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Table of Contents

About Us	2
Report from the Chair	4
Board of Directors & Committees	6
Staff Changes & Updates	8
Report from the Executive Director	10
Operating Agreement & Allocation.....	12
Strategic Planning	14
Governance	18
Corporate Social Responsibility	20
Market Watch.....	22
Government Relations	30
Trade & Policy	34
Monitoring & Enforcement.....	41
On-Farm Food Safety	42
Animal Care.....	44
Poultry Research	48
Antimicrobial Use.....	50
Sustainability.....	52
Branding & Consumer Relations	56
Communications & Outreach	60
Public Relations Strategy.....	64
Independent Auditor's Report.....	68
Financial Statements	69
Notes to Financial Statements	73

For presentation to the Minister of Agriculture and Agri-Food Canada, the Honourable Lawrence MacAulay, and the Farm Products Council of Canada.

Designed in-house.

About Us

Our Mandate

Chicken Farmers of Canada has two primary mandates. Our main responsibility is to ensure that our 2,800 farmers produce the right amount of fresh, safe, high-quality chicken to meet Canada's needs. To do so, farmers, processors, further processors and members of the restaurant trade from across the country meet every eight weeks to decide, based on market demand, just how much chicken to raise. This evolving risk management system we operate under is commonly known as "supply management". As part of the system, Chicken Farmers of Canada also monitors compliance with provincial quota allocations – making sure each province raises as much chicken as they agreed to – and the inter-provincial or market development trade of chicken. Established in 1978, Chicken Farmers of Canada was established under the provisions of, and receives its legal authority from, the *Farm Products Agencies Act*.

Our Vision

To grow consumer demand for Canadian-grown chicken.

Our Mission

On behalf of Canadian chicken farmers, lead and drive the improved efficiency of chicken farmers and the Canadian chicken industry to better serve consumers, and to ensure that chicken continues to be the leading protein preference of Canadians.

Our second responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. Chicken Farmers of Canada plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove they continue to grow the fresh, high-quality chicken that Canadians trust. Through programs such as *Raised by a Canadian Farmer* On-Farm Food Safety, Animal Care, and Sustainability, and other biosecurity initiatives, Chicken Farmers of Canada works closely with government partners and industry stakeholders to keep the industry innovative and responsive.

Through our government relations program, Chicken Farmers of Canada strives to ensure that key decision makers in government fully understand the views of Canada's chicken farmers and that these are taken into account when important agriculture and trade policy decisions are made.

Our Board

Our directions and policies are determined by a 15-member Board of Directors comprised of farmers appointed by the provincial chicken marketing boards. Non-farmer directors – from the restaurant industry, the further processing industry, and two representing the processing industry – are appointed by their respective national associations. This way, Chicken Farmers of Canada and its stakeholders work together on behalf of Canada's chicken industry, from farmer to consumer.

Canadians want Canadian chicken, so we deliver them fresh, locally-raised food, just the way they like it. Our farmers are a stabilizing force in rural Canada, where they can – and do – reinvest with confidence in their communities, but their contribution is much wider. In sum, we are part of Canada's economic solution, and do so without subsidies, and are very proud of both.

The chicken sector in Canada makes a valuable contribution to the economies of rural and urban communities from coast to coast. In addition to 2,800 chicken farmers and 182 processors, the sector generates employment in not only farming and processing, but veterinary work, transportation, retail, restaurants and more.

In total, the sector:

- » Sustains 87,200 jobs
- » Contributes \$6.8 billion to Canada's Gross Domestic Product
- » Pays \$2.2 billion in taxes
- » Purchases 2.6 million tons of feed, supporting other farmers in turn

People care deeply about their food, about knowing where it comes from and that what they're serving to their family and friends is of the highest quality; our farmers and their families are no different. So when we say that the Canadian chicken industry is good for Canadians, it's because we know that we're raising our chickens to the highest standards: yours.



In addition to 2,800 chicken farmers and 182 processors, the sector generates employment in not only farming and processing, but veterinary work, transportation, retail, restaurants and more.

Report from the Chair

Change, Growth, and Evolution

Understanding our roots, our history, helps us understand how our past has shaped us.

Understanding our past is a big part of planning for the future. We need to plan, to change, and to evolve, if we are going to make our future successful. As farmers, we live by a rule of integrity – and living with integrity means doing the right thing – for ourselves, for our partners, for our environment and for our consumers. It comes down to this: We do what we do because it's the right thing to do.

Change

In October 2017, all 10 provinces were back in the national allocation system. The Farm Products Council of Canada determined that Governor-in-Council approval was not required for our new Federal-Provincial Agreement (FPA) and this brought to a close more than 8 years of discussions and negotiations to arrive at a new allocation system that was supported by all federal and provincial signatories.

It also delivers on the requirements of the *Farm Products Agencies Act* to consider comparative advantage when allocating production growth.

The new FPA provides increased certainty, and in fact greater stability, to all industry stakeholders.

With it, we have the tools we need to grow, develop, and thrive. We do this best when we work together than we do apart.

This FPA marks our industry's total commitment to a dynamic and evolving supply management system for chicken that just as relevant today as it was when we started 40 years ago. Reuniting the

10 provinces, and welcoming Alberta back, was the right thing to do.

Growth

Our fantastic product continues to be the first choice of Canadians. Per capita consumption

grew again in 2017, the 4th year in a row! And overall, production grew by 5% in 2017. Over the past four years, we've grown by 12%. That level of growth is worth celebrating.

Chicken continues to be the number one meat in Canada.

86% of Canadian shoppers buy and make chicken meals at home at least once a week and 25% of them are consuming more chicken than last year. Our growth is directly linked to the efforts we all make on behalf of our Canadian success story.

In some cases, demands on farmers will increase, but we will keep doing our best to make sure that changes are evidence-based, and that both our consumers AND our customers are on board.

It is a lot of effort – as a farmer, I understand that. It's challenging to shoulder the level of work we have to do as farmers. I know the frustrations of watching that work grow as our responsibilities grow.

All the reporting, all the forms, all changing regulations – it's a lot. I get it.

The fact remains, however, that if we don't do these on our own, then someone else will decide how we run our farms, our barns, raise our birds, run our businesses. Taking responsibility for our businesses – taking on the challenges ourselves, rather than waiting for them to come to us – being leaders – that's the right thing to do.

Chicken continues to be the number one meat in Canada.

Hard Work

There were many issues on the agenda for 2017, the majority of which required significant time and resources to monitor, engage on, and work to resolve with a variety of government partners. These included trade (NAFTA, CPTPP, CETA, border controls, etc.), agriculture (National Food Policy), and health (Canada Food Guide revisions, front-of-package labelling, etc.). Consequently, Chicken Farmers of Canada Executive Members and staff seized every opportunity to engage with government officials to ensure that the concerns and realities of Canada's chicken farmers are kept in mind.

This included significant time meeting with elected officials directly, making presentations to House of Commons and Senate Committees, dealing with Ministers and critics, and attending briefings with Canada's trade negotiators.

Along the way, we forged renewed relations with International Trade Minister, the Hon. François-Philippe Champagne, with the Minister of Agriculture, the Hon. Lawrence MacAulay, and the Minister of Foreign Affairs, the Hon. Chrystia Freeland, as we look to them to maintain the government's strong support for our industry, and for supply management.

Throughout the drawn-out process of signing and finalization of the new FPA, Chicken Farmers of Canada worked closely with the Farm Products Council of Canada (FPCC), under the guidance of the Interim Chair, Mike Pickard. His dedication and familiarity with the industry are important factors. FPCC continues to support our efforts, and to provide guidance and perspective during our discussions.

The Board of Directors has been hard at work all year, making difficult decisions, tackling the tough topics, and working alongside the rest of the chicken sector to make sure that we take our challenges head-on, and overcome them together. I must also thank the Executive Committee for their efforts, participation, and devotion to getting the job done, and supporting me as Chair in 2017.



History is important – it teaches us how to handle growth, and the increase in challenges that come along with success. It teaches us about the importance of, and impact of, change and the need to be responsive. It teaches us the need for evolution, to stay relevant, while still being flexible.

Our growth, and the success of our industry is largely a result of the work we all put in to make it so dynamic. And we have shown our adaptability and perseverance in the face of challenges with some great work by Directors, solid Committee work, and support from a dedicated staff under the leadership of Michael Laliberté.

We have changed, and evolved, and have been rewarded with some remarkable growth.

Benoît Fontaine, Chair

Board of Directors & Committees

Board of Directors

Rear left to right

Barry Uytterlinde (Prince Edward Island)
 Nicholas de Graaf (Nova Scotia)
 Keith Deering (Newfoundland & Labrador)
 Tim Klompmaker (Ontario)
 Craig Evans (CPEPC)
 François Cloutier (Quebec)
 Vernon Froese (Manitoba)
 Ian Hesketh (Further Poultry Processors
 Association of Canada)

Front left to right

Marc Cormier (New Brunswick)
 Derek Janzen (British Columbia)
 Chair: Benoît Fontaine (Quebec)
 Dennis Steinwand (Alberta)
 Yvan Brodeur (Canadian Poultry and Egg
 Processors Council, CPEPC)
Absent
 Rudy Martinka (Saskatchewan)
 Peter Vale (Restaurants Canada)



Committees

Executive Committee:

Chair – Benoît Fontaine

1st Vice-Chair – Derek Janzen

2nd Vice-Chair – Nicholas de Graaf

Executive Member – Tim Klompmaker

Finance Committee:

Chair – Barry Uyterlinde

Yvan Brodeur

Peter Vale

Policy Committee:

Chair – Vernon Froese

François Cloutier

Marc Cormier

Craig Evans

Tim Klompmaker

Production Committee:

Chair: Lucy McKee (CPEPC alternate)

Nicholas de Graaf

Rudy Martinka

Rick Kaptein (ON alternate)

Marco Volpé (N.B. alternate)

Governance Committee:

Chair – Derek Janzen

Dennis Steinwand

Tim Ansems (N.S. alternate)

Consumer Relations Committee:

Chair – Erna Ference (AB alternate)

Ian Hesketh

Leonard Klassen

Representatives:

Canadian Federation of Agriculture –
Benoît Fontaine, Vernon Froese

Canadian Poultry Research Council –
Tim Keet (SK alternate)

National Farm Animal Care Council –
Rudy Martinka

National Farmed Animal Health and
Welfare Council – Marco Volpé



Staff Changes & Updates

New to the coop

Nicole Faubert joined Chicken Farmers of Canada on March 6, 2017 as the Executive Assistant.

On June 7, Jessica Singh started at Chicken Farmers of Canada to fill the position of Communication and Policy Coordinator, covering for Jessica Heyerhoff's maternity leave.

Joelyn Bourque returned to Chicken Farmers of Canada on October 23, 2017 to fill the Administration Coordinator position, as a maternity leave replacement for Isabelle Dean.

Didier Paultre, Manager of Finance and Administration, started on November 1, 2017.

2017 saw the retirement of a 22-year Chicken Farmers of Canada veteran, Mike Dungate. In a continuing succession plan at Chicken Farmers of Canada, Michael Laliberté – previously Director of Operations – moved into the Executive Director role on October 2, 2017.

Retirement of Mike Dungate

During his 22 years with Chicken Farmers of Canada, our objectives and responsibilities increased and evolved. Within his mandate, first as General Manager, then later as Executive Director once his title changed, Mike worked tirelessly with the Board of Directors to meet the organization's strategic goals.

Throughout, Mike kept a strategic focus that helped the organization, and especially the Board, be more proactive and progressive while always considering the long-term impacts of decisions being made today. He also worked hard to make sure that the voice, and interests, of Canada's chicken farmers was heard, and taken into account, within Canada, and overseas.

Twenty two years is a very long time. It represents an incredible commitment and sacrifice. As farmers and as an industry, we have been absolutely blessed to have had his leadership and passion. On behalf of all of us, thank you Mike, very much.



