation of Agriculture Director</b>	Cyslain Loyer since 2016
<b>Canadian Poultry Research Council Director</b>	Jeff Notenbomer since 2019
<b>National Farm Animal Care Council Director</b>	Calvin Breukelman since 2021
<b>National Farm Animal Care Council Transport Code Representative</b>	Calvin Breukelman since 2021
<b>National Farm Animal Care Council Poultry Code Review Representative</b>	Calvin Breukelman since 2021
<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>	Mike Wurtz since 2021



# Canadian Hatching Egg Producers

## CHEP Drawing Contest Winners

The Christmas drawings for 2021 had to reflect “CHEP’s 35th Anniversary”. The contest is open to all producers’ children, grandchildren, nieces and nephews in four age categories.



Winner Age 2 to 4 Category  
**Zoey Denbok**  
British Columbia



Winner Age 5 to 7 Category  
**Hudson Denbok**  
British Columbia



Winner Age 8 to 11 Category  
**Payton Kraay**  
Ontario



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

## Alternates



*From left to right:*

Beata Kunze, British Columbia; Dennis Wickersham, Alberta; Dave Janzen, Saskatchewan  
Henry Heppner, Manitoba; Ed Mosterd, Ontario; Robert Massé, Quebec

*Missing:* Orville Friesen, 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 2021:

- 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)
- SM5 Trade Technical Committee
- SM5 Communications Committee
- Agriculture Carbon Alliance
- B.C. Flood Response Ad Hoc Working Group

## CHEP Staff



*Top, from left to right:*

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

*Bottom, from left to right:*

Teddy Markey, Communications and Government Relations Advisor; Danielle Belair, Finance Manager



## SM-5 Representative to the WTO

Charles Akande

**FINANCIAL STATEMENTS**  
**For**  
**CANADIAN HATCHING EGG PRODUCERS**  
**For year ended**  
**DECEMBER 31, 2021**

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International



Canadian Hatching Egg Producers

25

Annual Report **2021**

**CANADIAN HATCHING EGG PRODUCERS**  
**INDEX TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 & 2
<b>STATEMENT OF FINANCIAL POSITION</b>	3
<b>STATEMENT OF OPERATIONS</b>	4
<b>STATEMENT OF CHANGES IN NET ASSETS</b>	5
<b>STATEMENT OF CASH FLOWS</b>	6
<b>NOTES TO FINANCIAL STATEMENTS</b>	7 - 11

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International



## 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

### *Opinion*

We have audited the financial statements of Canadian Hatching Egg Producers (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021 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.

### *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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matter*

The financial statements of the Organization for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements.

### *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.

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.

*Welch LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Ontario  
February 23, 2022.

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International

**CANADIAN HATCHING EGG PRODUCERS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 212,499	\$ 631,123
Short-term investments - note 4	2,875,736	2,113,963
Accounts receivable - note 5	561,379	980,649
Prepaid expenses	<u>41,904</u>	<u>61,405</u>
	3,691,518	3,787,140
<b>CAPITAL ASSETS - note 6</b>	<u>711,042</u>	<u>536,567</u>
	<u>\$ 4,402,560</u>	<u>\$ 4,323,707</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 132,309	\$ 78,619
Government remittances payable	20,538	32,689
Current portion of long-term debt	<u>-</u>	<u>71,042</u>
	152,847	182,350
<b>NET ASSETS</b>		
Internally restricted - note 7	1,193,084	841,192
Unrestricted	<u>3,056,629</u>	<u>3,300,165</u>
	<u>4,249,713</u>	<u>4,141,357</u>
	<u>\$ 4,402,560</u>	<u>\$ 4,323,707</u>

Approved on behalf of the Board:



Brian Bilkes, Chair



Gyslaine Loyer, Vice-Chair

(See accompanying notes)

