



**Canadian
Hatching Egg
Producers**

**2023
Annual
Report**

Table of Contents

Message from the Chair	1
Executive Director's Report.....	3
Interim Executive Director's Message.....	5
CHEP Executive Committee and Mission Statement.....	6
CHEP Board of Directors	7
Canadian Hatching Egg Market Review	8
Canadian Broiler Hatching Egg Producers' Association	12
Production Management Committee	14
Advisory Committee.....	16
Finance Committee	18
Research Committee	19
Alternates and Provincial Managers	23
CHEP Drawing Contest Winners.....	24
CHEP participation in organizations and working groups.....	25
CHEP committee participation	26
CHEP staff and SM-5 Representative to the WTO	27
Financial Statements December 31, 2023	28



Message from the Chair

Even though we all experienced some unforeseen circumstances this year, I was pleased to see an opportunity to take advantage of a strong chicken market. Our economy continues to strengthen itself and we are ready to adapt to whatever necessary to meet the demands of the hatching industry head on.

It is unfortunate that Highly Pathogenic Avian Influenza (HPAI) continued to be present in Canada throughout this year. Our producers have always practiced the highest levels of biosecurity to help stop the spread of this disease.

Along with the CHEP Board of Directors, I would like to take this opportunity to thank each and every one of you for your diligence, hard work, and perseverance during these difficult times. We know that there is more work to be done to improve preparedness, response times, and policies before we see the end of the impacts of HPAI. I know our producers are ready to take on this challenge.

As an organization CHEP continues to strive to meet the goals of its newly drafted strategic plan through a concentration on sustainability initiatives, a strong allocation process, and collaboration with other supply managed commodities and key stakeholders in agriculture.

This year our producers received funding from the Government of Canada through the Poultry and Egg On-Farm Investment Program (PEFIP) to compensate for the Canada United States Mexico Agreement (CUSMA). CHEP joined the International Poultry Council (IPC) as an associate member. We are monitoring and providing input on the implementation of the Hatchery Regulations for supply flocks and hatcheries.

We have launched our new Young Farmers Program which will commence in 2024.

CHEP provided another generous donation of \$50,000 to the Food Banks Canada to ensure that we play a role in the fight against food insecurity in this country.

Hatching egg producers are leaders in animal care, innovators of on-farm safety, and continued supporters of the supply management system in Canada.

Please join me in thanking our team at CHEP for their commitment to our industry. We have a great year ahead of us.



Brian Bilkes
Chair



Brian Bilkes
Chair



Message from the Chair



Bill C-282 Press Conference



SM4 Joint Annual Reception



Downtown Diner



Meeting with Minister Lawrence MacAulay



Signing of CHEP's LDA Agreement



World Organization for Animal Health 90th General Session of the World Assembly of Delegates



Visited The Salvation Army Care and Share Centre in Chilliwack British Columbia



Executive Director's Report

At the start of 2023 the broiler hatching egg sector was navigating the impact of a US egg and chick shortage. Hatching egg producers were able to withstand this shortage only to face their next challenge in the form of a Highly Pathogenic Avian Influenza (HPAI) outbreak. Hatching egg producers exhibited tremendous resilience and were able to increase their production significantly to make up for the losses cause by the unforeseen viral outbreak.

There has been a great deal of work done to prepare and support policy changes for an HPAI response from CFIA and even the broader industry. CHEP worked with the National Poultry Group and the Animal Nutrition Association of Canada to improve preparation, response, and policy approaches. CFIA has continued to update its response plan throughout 2023 in ways that have improved preparedness and reduced the burden upon industry. Discussions are now turning towards the development of policies that could support vaccination against HPAI. Producers should not let their guard down when it comes to biosecurity.

An updated three-year strategic plan was finalized in 2023. This new strategy has come at a crucial time and sets out an important direction for the organization as CHEP seeks continue its ongoing support for the supply management system in Canada, positive allocation procedures, strong industry relationships, and excellent organizational governance.

In response to the production impacts from HPAI, CHEP received and supported two successful applications to the Temporary Allocation Adjustment Mechanism (TAAM) policy. Both applications saw a response from another province which was able to step in to produce more hatching eggs to ensure that the demand was being met with quality domestic eggs. As this represents the first full year of the use of this policy, CHEP will be conducting a review in early 2024 to critically examine the successes and challenges experienced and consider if changes to the policy are warranted.

The CHEP ad-hoc Specialty Production Committee returned from its hiatus and held a number of successful meetings throughout the year. While specialty broiler hatching egg production of Silkie and Taiwanese only currently exists in British Columbia and Ontario, it is important for a national regulatory framework to be developed to support the provincial regulation of this sector that already occurs in both provinces. By the end of 2023 the Committee presented its final recommendations to the CHEP board. This included a two-year trial to assess the merits and accuracy of developing an allocation for specialty.



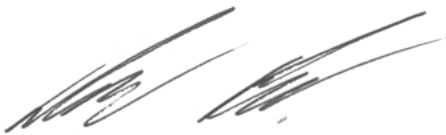
Drew Black
Executive Director



A significant milestone was met when the Hatching Egg Farmers of Nova Scotia (HEFNS) had their provincial regulations approved. Over the course of 2023, the CHEQ™ and ACP programs were both implemented in Nova Scotia as CHEP staff trained the producers, an auditor and HEFNS staff on their roles. There is still a long road ahead for HEFNS to join our national organization. CHEP staff will continue to support HEFNS to be successful in becoming a member of CHEP.

