



CANADIAN HATCHING  
EGG PRODUCERS

2022 ANNUAL REPORT

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## Message from the Chair

We approached the year with optimism after exiting pandemic restrictions and being presented with an opportunity to take advantage of strong growth in the chicken market from a growing economy supported by Canadians once again returning to restaurants and food service providers. However, we encountered more challenges, both new and old. At the start of the year, we had a sobering reflection on the devastating flooding that had taken place in the Fraser Valley of British Columbia. I was pleased that CHEP was able to demonstrate support both financial and through participating in an appreciation event for first responders, producers and the public, hosted by the BC industry in April to recognize the lengths to which so many volunteered to help in the emergency response. However, recovery will not be easy for many.

It did not take long for our industry to find itself on to the next challenge posed by Highly Pathogenic Avian Influenza (HPAI). While the first few cases of HPAI outbreaks in Canada did not pose an immediate direct threat to broiler breeder production, CHEP, our producers, and the broader industry spent significant amounts of energy monitoring and preparing for any further spread of HPAI across Canada.

As we now know, this HPAI strain brought to Canada from migratory birds had a significant impact to the poultry and egg sector in Canada as the geographic scale of the outbreak challenged the Canadian Food Inspection Agency (CFIA) and industry to respond in a consistent and timely fashion. Responding to HPAI and working closely with CFIA to improve the response to better support the industry took significant resources throughout the year for many of us. In total, there were 18 hatching egg farms depopulated due to HPAI over the course of the spring and fall outbreaks in five out of six member provinces, the majority of them in BC late in the year.

The 2022 outbreak brought severe strain to those impacted producers, and many were challenged with the requirements that were imposed on them by CFIA's response and significant delays. I'd like to recognize all the additional biosecurity precautions that our producers have taken and the stress that they were under in 2022. Further, I'd like to congratulate our producers for stepping up to increase production while focusing on quality, fertility and hatchability to make up for the lost domestic production and the ongoing challenges we saw with the availability of imports in some regions.

As inflation and increased food costs began to bite, I'm pleased that once again CHEP was able to make financial donations for the purchase of chicken products by Canadian food banks. This came at a time when food banks saw increased strain from higher numbers of individuals and families accessing them.



**Brian Bilkes**  
Chair



CHEP saw the federal government deliver on its promise to provide mitigation funding for the impact of the new North American Free Trade Agreement (NAFTA). While there was no new access granted for broiler hatching eggs and chicks in the agreement, there was recognition that a nominal impact will still be felt by the changes to the Chicken market access. CHEP expects that this modest funding will be made available in 2023 as a top up to the available funding in each producers' account in the Poultry and Egg On-Farm Investment Program (PEFIP).

While there were certainly challenges for our producers to receive timely information from the on-farm investment program, we saw a significant amount of funding be disbursed in 2022 to support investments on our farms that will make them more profitable, efficient and sustainable now and for the future so that we as a sector will be more resilient to compete with imports.

It was great to once again be meeting in person as an agency, to reconnect with our provincial boards, producers across Canada and many others in the industry. CHEP celebrated its 35th anniversary as a national agency and held our summer meeting in Quebec City, where the Quebec provincial board was also celebrating their 40<sup>th</sup> anniversary.

While we had a challenging year on a number of fronts, the future of the Canadian hatching egg sector remains bright!



Brian Bilkes  
Chair



Appearance before the House of Commons Standing Committee on Agriculture and Agri-Food to discuss agriculture and agri-food supply chains. February 14, 2022



British Columbia Recovery Event April 9, 2022



SM5 Downtown Diner – Ottawa  
The Honourable Marie-Claude Bibeau,  
Minister of Agriculture and Agri-Food  
June 9, 2022



CHEP July 2022 Meeting – Retiring Director  
Joe Neels, British Columbia Producer



CHEP July 2022 Meeting – Retiring Director  
Dean Penner, Manitoba Producer



WTO Public Forum  
September 26-30, 2022



## Executive Director's Report

Predicting challenges from a shortage of broiler hatching egg and chick imports, the CHEP board of directors had taken an unprecedented step to increase the overproduction sleeve significantly on an exceptional basis for 2022. At the time the Highly Pathogenic Avian Influenza (HPAI) outbreak had not yet begun, but this approach turned out to be beneficial to ensure as predictable a supply to the hatcheries as possible. By the end of 2022, CHEP member provinces were able to produce 100.6% of the allocation despite significant impacts from HPAI positive flocks that impacted production in some provinces. Unfortunately, the impact of this will very much continue to be felt in 2023.

CHEP staff worked very closely with the National Poultry Group (NPG) throughout the year on HPAI response and we were able to successfully advocate for some positive changes in CFIA's response with the implementation of a new Event Response Plan that responded to many of the proposals that the NPG had put forward. However, there remains ongoing work to address remaining challenges and we will be working diligently to mitigate the impact to the industry from regulatory responses into 2023. In the meantime, all producers are encouraged to maintain elevated biosecurity measures in place to avoid any introduction of HPAI to their flocks as the risks are expected to be high throughout 2023.

Despite the challenges that we saw throughout 2022, we maintained our commitments to the on-farm food safety and animal care programs, research, our advocacy for the sector with governments and industry partners, training for CHEP staff and work on many different files. CHEP provided our sector's perspective in the federal government's ongoing consultations on climate change, agriculture and various other relevant topics. The relatively new Temporary Allocation Adjustment Mechanism (TAAM) that had been put in place was tested a number of times in response to HPAI infections of breeder flocks. However, the geographic scale of the outbreak and efforts already in place to boost domestic production meant that the policy wasn't fully enacted.

Trade negotiations with other countries continued at a relatively slow pace over the course of 2022 and CHEP attended the thirteenth Ministerial Conference of the World Trade Organization at a time when there has been renewed interest in ensuring domestic food security throughout the world. Potential threats from trade remain to Canada's orderly marketing system. Chile completed their ratification of the 2018 Comprehensive and Progressive Trans-Pacific Partnership trade agreement which will enable them to export poultry to Canada under the access available. While the agreement contains market access for broiler hatching eggs, we don't expect the economics to result in any eggs entering Canada in the foreseeable future.