Left page from left to right

Jolyn Bourque

Administration Coordinator

Jessica Singh

Communication & Policy Coordinator

Mike Dungle (Retired)

Nicole Faubert

Executive Assistant

Elyse Ferland

Senior Consumer Relations Officer

Dally-Diane Nzinahora

Translation Coordinator

Caroline Wilson

Food Safety Officer & Internal Auditor

Erin Callary

Consumer Relations Coordinator

Jae Yung Chung

Senior Financial Officer

Bibiane Rietveld

Meeting & Recording Coordinator

Marty Brett

Senior Corporate Communications Officer

Karen Ronayne

Graphic Designer

Jan Rus

Manager of Market Information & Systems

Kyle Deslauriers

Market Analyst

Jennifer Gardner

*Animal Care & Research Coordinator**Right page from left to right*

Denis Nadeau

Business Systems Analyst

Aline Porrior

Public Relations Officer

Didier Paultre

Manager of Finance & Administration

Michael Laliberté

Executive Director

Lauren Kennedy

Senior Government Relations Officer

Steve Leech

National Program Manager

Lisa Bishop-Spencer

Manager of Communications

Lori Piché

Compliance Officer

Lisa Riopelle

*Senior Human Resources &**Administration Officer*

Maria Elena Baisas

Bookkeeper

Yves Ruel

Manager of Trade & Policy

Tara Molloy

*Trade & Policy Analyst***Anniversaries****15 years**

Steve Leech – April 15

10 years

Lori Piché – April 2

Elyse Ferland – May 29

Jae Yung Chung – October 1

Caroline Wilson – December 3

*Congratulations to all
on achieving milestones
with Chicken Farmers
of Canada.*



Report from the Executive Director

Chicken Farmers of Canada is built on partnerships, on collaboration, and on cooperation throughout the value chain.

A strong strategic planning process and robust governance ensure that there is a smooth succession protocol in place for the Chair, for Directors, and for senior staff. With the retirement of Mike Dungate, after 20 years at the helm of Chicken Farmers of Canada, the succession strategy kicked in for the role of Executive Director.

At the conclusion of the executive search, Chicken Farmers of Canada announced that I would undertake the new role, an evolution of my previous role as Director of Operations, and that new role began in October of 2017. I have worked with Mike for 22 years, and along the way learned much from him, especially more recently while serving as his second-in-command.

The goals of Chicken Farmers of Canada have not changed, and in fact, the organization will continue to play a leading role in promoting the consumption of chicken, developing and auditing on-farm food safety, animal care, and specialty production programs on 2,800 farms across Canada, and to have an active government and public relations program.

I look forward to this new challenge and chapter in my 26-year career here at Chicken Farmers of Canada.

Evolution as an Industry

Chicken Farmers of Canada underwent numerous changes in 2017, with a new Executive Director and some significant turnover at the Board table. In total, about 60 years of experience stepped away from the table, and that is on top of the decades of their farming experience and knowledge.

However, change is good, as it brings in new perspectives, new thoughts, and maybe even new direction.

Our Board is a hardworking group of individuals whose commitment to our industry is beyond reproach. Over the years, they have guided the industry through many challenges and are to be commended for their efforts.

The Board also plays a huge role in establishing the annual goals for the chicken industry, within the larger context of the five-year strategy for Chicken Farmers of Canada. We do this annually, ensuring our plans and activities support and help to achieve the goals as set out in the current five-year strategy for the industry and 2018 is the final year of the current Chicken Farmers of Canada five-year strategic plan.

Last summer, in August, we consulted with provincial boards, gathered feedback, and then we stabled a committee to work on the next plan, to cover 2019 to 2023.

The steering committee was created in late 2017 and will survey the industry, define its mission, articulate its vision, and plot a course for success in strong partnerships, new possibilities, and to make recommendations for future priorities.

There are eight members of the committee, including farmers, processor representatives, a retailer, and a foodservice representative.

The committee will make their recommendations to the board, and the new five-year plan, about the upcoming evolution of the industry, will be finalized in the summer of 2018.

Evolving on Key Issues

Over the past year and a half, the Canadian chicken industry, along with foodservice and retail, have been in the sights of activists, whose goals are to misinform and manipulate Canadians about what we do.

The problem is that now, their message is beginning to resonate. We're competing with a very connected world.

Every MINUTE of every day:

- » there are 3.3 million Facebook posts
- » 500 hours of YouTube video are downloaded
- » 449,000 Tweets are sent
- » 29 million text messages are typed

When activists use these channels to get their misinformed and misguided messages out – it makes it more and more difficult for us to get the TRUTH out. Before now, and in fact until this past year, we worked to bust myths, dispel the whispers, and counter the arguments – but now, we have to get louder.

We have been getting louder, we've evolved in order to tell our side of the story – we are making it clear that we will not stand by anymore while vegan activists push an agenda to eliminate animal agriculture and shutter Canadian farms. We will not stand by while they make accusations that are shameful, inaccurate, and deliberately misleading.

We will not stand by while they undermine the hard work and animal welfare standards of local Canadian farmers throughout the country.

However, we have to be clear: We are always ready to evolve, to adapt to the changing Canadian palate – but we are not willing to do it when it's being driven by vegan activists who ultimately want to force our farmers out of business and tell Canadians what they can and can't eat.

We need to make it clear: there is one standard for animal care in the Canadian chicken industry – and it's the *Raised by a Canadian Farmer* Animal Care Program.



It's the only program that reaches all 2,800 chicken farms in Canada – no other program can achieve this reach.

This past year, we completed the comprehensive third party audit, and it ensures that the program has been implemented effectively. Our program is not optional, we all have to step up, follow every rule, file every form, and fight to keep it. In some cases, demands on farmers will increase, but we will keep doing our best to make sure that changes are evidence-based, and that both our consumers AND our customers are on board.

The reality is that we have to prove it – we have to be able to prove that we're caring for the birds in our barns, that we're able to prove that we are taking accountability, and that we're able to prove that we have zero tolerance for animal abuse.

There is no defense for the mistreatment of birds. That's why we have a program. That's why we have to endorse it, promote it, and be proud of it. It's the right thing to do.

A handwritten signature in black ink that reads "Michael Laliberté". The signature is written in a cursive style with a horizontal line underneath.

Michael Laliberté, Executive Director

Operating Agreement & Allocation

The amendments to the Operating Agreement were signed by all signatories after years of hard work. The provinces and Farm Products Council of Canada (FPCC) approved clarifications to section 3.36 of the Operating Agreement by means of an Explanatory Notes document. This cleared the way for Alberta's re-entry into the Federal Provincial Agreement October 31, 2017.

Allocation Setting

In 2015, the Board decided to set allocations for two allocation periods at the same meeting on a trial basis and extended the trial for 2016. In early 2017, the Board made the decision to make the practice permanent. This means that allocations are set at every second meeting, freeing up time and resources for other important issues at Board meetings.

The Atlantic Safeguard provision was triggered for the first time in allocation period A-141 for New Brunswick and Nova Scotia and both provinces received additional kilograms under this provision for periods A-142, A-143 and A-144. P.E.I. and Newfoundland & Labrador received safeguard kilograms starting in period A-144.

Following questions and concerns regarding the calculations, the Board reassessed the calculations and agreed to a methodology that will be used going forward. The allocation for period A-144 was adjusted accordingly, and the kilograms

inadvertently added to the Atlantic Provinces and deducted from the others in periods A-141 to A-143 were taken into account in the calculation of the initial bases for periods A-145 to A-150.

The amendments to the Operating Agreement were signed by all signatories after years of hard work.

Following a request from Manitoba in 2016 to increase its base allocation to incorporate existing unregulated production into the system, the Policy Committee was tasked with looking at ways to address consistency in provincial exemption levels and incorporate unregulated production into the system. In early 2017, a discussion paper from the committee received mixed support and no decision was made. Manitoba brought its 2016 request back to the table, seeking a decision by the Board, and the Board subsequently denied Manitoba's request.

Strong demand for chicken in combination with underproduction and applications for supplementary imports for shortages prompted the Board to revise and increase the allocation for period A-146 and at the same time increase the over-marketing sleeve for the A-144/A-145 audit period from 102% to 104%.

Over the course of 2017, Chicken Farmers of Canada participated in three Canadian Hatching Egg Producers' (CHEP) advisory committee meetings. The role of this committee is to advise the CHEP Board of Directors about the anticipated chicken production and demand in upcoming years, helping CHEP to produce the right number of hatching eggs and chicks. The committee's recommendations were in line with the significant growth the chicken industry has seen over the past couple of years.



Strategic Planning

Chicken Farmers of Canada adheres to a rigorous strategic planning process to provide the Canadian chicken industry with clear, common goals for the coming year – and for the future – ensuring a solid direction and purpose for all industry stakeholders.

Development of the Next Five-Year Strategic Plan (2019–2023)

2018 is the final year of the current Chicken Farmers of Canada five-year strategic plan, and a new Five-Year Strategic Planning Steering Committee was formed to survey the industry, define its mission, articulate its vision, and plot a course for success in strong partnerships, new possibilities, and to make recommendations for future priorities.

The eight member, industry-wide Strategic Planning Steering Committee was created in late 2017 and includes:

- » Benoît Fontaine, Chicken Farmers of Canada Chair (Quebec farmer)
- » Ed Benjamins (Ontario farmer, provincial board Chair)
- » Ghislain Ouimet, St-Hubert (Foodservice)
- » Jason Born (Alberta farmer)
- » Richard Davies, Olymel (Quebec processor)
- » Cheryl Firby, Maple Leaf Foods (Ontario processor)
- » Jason Schedewitz, Loblaws (Retailer)
- » Ron teStroete (Nova Scotia farmer)

Annual Strategic Planning Exercise

Each year, the Board of Directors and Executive Management Team take the opportunity to celebrate successes of the previous year and set priorities for the next. The 2018 strategic planning meeting was

held at Château Montebello (Quebec), October 4-5, 2017. Michael von Massow, a University of Guelph Associate Professor, was invited to present the latest in consumer behaviour and trends.

Directors reviewed progress made in 2017 on various key issues, conducted an environmental scan, and reviewed the draft action plans for the coming year. This led to discussions around the goals and priorities for the next five-year strategic plan (2019–2023).

During the session, the group conducted breakout sessions to discuss the top priorities for 2018. The Board of Directors agreed upon the following priorities for 2018:

CRITICAL PRIORITY ISSUES

Agriculture Trade Negotiations

Deliverables:

- » The conclusion of trade agreements that maintain the over-quota tariffs and market access commitments at their current levels
- » SM-5 and chicken sector collaboration to enhance influence on WTO and bilateral/regional trade issues and agreements
- » Canadian business groups and think tanks less adversarial to supply management during trade negotiations
- » Analysis of the potential impacts and evaluation of options resulting from WTO and bilateral/regional proposals
- » Timely communication to Chicken Farmers of Canada members on trade negotiations

Antimicrobial Use

Deliverables:

- » Surveillance of AMU and AMR
- » Cooperation with government regulations
- » Implementation of the Chicken Farmers of Canada AMU strategy
- » Communication with farmers and industry on the AMU strategy
- » Promotion of the AMU strategy

Animal Care

Deliverables:

- » Consistent and credible implementation of Chicken Farmers of Canada's Animal Care Program
- » Finalized ACAF and revised Animal Care Program
- » Mitigation of animal care issues
- » Leadership in the National Farmed Animal Health and Welfare Council (NFAHWC) and the National Farmed Animal Care Council (NFACC)

HIGH PRIORITY ISSUES

Spent Fowl

Deliverables:

- » Implementation of DNA tests to distinguish spent fowl from broiler meat imports
- » Monitoring and analysis of spent fowl imports and exports
- » Implementation of Canadian regulations requiring distinct labeling for products containing spent fowl

Import Controls

Deliverables:

- » Long-term TRQ allocation methodology and administration of IREP (Import for Re-Export Program) that support Chicken Farmers of Canada's objectives
- » Reinstatement of the sauce and cooking requirements in Canada's Customs tariff definition of specially defined mixtures (SDM) (13% rule)
- » Elimination of chicken products from the Duty Relief Program administered by the Canadian Border Services Agency (CBSA)

- » Improvement to the sourcing process and to the supplemental import policy for domestic market shortages

Government Relations Strategy

Deliverables:

- » Strengthen relationships with parliamentarians and public servants while building relationships with key political staff to educate key decision makers about the chicken industry and drive solutions to ongoing issues
- » Conduct varied outreach in order to secure strong support for the Canadian chicken industry from political and departmental players, especially in response to NAFTA negotiations, attacks from vegan activists, and biased policy consultations
- » Participate in government consultations both at an industry-drive and grassroots-driven level in order to provide feedback on how proposed government action will impact the Canadian chicken sector
- » Monitor policies and media, and respond where required, while better documenting government activities and Chicken Farmers of Canada lobby efforts

Branding Strategy

Deliverables:

- » An increased number of signed retailer, processor and foodservice agreements – especially with promotion of the approved Major Retailer Branding Strategy
- » Delivery and implementation of a redesigned and refined traditional, digital and media marketing plan to build brand awareness and reinforce healthy image
- » An enhanced and brand-leveraged Swimming Canada sponsorship
- » Consumer research to measure success and leverage information to encourage increased participation by retailers and processors

Consumer Relations Strategy

Deliverables:

- » Implementation of an online strategy that promotes the new brand and increases engagement with Chicken Farmers of Canada

- » A strategy to bring the concerns we have with the Food Guide to the attention of Members of Parliament and the Health Minister so that changes can be made prior to implementation of the Food Guide
- » Implementation of a social media strategy, built upon existing programming that promotes the “Raised by a Canadian Farmer” brand and engages our primary consumer
- » 10 new How-To Videos
- » Participation at health professional trade shows and conferences
- » Participation within Nutrient Rich Alliance

Public Relations Strategy

Deliverables:

- » A multi-faceted consumer campaign to educate and engage Canadians on animal care, farming practices overall, supply management
- » A strategy to address supply management criticisms
- » Tools for farmers and farm families to become more active in social media
- » Participation in the Downtown Diner with SM-5
- » Media training sessions for farmers and provincial representatives with Agriculture and Food Exchange

MEDIUM PRIORITY ISSUES

Governance

Deliverables:

- » A 5-year Strategic Plan (2019–2023)
- » A proactive professional development plan to enhance the capacity and effectiveness of Chicken Farmers of Canada Directors, Alternates, and staff
- » Committee mandates and best practices
- » A Board of Directors performance assessment process
- » A review of Chicken Farmers of Canada governance documents

Sustainability

Deliverables:

- » Completion and promotion of the Social and Environmental Life Cycle Assessment of the Canadian chicken industry

- » Promotion of an updated Chicken Farmers of Canada Sustainability Strategy
- » Decision on the initiation of a “Farm Leader Development Program”
- » Leadership on the Poultry Sustainability Value Chain Roundtable

Food Safety

Deliverables:

- » Maintenance of full OFFSP recognition by federal, provincial and territorial governments, including 3rd party audits
- » Leadership in the Joint Government-Industry Working Group on the Control of Salmonella and Campylobacter in Poultry
- » Participation in the Avian Biosecurity Advisory Council Working Group
- » Animal disease management

Underproduction and Supply Capacity

Deliverables:

- » Review of provincial regulations
- » Assessment of provincial and national production capacity
- » Increased monitoring of Canadian hatching egg production and imports
- » Increased value chain coordination with Canadian Hatching Egg Producers and hatcheries

Information Technology

Deliverables:

- » Electronic (email) distribution of Chicken Farmers of Canada publications
- » Videoconferencing infrastructure
- » Paperless board meetings
- » Implementation of 2017 security audit action items
- » Assess the needs, costs and options for a centralized electronic records managements system for Chicken Farmers of Canada’s On-Farm Food Safety and Animal Care programs
- » Develop an issues management tool to support our Government Relations strategy to track relationships with Parliamentarians and public servants and meetings and correspondence with elected officials

LOW PRIORITY ISSUES

Allocation Setting

Deliverables:

- » Medium-term growth target for periods A151-156
- » Review of Operating Agreement (including the AGR)
- » Development of a permanent distribution factor for the further processing component
- » Evaluation of length of allocation period
- » SM-4-government working group on data and data exchange

Promotion Research Agency

Deliverables:

- » Confirm the legal and organizational viability of a Part III Promotion Research Agency (PRA) with mandate extending to imports
- » Submission and hearing supporting the establishment of a chicken PRA (2019)
- » An operational chicken PRA (2019)

Strategy



Governance

2017 was a remarkable year with a larger than normal number of Directors stepping away from the Board table. Together the retiring directors represented half the Board and over 60 years' worth of experience. And that's on top of decades of experience in, and around, the Canadian chicken industry.

Under existing succession plans, incoming Directors were provided with a number of opportunities to ease into their positions, and in some cases the incoming Directors have been involved for some time with the Board as Alternates.

Chicken Farmers of Canada's governance initiatives in 2017 focused on director education, tools, and implementing the new board evaluation processes. Professional development training from the Institute for Corporate Directors was made available throughout the year.

In April, an orientation seminar for new Directors, Alternates, and staff was held to bring newcomers up to speed on the governance, priorities, and the functions of

Chicken Farmers of Canada. This was followed by a governance seminar for Directors.

The governance seminar focused on the type of organization that Chicken Farmers of Canada

is, the characteristics of an effective Chair and Directors, and options for Director, Chair, and Board evaluations.

The Governance Committee reviewed the first full year of the new evaluation forms, a process that was launched in late 2016. The Governance Committee also conducted a thorough review of the Executive Director Succession Toolkit. The updated toolkit as approved by Directors was the basis for the search for a new Executive Director in 2017.

Throughout the year, Chicken Farmers of Canada met with the Farm Products Council of Canada on governance-related issues related to the Federal-Provincial Agreement and regulations. The objective of Chicken Farmers of Canada has always been to maintain a beneficial relationship with FPCC based on the respective mandated roles of each of the organizations.

As per the FPCC Auditor Appointment Guidelines – established in 2010 – BDO Canada LLP enters the 2nd year as the Governor in Council appointed auditors for the term of 2016–2020.

2017 was a remarkable year with a larger than normal number of Directors stepping away from the Board table.

governance



Corporate Social Responsibility

Chicken Farmers of Canada firmly believes that it's important to give back to our communities and support those that are less fortunate. We believe that every Canadian should have access to a healthy source of protein, and we believe that we can make a contribution to help make that happen.

We have been proud partners and supporters of the Ottawa Food Bank since 2007 and continue to find new ways to work together to fight hunger in Canada's capital. Each year, through the Chicken Challenge food donation program, proceeds from the Canada Day Great Canadian Chicken BBQ, a staff food drive, and matching staff donations, we continue to support the mission of the Ottawa Food Bank.

The annual Chicken Challenge food donation program provided another \$50,000 worth of frozen chicken products to the Ottawa Food Bank. This was the eighth successful year of the program, which solicits bids for frozen chicken products from a Canadian processor to be donated to the food bank.

In addition, \$4,425 was collected through year-long staff donations and 50% matching Chicken Farmers of Canada donations. Proceeds from the sale of chicken at the Great Canadian Chicken BBQ and additional donations collected on Canada Day resulted in another \$7,500 donation. Later in the summer, \$500 was donated to the food bank through the Global Affairs Canada golf tournament. In the fall, donations were collected and matched at the November Parliamentary reception, resulting in \$570 more for the food bank. Altogether, nearly \$63,000 was donated in 2017.

This brings the total contribution to the food bank since we became partners and supporters in 2007 to over \$490,000!

Other Causes

Chicken Farmers of Canada sponsored and supported several other causes and organizations throughout the year. These included:

- » \$10,000 for sponsorship of the Canadian Young Farmers Forum
- » \$7,500 for the 2016-2017 program year of Forum for Young Canadians
- » \$5,500 to sponsor Canadian skeleton athlete, and Olympian, Mirela Rahneva
- » \$3,000 to the Cystic Fibrosis 'Lawn Summer Nights' event
- » \$1,750 to the Morguard Golf Tournament in support of children's charities
- » \$1,000 to the charity golf tournament held by United Way
- » \$500 to sponsor Canadian speed skater, Vincent de Haître

The Green Team

In 2017, the Chicken Farmers of Canada Green Team continued to fulfil its mandate of minimizing the Chicken Farmers of Canada office's environmental impact, while challenging staff to become engaged on a personal level. A waste audit conducted mid-year helped provide insight into the success of the waste recapture system that was implemented in 2016. The audit found that Chicken Farmers of Canada's recycling and waste recapture program is functioning well, and that it is supported by seemingly small resource-use reduction efforts, such as encouraging Chicken



Farmers of Canada Committee members to use the electronic versions of meeting binders and thus reducing the office's paper usage. The audit also identified a handful of opportunities for further improvement, which the Green Team will be implementing in 2018.

Staff again participated in the City of Ottawa's Bike to Work Month and, despite it being the soggiest May since 1916, still managed to log in over 750 km and divert more than 200 kg of greenhouses gases. Perhaps this success despite the weather was in part due to the empowering Bike Maintenance Workshop organized for Chicken Farmers of Canada staff by the Green Team.

For this first time, Chicken Farmers of Canada staff participated in the City of Ottawa's Clean Up the Capital, removing several garbage bags' worth of trash from the banks of the Ottawa River tributary that runs through Bronson Park. As well, on World Environment Day, staff were encouraged to calculate their own environmental footprint, which brought forward many insights and stimulated discussion.

The Green Team would like to thank management for its continued support, and recognize that all these successes are thanks to the deep engagement of its Chicken Farmers of Canada colleagues. The Team looks forward to continuing to help further Chicken Farmers of Canada's commitment to environmental sustainability throughout 2018.

Market Watch

The year 2017 was yet another impressive year for the Canadian chicken industry. This has marked the eighth year in a row reflecting continued growth in the industry.

Chicken is the number one meat protein in Canada, and the first choice of Canadians looking for a lean and healthy protein. Estimates placed the per capita consumption (PCC) of chicken in 2017 at 33.1 kg, an increase of 0.6 kg over last year. Meanwhile, preliminary estimates for beef were 24.6 kg, down 0.4 kg from last year, and 21.0 kg for pork, which increased 0.1 kg over 2016.

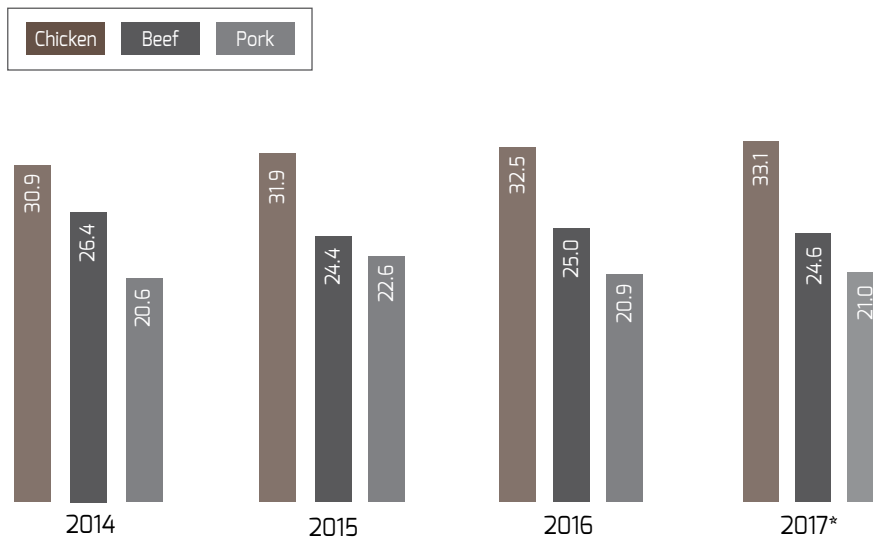
Competitive prices are one of the many factors contributing to a strong and healthy consumption of chicken in Canada. On average, 1 kg of chicken at retail cost consumers \$7.36 in 2017. Pork chop and bacon prices on the other hand were priced in the \$12-13 range at retail, while beef prices ranged from \$12-31 depending on the cut and quality.

In 2017, the average live price paid to Canadian farmers was \$1.535 per kg, which was 2.7 cents less than 2016. Live prices take into account a multitude of factors, one of the largest ones being feed. Soybean and corn are the main feed ingredients. Feed grains production has been steadily increasing globally over the last decade. Greater production has led to greater supply, which results in a lower cost of production for farmers.