It is with mixed emotions that I am departing CHEP after more than five years of learning so much from so many wonderful and hardworking staff, producers, and other industry representatives. I wish nothing but the best for the broiler hatching egg industry as it is poised with excellent opportunities for growth.

Sincerely,



Drew Black
Executive Director



Interim Executive Director's Message

It has been an absolute pleasure to have the opportunity to join the small and mighty team at CHEP as the Interim Executive Director. Even though it has been a brief time with the organization there have been many opportunities for me to continue to support the agriculture industry through my passion for sustainable food systems, strengthening public trust, and helping more people in Canada understand the hatching egg industry. I am proud to have the opportunity to facilitate CHEP in setting priorities through their strategic plan for the coming year, supported the Executive Committee and Board of Directors in the process of making integral decisions for the future, and helped strengthen the hatching egg industry for the better. I am confident that we will see continued growth and awareness of hatching egg producers across Canada for years to come.

Sincerely,



Tim Lambert
Interim Executive Director



Tim Lambert
Interim Executive Director



Canadian Hatching Egg Producers Executive Committee



Brian Bilkes
Chair



Gyslain Loyer
Vice 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 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
Canadian Hatchery
Federation



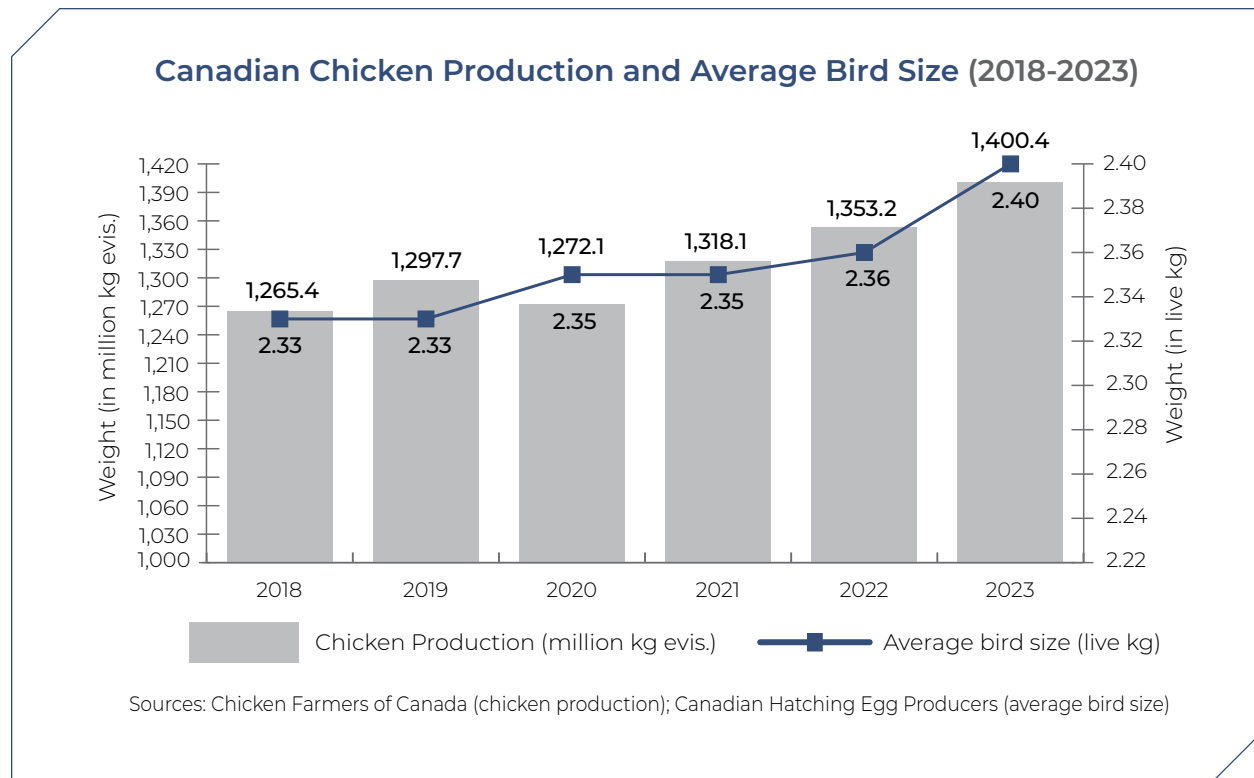
Jorge Gallegos
Canadian Hatchery
Federation



Canadian Hatching Egg Market Review

In 2023, the Broiler Hatching Egg (BHE) industry faced unprecedented challenges, marked by various issues. These challenges included persistent import shortages from the United States and the ongoing cases of Highly Pathogenic Avian Influenza (HPAI) across Canada. Such circumstances have led to uncertainty surrounding the supplies of Canadian BHE and chicken. The repercussions of these challenges are expected to persist into 2024. Throughout 2023, CHEP closely monitored the situation and implemented measures to ensure a consistent supply of broiler hatching eggs to the Canadian chicken industry amidst this period of uncertainty.

The initial 2023 broiler hatching egg allocations, established in March 2022, were based on an estimated chicken production of 1,418 million kilograms, indicating a growth of 4.8% compared to the 2022 chicken production of 1,353.2 million kilograms. This chicken production estimate remained consistent throughout the year, up until the final allocation in July 2023. Ultimately, the total chicken production for 2023 amounted to 1,400.4 million kilograms, marking a 3.5% increase over the previous year but falling short by 17.6 million kilograms compared to the July 2023 projection. This shortfall in production, compared to the July projection, was partially attributed to the ongoing HPAI cases persisting throughout the fourth quarter of 2023 across Canada.