**Drew Black**  
Executive Director



After decades of discussions and delays, the revised regulations for hatcheries and supply flocks were published in *Canada Gazette II* as an amendment to the *Health of Animals Regulations (Hatchery)*. Under this regulation, all broiler hatching egg flocks that supply federally registered hatcheries will be tested for *Salmonella enteritidis* (SE). Our understanding is that the CHEQ™ and CHEP ACP programs will meet the requirements of this regulation for hatching egg producers. The updated hatchery regulation will come into force in November 2023, one year after they were published. CHEP will continue to engage with CFIA to ensure the transition is as seamless as possible.

I'd like to take the opportunity to welcome CHEP's new staff Amanda Pufall and Garen Afarian who joined the team in this past year. We also completed the building renovation to 21 Florence Street and were very pleased and proud to once again host our CHEP meetings in the updated and enlarged boardroom facilities that we now have.

CHEP closed off the year with launching a new strategic planning process that will see the development of a new plan in early 2023. We welcome the contribution of our member provinces in the renewal of our strategic direction for the agency as we emerge from a number of challenging years.

Sincerely,



Drew Black  
Executive Director



# Canadian Hatching Egg Producers Board of Directors



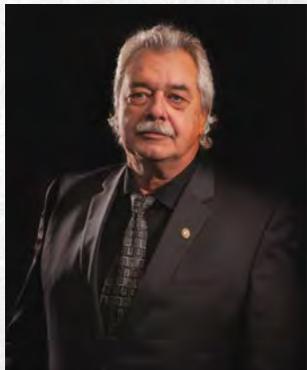
**Calvin Breukelman**  
British Columbia



**Kevin Tiemstra**  
Alberta



**Mike Wurtz**  
Saskatchewan



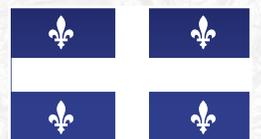
**Murray Klassen**  
Manitoba



**Mark Woods**  
Ontario



**Gyslain Loyer**  
Quebec



**Christian Trottier**  
CHF Representative

*Absent: Ernie Silveri*  
CHF Representative



## Canadian Hatching Egg Producers Executive Committee



Cyslain Loyer, Vice Chair; Brian Bilkes, Chair, Calvin Breukelman, Second Vice Chair;  
Drew Black, Executive Director

### **Our Mission:**

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

### **Our Vision:**

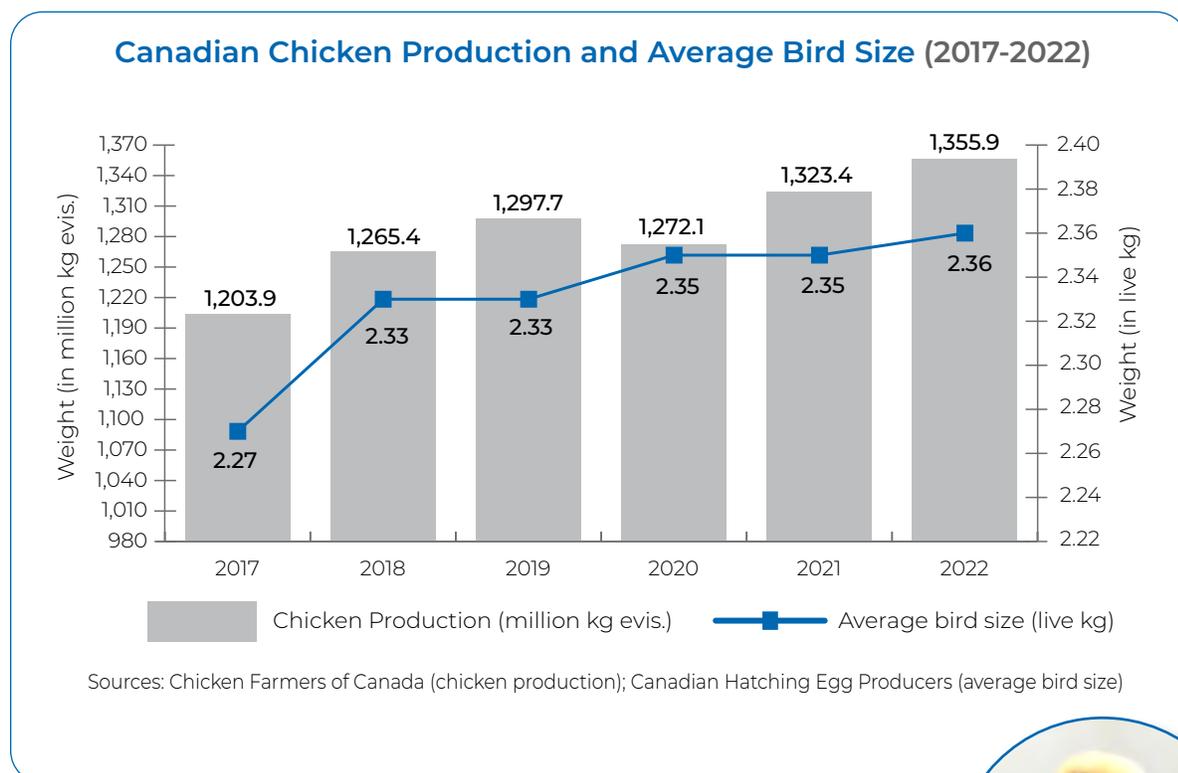
A prosperous Canadian poultry sector, enabled by a strong and profitable broiler hatching egg industry



# Canadian Hatching Egg Market Review

**2022** was a year punctuated by unprecedented challenges for the Broiler Hatching Egg (BHE) industry which was confronted with multiple issues, including import shortages from the United States, storm damage in Ontario, lingering impacts of flooding in BC and multiple cases of Highly Pathogenic Avian Influenza (HPAI) across Canada. These situations contributed to uncertainty around the Canadian BHE and chicken supplies. The effects of these challenges will continue to extend into 2023. CHEP monitored the situation throughout 2022 and took steps to contribute to a steady supply of broiler hatching eggs to the Canadian chicken industry during this period of uncertainty.