Wholesale prices in 2017 were unusually high, due in part to a strong demand for chicken, particularly chicken breasts.

Frozen storage inventories on January 1st were 42.0 million kilograms (Mkg). The closing inventories for the year were 44.0 Mkg. Storage stock volumes were at their lowest in the summer and saw building phases in both the spring and winter of 2017.

Per Capita Consumption (kg)



*estimate

Provincial Production

There were seven periods in 2017, spanning from period A-141 (December 25, 2016 to February 18, 2017) to A-147 (December 26, 2017 to January 20, 2018). Allocation setting percentages above base allocation began lower in the first half of the year and ended off especially strong in the latter half of the year. Period A-141 was set at 4.5% above base, period A-142 was set half a basis point higher, at 5% above base. Periods A-143 and A-144 were both set at 4%, and period A-145 was set at 5%. In the later months of 2017, periods A-146 was initially set at 5% above base but the allocation was later increased to 6.5% above base in response to exceptional demand and A-147 was set at an astonishing 7% above base.

Canadian chicken farmers produced a volume of 1,203.7 Mkg in 2017, a remarkable achievement and a 55.3 Mkg (+4.8%) increase above production in 2016. Diving further back in time, observations show that Canadian chicken farmers produced 103.6 Mkg (+9.4%) more in 2017 than they did in 2015. Production under the Chicken Farmers of Canada's Market Development Program stood at 38.8 Mkg, a 2.5 Mkg increase over last year. While only a minor increase, Specialty Program production was 7.8 Mkg in 2017, a 0.1 Mkg increase from 2016.

Production started strong in 2017 seeing a production volume of 100.2 Mkg in January. Production for February 2017 was 88.0 Mkg, which was lower than the 89.4 Mkg produced in February 2016 which included one extra day, but still higher than the 83.1 Mkg produced in 2015. From March 2017 onward, production picked up. Historically, by July or August, production will begin a slow decline in volume as it makes its way into the fall and winter, although this was not the case in 2017. Instead, there was 102.9 Mkg produced respectively in both July and August. September experienced a small dip in production, yet October and November picked up and surpassed not only the summer production,

Provincial Production of Chicken (000 kg eviscerated)

Province	2017	2016	% CHANGE
British Columbia	171,921	167,565	2.6%
Alberta	115,202	108,144	6.5%
Saskatchewan	45,398	44,441	2.2%
Manitoba	50,212	48,959	2.6%
West	382,733	369,108	3.7%
Ontario	401,360	377,180	6.4%
Quebec	328,227	311,143	5.5%
Central	729,587	688,324	6.0%
New Brunswick	32,557	31,737	2.6%
Nova Scotia	40,797	39,498	3.3%
Prince Edward Island	4,211	4,156	1.3%
Newfoundland & Labrador	13,850	15,649	-11.5%
Atlantic	91,415	91,040	0.4%
CANADA	1,203,737	1,148,472	4.8%

Allocation Growth Over Base*

	BASE ALLOCATION (MKG)	DOMESTIC ALLOCATION (MKG)	% GROWTH OVER BASE
British Columbia	166.6	173.9	4.4%
Alberta	114.2	121.9	6.8%
Saskatchewan	42.2	43.9	4.2%
Manitoba	49.2	51.2	4.1%
Ontario	400.0	423.7	5.9%
Quebec	319.4	333.8	4.5%
New Brunswick	33.1	34.6	4.4%
Nova Scotia	41.5	43.3	4.3%
Prince Edward Island	4.4	4.6	4.2%
Newfoundland & Labrador	16.3	16.9	3.8%
CANADA	1,139.9	1,187.7	4.2%

*Periods A-141– A-147

Quota Utilization

	FROM		TO	ALLOCATION (MKG EVIS.)	PRODUCTION (MKG EVIS.)	QUOTA UTILIZATION %
A-141	DECEMBER 25, 2016	-	FEBRUARY 18, 2017	176.0	175.4	99.7%
A-142	FEBRUARY 19, 2017	-	APRIL 15, 2017	183.1	179.4	97.9%
A-143	APRIL 15, 2017	-	JUNE 10, 2017	188.4	187.3	99.4%
A-144	JUNE 10, 2017	-	AUGUST 5, 2017	187.5	184.7	98.5%
A-145	AUGUST 6, 2017	-	SEPTEMBER 30, 2017	188.4	187.9	99.7%
A-146	OCTOBER 1, 2017	-	NOVEMBER 25, 2017	188.9	189.3	100.3%
A-147	NOVEMBER 26, 2017		JANUARY 20, 2018	185.2	186.6	100.8%

but managed to out-produce all other months on record. October production was 103.2 Mkg and November production was 103.6 Mkg.

Despite strong production, producers struggled to meet their allocations for the majority of 2017. Part of the reason is that allocations were set substantially higher than usual, with allocation periods set anywhere from 8 Mkg to 14 Mkg more than the year prior, and in some cases close to production capacity. In some provinces, producers were also faced with disease and chick quality issues, which contributed to higher mortality rates, ultimately leading to a lower than planned production.

Producer Prices

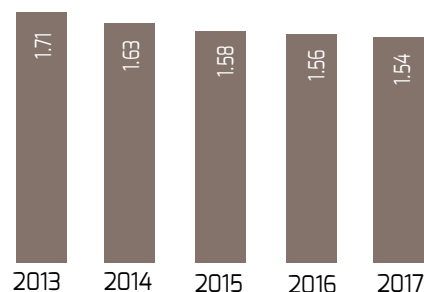
Producers received an average live price of \$1.535 per kilogram in 2017, representing a 2.6-cent drop over 2016. Nationally speaking, period A-145 (August 6, 2017 to September 30, 2017) represented the period with the highest live price of \$1.547. Conversely, period A-147 (November 26, 2017 to January 20, 2017) had the lowest live price of \$1.517. Live prices continue to decline, as was the case last year, and every year since 2013. One of the influencers behind the declining live price has been declining feed costs. Global soybean and corn production has continued to increase, leading to a more favourable price, and ultimately trickling down into a lower live price.

Wholesale Prices

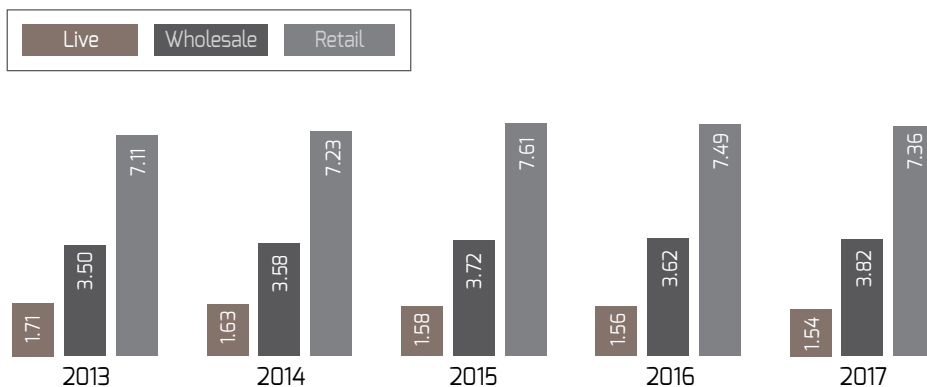
Express Markets Inc. (EMI), a price discovery company, provides wholesale complex pricing for four main cuts of chicken: breasts, wings, legs, and whole birds. The average yearly wing wholesale complex was \$5.57 in 2016, falling to \$5.55 in 2017. The average breast complex increased from \$5.52 in 2016 to \$6.05 in 2017. Leg and whole bird complexes steadily increased, each respectively averaging \$2.74 and \$3.77 in 2017.

EMI also tracks a market composite complex, which consists of a combination of various cuts and parts of the chicken, attempting to re-construct an entire chicken piece-by-piece. The market composite wholesale price for 2017 averaged at \$3.82, a \$0.19 increase over 2016.

Canadian Weighted Average Producer Price (\$/kg live)



Price Comparison (\$/kg)



Source: Statistics Canada, CFC, EMI

Retail Prices

As reported by Statistics Canada, the average retail price of chicken in 2017 was \$7.36 per kg, down \$0.13 from the 2016 price of \$7.49. It is worth noting that the price of chicken in the first half of 2017 drove the retail price down. Retail prices from January to June averaged \$7.26, while prices from July to December averaged \$7.46.

Statistics Canada reports pork prices under two cuts: pork chops and bacon. Average pork chop prices decreased 21 cents in 2017, from \$12.56 to \$12.35 per kg. Bacon, on the other hand, appreciated in price from \$13.48 per kg in 2016, to \$13.73 per kg in 2017.

Retail prices of beef declined in every cut/form reported by Statistics Canada. Prime rib roast, which happens to be the most expensive cut, fell from \$31.60 per kg in 2016, to \$31.31 per kg. Ground beef, which is the cheapest form reported by Statistics Canada, was priced at \$12.45 per kg in 2016, and \$12.24 per kg in 2017.

The Consumer Price Index (CPI) for fresh and frozen chicken increased 2.9 points from 155.4 to 158.3. Over the past 10-years, the index for chicken has increased by 3.5 points on average. Conversely, the index for both beef and pork declined. Beef saw a decline of 3.3 points, down from 180.1 in 2016, to 176.8 in 2017. Pork on the other hand only declined 1.3 points to 140.2.

Imports

Managed by Global Affairs Canada (GAC), the Tariff Rate Quota (TRQ) level for 2017 was 86.1 Mkg, with a 0.5 Mkg hold-back, bringing the access level to 85.6 Mkg. TRQ imports of chicken for the year 2017 were 1.16 Mkg short of the access level volume.

Bone-in chicken parts accounted for 47% of TRQ imports in 2017, seeing a volume of 39.9 Mkg. Canadian demand for boneless breast is especially strong, which explains why there were 29.2 Mkg of boneless chicken imported in 2017, compared to 19.3 Mkg in 2016. Processed chicken imports were relatively flat with a volume of 15.6 Mkg in 2017, compared to 15.7 Mkg imported in 2016. Eviscerated and live chicken only accounted for 0.3% and 0.01% of TRQ imports, respectively. A total of 85.0 Mkg was imported under the TRQ in 2017.

As Canada's largest trading partner, it came as no surprise that the United States accounted for the majority of chicken imported under the TRQ in 2017. Representing 63.4% of total TRQ imports, 53.8 Mkg of chicken was imported into Canada from the United States in 2017. Brazil is the second largest producer of chicken in the world, and as such was also the country to export the 2nd largest amount of chicken to Canada in 2017 under the TRQ, with a volume of 16.3 Mkg. Notable quantities were also imported from

Imports by Type (kg)

	2017	2016
Global Imports	84,968,707	82,755,185
Supplementary Imports for Shortages	5,508,899	-
Import-to-Compete	6,252,464	3,565,421
Import to Re-Export	18,554,738	13,749,708
Imports Under Duties Relief Program	48,666,000	71,401,080
TOTAL	163,950,808	171,471,394
Imports Of Spent Fowl	80,963,569	98,973,093

Source: Global Affairs Canada, AAFC

Thailand, which accounted for 10.2 Mkg, or 12% of TRQ imports. Chicken was also imported under the TRQ from Chile, France, Germany, Hungary, Israel, and the U.K.