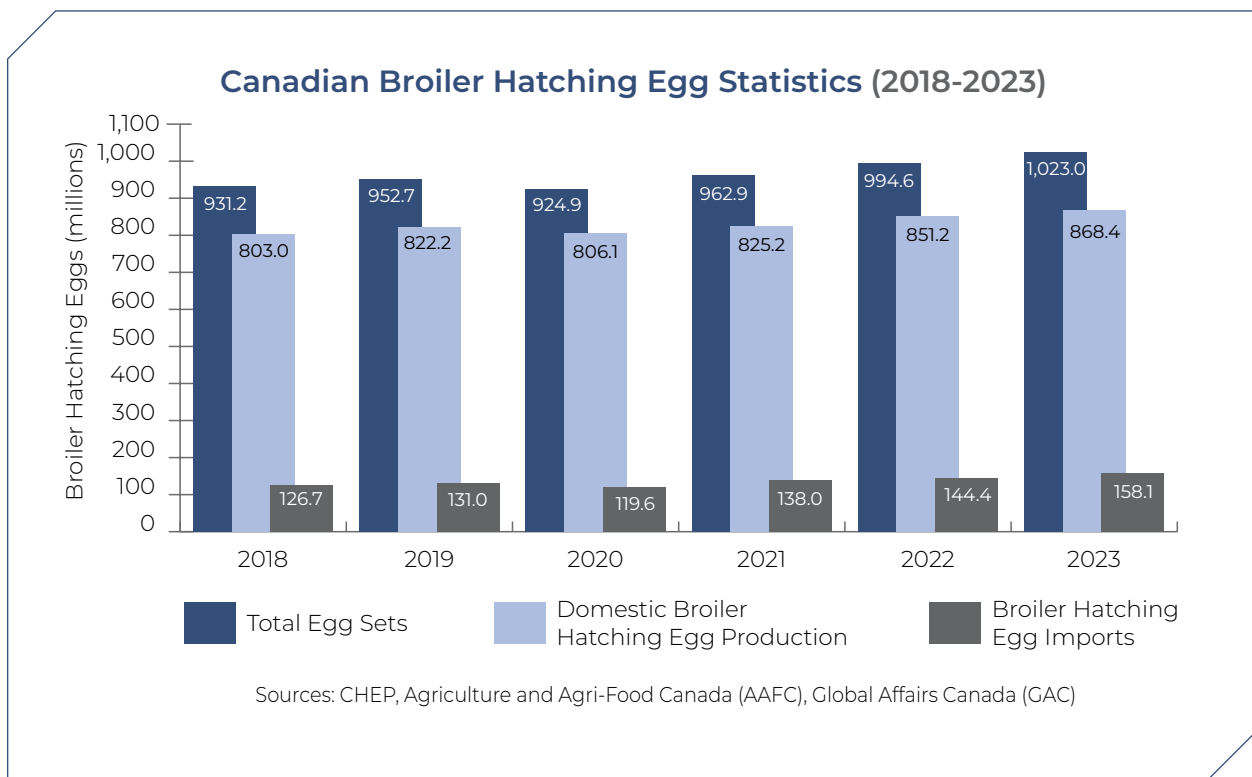


Canadian Hatching Egg Market Review

Canadian hatcheries set a total of 1,023 million broiler hatching eggs in 2023, an increase of 28.4 million eggs (2.9%) from 2022. Meanwhile, domestic broiler hatching egg production totaled 868.4 million eggs across Canada, an increase of nearly 17.2 million eggs (2.0%) over the previous year and equal to 98.8% of CHEP’s final 2023 allocation.

Broiler hatching egg imports into Canada increased by around 13.7 million eggs (9.5%) compared to last year, while broiler chicks imported into Canada decreased by 4.1 million chicks (-22.2%). As a result, 2023 combined imports increased by nearly 9.7 million BHE equivalents (6%) from 2022. Altogether, broiler hatching egg imports into Canada totaled 103% of the tariff rate quota (TRQ) allotted to hatcheries in 2023, while broiler chick imports totaled 43.9% of TRQ.

Canadian domestic broiler hatching egg production in 2023 increased by 2.0% compared to 2022, with growth in production levels reported in seven of eight producing provinces. One province was 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 97.6% of the final 2023 allocations which represents a decrease from 2022.



Provincial Broiler Hatching Egg Production and Imports

Provincially, British Columbia's domestic production fell by 14.6 million eggs (12.2%), while imports increased by 92.4%, resulting in 5.5 million (3.9%) more eggs set during the year. In Alberta, domestic production increased by 5 million eggs (5.9%) and imports fell by -9.7% resulting in 3 million (2.8%) more eggs set. Saskatchewan's production increased by 5.8 million eggs (24.8%), while imports decreased by -41.1%, finishing the year with nearly 0.4 million eggs (-1%) less eggs set. Manitoba's production increased by 3.4 million eggs (8.6%), while imports decreased by 33.0%, resulting in nearly 1.6 million (3.5%) more eggs set. In Ontario, production increased by 9.1 million eggs (3.2%), while imports decreased by -10.0%, resulting in more than 5.3 million more eggs set (1.7%). Quebec's production increased by around 7.4 million eggs (3.3%), while imports increased by 5.5%, resulting in 10.1 million more eggs (3.6%) being set.