The initial 2022 broiler hatching egg allocations established in March 2021 were based on estimated chicken production of 1,340 million kilograms, which represented growth of 1.25% above 2021 chicken production of 1,323.4 million kilograms. By July 2021, the 2022 chicken production estimate increased to 1,371 million kilograms then decreased to 1,362 million kilograms in November 2021 before increasing to 1,366 million kilograms March 2022 where it remained for the final allocation in July 2022. In the end, 2022 chicken production totaled 1,355.9 million kilograms, which represents a 2.45% increase over the previous year, and 10.1 million kilograms less than the July 2022 projection. This underproduction compared to the July projection was largely attributed to the continuation of HPAI cases throughout the third and fourth quarters of 2022 across Canada.



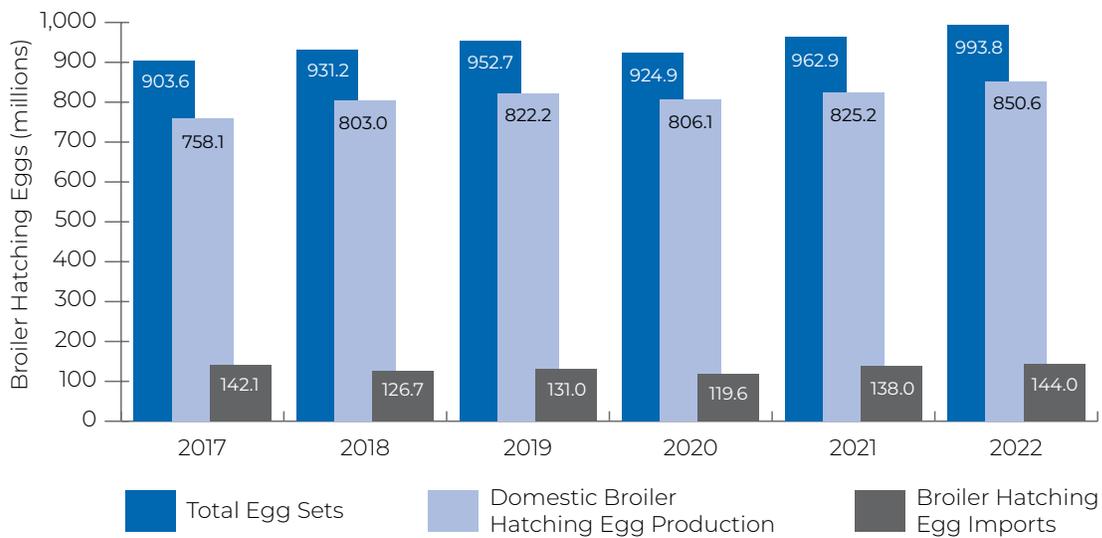
## Canadian Hatching Egg Market Review

Canadian hatcheries set a total of 993.8 million broiler hatching eggs in 2022, an increase of 30.9 million eggs (3.2%) from 2021. Meanwhile, domestic broiler hatching egg production totaled 850.6 million eggs across Canada, an increase of nearly 25.4 million eggs (3.1%) over the previous year and equal to 101.7% of CHEP's final 2022 allocation.

Broiler hatching egg imports into Canada increased by around 6 million eggs (4.4%) compared to last year, while broiler chicks imported into Canada decreased by 4.37 million chicks (-23.6%). As a result, 2022 combined imports increased by nearly 0.34 million BHE equivalents (0.2%) from 2021. Altogether, broiler hatching egg imports into Canada totaled 98.9% of the tariff rate quota (TRQ) allotted to hatcheries in 2022, while broiler chick imports totaled 59.2% of TRQ.

Canadian domestic broiler hatching egg production in 2022 increased by 3.1% compared to 2021, with growth in production levels reported in five of eight producing provinces. Some provinces were severely constrained in their ability to produce due to positive cases of highly pathogenic avian influenza. Collectively, domestic production between the six member provinces reached 100.5% of the final 2022 allocations which is an increase from 2021.

### Canadian Broiler Hatching Egg Statistics (2017-2022)



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



## Provincial Broiler Hatching Egg Production and Imports

Provincially, British Columbia's domestic production increased by 3.5 million eggs (3.1%), while imports decreased by -0.6%, resulting in 2.9 million (2.1%) more eggs set during the year. In Alberta, domestic production fell by 0.38 million eggs (-0.5%) and imports increased by 26.8% resulting in 4.1 million (4%) more eggs set. Saskatchewan's production experienced a decline of 9.5 million eggs (29%), while imports increased by 164%, finishing the year with nearly 0.18 million eggs (-0.5%) less eggs set. Manitoba's production increased by more than 1.9 million eggs (5.1%), while imports decreased by 22.3%, resulting in nearly 0.36 million (0.8%) more eggs set. In Ontario, production increased by 18.9 million eggs (7.1%), while imports decreased by 7.4%, resulting in more than 16.4 million more eggs set (5.6%). Quebec's production increased by around 12 million eggs (5.6%), while imports decreased by 9.5%, resulting in 8.2 million more eggs (3.1%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2022	119,866	84,683	23,276	39,637	284,707	227,538	39,170	31,764	<b>850,639</b>
2021	116,310	85,070	32,789	37,725	265,809	215,544	38,219	33,743	<b>825,211</b>
2020	117,206	88,468	33,303	38,056	249,286	210,500	37,116	32,190	<b>806,124</b>
2019	121,459	87,939	34,043	39,118	255,893	213,056	37,941	32,782	<b>822,231</b>
<b>% Change</b>									
22/21	3.1	(0.5)	(29.0)	5.1	7.1	5.6	2.5	(5.9)	<b>3.1</b>
21/20	(0.8)	(3.8)	(1.5)	(0.9)	6.6	2.4	3.0	4.8	<b>2.4</b>
20/19	(3.5)	0.6	(2.2)	(2.7)	(2.6)	(1.2)	(2.2)	(1.8)	<b>(2.0)</b>