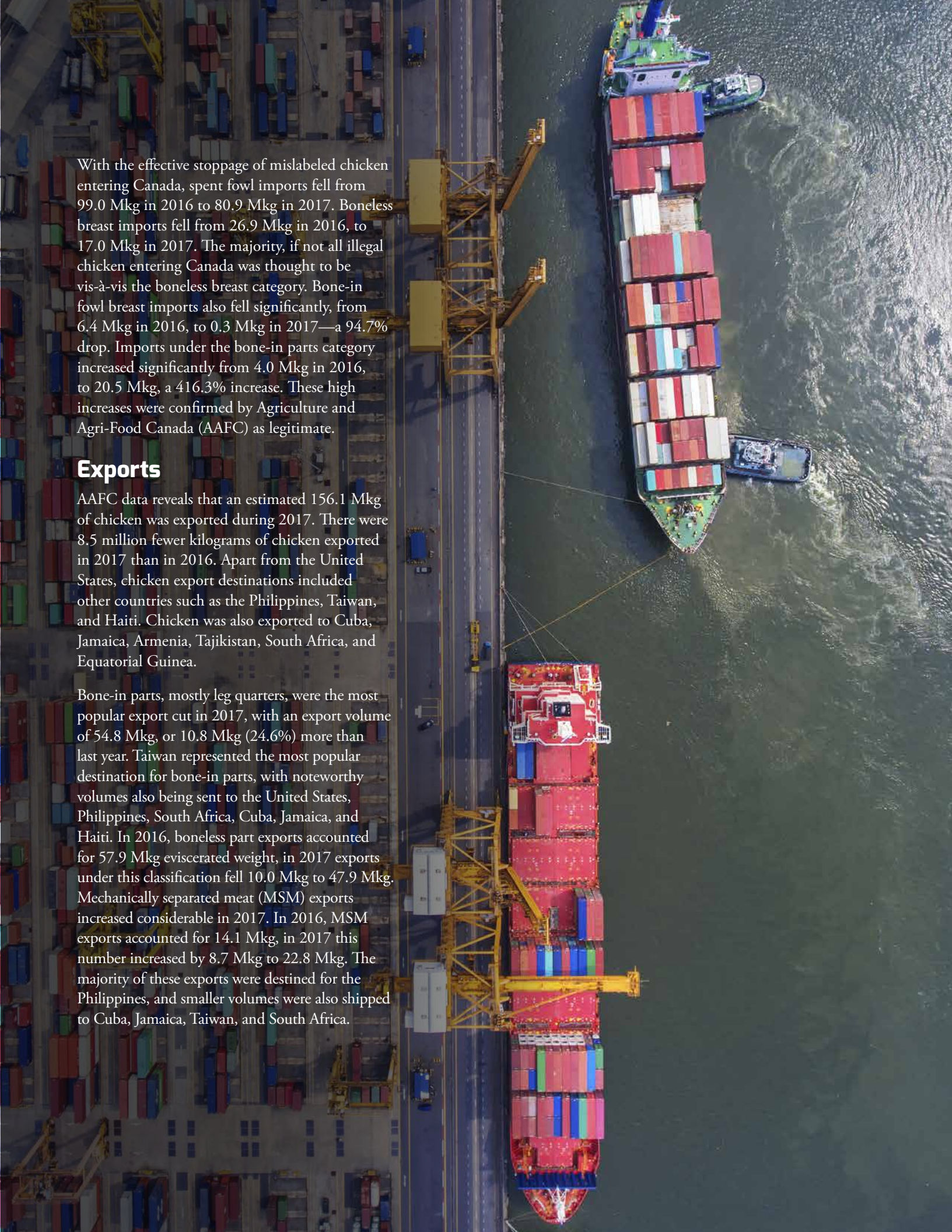
Looking back, there is now no doubt that mislabeled chicken imports labeled as spent fowl had been filling a portion of Canadian demand for chicken in 2016 and years prior. With the entry of mislabeled chicken beginning to slow down in 2016 thanks to the CBSA increasing its verifications, it was only a matter of time before the market would experience some supply disruptions as Canadian chicken farmers worked diligently to fill this now unmet demand.

With the Canadian chicken market already stressed, underproduction issues tied to disease, chick supply, and chick quality, amplified the chicken supply issue. In May 2017, Canadian chicken further processors began requesting supplementary imports in order to meet their customer demands. The Chicken Farmers of Canada worked together with GAC, filling as many requests as possible with domestic supplies first, before turning to supplementary imports if product was unavailable. By the end of 2017, GAC had issued 5.5 Mkg worth of supplementary import permits.

Continuing from what was noted above, global imports during 2017 were well above pro-rata for most of the year. It was not until July 2017 that weekly imports jumped from the usual average of 1.5 Mkg, to a volume of 2 – 3.5 Mkg per week. Import volumes began to stabilize and fall closer in line with pro-rata by October 2017. Volumes cooled down in the last two weeks of December 2017.

Aside from the TRQ program, GAC also manages and monitors the Import to Re-Export Program (IREP). The program allows chicken processors to import chicken duty-free, which is then further processed, and then re-exported. During 2017, 18.6 Mkg of chicken were imported under IREP. The 2017 IREP volume was 4.8 Mkg (34.6%) greater than 2016. IREP volumes have been declining year-over-year since 2011, making 2017 the first year to see an increase.

Similar to how GAC manages IREP, the Canadian Border Services Agency (CBSA) manages the Duties Relief Program (DRP). Participants are able to import product and have a four-year timeframe to re-export the chicken that they imported. The year 2015 marked the height of DRP imports at 96.3 Mkg. Ever since, DRP import volumes have been on the decline. For 2017, 48.7 Mkg of chicken was imported through the DRP, a 22.7 Mkg decline from 2016.



With the effective stoppage of mislabeled chicken entering Canada, spent fowl imports fell from 99.0 Mkg in 2016 to 80.9 Mkg in 2017. Boneless breast imports fell from 26.9 Mkg in 2016, to 17.0 Mkg in 2017. The majority, if not all illegal chicken entering Canada was thought to be vis-à-vis the boneless breast category. Bone-in fowl breast imports also fell significantly, from 6.4 Mkg in 2016, to 0.3 Mkg in 2017—a 94.7% drop. Imports under the bone-in parts category increased significantly from 4.0 Mkg in 2016, to 20.5 Mkg, a 416.3% increase. These high increases were confirmed by Agriculture and Agri-Food Canada (AAFC) as legitimate.

Exports

AAFC data reveals that an estimated 156.1 Mkg of chicken was exported during 2017. There were 8.5 million fewer kilograms of chicken exported in 2017 than in 2016. Apart from the United States, chicken export destinations included other countries such as the Philippines, Taiwan, and Haiti. Chicken was also exported to Cuba, Jamaica, Armenia, Tajikistan, South Africa, and Equatorial Guinea.

Bone-in parts, mostly leg quarters, were the most popular export cut in 2017, with an export volume of 54.8 Mkg, or 10.8 Mkg (24.6%) more than last year. Taiwan represented the most popular destination for bone-in parts, with noteworthy volumes also being sent to the United States, Philippines, South Africa, Cuba, Jamaica, and Haiti. In 2016, boneless part exports accounted for 57.9 Mkg eviscerated weight, in 2017 exports under this classification fell 10.0 Mkg to 47.9 Mkg. Mechanically separated meat (MSM) exports increased considerably in 2017. In 2016, MSM exports accounted for 14.1 Mkg, in 2017 this number increased by 8.7 Mkg to 22.8 Mkg. The majority of these exports were destined for the Philippines, and smaller volumes were also shipped to Cuba, Jamaica, Taiwan, and South Africa.

Storage Stocks

Frozen storage inventories started off the year 2017 with a volume of 42.0 Mkg. By the end of the year, the closing storage volumes were 44.0 Mkg. Storage stock volumes were at their lowest in the summer, seeing a volume of 39.9 Mkg in June, 39.8 Mkg in July, and 38.7 Mkg in August, which was the lowest point of the year. Volumes started gradually rising in September through December.

Breast storage stocks under the cut-up category, consisting of both boneless and non-boneless breasts, increased by 0.8 Mkg. The other sub-category within the breast sub-category fell 0.4 Mkg. It was the boneless breast sub-category that increased the overall volume within breast sub-category, with an increase of 1.3 Mkg. The “Other” sub-category under the cut-up category, which is comprised of halves, trimming, and whole-cut, increased by 1.8 Mkg. The wings sub-category under the cut-up category also

increased by 0.6 Mkg. Legs under the cut-up category increased by 0.2 Mkg. Closing stocks under the Further Processed (FPP) category decreased by 0.3 Mkg. Lastly, the Miscellaneous chicken and Whole bird categories each fell respectively by 0.9 Mkg and 0.2 Mkg.

Interprovincial Movement

Chicken Farmers of Canada monitors the interprovincial movement (IPM) of live chicken. Interprovincial movement data is reported by provincial counterparts on a weekly basis, where there are reviewed by external auditors every four periods. Total IPM in 2017 was 89.8 Mkg (live weight), which is an 8.9 Mkg increase over 2016. The greater part of increased IPM can be attributed to increased shipments from Quebec to New Brunswick, accounting for 39.2 Mkg, a 4.3 Mkg increase over last year. Shipments from Ontario to Quebec also increased by 3.1 Mkg in 2017, to 21.6 Mkg.

Interprovincial Movement of Live Chickens (in kilograms live weight)

		FROM						
		ALTA.	ONT.	QUE.	N.S.	P.E.I.	N.L.	IN TOTAL
TO	SASK.	141,887						141,887
	ONT.			4,492,558				4,492,558
	QUE.		21,608,934					21,608,934
	N.B.			39,212,965	18,546,723	1,005,496		58,765,184
	N.S.					4,709,848	46,171	4,756,019
	OUT TOTAL	141,887	21,608,934	43,705,523	18,546,723	5,715,344	46,171	89,764,582

Industry Snapshot

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	N.L.	TOTAL
Number of producers	318	250	67	118	1,199	744	38	88	8	6	2,735
Average farm size (000 kg live weight)	736	627	922	579	495	599	1,166	631	716	3,141	553
Federally-inspected plants	9	4	2	2	19	7	2	1	0	1	47
Provincially-inspected plants	15	64	1	3	26	5	2	9	7	3	135
Average producer price (\$/kg live weight)	1.596	1.573	1.559	1.550	1.499	1.515	1.601	1.598	-	-	1.535

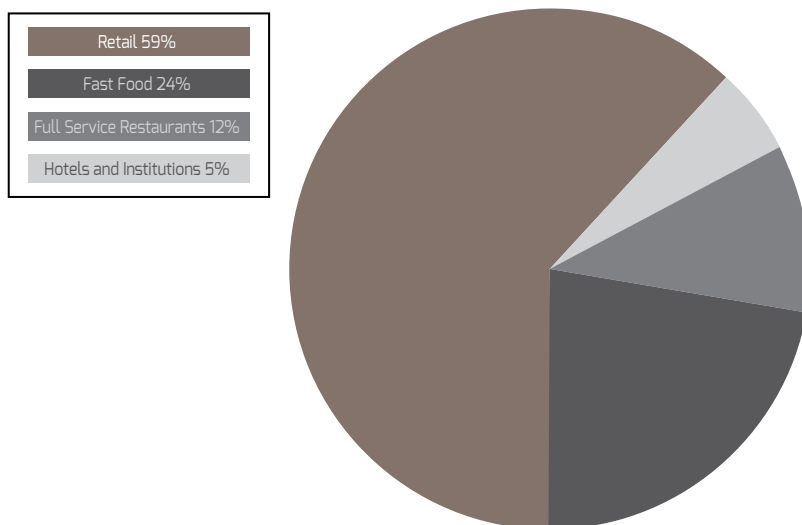
Sources: CFC, AAFC, CFIA, provincial boards, provincial ministries of Agriculture

Estimated Chicken Consumption in Various Market Sectors (Mkg)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retail	621	637	639	625	631	647	677	686	698
Fast Food	247	236	242	241	232	234	246	269	280
Full Service Restaurants	99	99	99	101	99	105	112	114	135
Hotels and Institutions	56	54	54	55	56	57	60	61	64
TOTAL	1,023	1,026	1,034	1,022	1,018	1,043	1,095	1,131	1,177

Source: Further Poultry Processors Association of Canada

2016 Estimated Chicken Consumption in Various Market Sectors



Government Relations

As an organization focused on representing Canada's chicken farmers, and growing the chicken industry, government relations is an important part of the work we do. Our day-to-day lobbying outreach can range from meeting with Parliamentarians, to hosting events around Parliament Hill, to participating in government consultations. And it works! The effort we put towards education, awareness, and advocacy is resulting in better relationship building, an impact on policies, and advancement of our issues. In 2017, based on the key result areas of the Chicken Farmers of Canada strategic plan, the main areas of focus in government relations were:

- » Strengthen relationships with parliamentarians and public servants in order to build advocates and secure strong support for Canadian chicken farmers and the Canadian chicken industry
- » Raise Chicken Farmers of Canada's profile and awareness of its key issues through educating MPs/Senators and their staff in order to drive Chicken Farmers of Canada's policy issues and lead to their resolution
- » Actively participate in Growing Forward 3 consultations to address chicken industry issues

Working closely with the Minister of Agriculture and Agri-Food (AAFC) and his staff, the Canada-U.S. Relations team based out of the Prime Minister's Office, and officials at Global Affairs Canada, Chicken Farmers of Canada continues to be successful in our advocacy efforts at both the political and public service levels.