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

Year	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
2023	105,328	89,826	29,198	42,745	293,164	234,931	40,766	32,404	868,363
2022	119,926	84,789	23,394	39,368	284,038	227,501	39,170	33,047	851,233
2021	116,310	85,070	32,789	37,725	265,809	215,544	38,219	33,743	825,211
2020	117,206	88,468	33,303	38,056	249,286	210,500	37,116	32,190	806,124
% Change									
23/22	(12.2)	5.9	24.8	8.6	3.2	3.3	4.1	(1.9)	2.0
22/21	3.1	(0.3)	(28.7)	4.4	6.9	5.5	2.5	(2.1)	3.2
21/20	(0.8)	(3.8)	(1.5)	(0.9)	6.6	2.4	3.0	4.8	2.4

Sources: CHEP, AAFC

The average live weight of broilers produced in Canada in 2023 was 2.4 kg live per bird, an increase (by 0.04 kg) from the previous year.

Table 2 – Selected Market Factors

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Total (Combined) Imports									
(000 eggs equiv.)	50,065	19,319	8,860	3,738	25,988	60,479	179	3,255	171,883
% change 23/22	68.3	-9.9	-40.7	-35.2	-16.6	5.6	0.0	78.7	6.0
Chicken Production									
(000 kg evis.)	194,387	133,259	49,324	55,907	486,798	374,178	46,046	60,512	1,400,411
% change 23/22	2.0	1.9	2.3	4.3	3.3	5.3	0.8	4.6	3.5
Avg. live weight of broilers									
(kg live/bird)	2.25	2.33	2.35	2.10	2.52	2.38	2.76	2.47	2.40
% change 23/22	2.3%	0.7	4.1	4.6	1.3	1.3	1.8	2.2	1.6

Sources: CHEP; AAFC; CFC



Farm Cash Receipts and Producer Prices

Total farm cash receipts for broiler hatching egg producers in 2023 grew by 7% to reach \$500.3 million, up from \$461.7 million in 2022. The 2023 average saleable chick price paid by hatcheries to producers ranged from 75.3 cents in Alberta to 69.03 cents in Ontario.

Table 3 – Farm Cash Receipts and Producer Prices

	Farm Cash Receipts		Broiler Hatching Egg Producer Prices	
	2023 \$ 000	% change 23/22	¢ per saleable chick (2023 average) ¹	% change 23/22
British Columbia	62,703	-8.3	73.97	4.2
Alberta	54,181	14.3	75.30	8.0
Saskatchewan	17,643	40.6	75.00	10.8
Manitoba	25,586	14.7	74.52	6.3
Ontario	162,901	9.1	69.03	5.9
Quebec	134,603	9.4	71.54	6.8
NS/NB/PE/NL	42,656	10.0	–	–
CANADA	500,273	8.3	73.22	7.0%

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

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

Canadian Hatching Egg Industry Profile

Table 4 – Broiler Hatching Egg Industry Profile for 2023

	BC	AB	SK	MB	ON	QC	NS	NB/PE/NL	Canada
Broiler Hatching Egg Producers	52	28	10	19	78	36	16	4	243
Hatcheries	9	4	2	3	14	5	3	3	43
Average Farm Size (million eggs)	2.0	3.2	2.9	2.2	3.8	6.5	2.5	8.1	3.6

Sources: Provincial Boards, CHEP.





Canadian Broiler Hatching Egg Producers' Association

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

Over the years, the CBHEPA Student programs has been beneficial to many that have participated, and it continues to bring much interest. The following are those who were selected and completed programs in 2023.

Broiler Breeder Research Grant



Camila Rodrigues
de Freitas

The research project title is the Impact of Maternal Feeding System and Body Weight Trajectory on the Offspring Performance. The project has two goals: to investigate the impact of different maternal feeding systems on the offspring body weight, feed conversion ratio, breast yield and fat pad. And secondly, to investigate the impact of different maternal growth trajectories on the offspring body weight, feed conversion ratio, breast yield and fat pad. Camila will share the results during her presentation at the upcoming CHEP 2024 Annual General Meeting.



Beata Kunze
Chair

Young Farmers Program

CBHEPA / CHEP Young Farmer



Joe Hengstmengel

The Canadian Broiler Hatching Egg Producer Association developed the Young Farmer Program in 2002. The program has been very successful in supporting young farmers maintain interest in the industry. Through this program, the CBHEPA provided financial assistance to young producers looking to acquire or broaden their knowledge of the hatching egg industry from primary breeder companies.

In 2023 our young farmer Joe Hengstmengel attended CHEP meetings and orientation session. It is unfortunate that he was not able to tour the Aviagen facilities due to heightened biosecurity risk over the year. We look forward to having him participate in 2024.



Canadian Broiler Hatching Egg Producers' Association

In 2024 CBHEPA will be partnering with CHEP to implement a new Young Farmers Program. The new program will offer young farmers an opportunity to gain experience and learn more about the national system and its role. For those looking to become future members at the provincial and national board levels, the program will offer professional development. On occasion the Federal Government contacts CHEP for young producer representatives for specific working groups or advisory councils. With an active young farmers program, CHEP will have a pool of young producers that could participate as the opportunity arises.

"I thoroughly enjoyed meeting the CHEP staff and producers from across the country. At the meetings it was nice to see how all the provinces are able to collaborate together. I was very surprised to see the vast network of different egg, meat & hatchery boards it takes to determine egg allocation. The meetings really brought perspective on the different challenges we are all facing. I am really looking forward to the Aviagen tour which is tentatively scheduled for fall of 2024."