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2022 was 2.36 kg live per bird, a slight increase (by 0.01 kg) 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.)	29,743	21,436	14,944	5,769	31,383	57,285	0	1,822	<b>162,382</b>
% change 22/21	(3.0)	26.8	154.1	(27.3)	(17.2)	(7.8)	-	181.1	<b>0.2</b>
<b>Chicken Production</b>									
(000 kg evis.)	190,620	130,771	48,158	53,602	471,123	358,081	45,693	57,849	<b>1,355,896</b>
% change 22/21	1.0	(0.2)	(0.6)	1.7	4.9	1.2	4.7	3.1	<b>2.5</b>
<b>Avg. live weight of broilers</b>									
(kg live/bird)	2.20	2.31	2.26	2.01	2.49	2.35	2.45	2.42	<b>2.36</b>
% change 22/21	(1.5)	0.5	(1.6)	(0.2)	1.7	(1.2)	2.0	1.2	<b>0.2</b>

Sources: CHEP; AAFC; CFC



## Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2022 grew by 10% to reach \$461.3 million, up from \$419.4 million in 2021. The 2022 average saleable chick price paid by hatcheries to producers ranged from 70.72 cents in British Columbia to 64.83 cents in Ontario.

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

	Farm Cash Receipts		Broiler Hatching Egg Producer Prices	
	2022 \$ 000	% change 22/21	¢ per saleable chick (2022 average) <sup>1</sup>	% change 22/21
British Columbia	68,408	7.0	70.72	2.7
Alberta	47,506	3.3	69.69	3.5
Saskatchewan	12,576	(25.1)	67.62	6.1
Manitoba	22,337	11.7	69.80	5.6
Ontario	149,410	16.2	64.83	7.2
Quebec	122,840	13.0	66.73	6.5
Nova Scotia	21,131	10.7	–	–
NB/PE/NL	17,094	5.2	–	–
<b>CANADA</b>	<b>461,302</b>	<b>10.0</b>	<b>68.23</b>	<b>5.2</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 2022**

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Broiler Hatching Egg Producers	53	28	10	20	70	35	15	4	<b>235</b>
Hatcheries	10	4	2	4	9	5	3	3	<b>40</b>
Average Farm Size (million eggs)	2.3	3.0	2.3	2.0	4.1	6.5	3.3	8.2	<b>3.7</b>

Sources: Provincial Boards, CHEP.





# Canadian Broiler Hatching Egg Producers' Association

I am honoured to provide you with my first report as chair of the Canadian Broiler Hatching Egg Producers' Association (CBHEPA). I have been a member of the producers' association since 2020.

CBHEPA holds their Annual General Meeting in March and also meets again in July and November every year. The focus of the meetings are to discuss and review broiler hatching egg allocations, industry statistics, provincial broiler hatching egg flow, market conditions, tariff rate quota (TRQ) imports, and the 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.

## Producer of the Year

Robert Massé was named Producer of the Year along with his wife Josée and two sons Jean-Christophe and Jérôme. Robert was Chair of the Canadian Broiler Hatching Egg Producers' Association from 2016 to 2021, the longest sitting Chair to date and on behalf of the association I'd like to thank him for his years of leadership and dedication. The award was presented during CHEP's Summer Meeting in Quebec City on July 4, 2022.



**Beata Kunze**  
Chair



*From left to right: Beata Kunze, Chair CBHEPA, Jean-Christophe Massé, Josée Kavanagh, Robert Massé and Jérôme Massé*

## Membership:

- Beata Kunze, Chair, British Columbia
- Dave Janzen, Vice Chair, Saskatchewan
- Dennis Wickersham, Alberta
- Henry Heppner, Manitoba
- Tim Hutten, Ontario
- Clément Allard, Quebec



## Student Programs

CBHEPA was able to return to accepting applications for the student programs in 2022 and it was great to see the enthusiasm from the applications received. These programs have been beneficial to many that have participated. The following are those who were selected and completed programs in 2022.

### Broiler Breeder Research Grant

The objective of the study is to find an optimal growth curve for broiler breeder hens using Ross' 308 breed. The hypothesis is that there is a growth curve that can optimize the broiler breeder reproduction performance or profitability compared to the current BW targets offered in the industry. Thiago will share the results during his presentation at the upcoming CHEP 2023 Annual General Meeting.



Thiago Luiz Noetzold

### Young Farmers Program

CBHEPA also sponsored three young farmers from Ontario to travel to and tour the Cobb primary breeder facilities in Arkansas, USA last August.



From left to right:  
Heather Oosterholt, Joost Bertens  
and Melissa Sinnige.

I wish to thank the members for their support and commitment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Beata Kunze'.

Beata Kunze  
Chair



# Production Management Committee

The Production Management Committee (PMC) was active in considering updates to both on-farm programs in 2022 in the spirit of continuous improvement.

## Food Safety

The PMC worked on developing an updated CHEQ™ on-farm deviation procedure in 2022. CHEP staff worked in consultation with the Canadian Food Inspection Agency (CFIA) to revise the CHEQ™ HACCP generic model, which is a technical document that forms the basis for the producer manual. These revisions were necessary to ensure the program continues to meet all CFIA requirements and remains a useful tool for producers to demonstrate effective food safety practices.