House of Commons Committees

Standing Committee on Health

As part of their study on Antimicrobial Resistance, Chicken Farmers of Canada was invited to appear before the House Standing Committee on Health in early November. Chicken Farmers of Canada has been actively engaged on this issue for many years now, and has implemented an antimicrobial use strategy in conjunction with our industry

partners and in collaboration with the *Pan-Canadian Framework for action on Antimicrobial Resistance and Antimicrobial Use*. We were pleased to have the opportunity to discuss with the committee how we are working towards achieving the common objectives of reduction, surveillance, stewardship, and research.

Standing Committee on Agriculture and Agri-Food

Being a major stakeholder of the AAFC, Chicken Farmers of Canada had the opportunity to appear before the Committee more than once in 2017, in addition to meeting with Committee members throughout the year. In early April, Chicken Farmers of Canada staff presented to the Committee regarding the Amendments to the Health of Animals Regulations (Humane Transportation). Chicken Farmers of Canada believes that any amendments to the Health of Animals Regulations should be science-based, work in unison with other regulations, consider the operational structure of Canadian production, and be developed with care and in consideration of how they would be interpreted by the courts. Chicken Farmers of Canada also presented to the Committee later in the year regarding the proposed Food Policy for Canada—stressing how elements like animal care, government assurance systems, and safe and affordable food should be a cornerstone of the policy.

Senate Standing Committee on Agriculture and Forestry

Chicken Farmers of Canada was also invited to appear before the Senate Standing Committee on Agriculture and Forestry to discuss their study on the potential impact of the effects of climate change on the agriculture, agri-food and forestry sectors. Chicken Farmers of Canada representatives spoke on the chicken industry's Life Cycle Assessment, the impact of carbon pricing, and the improvements Canadian chicken farmers are making to their operations, barns and genetics to improve efficiency and enhance the environment.

Giving Back

2017 presented Chicken Farmers of Canada's government relations program with many opportunities to give back to the community, while engaging those on Parliament Hill. Chicken Farmers of Canada was a Sponsor of the **Lawn Summer Nights** lawn bowling fundraiser which has raised over \$2,000,000 for Cystic Fibrosis since 2008. This annual event brings together the Hill and GR community for some summer fun for a good cause throughout June and July.

We were also proud to sponsor the **Maclean's Parliamentarian of the Year Awards** for the first time, in conjunction with the awards'

tenth anniversary. Chicken Farmers of Canada Chair Benoît Fontaine presented the Civic Outreach award to Ontario MP Scott Reid, as nominated by his peers. This event hosted MPs, Senators, and stakeholders in honouring the hardworking people that go the extra mile on Parliament Hill.

2017 marked the first time industry has dedicated a day to celebrating agriculture and the people who work hard every day to feed Canadians.

Canada's Agriculture Day brought together Parliamentarians, consumers, students, and other supporters in a broader conversation about the food we eat. Chicken Farmers of Canada sponsored the events in Ottawa, creating a closer connection with consumers about where their food comes from and who the people are that produce it.

Chicken Farmers of Canada also partnered with Egg Farmers of Canada again this year to sponsor the **Forum for Young Canadians** program. At the beginning of each year, Forum for Young Canadians welcomes hundreds of student leaders from across Canada to Ottawa to experience government and parliamentary processes first-hand. Chicken Farmers of Canada and Egg Farmers of Canada hosted a photo booth at the evening receptions, which was popular with the students, MPs, and stakeholders alike.



Annual Lobby Day

Chicken Farmers of Canada hosted another successful Lobby Day on May 2, 2017, spreading out across the Parliamentary precinct in an effort to build better relationships with Parliamentarians, discuss our issues, and create awareness of the *Raised by a Canadian Farmer* brand.

Lobby Day allowed farmers and provincial boards to have constructive, thoughtful conversations with MPs and Senators regarding topics such as supply management, our Animal Care and On-Farm Food Safety Programs, and our issues regarding spent fowl and import controls. The chicken sector was represented by Chicken Farmers of Canada Directors, Alternates, Provincial Board managers and staff, and provincial Directors.

Throughout the three days representatives were in Ottawa, groups had 70 meetings, including:

- » 2 Ministers
- » 8 Senators
- » 11 Parliamentary Secretaries
- » 65 MPs
- » 2 Minister's Senior office staff

Chicken Farmers of Canada representatives were able to meet with some key players on our files, such as the Parliamentary Secretaries to the Ministers of Public Safety, Agriculture, International Trade, and Foreign Affairs.

The "Tailgate Party" reception planned for that evening to welcome Parliamentarians and celebrate the successful day was unfortunately cancelled due to a gas leak in the area. A small impromptu party was instead held at the Chicken Farmers of Canada offices.

Canadian Federation of Agriculture Summer Meeting and Ministers' Roundtable

Chicken Farmers of Canada representatives were in St. John's, Newfoundland at the end of July to attend the Canadian Federation of Agriculture's summer meeting, combined with the CFA/Federal Provincial Territorial (FPT) Ministers' roundtable.

The CFA summer meeting provided a good opportunity for Directors and industry representatives to discuss the issues facing their sectors, and determine a forward approach in dealing with the many government consultations underway.

As part of the Standing Committee on Finance's pre-budget submission request, CFA presented their recommendations for the 2018 federal budget. In its submission, CFA highlighted agriculture as a key economic driver of inclusive growth, increasing productivity, problematic labour shortages, export potential, and our role in environmental stewardship. CFA also wants to see an increase in the Next Policy Framework funding, resources for a National Food Strategy, adjusting tax policies to better position the next generation of farmers, and a greater emphasis on rural priorities.

The highlight of the summer meeting was the roundtable with FPT Ministers and CFA members. The annual roundtable kicked off with opening remarks from CFA President, Ron Bonnett, Minister of Agriculture and Agri-Food, Lawrence MacAulay, and Newfoundland and Labrador Minister of Fisheries and Land Resources, Steve Crocker.

Following the roundtable, Ministers went into closed-door meetings for the next two days to discuss the important issues in agriculture and agri-food, including trade negotiations, export opportunities in key markets, a Plant and Animal Health Strategy, and finalizing the *Canadian Agricultural Partnership*. FPT Ministers also reiterated their support for our supply management system.

Canadian Agricultural Partnership

After months of extensive consultations, the next agricultural policy framework, entitled the *Canadian Agricultural Partnership*, was presented by federal, provincial and territorial (FPT) agriculture Ministers at the end of July. The *Canadian Agricultural Partnership* is a five-year, \$3 billion investment that will come into effect



on April 1, 2018, the deadline by which FPT governments must conclude their bilateral agreements. It will strengthen the agriculture, agri-food and agri-based products sector, ensuring continued innovation, growth and prosperity.

The *Canadian Agricultural Partnership* will focus on six priority areas for the next five years:

- » Science, Research, and Innovation
- » Markets and Trade
- » Environmental Sustainability and Climate Change
- » Value-added Agriculture and Agri-food Processing
- » Public Trust
- » Risk Management

Food Policy for Canada

As part of the Minister of Agriculture and Agri-Food's mandate letter from the Prime Minister, the department is expected to "Develop a food policy that promotes healthy living and safe food by putting more healthy, high-quality food, produced by Canadian ranchers and farmers, on the tables of families across the country."

In developing the policy, AAFC has been consulting Canadians that have an interest in health, food safety, nutrition, the environmental, indigenous

practices, and food production. The government is aiming to use a whole-of-government approach, while covering all aspects of the food supply chain and enabling collaboration among governments, stakeholders, and consumers. The Policy will set a long-term vision for the health, environmental, social, and economic goals related to food, while identifying actions that can be taken in the short term. The policy will also be a way to address issues related to the production, processing, distribution, and consumption of food.

The themes of the Policy are:

- » Increasing access to affordable food
- » Improving health and food safety
- » Conserving our soil, water, and air
- » Growing more high-quality food

AAFC continues to consult Canadians and hopes to announce the new Food Policy in 2018.

November Reception – Tailgate 2.0

The annual fall Parliamentary reception was held on November 22nd and attended by over 300 MPs, Senators, staffers, and industry invitees. The tailgate-themed food and drinks were enjoyed by guests, and \$570 was raised for the Ottawa Food Bank.

Trade & Policy

It was a busy year for trade in Canada. In response to the increasingly protectionist policies of the United States, its largest trading partner, Canada has been exploring potential new free trade partners, while continuing to engage on with fellow Trans-Pacific Partnership (TPP) members to explore how to best move that agreement forward without the U.S. Consequently, Chicken Farmers of Canada executive members and staff have seized every opportunity to engage with government officials to ensure that the concerns and realities of Canada's chicken farmers are kept in mind as government engage in multiple trade talks.

The North American Free Trade Agreement

On August 16th, United States President Donald Trump fulfilled his campaign promise to reopen the North American Free Trade Agreement (NAFTA), launching it with a press event in Washington D.C. hosted by U.S. Trade Representative Robert Lighthizer, and including Canadian Minister of Foreign Affairs Chrystia Freeland and Mexican Secretary of Economy Ildefonso Guajardo Villarreal.

Originally, the plan was to hold seven rounds of talks rotating through the U.S., Mexico and Canada in quick succession, before finalizing a modernized agreement by the end of 2017. The rapid-fire pace of negotiations aimed to have the revised NAFTA finalized well ahead of July 2018 Mexican Presidential election and the November 2018 U.S. midterm elections.

However, at the end of Round 5, which took place in Mexico City from November 17 to 21, it became evident that progress on several key issues was deadlocked by contentious U.S. demands, and all three national officials agreed to extend the talks into 2018.

While some aspects of the NAFTA talks have focused on modernizing the 24-year old agreement by improving regulatory cooperation and

incorporating topics that were not trade issues when it first came into effect in 1994 (e.g. e-commerce and biotechnology), there are also a number of U.S.-tabled demands that seem designed specifically to implode the trilateral trade partnership.

These proposals include highly restrictive rules of origins on autos, a five-year sunset clause that would undermine the very stability and certainty that trade agreements are meant to provide, as well as the elimination of all Canadian tariffs on U.S. dairy, poultry, and egg imports, which would dismantle Canada's ability to regulate imports, one of the critical pillars of Canada's supply management system. Canadian trade officials have described these U.S. demands as "non-starters".

Chicken Farmers of Canada executive members and staff have been present at every round of the NAFTA talks, receiving regular briefings from Canada's trade officials, including Steve Verheul, Canada's chief NAFTA negotiator, and chief agricultural negotiator Frédéric Seppey. Chicken Farmers of Canada has also been engaging with the Canadian government, ensuring that they are clear on how the existing trade regime is already providing the U.S. with preferential access to the Canadian chicken market.

The United States is Canada's number one origin of broiler meat imports. Since 2012, Canada has been the second largest destination for U.S.



broiler meat after Mexico in terms of both volume and value. When considered on a per capita basis, the value of Canadian imports of U.S. chicken is three times greater than the value of Mexico's U.S. chicken imports. The U.S. has also enjoyed a consistent positive balance in its poultry trade with Canada. Between 2012 and 2016, the American chicken trade surplus with Canada averaged around \$307 million CAD per year.

Through NAFTA, Canada provides the U.S. with stable and predictable access to its chicken market, and our tariff rate quota provides real market access to our American trade partners, and removes the risk of the erection of non-tariff barriers, as is a current practice in many other countries. For instance, unlike many other U.S. trade partners, Canada did not take advantage of the extensive 2015 avian influenza outbreak there to block exports. Such certainty has enabled the U.S. chicken sector to invest in significantly increasing its exports.