Producer of the Year

Central Prairie Farms (Waldheim) Saskatchewan

Even though Brian and Joe both live in British Columbia they frequently visit their farms and are very respected amongst their employees. They have also shown dedication and engagement with the provincial board and worked for the betterment of the provincial hatching egg industry.

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

Sincerely,



Beata Kunze
Chair



From left to right:
Brian Bilkes, Joe Neels

Membership:

Beata Kunze, Chair
Dennis Wickersham, Alberta
Dave Janzen, Saskatchewan
Murray Klassen, Manitoba
Tim Hutten, Ontario
Clément Allard, Quebec



Production Management Committee

Food Safety

CHEQ™

I am pleased to report that the 2023 version of the CHEQ™ Program was completed and distributed to producers. This was an especially important update to meet federal requirements set out by the *Regulations Amending the Health of Animals Regulations (Hatchery)* for supply flocks and hatcheries, or the *Hatchery Regulations*. The changes also included updated language on how consumers view food safety, clarification on certain requirements, and improved procedures for deviations and corrective actions. These changes strengthened our program and our ability to provide quality eggs for hatcheries. These changes were reviewed by the Canadian Food Inspection Agency (CFIA) and came into effect November 1, 2023.

AMU/AMR

Antimicrobial use and antimicrobial resistance continued to be important topics, both for maintaining and increasing product access for our sector, and within the larger, global One Health context. The committee, along with provincial boards, reviewed issues and solutions for our sector regarding access to antimicrobials and animal health products.

Enhanced biosecurity

As we continue to be vigilant for HPAI and other pathogens such as *Salmonella*, the committee also considered communication of biosecurity enhancements, particularly entrance biosecurity. The messages about the importance of prevention were part of broad efforts to increase awareness of best biosecurity practices.

Animal Welfare

ACP

This past year was an exciting year for the CHEP Animal Care Program (ACP) with the resumption of third-party audits and many improvements made to the program. Third-party audits in 2023 performed by NSF included three provincial office audits, on-farm witness audits, and the national office audit. Thanks to the hard work and advance planning of provincial technical staff, third-party witness audits took place in all member provinces during periods of low biosecurity risk. As this was the fifth year of the CHEP ACP, internal assessments were conducted on auditors who have been with the program since its implementation in 2018. Additionally, internal ACP program checks began this year, and 2023 was the first year in which the national third-party office audit was completed with no corrective actions.



Calvin Breukelman
Chair



Similarly to CHEQ™, an update to the CHEP ACP was completed and distributed to all producers so as they would meet the federal requirements of the *Hatchery Regulations*. This update came into effect September 1, 2023, and included an ammonia addendum describing how broiler hatching egg producers meet the ammonia requirement of the NFACC Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys. Furthermore, proposed changes to the ACP management manual were approved which focused primarily on reducing repetition, improving clarity, including additional guidance, and updating management system procedures.

NFACC Poultry Code

As the ten-year update of the Code approached, CHEP signed a joint letter to NFACC with CFC, TFC, and CPEP (formerly CPEPC) indicating the organizations' intent to update the Code. NFACC was able to secure funding for this project through Sustainable-CAP, and work is scheduled to begin mid-2024.

On-Farm Program Updates

The joint audit tool for the Animal Care and CHEQ™ program was completed in 2023 which streamlines the documentation required to administer the on-farm programs. This tool is now being used for the on-farm program audits.

CHEP hosted virtual information sessions for auditors and provincial staff to review all the changes to both our on-farm programs this year, and to provide the opportunity to ask questions about the changes. These sessions were well attended and received positive feedback. Staff also trained producers and staff outside member provinces on both programs.

Sincerely,



Calvin Breukelman
Chair

Membership:

Calvin Breukelman, Chair
Beata Kunze, British Columbia
Kevin Tiemstra, Alberta
Mike Wurtz, Saskatchewan
Murray Klassen, Manitoba
Tim Hutten, Ontario
Gyslain Loyer, Quebec
Jorge Gallegos,
Canadian Hatchery Federation



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 2023. The industry faced unprecedented difficulties, including the continuation of import shortages from the United States and the persistence of cases of Highly Pathogenic Avian Influenza (HPAI) across Canada. These situations posed uncertainty for delivering the supply of BHEs and the demand at hatcheries in response to HPAI-related restrictions. Despite these challenges, the BHE industry displayed remarkable resilience, adapting to these changes with increased efficiency and strong biosecurity measures.

Regarding the Canadian economy, the Consumer Price Index (CPI) inflation remained high, and progress towards the 2% objective was slower than expected, but it is easing gradually. Recent data reinforces that monetary policy is working to moderate spending and relieve price pressures across a wider range of goods and services. On the other hand, the positive news for the chicken consumption industry was the significant increase in the Canadian population in 2023, which is expected to continue throughout 2024. As for food prices, inflation continues to slow, with the Consumer Price Index rising by 3.8% year over year in September 2023, down from the 10.9% increase two years ago. The Bank of Canada upgraded its CPI forecast to 3.3% year over year in 2023, with inflation expected to return to target in 2025.