CHEP engages regularly with Health Canada, CFIA, and the Public Health Agency of Canada on discussions regarding food safety and control of foodborne pathogens in poultry, particularly *Salmonella* Enteritidis (SE). CHEP communicated on sector initiatives to mitigate food safety risks, including CHEQ™ audits, provincial SE monitoring programs, and research. It was noted that while some on-farm audits had to be paused in 2022 due to the risk of highly pathogenic avian influenza (HPAI), provincial boards implemented measures where needed to ensure the integrity of the system, such as switching to remote audits and revising audit schedules. It is important that those outside our sector know the continuing efforts of our producers to protect the public and our birds.



**Calvin Breukelman**  
Chair

## Animal Care

2022 marked the fourth year of the CHEP Animal Care Program (ACP) and the third year of third-party system audits. These third-party audits performed by NSF included on-farm witness audits in two provinces, one provincial office and the annual office audit. Four provinces were unable to have on-farm witness audits due to the HPAI biosecurity risk. One province scheduled for a 2022 office audit had to divert resources to their HPAI response, and as a result postponed the office audit until 2023. As with the CHEQ™ program, provincial boards ensured the continuity of the ACP through revisions of audit schedules and virtual audits where possible as a mitigation measure.

Following the management review of the ACP in 2021 and based on feedback from the CHEP Board and our provincial offices (including staff, auditors, and producers), the ACP Producer and Management Manuals were updated to reflect the important feedback received. These changes came into effect in July 2022. In anticipation of the release of the amended *Hatchery Regulations*, work began in early 2022 on creating an ammonia addendum to the ACP which will document how broiler hatching egg producers meet the ammonia requirement of the *Poultry Code* and therefore demonstrating CHEP's compliance with all current regulations. These changes also demonstrate continuous improvements in both programs.



Efforts have also started to create a joint audit tool for the Animal Care and CHEQ™ programs with the goal of completion and implementation in 2023 to streamline the documentation required to administer the programs. Additionally, CHEP continued to work towards the implementation of internal program checks for both programs.

### Regulations

#### *Hatchery Regulations*

The revised federal *Hatchery Regulations* were published in November 2022. These regulations will apply to every broiler hatching egg producer in Canada when they come into effect in November 2023. Throughout 2022, we continued to engage CFIA on the regulations to ensure that any requirements for producers are being met by the high industry standards our producers have on farm and are practical.

Sincerely,



Calvin Breukelman  
Chair

#### Membership:

Calvin Breukelman, Chair  
Beata Kunze, British Columbia  
Kevin Tiemstra, Alberta  
Mike Wurtz, Saskatchewan  
Murray Klassen, Manitoba  
Tim Hutten, Ontario  
Cyslain Loyer, Quebec  
Ernie Silveri, CHF Representative



## Advisory Committee

As we reflect on the year that has passed, it is important to remember the struggles and successes of the Broiler Hatching Egg (BHE) industry in 2022. The industry faced unprecedented difficulties, including import shortages from the United States, impact from severe weather events, and ongoing cases of Highly Pathogenic Avian Influenza (HPAI) across Canada. These situations posed uncertainty for delivering supply of BHEs and the demand at hatcheries in response to HPAI related restrictions. Despite these challenges, the BHE industry displayed remarkable resilience and innovation, adapting to these changes with increased efficiency and strong biosecurity measures.

Unlike 2021, COVID-19 pandemic restrictions were expected to be minimal if any in 2022. Therefore, a significant increase in the chicken demand had been forecast as Canadians continued to return to restaurants and food service options. While total disappearance of chicken in 2021 finished 0.3% above 2019, the annual per capita consumption remained 1.4% below. Stocks were recorded at 56.2Mkg, 10% (5.2Mkg) above the 5-year average. Wholesale prices were strong for most of 2021 and strengthened further in 2022.

Regarding the Canadian economy, by March 2022 the economic impact of the COVID-19 pandemic became smaller but new risks emerged, pushing many commodity prices higher not least due to the impact on global prices from Russia's invasion of Ukraine. This threatened further disruptions to global supply chains and added to inflation pressure and costs of inputs. As a result, the recommendation for the 2022 chicken production was 1,366 million kilograms, which represented a 3.6% increase above the 2021 production (1,318 million kilograms). For 2023, an initial chicken production of 1,418 million kilograms was recommended, which represents a 3.8% increase above the 2022 estimate (1,366 million kilograms). The committee also took the opportunity to review past recommendations of the Advisory Committee and to compare them to actual chicken production to consider the success of the recommendations.

By July 2022, it was clear that the Canadian chicken market was being impacted by the level of supply. The period A-174 allocation was overproduced by 3 Mkg (eviscerated). During that period, the TRQ utilization was less than 9.5 Mkg, significantly below pro-rata. However, since then chicken production was significantly lower than the allocation mainly due to the impact of US broiler hatching shortages for imports. There were some promising signs that things had been starting to improve. However, by mid-2022, US data on breeder placements indicated that the US hatching egg market will remain tight in early 2023.

Total chicken stocks decreased steadily from the beginning of 2022 and totaled 53.1 Mkg on June 1, 2022, down 0.8 Mkg (1.5%) from the previous year. Wholesale prices were close to or at record highs for the market composite and the various complexes. The overall economic situation is expected to continue to be an important factor in 2023 as Canadians feel the impact of rising prices that began in May 2022 as consumer inflation rose 7.7% year over year. During the 12-month period ending in May, Statistics Canada reported that consumers paid 9.7% more



**Mark Woods**  
Chair



for food in store, while the CPI for all meats rose by 9% and prices paid for food purchased in restaurants increased by 6.8% during that span. Meanwhile, the CPI for fresh or frozen beef (+11.2%), pork (+5.4%) and fresh or frozen chicken (+7.9%) saw increases during that span. The recommendation for the 2022 final chicken production was 1,366 million kilograms, which represented a 3.6% increase above the 2021 production (1,318 million kilograms). For 2023, an initial chicken production of 1,418 million kilograms was recommended, a 3.8% increase above the 2022 estimate (1,366 million kilograms).