By matching production levels to domestic requirements, the Canadian chicken sector does not generate surpluses that could then in turn be exported into the U.S., displacing U.S. production, and creating disruption on the U.S. market.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership – formerly the Trans-Pacific Partnership

On February 4, 2016, the 12 members of the Trans-Pacific Partnership (TPP) – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam – signed the regional trade agreement in Auckland, New Zealand, thereby launching national ratification processes. However, on January 23, 2017, only three days into his administration, President Trump withdrew the U.S. from the TPP, leaving the remaining 11 member countries to figure out how to proceed, as the trade agreement's coming into force required ratification by the U.S.

Negotiators met throughout 2017 to determine how to move the newly renamed Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) forward without the U.S. Negotiations were drawing to a close at the end 2017, and,

Since 2012, Canada has been the second largest destination for U.S. broiler meat after Mexico in terms of both volume and value.

The new CPTPP access would mean the importation of an additional 2.1% of Canadian production, increasing Canada's existing market access commitment of 7.5% to a total of approximately 9.6%.

with further meetings planned in early 2018, the agreement is expected to be signed in March 2018.

Chicken Farmers of Canada is concerned that the new CPTPP agreement will continue to include the market access concessions that Canada granted in the original TPP in response to U.S.

demands, despite the U.S.'s withdrawal from that trade pact. Given the U.S.'s withdrawal from the TPP, those concessions should have been suspended. The new CPTPP access would mean the importation of an additional 2.1% of Canadian production, increasing Canada's existing market access commitment of 7.5% to a total of approximately 9.6%.

In light of this expected expansion of access into the Canadian chicken market, Chicken Farmers of Canada insists that the Canadian government deliver on the support programs that were announced at the conclusion of the TPP original agreement, implement the measures required to stymie the illegal importation of broiler meat as spent fowl, end the development of creatively packaged chicken products to circumvent import-controls, and ensure that chicken products are excluded from the ill-suited Duties Relief Program.

The World Trade Organization

The World Trade Organization (WTO) was established in 1995 to serve as the forum through which member governments are able to negotiate, establish and dispute the rules governing the multilateral trading system. With one of its strongest leaders, the United States, becoming less engaged in the multilateral system, the WTO is struggling to move its work forward. It is in this environment that it held two of its most important regular events: its annual Public Forum and its biennial Ministerial Conference.



Chicken Farmers of Canada President Benoît Fontaine, Executive Members Tim Klompmaker and Nick de Graaf, and Manager of Trade and Policy, Yves Ruel attended this year's WTO Public Forum, which was held in Geneva from September 26 to 28. In addition to attending Forum sessions on the rise of protectionism and the future of the multilateral trade system, Chicken Farmers of Canada representatives also met with various officials, including Canada's Ambassador to the WTO, the Chair of the WTO Agriculture Negotiating Group, and the WTO Deputy Director General, as well as representatives of national farmer organizations. At these meetings, discussions centered on the expectations of the WTO's upcoming Ministerial Conference in Argentina.

The WTO's 11th Ministerial Conference (MC11) was held in Buenos Aires from December 10 to 13, with minimal results. While the aim in terms of the agriculture negotiations was to find a permanent solution to public stockholding for food security

purposes and tackle trade-distorting domestic support, very little progress was actually achieved on these issues. Although there was no agreement on a detailed post-MC11 work program in the area of agriculture, WTO members did reaffirm their commitment to continue to work on domestic support, market access, and export competition, as well as non-agricultural market access, services, development, trade-related aspects of intellectual property rights, and rules throughout 2018.

Benoît Fontaine and 1st Vice-Chair, Derek Janzen, attended the MC11, accompanied by Chicken Farmers of Canada's Executive Director, Michael Laliberté, and Yves Ruel. On the sidelines of the conference, the delegation met with International Trade Minister François-Philippe Champagne, as well as with representatives from farmer organizations from Switzerland, Norway, Ireland, France, and the EU.

Government Consultations on Possible Free Trade Agreements

Having made it a priority to diversify Canada's trade portfolio, throughout 2017 the Canadian government has been engaging in exploratory talks with several potential free trade partners, including China, the Pacific Alliance (Chile, Colombia, Mexico and Peru), and the MERCOSUR customs union of Argentina, Brazil, Paraguay and Uruguay. As part of its exploratory process, the Canadian government has solicited the views of domestic stakeholders on these possible free trade agreements (FTAs) in order to identify areas of potential benefits and known concerns.

Chicken Farmers of Canada participated in these consultations, emphasizing how, in light of Chile's existing exports into Canada, China's massive chicken production and export capacity, and, even more so, Brazil's dominance of the international chicken market, it remains imperative that the government maintain Canada's tariff rate import quota and over quota tariff at their current levels to ensure the integrity of import controls.

Chicken Farmers of Canada is working with Canadian trade officials to ensure that all new FTAs preserve import controls for the supply management sector.

Import Controls

Despite the diligent efforts of Chicken Farmers of Canada Directors and the ongoing collaborative work between staff and government officials, three major import control issues continued to trouble the Canadian chicken sector throughout 2017. These include fraudulent spent fowl imports, the misuse of the Duties Relief Program, and creatively packaged chicken products that have been developed explicitly to circumvent import controls.

In May, the Office of the Auditor General of Canada (OAG) released its 2017 spring report, which found that the Canada Border Services Agency (CBSA) and Global Affairs Canada (GAC) have not been working together to adequately manage the limits on quota-controlled goods coming into Canada. The OAG estimates that in 2015, CBSA should have assessed \$50 million in duties on \$20 million worth of chicken imports that exceeded volume limits and entered Canada without permits.

The OAG also found that the Duties Relief Program (DRP) control framework was ineffective, allowing some supply-managed goods to be diverted into the Canadian market without the applicable duties being paid. The OAG has recommended that CBSA and GAC collaborate to enforce tariff rate quotas more effectively, and that CBSA work with Finance Canada to improve compliance with DRP program requirements.

As part of its exploratory process, the Canadian government has solicited the views of domestic stakeholders on these possible free trade agreements (FTAs) in order to identify areas of potential benefits and known concerns.

Chicken Farmers of Canada has been working tirelessly to find ways to end this illegal importation of broiler meat eroding Canadian chicken production.

The OAG's findings echo concerns that have been repeatedly expressed by Chicken Farmers of Canada to the Canadian government. At the House of Commons Standing Committee on Public Accounts meeting on November 9, 2017,

members questioned the President of CBSA about the steps being taken to address the systemic failures identified in the OAG report. The president of CBSA assured Committee members that the CBSA has committed to conducting increased verifications, as well as to review how CBSA validates that goods being imported respect the permits issued by GAC.

In its verification priorities for 2018, CBSA has added the appropriate tariff classification for spent fowl imports, as well as the verification of import permit numbers.

Chicken Farmers of Canada has followed up with government officials during meetings of the Border Measures Workshop in May and November, and looks forward to September 2018, when the CBSA review should be completed.

Fraudulent Spent Fowl Imports

While broiler meat is subject to import controls when entering Canada, spent fowl meat – the meat from egg layers that have reached the end of their productive cycle – is not. There are no restrictions on the amount of spent fowl that can be imported into Canada. Realizing that the two products are visually indistinguishable, a few years ago some unscrupulous Canadian importers began fraudulently importing boneless broiler breast meat into Canada by declaring it as spent fowl at the border. Not only has this activity resulted in employment and revenue losses

for the Canadian chicken sector and lost duty revenue for the Canadian government, but also it has put Canadian consumers at risk due to the broken chain of food system traceability.

Chicken Farmers of Canada has been working tirelessly to find ways to end this illegal importation of broiler meat eroding Canadian chicken production. In 2014, with Chicken Farmers of Canada's support, Trent University researchers developed a forensic DNA test that can accurately verify whether a product contains chicken, spent fowl or a combination of both. Since then, the test has been promoted to the Canadian Food Inspection Agency (CFIA), Agriculture and Agri-Food Canada (AAFC), and Canada Border Services Agency (CBSA) as a means of stopping the fraudulent import activity. In 2017, Canadian officials worked on moving the DNA test forward through the government's arduous test verification system. The Canadian chicken sector looks forward to its eventual approval and implementation.

The development of the DNA test and the CFIA suspension of a cold storage warehouse in the U.S. from exporting spent fowl to Canada have brought more attention to the issue of mislabeled imports, and has resulted in a slowdown of spent fowl imports. In 2017, spent fowl imports amounted to 81 Mkg compared to the 99 Mkg that was imported in 2016. The inferred causal link between increased verifications and suspensions and the decline in imports validates Chicken Farmers of Canada's reports on the significant levels of import fraud over the past few years.

Throughout 2017, boneless breast meat represented slightly more than 50% of all spent fowl imports. A new development was the 416% growth in imports of bone-in parts consisting mainly of front-half chickens, which began to ramp up in February 2017. While bone-in parts constitute just 29% of all spent fowl imports, this surge in imports is sufficiently unusual to warrant ongoing monitoring by staff.



Misuse of the Duties Relief Program

The Duties Relief Program (DRP) administered by CBSA suspends the duties for Canadian processors who are importing products that will be processed domestically and then subsequently re-exported for sale in foreign markets. As the program is designed primarily for industrial and manufacturing goods, the rules governing it reflect the realities of those sectors. For instance, imported components can be kept in Canada for up to four years, and there is a permissible level of substitution with less-expensive domestic products. However, given that these rules allow for a level of market distortion, they are woefully incompatible with the supply management sector. Furthermore, applicants who have been barred from the Import to Re-export Program are allowed to participate in the DRP.

The Import for Re-export Program (IREP) administered by GAC is designed specifically for supply management products, providing adequate safeguards against market leakages. Under IREP, re-exportation must take place within three months; substitution of high value imported

products, such as boneless chicken breasts, by lower value cuts or spent fowl is prohibited; and, marinated products are not permitted due to potential for diversion into the domestic market.

In 2017, in response to industry concerns and the results of the OAG's report (see above), the Canadian government held a stakeholder consultation on IREP and DRP. Through this consultation, Chicken Farmers of Canada advocated that, given the issues with the DRP and the appropriate design and proper functioning of IREP, chicken products must no longer be eligible for the DRP. Chicken Farmers of Canada looks forward to the results of the government's consultation, and working closely with the Canadian government to improve the predictability of chicken imports.

The CBSA's increased verifications in 2016 coincided with a decrease in the level of

Substitution of high value imported products, such as boneless chicken breasts, by lower value cuts or spent fowl is prohibited; and, marinated products are not permitted due to potential for diversion into the domestic market.

imports conducted through the DRP. In 2017, the decrease continued with 48.6 Mkg being imported through the DRP compared to the 71.4 Mkg imported in 2016 and the 96.3 Mkg in 2015.

Specially Defined Mixtures

When 13% or more of the total weight of a packaged chicken product is made up by some other food item, it is generally considered a “specially defined mixture” for import purposes and is no longer subject to import controls. For example, a box of chicken wings containing sauce that makes up 13% of the overall package weight can be imported duty-free as a specially defined mixture – and not as a chicken product that would be import controlled. This definition has prompted the development of creatively packaged poultry products that have been designed explicitly to circumvent import controls, not to satisfy an existing or projected market demand. Such activity has increased the influx of foreign chicken meat into the Canadian market, and, by displacing domestically produced chicken, undermines the economic activity generated by the Canadian chicken sector.

Chicken Farmers of Canada continues to advocate against permitting imports to exceed Canada’s international trade commitments, and to insist that the Canadian government clarify the definition of specially defined mixtures in order to prevent tariff engineering for the sole purpose of circumventing import controls. Chicken Farmers of Canada continues to work with the Canadian government to ensure that ministerial direction is given to put a solution into place.

Tariff Rate Quota Allocation

The global Tariff Rate Quota (TRQ) access commitment for 2017, which is set at 7.5% of the previous year’s production level, was 86.1 Mkg, up from 83.3 Mkg in 2016. However, total imports represented 8.42% of the previous year’s production, meaning that a significant volume of products was imported above the provided access. This was partially due to 5.5 Mkg of supplementary imports for shortages that were issued in response to requests from Canadian manufacturers who argued that there was a short supply of chicken on the Canadian market. The rest of the additional volume was 6.3 Mkg of imports to compete supplementary imports, which was given to manufacturers of non-ICL products.