Price growth for groceries continued to slow in September but remained high at 5.8% year over year. The deceleration stemmed from year-over-year slowdowns in various categories, including meat at 4.4%. Chicken CPI rose by 6.2% year over year, beef rose by 7.7%, and pork rose by 3.7%. However, with wage growth of 5% year-over-year, consumers were able to maintain a more vigorous level of spending in the third quarter. As a result, the recommended chicken production for 2023 was 1,418 million kilograms, representing a 4.8% increase from the 2022 production (1,353 million kilograms). For 2024, an initial chicken production of 1,468 million kilograms is recommended, representing a 3.5% increase from the 2023 estimate (1,418 million kilograms).

The combined allocations for the seven periods in 2023 (A180-A186) totaled 1,499 million kilograms. The first four allocations were underproduced by 16 million kilograms (1.9%), while production in period A184 was almost 2 million kilograms higher than the allocated amount. This underproduction is strongly correlated with the domestic broiler hatching egg underproduction due to HPAI and import shortages from the US. However, the US hatching egg suppliers have indicated that hatching egg availability for Canada is currently robust, and they expect the 2024 supply to meet the Canadian market demand.



Mark Woods
Chair



Total chicken stocks increased steadily from the beginning of 2023 and totaled 72.1 million kilograms by December 14, 2023, up by 10.6 million kilograms (17.2%) from the previous year. Chicken total disappearance between January and September 2023 was 1.2% above the disappearance during the same period last year, supported by population growth. Meanwhile, per capita disappearance decreased by 1.7%. Lower per capita disappearance may be explained by the inflationary economic environment affecting food services and the high retail chicken prices.

The chicken wholesale market composite remained strong throughout 2023 but was lower than in 2022. The EMI market composite wholesale price (\$0.35/kg on the week ending December 27) was down by \$0.06 from the previous year.

As for 2024, the Canadian economy has yet to feel the full impact of previous rate hikes, but it is expected to continue slowing for the rest of the year and into 2024. Inflation is projected to stay around 3% through the first half of 2024. As excess supply in the economy weighs on prices, inflation is forecast to ease to 2.5% in the second half of 2024 and to return to target in 2025. Although the economy is showing signs of moving closer to balance, albeit somewhat more slowly than expected, some geopolitical uncertainties remain and could create new cost pressures by affecting energy prices and supply chains for goods and raw materials.

Based on the latest monetary policy report, global GDP growth projections have been revised to just under 1% in 2024. Population growth is expected to continue in 2024 and 2025 as the government continues its efforts to meet its current ambitious targets before seeking to stabilize immigration levels in 2026.

Sincerely,



Mark Woods
Chair

Membership:

Mark Woods, Chair
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
Nicolas Paillat, Canadian Poultry
and Egg Processors
Geneviève Rodrigue, Agriculture
and Agri-Food Canada
Larisa Averkieva, Global Affairs Canada



Finance Committee

The Canadian Hatching Egg Producers (CHEP) Finance Committee met throughout 2023 to examine the organization's financial situation and are pleased to report that the national agency remains in a strong financial position. Avian Influenza outbreaks have continued to impact multiple provinces. In 2023 revenue were 2.48 million, while expenditures totaled 3.05 million resulting in a deficit of (569,761).

CHEP received unbudgeted revenue from liquidated damages assessed from overmarketing in 2022 and at the same time reduced an LDA amount based on new information. This contributed to a more favorable position than the originally budgeted deficit of (158,237) in 2023.

In 2023 CHEP returned to holding all of its meeting in person which resulted in higher-than-expected costs associated with director fees and participants' travel to attend and host meetings. Increases in hotel, travel, translation, and interpretation were also seen with increased volume use and the need to bring in audio-visual equipment for meetings. The Committee took a different approach towards its investment to increase the interest made in the investment. The cost of living continued to be posing a struggle for many Canadians to put food on their tables. CHEP once again made donations to Food Banks Canada.

The Committee presented a final budget for 2024 with projected revenue of 2.5 million and expenses of 2.7 million resulting in a deficit of \$200,000. The national levy remains unchanged and CHEP's reserve is projected to remain above the set range of 75% of expenses. Revenue was projected to increase in 2024 in response to the 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 continues to review CHEP's financial policies and recommended changes to keep in line with comparable organizations. These continue to be reviewed on an annual basis.

Sincerely,



Mark Woods
Chair



Membership:

Mark Woods, Chair
Kevin Tiemstra, Alberta
Mike Wurtz, Saskatchewan
Murray Klassen, Manitoba
Christian Trottier,
Canadian Hatchery Federation



Research Committee

Salmonella enteritidis (SE) control was a top research priority for CHEP in 2023. To this end, CHEP supported research on *Contribution of management factors to the evolution of genetic diversity in Salmonella spp. and the presence of SE*, led by Dr. Marie-Lou Gaucher, through our partnership with the Swine and Poultry Infectious Diseases Research Centre, or CRIPA. This project will highlight the types of *Salmonella* present, as well as risk factors for infection. Better knowledge of the most common and prevalent serovars will also help guide the development of autogenous *Salmonella* vaccines. This work will continue into 2024.

Ammonia continues to be important as the *Hatchery Regulations* (which include the ammonia requirement from the 2016 *Code*) came into effect in November 2023. CHEP is supporting the following ammonia research:

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.

Monitoring NH₃ and the chemistry leading to its formation in broiler hatching egg farms, led by Dr. Ran Zhao from University of Alberta. Dr. Zhao is collaborating with Dr. Jennifer Murphy from University of Toronto.

Research on alternatives to antimicrobials is key in reducing antimicrobial resistance. To address this priority, CHEP continued to support research on antimicrobial peptides, led by Amphorax, based in British Columbia.