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International

**CANADIAN HATCHING EGG PRODUCERS**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Levies	\$ 2,297,674	\$ 2,239,711
Interest	<u>34,056</u>	<u>71,463</u>
	<u>2,331,730</u>	<u>2,311,174</u>
<b>EXPENSES</b>		
Amortization	31,861	32,682
Building occupancy	66,088	37,004
Directors' fees and participants' travel	238,822	246,423
Interest on long-term debt	583	2,887
Meetings	15,416	10,718
Membership fees	62,900	64,464
Office and administrative	110,936	87,766
Professional fees	207,678	152,632
Research	103,333	145,333
Salaries, benefits and travel	834,602	727,970
Trade and advocacy	132,599	72,759
Translation and interpretation	<u>93,955</u>	<u>64,859</u>
	<u>1,898,773</u>	<u>1,645,497</u>
<b>NET REVENUE (EXPENSE) BEFORE OTHER ITEMS</b>	<u>432,957</u>	<u>665,677</u>
<b>OTHER INCOME (EXPENSE)</b>		
Liquidated damages	230,399	884,950
COVID-19 grant - note 9	(480,000)	(350,000)
Emergency flooding grant	<u>(75,000)</u>	<u>-</u>
	<u>(324,601)</u>	<u>534,950</u>
<b>NET REVENUE</b>	<u>\$ 108,356</u>	<u>\$ 1,200,627</u>

(See accompanying notes)

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International



**CANADIAN HATCHING EGG PRODUCERS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>			<u>2020</u>
	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 841,192	\$ 3,300,165	\$ 4,141,357	\$ 2,940,730
<b>NET REVENUE (EXPENSE) BEFORE OTHER ITEMS</b>	(15,000)	123,356	108,356	1,200,627
<b>INTERNALLY IMPOSED RESTRICTIONS - note 7</b>	<u>366,892</u>	<u>(366,892)</u>	<u>-</u>	<u>-</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 1,193,084</u>	<u>\$ 3,056,629</u>	<u>\$ 4,249,713</u>	<u>\$ 4,141,357</u>

(See accompanying notes)

**Welch LLP<sup>®</sup>**



**CANADIAN HATCHING EGG PRODUCERS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue	\$ 108,356	\$ 1,200,627
Adjustment for amortization	<u>31,861</u>	<u>32,682</u>
	140,217	1,233,309
Changes in non-cash working capital items:		
Accounts receivable	419,270	(523,805)
Prepaid expenses	19,501	19,406
Accounts payable and accrued liabilities	53,690	(14,430)
Government remittances payable	<u>(12,151)</u>	<u>(1,127)</u>
	<u>620,527</u>	<u>713,353</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(206,336)	(2,837)
Purchase of investments	(2,875,736)	(2,113,963)
Proceeds on disposal of investments	<u>2,113,963</u>	<u>1,955,947</u>
	<u>(968,109)</u>	<u>(160,853)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(71,042)</u>	<u>(22,755)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(418,624)	529,745
<b>CASH AT BEGINNING OF YEAR</b>	<u>631,123</u>	<u>101,378</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 212,499</u>	<u>\$ 631,123</u>

(See accompanying notes)

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International



**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**1. NATURE OF OPERATIONS**

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

The mission of the Organization is "Together with our partners and producers, CHEP ensures 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**

***Basis of accounting***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

***Revenue recognition***

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

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

***Financial instruments***

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently measures them at cost or amortized cost, except for cash and investments which are measured fair value as at the financial statement date.

***Investment in co-owned property***

The Organization accounts for its investment in the co-owned property using proportionate consolidation. Under this method, the Organization's share of the assets, liabilities, revenues, expenses and cash flows of the co-owned property are reported in these financial statements.

***Capital assets and related amortization***

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

***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, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management makes accounting estimates when determining the net realizable value of accounts receivable, estimated useful life of capital assets and related amortization expense and significant accrued liabilities. Actual results could differ from these estimates.

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International

**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2021**

**3. 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 at December 31, 2021.

*Credit risk*

Credit risk arises from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments and its accounts receivable.

The Organization's cash and short-term investments are deposited with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote.