In November 2022, the Canadian broiler hatcheries reported that egg supply was short to adequate. Chicken disappearance between January and September 2022, was 6.4% above disappearance during the same period last year, and 5.6% above the 2019 level, supported by an increase in both per capita disappearance and population growth. In early October 2022, storage stock levels were 56.8 Mkg, up 4.7 Mkg (+ 9%) from October 1, 2021, and above the CFC healthy range. The EMI market composite wholesale price (\$4.25/kg on week ending October 30) was up \$0.37 from the previous year. Regarding the Canadian economy, the continued cases of Highly Pathogenic Avian Influenza (HPAI) were negatively impacting the Canadian poultry industry. Additionally, the high inflation rates and the fear of an upcoming recession were increasing the uncertainty. The pace of economic growth in Canada was slowing and was expected to moderate further. Growth was projected to essentially stall later in 2022 and through the first half of 2023.

Looking ahead to 2023, while there were still expected to be economic headwinds and high inflationary food prices, the Committee also found reasons for optimism. Though food inflation was high, chicken was still one of the most affordable proteins and was expected to remain so. As a result, the recommendation from the Advisory Committee for 2023 chicken production was 1,418 million kilograms, which represented a 3.8% increase above the 2022 final allocation (1,366 million kilograms).

Sincerely,



Mark Woods  
Chair

### Membership:



*From left to right:* Beata Kunze, 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; Geneviève Rodrigue, Agriculture and Agri-Food Canada; Larisa Averkiewa, Global Affairs Canada. *Missing:* Nicolas Paillat, Canadian Poultry and Egg Processors Council



## Finance Committee

The Canadian Hatching Egg Producers (CHEP) Finance Committee met throughout 2022 to examine the organization's financial situation and I'm pleased to report that the national agency remains in a strong financial position. Canada's hatching egg producers faced significant production challenges as a result of the impact of flooding in BC's Fraser Valley, the most severe Highly Pathogenic Avian Influenza outbreak we have experienced yet impacting multiple provinces, and severe storms in Ontario. In 2022 revenues were \$2.38 million, while expenditures totalled \$2.54 million resulting in a deficit of approximately \$75,000.

CHEP received unbudgeted revenue from liquidated damages assessed for overmarketing in 2021 and at the same time reduced an LDA amount based on new information. This contributed to a more favourable position than the originally budgeted deficit of \$118,000 in 2022.

While 2022 began with CHEP meetings being held virtually only, the year did see CHEP return to holding its meetings in person which resulted in higher than expected costs associated with director fees and participants' travel to attend and host meetings. Increased costs for translation and interpretation were also seen with increased volume of use and the need to bring in audio-visual equipment for meetings. These costs were also higher as inflationary pressure increased prices for many goods and services in 2022 that are indispensable for CHEP to hold and participate in meetings. The Committee took the opportunity to review the current interest that CHEP was receiving from its investments in light of rapidly increasing overnight lending rates from the Bank of Canada. In further recognizing the financial stress that the higher cost of living was also posing for many Canadians struggling to put food on their table, CHEP once again made donations to Food Banks Canada.

The Committee presented a final budget for 2023 with projected revenue of \$2.45 million, and expenses of \$2.6 million resulting in a deficit of \$150,000. The national levy rate remains unchanged and CHEP's reserves are projected to remain above the set range of 75% of expenses. Revenue was projected to increase in 2023 in response to a growing chicken market and therefore increased domestic broiler hatching egg production and total collected levies. Expenses are also expected to be higher largely due to inflationary pressures.

In response to increased inflationary pressures, the committee also reviewed CHEP's financial policies and recommended a number of changes to keep in line with comparable organizations and inflation. These will be reviewed on an annual basis moving forward.



Mark Woods  
Chair



Mark Woods  
Chair

### Membership:

Kevin Tiemstra, Alberta  
Mike Wurtz, Saskatchewan  
Murray Klassen, Manitoba  
Christian Trottier, CHF Representative



## Research Committee

**2022** continued to be an important year for research at CHEP. Our focus was on the following key areas:

- Production-based Research
- Breeder Welfare
- Environment
- Poultry Health and Disease
- Alternatives to Antimicrobials
- Control of Foodborne Pathogens/*Salmonella* enteritidis (SE)

This list guides our research activities at CHEP and is also brought forward to the Canadian Poultry Research Council (CPRC).

Research is a crucial part of continuous improvement for our sector. In addition to reviewing CHEP's research priorities in consultation with provincial boards, CHEP also supported research to advance scientific knowledge in our sector.

CHEP embarked on a partnership with the Swine and Poultry Infectious Diseases Research Centre, or CRIPA. This partnership works to leverage CHEP's industry funds via matched funds through CRIPA to conduct research important to CHEP members, to support training of highly-qualified personnel (HQP) with a Bio-Talent fellowship, and to disseminate research findings to producers. The initial call for research proposals was prepared, and the program will officially commence in 2023.

We continued to support research to inform requirements around in-barn ammonia concentrations. This work is particularly important given that the *Hatchery Regulations* (which include the ammonia requirement from the 2016 Code) were published in November 2022, and come into effect in 2023. Two current projects that CHEP is supporting are:

*Measurement of Ammonia Concentrations* led by Dr. Van Heyst from the University of Guelph.

*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.

CHEP also supported new research on antimicrobial peptides to maintain bird health while reducing the need for traditional antibiotics and the risk of antimicrobial resistance. This work is being led by Amphoraxe, based in British Columbia.

We also supported research by Dr. Bruce Rathgeber and his team on improving early feed intake of newly hatched broiler chicks raised without antibiotics using light during incubation.



**Beata Kunze**  
Chair



The committee contributed to CPRC's work in developing the fourth Poultry Science Cluster submission to AAFC, and actively engaged with CPRC on their 2022 call for proposals as well as CPRC's governance work through Jeff Notenbomer, CHEP's representative on the CPRC Board of Directors.