As part of CHEP's antimicrobial stewardship efforts, we supported the American Association of Avian Pathologists (AAAP) Foundation Riddell-Julian Canadian Poultry Scholarship to increase poultry veterinary capacity in Canada. This scholarship encourages Canadian veterinary students to choose poultry medicine. The 2023 recipient was Hillary Schramm, from the Ontario Veterinary College.

CHEP supported the Canadian Poultry Research Council (CPRC) in preparation for the fourth Poultry Science Cluster with AAFC. We also actively engaged with CPRC on the expansion of CPRC's board, governance changes, the update of the National Poultry Research Strategy, and sharing of research results with producers through Jeff Notenbomer, CHEP's representative on the CPRC Board of Directors.



Beata Kunze
Chair



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

We met to complete our annual review CHEP's research priorities in consultation with provincial boards. This list guides our research activities at CHEP and is also brought forward to the Canadian Poultry Research Council (CPRC).

Sincerely,



Beata Kunze
Chair

Membership:

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



Research Priorities

November 17, 2022

***Salmonella* Enteritidis (SE) reduction has been designated as a top priority 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
 - Reducing caking litter in broiler breeder and grower barns
 - 1. Feed additives
 - 2. Best management practices for ventilation
- b. Strategies for feeding breeders
- c. Density
- d. 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
- e. Aggression
 - Feed energy and male aggression
 - Research linking specific genetic traits with male to female aggression
- f. Early mortality of breeder hens (*E. coli*, staphylococci)
 - *E. coli* and staphylococci more likely to post peak mortality association
- g. Physical alterations
 - Toe-trimming, beak trimming: ideal methods and timing for procedures
 - Cost-effective, practical management practices that can eliminate physical alterations



- h. 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
- i. 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*
- f. Effective ways to deal with HPAI, including treatment and vaccination

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



From Left to Right:
Beata Kunze, British Columbia
Dennis Wickersham, Alberta
Dave Janzen, Saskatchewan



From Left to Right:
Henry Heppner, Manitoba
Tim Hutten, Ontario
Clément Allard, Quebec

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

Provincial Managers



From Left to Right: Stephanie Nelson, British Columbia; Bob Smook, Alberta; Michelle Alting-Mees, Saskatchewan; Bill Van Heeswyk, Ontario; Marie-Ève Bourdeau, Quebec

Absent: Wayne Hiltz, Manitoba



Winners of CHEP Drawing Contest

The drawings for 2023 had to reflect Roosters, Hens, Baby Chicks and Hatching Eggs having fun in winter!



Hudson Denbok
British Columbia
Overall Winner



Blake Nywening
Ontario
Winner Category Age 2 to 4



Ivy DeJong
British Columbia
Winner Category Age 8 to 11



Lexi Giesbrecht
Ontario
Winner Category Age 5 to 7



Addison DeJong
British Columbia
Winner Category Age 12 to 14



Canadian Hatching Egg Producers

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

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 2023:

- Agriculture Carbon Alliance
- Agriculture and Food Budget Coalition
- Animal Health Canada
 - Animal Health Canada Working Group
 - Animal Health Canada Forum Planning Committee
- Animal Protein Table
- Border Measures Workshop
- Canadian Agricultural Hall of Fame
- Canadian Animal Health Surveillance System (CAHSS)
 - AMU/AMR Network
 - Poultry Sector Network Group
 - Leaders Group
- Canadian Centre for Food Integrity
- Canadian Livestock Transport (CLT) Advisory Group
- Canadian Poultry Research Council
- Canadian Supply Chain Food Safety Coalition
- CFIA National Emergency Operations Centre (NEOC)
 - CFIA Destruction Working Group
 - CFIA Policy Working Group
 - CFIA Compensation Working Group
 - Vaccine Task Force
- CPEP'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
- National Farm Animal Care Council (NFACC)
- Poultry Industry Council – Associate Member
- SM5 Trade Technical Committee
- SM5 Communications Committee
- World Farmers' Organization – Livestock Working Group



Canadian Hatching Egg Producers

CHEP Staff



Front Row Left to Right:
Danielle Belair, Finance Manager; Amanda Pufall, Animal Welfare Officer

Back Row Left to Right:
Teddy Markey, Communications and Government Relations Advisor;
Victoria Sikur, Food Safety Officer; Drew Black, Executive Director;
Nicole Duval, Office Administrator; Garen Afarian, Economist



SM-5 Representative to the WTO

Charles Akande



FINANCIAL STATEMENTS
For
CANADIAN HATCHING EGG PRODUCERS
For year ended
DECEMBER 31, 2023

Welch LLP[®]

An Independent Member of BKR International



**CANADIAN HATCHING EGG PRODUCERS
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 & 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 10

Welch LLP[®]

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 of the statement of financial position as at December 31, 2023, 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, 2023 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, 2024.