The Organization manages its credit risk by reviewing accounts receivable aging monthly and following up on outstanding amounts. Management believes that all accounts receivable at year-end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

*Liquidity risk*

Liquidity risk is the risk that the Organization cannot meet a demand for cash or fund its obligations as they become due. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash to meet obligations.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Substantially all of the Organization's transactions are in Canadian dollars and as a result, the Organization is not subject to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization's exposure to interest rate risk arises from its short-term investments. The Organization's short-term investments include amounts on deposit with financial institutions that earn interest at market rates.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization is not exposed to other price risk.

*Changes in risk*

There have been no significant changes in the Organization's risk exposures from the prior year.

**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2021**

**4. SHORT-TERM INVESTMENTS**

Short-term investments consist of the following:

	<u>2021</u>	<u>2020</u>
Guaranteed investment certificates, bearing interest rates of 0.2% to 0.5%, maturing in 2022 (2020 - rates ranging from 0.25% to 2%, maturing in 2021).	<u>\$ 2,875,736</u>	<u>\$ 2,113,963</u>

The Organization limits its investments to those authorized investments under the Farm Products Agencies Act ("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.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Levies	\$ 404,638	\$ 352,445
Liquidated damages	116,428	519,662
Interest and other	<u>40,313</u>	<u>108,542</u>
	<u>\$ 561,379</u>	<u>\$ 980,649</u>

**6. CAPITAL ASSETS**

Effective March 31, 2021, the Organization purchased an additional 1.98% interest from a previous co-owner Dairy Farmers of Canada. The Organization now holds a 10% (2020 - 8.02%) interest, as co-owner with Egg 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 capital assets, including its proportionate share of the cost and related accumulated amortization of the land and building consists of:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 74,528	\$ -	\$ 54,135	\$ -
Building	857,204	221,931	671,261	202,114
Office furniture and equipment	33,477	32,889	33,477	32,684
Electronic equipment	<u>56,404</u>	<u>55,751</u>	<u>56,404</u>	<u>43,912</u>
	1,021,613	<u>\$ 310,571</u>	815,277	<u>\$ 278,710</u>
Less accumulated amortization	<u>310,571</u>		<u>278,710</u>	
Net book value	<u>\$ 711,042</u>		<u>\$ 536,567</u>	

**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2021**

**7. INTERNALLY IMPOSED RESTRICTIONS**

The Board of Directors has internally restricted funds for the following:

	<u>2021</u>	<u>2020</u>
Capital assets	\$ 746,881	\$ 504,164
Severance contingency	214,975	190,800
Research	<u>231,228</u>	<u>146,228</u>
	<u>\$ 1,193,084</u>	<u>\$ 841,192</u>

Internally restricted for capital assets includes cash reserves held by the property management company to facilitate the maintenance and long-term projects for 21 Florence Street. During the year, \$24,175 was allocated to the severance contingency fund based upon revised estimates by management. The Board also approved an internal restriction of \$100,000 for research.

**8. COST SHARING ARRANGEMENT**

The Organization shares office facilities and certain staff costs with Egg Farmers of Canada and Canadian Federation of Agriculture. Each organization bears its proportionate share of the related costs.

**9. IMPACT OF COVID-19**

In mid-March of 2020, the Government of Canada declared a state of emergency in response to the public health concerns originating from the spread of COVID-19. Measures taken by the government to contain the virus have affected the global and local economic activity. As a result of the on-going pandemic, 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 impacts of COVID-19 that have been borne by the provinces and producers. As a result, the Organization contributed \$480,000 (2020 - \$350,000) in the form of a grant to all provinces, based on their market shares.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time the Organization's operations will be impacted. Consequently, at the time of the issuance of these financial statements, the full effect that this will have on the Organization's operations, assets, liabilities, revenues and expenses is not yet known.

**10. COMPARATIVE FIGURES**

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted in the current year.





## Canadian Hatching Egg Producers

21 Florence Street, Ottawa, Ontario K2P 0W6

Tel: (613) 232-3023

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

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