Poultry veterinary capacity in Canada is crucial to antimicrobial stewardship, as well as effective on-farm management and poultry health. CHEP supported the American Association of Avian Pathologists (AAAP) Foundation Riddell-Julian Canadian Poultry Scholarship, which encourages Canadian veterinary students to choose poultry medicine. We were pleased to note that the scholarship has been awarded twice since it was fully endowed in 2019, with another recipient to be announced in 2023.

We also met with researchers and research organizations to discuss and promote CHEP's research priorities, and to encourage research that is important to our producers.

Sincerely,



Beata Kunze  
Chair

### **Membership:**

Beata Kunze, Chair, British Columbia  
Dennis Wickersham, Alberta  
Dave Janzen, Saskatchewan  
Henry Heppner, Manitoba  
Tim Hutten, Ontario  
Clément Allard, Quebec



## Research Priorities

November 18, 2021

**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)
- c. Environmental impact and effects of climate change as related to broiler hatching egg production

### 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)



# Canadian Hatching Egg Producers

## Alternates



*Top row from left to right: David Janzen, Saskatchewan; Clément Allard, Quebec  
Bottom row from left to right: Henry Heppner, Manitoba;  
Beata Kunze, British Columbia; Dennis Wickersham, Alberta  
Absent: Tim Hutten, Ontario; Orville Friesen, Canadian Hatchery Federation;  
Gordon Hastie, Canadian Hatchery Federation*

## Provincial Managers



*Top row from left to right: Michael Kautzman, Saskatchewan;  
Wayne Hiltz, Manitoba  
Bottom row from left to right: Stephanie Nelson, British Columbia;  
Bob Smook, Alberta; Marie-Ève Bourdeau, Quebec  
Absent: Bill Van Heeswyk, Ontario*



## CHEP Drawing Contest Winners

The drawings for 2022 had to reflect Christmas and Families Working Together on the Hatching Egg farm. The contest is open to all producers' children, grandchildren, nieces and nephews in four age categories and an overall winner.



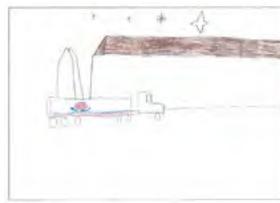
Overall Winner  
**Jasmine Kleinsasser**  
Saskatchewan



Winner Age 2 to 4 Category  
**Blayke Nywening**  
Ontario



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



Winner Age 8 to 11 Category  
**Adam Giesbrecht**  
Ontario



Winner Age 12 to 14 Category  
**Jolina Friesen**  
British Columbia

## CHEP participated in the following organizations and working groups.

- Canadian Federation of Agriculture Director ..... Gyslain Loyer since 2016
- Canadian Poultry Research Council Director ..... Jeff Notenbomer since 2019
- National Farm Animal Care Council Director ..... Calvin Breukelman since 2021
- National Farm Animal Care Council  
Transport Code Representative ..... Calvin Breukelman since 2021
- National Farm Animal Care Council  
Poultry Code Review Representative ..... Calvin Breukelman since 2021
- Animal Health Canada Representative ..... Mark Woods since 2019
- Canadian Hatchery Supply Flock  
Working Group Representative ..... Brian Bilkes since 2020
- Industry AMU / AMR Working Group Representative ..... Brian Bilkes since 2020
- Joint Government-Industry Working Group  
on the Control of *Salmonella* and *Campylobacter*  
in Poultry Representative ..... Mike Wurtz since 2021



# Canadian Hatching Egg Producers

## CHEP Staff participating in the following committees and organizations during 2022:

- Agriculture Carbon Alliance
- Agriculture and Food Budget Coalition
- Animal Health Canada
  - Animal Health Canada Working Group
- Animal Protein Table
- Border Measures Workshop
- Canadian Agriculture Hall of Fame
- Canadian Animal Health Surveillance System (CAHSS)
  - AMU/AMR Network
  - Poultry Sector Network Group
- Canadian Centre for Food Integrity
- Canadian Livestock Transport (CLT) Advisory Group
- Canadian Poultry Research Council
  - Governance Steering Committee
- Canadian Supply Chain Food Safety Coalition
- CFIA National Emergency Operations Centre (NEOC)
  - CFIA Destruction Working Group
  - CFIA Policy Working Group
- CPEPC's Poultry Operations Technical Committee (POTC)
- Industry-Government Advisory Committee (IGAC)
- Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry
- NFACC Transportation Code – Poultry working group
- Poultry Industry Council
- SM5 Trade Technical Committee
- SM5 Communications Committee

## CHEP Staff



*Top, from left to right:*

Drew Black, Executive Director; Nicole Duval, Office Administrator; Victoria Sikur, Food Safety Officer; Teddy Markey, Communications and Government Relations Advisor; Amanda Pufall, Animal Welfare Officer

*Bottom, from left to right:*

Garen Afarian, Economist; Danielle Belair, Finance Manager

## SM-5 Representative to the WTO

Charles Akande



**FINANCIAL STATEMENTS**  
**For**  
**CANADIAN HATCHING EGG PRODUCERS**  
**For year ended**  
**DECEMBER 31, 2022**

**Welch LLP<sup>®</sup>**

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**CANADIAN HATCHING EGG PRODUCERS  
INDEX TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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**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 of the statement of financial position as at December 31, 2022, and the statements of operations, 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, 2022 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.

*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 22, 2023.