Welch LLP[®]

An Independent Member of BKR International



CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 677,449	\$ 501,021
Short-term investments - note 4	1,765,855	2,515,855
Accounts receivable - note 5	509,150	537,282
Prepaid expenses	<u>78,830</u>	<u>67,732</u>
	3,031,284	3,621,890
CAPITAL ASSETS - note 6	<u>708,097</u>	<u>730,812</u>
	<u>\$ 3,739,381</u>	<u>\$ 4,352,702</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 92,337	\$ 123,514
Government remittances payable	<u>42,967</u>	<u>55,350</u>
	135,304	178,864
NET ASSETS		
Internally restricted - note 7	1,434,997	1,198,084
Unrestricted	<u>2,169,080</u>	<u>2,975,754</u>
	<u>3,604,077</u>	<u>4,173,838</u>
	<u>\$ 3,739,381</u>	<u>\$ 4,352,702</u>

Approved on behalf of the Board:



 Brian Bilkes, Chair



 Gyslain Loyer, Vice-Chair

(See accompanying notes)

Welch LLP[®]

An Independent Member of BKR International



CANADIAN HATCHING EGG PRODUCERS

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUES		
Levies	\$ 2,388,308	\$ 2,362,878
Interest	<u>94,981</u>	<u>19,698</u>
	<u>2,483,289</u>	<u>2,382,576</u>
EXPENSES		
Amortization	22,715	23,367
Building occupancy	69,790	60,501
Directors' fees and participants' travel	841,033	564,014
Meetings	98,009	108,076
Membership fees	73,649	66,978
Office and administrative	171,929	173,323
Professional fees	233,725	182,432
Research - note 9	194,833	105,683
Salaries, benefits and travel	1,005,603	939,621
Trade and advocacy	184,180	150,314
Translation and interpretation	<u>157,584</u>	<u>161,880</u>
	<u>3,053,050</u>	<u>2,536,189</u>
NET EXPENSE BEFORE OTHER REVENUE	(569,761)	(153,613)
OTHER REVENUE		
Liquidated damages	<u>-</u>	<u>77,738</u>
NET EXPENSE	\$ <u>(569,761)</u>	\$ <u>(75,875)</u>

(See accompanying notes)

Welch LLP[®]

An Independent Member of BKR International



CANADIAN HATCHING EGG PRODUCERS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	2023			2022
	Internally restricted	Unrestricted	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 1,198,084	\$ 2,975,754	\$ 4,173,838	\$ 4,249,713
NET EXPENSE	-	(569,761)	(569,761)	(75,875)
INTERNALLY IMPOSED RESTRICTIONS - note 7	<u>236,913</u>	<u>(236,913)</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 1,434,997</u>	<u>\$ 2,169,080</u>	<u>\$ 3,604,077</u>	<u>\$ 4,173,838</u>

(See accompanying notes)

Welch LLP[®]



CANADIAN HATCHING EGG PRODUCERS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Net expense	\$ (569,761)	\$ (75,875)
Adjustment for amortization	<u>22,715</u>	<u>23,367</u>
	(547,046)	(52,508)
Changes in non-cash working capital items:		
Accounts receivable	28,132	24,097
Prepaid expenses	(11,098)	(25,828)
Accounts payable and accrued liabilities	(31,177)	(8,795)
Government remittances payable	<u>(12,383)</u>	<u>34,812</u>
	<u>(573,572)</u>	<u>(28,222)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(43,137)
Purchase of investments	(1,765,855)	(2,515,855)
Proceeds on disposal of investments	<u>2,515,855</u>	<u>2,875,736</u>
	<u>750,000</u>	<u>316,744</u>
INCREASE IN CASH	176,428	288,522
CASH AT BEGINNING OF YEAR	<u>501,021</u>	<u>212,499</u>
CASH AT END OF YEAR	<u>\$ 677,449</u>	<u>\$ 501,021</u>

(See accompanying notes)

Welch LLP[®]

An Independent Member of BKR International



CANADIAN HATCHING EGG PRODUCERS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

Interest income is unrestricted and is recognized in operations as it is earned.

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, 2023

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, 2023.

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, 2023

4. SHORT-TERM INVESTMENTS

Short-term investments consist of the following:

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificates, bearing interest rates of 2.50% to 5.00%, maturing in 2024 (2022 - rates ranging from 0.65% to 3.75%, maturing in 2023).	<u>\$ 1,765,855</u>	<u>\$ 2,515,855</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>2023</u>	<u>2022</u>
Levies	\$ 353,383	\$ 393,955
Liquidated damages	55,329	110,658
Interest and other	<u>100,438</u>	<u>32,669</u>
	<u>\$ 509,150</u>	<u>\$ 537,282</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:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 74,528	\$ -	\$ 74,528	\$ -
Building	900,341	266,948	900,341	244,439
Office furniture and equipment	33,477	33,301	33,477	33,095
Electronic equipment	<u>56,404</u>	<u>56,404</u>	<u>56,404</u>	<u>56,404</u>
	1,064,750	<u>\$ 356,653</u>	1,064,750	<u>\$ 333,938</u>
Less accumulated amortization	<u>356,653</u>		<u>333,938</u>	
Net book value	<u>\$ 708,097</u>		<u>\$ 730,812</u>	



CANADIAN HATCHING EGG PRODUCERS
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2023

7. INTERNALLY IMPOSED RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Capital assets	\$ 764,435	\$ 748,828
Severance contingency	239,334	218,028
Research	<u>431,228</u>	<u>231,228</u>
	<u>\$ 1,434,997</u>	<u>\$ 1,198,084</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, \$21,306 was allocated to the severance contingency fund based upon revised estimates by management. The Board also approved an internal restriction of \$200,000 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. SPECIAL CONTRIBUTION

During the year, the Organization approved and paid a one-time special operating contribution to the Canadian Poultry Research Council of \$15,000 which has been included within research expenses on the Statement of Operations.



Canadian Hatching Egg Producers

21 Florence Street, Ottawa, Ontario K2P 0W6

Tel: (613) 800-2315

Email: info@chep-poic.ca

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