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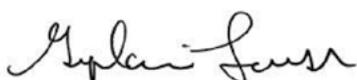


**CANADIAN HATCHING EGG PRODUCERS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 501,021	\$ 212,499
Short-term investments - note 4	2,515,855	2,875,736
Accounts receivable - note 5	537,282	561,379
Prepaid expenses	<u>67,732</u>	<u>41,904</u>
	3,621,890	3,691,518
<b>CAPITAL ASSETS - note 6</b>	<u>730,812</u>	<u>711,042</u>
	<u>\$ 4,352,702</u>	<u>\$ 4,402,560</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 123,514	\$ 132,309
Government remittances payable	<u>55,350</u>	<u>20,538</u>
	<u>178,864</u>	<u>152,847</u>
<b>NET ASSETS</b>		
Internally restricted - note 7	1,198,084	1,193,084
Unrestricted	<u>2,975,754</u>	<u>3,056,629</u>
	<u>4,173,838</u>	<u>4,249,713</u>
	<u>\$ 4,352,702</u>	<u>\$ 4,402,560</u>

Approved on behalf of the Board:

  
 \_\_\_\_\_  
 Brian Bilkes, Chair

  
 \_\_\_\_\_  
 Gyslain Loyer, Vice-Chair

(See accompanying notes)

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**CANADIAN HATCHING EGG PRODUCERS**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Levies	\$ 2,362,878	\$ 2,297,674
Interest	<u>19,698</u>	<u>34,056</u>
	<u>2,382,576</u>	<u>2,331,730</u>
<b>EXPENSES</b>		
Amortization	23,367	31,861
Building occupancy	60,501	66,088
Directors' fees and participants' travel	564,014	238,822
Interest on long-term debt	-	583
Meetings	108,076	15,416
Membership fees	66,978	62,900
Office and administrative	173,323	120,936
Professional fees	182,432	207,678
Research	105,683	93,333
Salaries, benefits and travel	939,621	834,602
Trade and advocacy	150,314	132,599
Translation and interpretation	<u>161,880</u>	<u>93,955</u>
	<u>2,536,189</u>	<u>1,898,773</u>
<b>NET REVENUE (EXPENSE) BEFORE OTHER REVENUE (EXPENSE)</b>	<u>(153,613)</u>	<u>432,957</u>
<b>OTHER REVENUE (EXPENSE)</b>		
Liquidated damages	77,738	230,399
COVID-19 grant	-	(480,000)
Emergency flooding grant	<u>-</u>	<u>(75,000)</u>
	<u>77,738</u>	<u>(324,601)</u>
<b>NET REVENUE (EXPENSE)</b>	<u>\$ (75,875)</u>	<u>\$ 108,356</u>

(See accompanying notes)

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**CANADIAN HATCHING EGG PRODUCERS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>			<u>2021</u>
	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 1,193,084	\$ 3,056,629	\$ 4,249,713	\$ 4,141,357
<b>NET REVENUE (EXPENSE)</b>	-	(75,875)	(75,875)	108,356
<b>INTERNALLY IMPOSED RESTRICTIONS - note 7</b>	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 1,198,084</u>	<u>\$ 2,975,754</u>	<u>\$ 4,173,838</u>	<u>\$ 4,249,713</u>

(See accompanying notes)



**CANADIAN HATCHING EGG PRODUCERS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue (expense)	\$ (75,875)	\$ 108,356
Adjustment for amortization	<u>23,367</u>	<u>31,861</u>
	(52,508)	140,217
Changes in non-cash working capital items:		
Accounts receivable	24,097	419,270
Prepaid expenses	(25,828)	19,501
Accounts payable and accrued liabilities	(8,795)	53,690
Government remittances payable	<u>34,812</u>	<u>(12,151)</u>
	<u>(28,222)</u>	<u>620,527</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(43,137)	(206,336)
Purchase of investments	(2,515,855)	(2,875,736)
Proceeds on disposal of investments	<u>2,875,736</u>	<u>2,113,963</u>
	<u>316,744</u>	<u>(968,109)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>-</u>	<u>(71,042)</u>
<b>INCREASE (DECREASE) IN CASH</b>	288,522	(418,624)
<b>CASH AT BEGINNING OF YEAR</b>	<u>212,499</u>	<u>631,123</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 501,021</u>	<u>\$ 212,499</u>

(See accompanying notes)

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**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

**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.



**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2022**

**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, 2022.

*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, 2022**

**4. SHORT-TERM INVESTMENTS**

Short-term investments consist of the following:

	<u>2022</u>	<u>2021</u>
Guaranteed investment certificates, bearing interest rates of 0.65% to 3.75%, maturing in 2023 (2021 - rates ranging from 0.2% to 0.5%, maturing in 2022).	<u>\$ 2,515,855</u>	<u>\$ 2,875,736</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>2022</u>	<u>2021</u>
Levies	\$ 393,955	\$ 404,638
Liquidated damages	110,658	116,428
Interest and other	<u>32,669</u>	<u>40,313</u>
	<u>\$ 537,282</u>	<u>\$ 561,379</u>

**6. CAPITAL ASSETS**

The Organization is a co-owner with Egg Farmers of Canada and Canadian Federation of Agriculture, of a property located at 21 Florence Street, Ottawa, Ontario, that houses the Organization's office. The Organization holds a 10% interest in this property.

The Organization's capital assets, including its proportionate share of the cost and related accumulated amortization of the land and building consists of:

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 74,528	\$ -	\$ 74,528	\$ -
Building	900,341	244,439	857,204	221,931
Office furniture and equipment	33,477	33,095	33,477	32,889
Electronic equipment	<u>56,404</u>	<u>56,404</u>	<u>56,404</u>	<u>55,751</u>
	1,064,750	<u>\$ 333,938</u>	1,021,613	<u>\$ 310,571</u>
Less accumulated amortization	<u>333,938</u>		<u>310,571</u>	
Net book value	<u>\$ 730,812</u>		<u>\$ 711,042</u>	



**CANADIAN HATCHING EGG PRODUCERS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2022**

**7. INTERNALLY IMPOSED RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Capital assets	\$ 748,828	\$ 746,881
Severance contingency	218,028	214,975
Research	<u>231,228</u>	<u>231,228</u>
	<u>\$ 1,198,084</u>	<u>\$ 1,193,084</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, \$3,053 was allocated to the severance contingency fund based upon revised estimates by management.

**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.





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