Despite this additional volume of imports, 1.1 Mkg of the global 2017 TRQ was not fully utilized, due in part to the results of the verification of some TRQ quota holders, and in part because some TRQ recipients simply did not use their full allocation.

The high volume of supplementary imports shows again the importance of addressing the specially defined mixtures rules to prevent tariff engineering that undermines Canadian produced chickens and all its related economic benefits. The issuance of supplementary imports for shortages was a response to an exceptional situation where under-production due to disease and chick quality combined with a very strong demand for chicken to create a very tight supply of chicken on the Canadian market. This situation also highlighted the importance of updating the import policy addressing shortages, which had not been utilized for more than 20 years.

Monitoring & Enforcement

Chicken Farmers of Canada's responsibility is to provide an effective national monitoring and enforcement policy for the orderly marketing of chicken.

Auditing the System

Audits of provincial commodity boards, market development licensees, specialty production licensees, and inter-provincial licensees are carried out every four allocation periods. Chicken Farmers of Canada also conducts special audits as needed.

In 2017, staff completed the audits of provincial chicken boards for compliance with Chicken Farmers of Canada policies and regulations for periods A-138 to A-141, which runs from July 10, 2016 to February 18, 2017, and initiated the audits of periods A-142 to A-145, which runs from February 19 to September 30, 2017.

Live marketing reporting audits, including inter-provincial movement of live chicken, and market development and specialty production licensees' compliance with policies and regulations, were conducted by the external auditors for periods A-138 to A-141 and initiated for periods A-142 to A-145.

The audit report for periods A-138 to A-141 was presented and accepted by the Board of Directors in October 2017 and the audit report for periods A-142 to A-145 will be presented to Directors in March 2018.

Overmarketing Assessment

The following assessments were presented and approved by the Board of Directors in 2017:

Overmarketing levies

Audit Period	Provincial Board	Levy Assessed	Status
A-136/A-137	Nova Scotia	\$ 5,254	Remitted in full
A-138/A-139	New Brunswick	\$ 36,879	Remitted in full
A-140/A-141	Nova Scotia	\$ 27,873	Remitted in full
A-140/A-141	Manitoba	\$ 47,693	\$26,067 remitted *

* The outstanding balance of \$21,626 will be discussed by the Board of Directors in 2018.

Market Development

The following Market Development assessments were issued to three primary processors for marketing production received other than in accordance with the Market Development Policy and the license they hold:

Market Development Levies

Quota Period	Levy Assessed	Kg Live Weight Equivalent	Assessment
A-137	\$ 31,766	19,854	December 2016
A-138	\$ 27,412	27,412	December 2016
A-138	\$ 8,076	8,076	June 2017
A-138	\$ 16,447	27,412	August 2017
A-139	\$ 18,988	18,988	June 2017
A-139	\$ 38,723	24,202	August 2017

Chicken Farmers of Canada received all payments for Market Development levies listed above in 2017.

Specialty Production

There were no levies assessed in 2017.

Inter-Period Quota Transfers

There have been no inter-period quota transfers in any of the past three years.

On-Farm Food Safety

Chicken Farmers of Canada continues to implement the *Raised by a Canadian Farmer* On-Farm Food Safety Program from coast to coast, and 100% of farmers are certified.

The program emphasizes animal health, cleanliness and safety throughout each step of the production cycle, and mandates biosecurity measures to protect animal health and prevent flock infections from outside sources.

Third Party Audit

The program is third-party audited by NSF International, an internationally-recognized, third-party certification body, accredited by the American National Standards Institute, to ISO 17065, who used PAACO (Professional Animal Auditor Certification Organization) certified auditors.

Third-party audits were conducted at the national office, at three provincial board offices, on a sample of farms in every province, and over 90% of Chicken Farmers of Canada's on-farm auditors were evaluated. NSF's third-party audits concluded that the On-Farm Food Safety Program and the Animal Care Program have been implemented and maintained effectively.

The results of the third-party audit have been communicated with our customers. These results, combined with having a mandatory program for all farmers, help to ensure the credibility of the program and the confidence that processors, retailers and restaurants need to support one national approach.

CFIA Recognition Review

The Canadian Food Inspection Agency (CFIA)-led recognition program conducted a technical soundness and program review of the *Raised by a Canadian Farmer* On-Farm Food Safety Program in 2017.

The review took place from September 11 to October 16, and the final report was submitted and concluded in early November. The review team included federal and provincial government representatives from CFIA, the Public Health Agency of Canada, Ontario Ministry of Agriculture, Food and Rural Affairs, and Alberta Agriculture and Forestry.

The maintenance of recognition process determined that:

- » The Chicken Farmers of Canada Program documentation (generic HACCP Model, Producer Manual Management Manual and training material) is current, technically sound and administratively effective.
- » The internal audit and management review reports confirm that the Chicken Farmers of Canada Food Safety Program is being delivered in conformance with their written program.

As a result, Chicken Farmers of Canada's Food Safety Program recognition status with the federal, provincial and territorial governments has been maintained.

Pathogen Reduction

Chicken Farmers of Canada continues to participate on a Federal/Provincial/Territorial government and industry working group on the control of *Salmonella* and *Campylobacter* in poultry. This group is an amalgamation of two previous initiatives – the Pathogen Reduction Initiative and the Salmonella Enteritidis (SE) Working Group.

The working group will identify risk management strategies to control *Salmonella*

and *Campylobacter* in poultry products by linking the recommendations of the SE working group with the results of the Microbiological Baseline Study from the Pathogen Reduction Initiative.

This working group will continue its mandate into 2018.

Committed to Continuous Improvement

This continuous improvement is integral to the *Raised by a Canadian Farmer* On-Farm Food Safety Program and Animal Care Program – it is the reason the on-farm food safety program is in its 5th edition.

Chicken Farmers of Canada conducts annual Management Reviews, Internal Audits, Witness Audits of auditors and third party audits of the program. Each of these initiatives helps to ensure effective implementation and to refine the programs.

In 2017, Chicken Farmers of Canada modified its audit types. As of January, on-farm programs will consist of two types of audits: full and records assessment. These audits will occur in alternating years, whereas a new farmer will begin with full audits in each of the two first years.

As part of the on-farm programs, farms can also receive triggered audits based on complaints or non-conformance. In addition, 5% of farms undergoing a records assessment are selected through risk-based criteria to receive a full audit instead.

The 14th annual auditor training session took place in Ottawa in November 2017. Auditors from across the country met for two days to learn from each other by sharing experiences and to promote consistent implementation of the program and auditing across the country.

Attendees were composed of auditors, certification, and delivery agents who received updates on Chicken Farmers of Canada's antimicrobial use strategy, revised audit frequency, and an update on the upcoming *Raised by a Canadian Farmer* Animal Care Program manual expected in the fall of 2018.

Chicken Farmers of Canada conducts annual Management Reviews, Internal Audits, Witness Audits of auditors and third party audits of the program. Each of these initiatives helps to ensure effective implementation and to refine the programs.



Animal Care

Chicken Farmers of Canada knows that maintaining high animal care standards is integral to our job as farmers, and demonstrating this is a prerequisite in the current marketplace. Chicken Farmers of Canada's *Raised by a Canadian Farmer* Animal Care Program is a clear demonstration of our commitment to animal care.

This commitment has guided Chicken Farmers of Canada as we have developed and implemented a robust Animal Care Program to demonstrate the level of care on Canadian chicken farms. Provincial boards have used their regulatory authority to mandate the implementation of the Animal Care Program, with audits and enforcement, for farmers in Canada.

Maintaining high animal care standards

Chicken Farmers of Canada has been implementing an Animal Care Program on Canadian farms since 2009. **It is the only program capable of ensuring that animal care standards are implemented and audited on all chicken farms in Canada:**

- » Our program uses one national standard that ensures consistency on all chicken farms in Canada
- » Our program includes annual farm audits
- » Our program is mandatory for Canadian chicken farms
- » Our program uses enforcement mechanisms in cases of non-compliance
- » Our program offers the additional assurance of being 3rd party audited
- » Our program has credible foundations in that it is designed based on the Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys, as developed by NFACC

Chicken Farmers of Canada's Animal Care Program is administered to meet the same ISO-based requirements as the Canadian Food Inspection Agency's requirements for on-farm food safety programs.

Third-Party Audit

The Animal Care Program undergoes the same third-party audit by NSF International as Chicken Farmers of Canada's On-Farm Food Safety Program. Being able to communicate third-party audit results is important for our customers to trust in the program that is being implemented. This credibility allows the Canadian chicken industry the benefit of having one national program for all farmers across the country.

Increased Recognition

At the same time, Chicken Farmers of Canada is petitioning for a government recognition protocol for animal care, similar to the recognition protocol in place for on-farm food safety. The objective would be to have an animal care recognition protocol implemented through Agriculture and Agri-Food Canada's Canadian Agricultural Partnership.

Such a recognition system would leverage the work performed by NFACC and organizations such as Chicken Farmers of Canada that are implementing one auditable, mandatory standard to effectively demonstrate the level of animal care on Canadian farms.

ANIMAL CARE



NFACC and the Code Development Process

The National Farm Animal Care Council (NFACC) leads the Code development process in a way that is unique worldwide – bringing together diverse stakeholders including researchers, veterinarians, national animal welfare organizations, farmers, transporters, and processors to determine what the national standards should be based on the latest science.

Chicken Farmers of Canada has been a member of NFACC since 2006, and Rudy Martinka, the Director from Saskatchewan, is the representative on the NFACC Board.

Our program is the only one capable of ensuring that animal care standards are implemented and audited on all chicken farms in Canada.

The development process includes a full scientific review of current literature and a public consultation period whereby all Canadians had the opportunity to contribute to the final Code.

NFACC oversees another process called the Animal Care Assessment Framework (ACAF). While the Codes are vital in developing national guidelines for the care and handling of farm animals, a mechanism is needed to demonstrate that Codes are being followed in order to build confidence throughout the value chain; this is what the ACAF provides.

Chicken Farmers of Canada has been participating in the ACAF process throughout 2017, and expects a revised Animal Care Program to be released in 2018 based on the outcome of these discussions.

Recent Vegan Activist Activity

The commitment of Canadian chicken partners to animal welfare has become the target of vegan activist campaigns, specifically against restaurant and retail companies to pressure their brands into mandating changes to our practices.

While claiming to be advocating change for the betterment of industry practices, such vegan activist groups have a goal of making it more difficult, more frustrating, and more expensive for chicken farmers to do their jobs and ultimately, make it too expensive for consumers. While Chicken Farmers of Canada is always ready to adapt to the changing Canadian palate –we're not willing to do it when it's being driven by vegan activists.

Over the past year, significant efforts were made to educate industry stakeholders on the farming practices, program requirements, and high standards of animal care that are the foundation for our on-farm programs. With 25 processors, retailers, and foodservice operators already on-board, the push has been to ensure that additional partners sign onto the branding program, and to create awareness that this is **the only program capable of ensuring that animal care standards are implemented and audited on all chicken farms in Canada.** Chicken Farmers of Canada has held meetings with stakeholders throughout the chicken value chain to keep everyone up to speed on the credible approach of Chicken Farmers of Canada's *Raised by a Canadian Farmer* Animal Care Program.

NFAHWC

The NFAHWC is composed of individuals designated or elected from the three stakeholder groups – industry, provincial/territorial government and federal government – which support the Council. The purpose of the Council is to develop recommendations on key policy areas for consideration by federal and provincial governments, and by industry.

Marco Volpé, the New Brunswick alternate, represents Chicken Farmers of Canada.

The Council spent 2017 focused on several different initiatives. On AMR/AMU, a working group continued to monitor the development of the pan-Canadian Framework and ensured that the Framework accurately reflected the needs and activities of animal agriculture while addressing AMR.



A “One Welfare” working group was launched in early 2017 to develop a program to support producers, farm families, and staff wellness in the face of the pressures of agriculture. The working group will next develop a statement that will continue to raise awareness of the need for additional support and services across Canada and include several recommendations.

Moving forward, the NFAHWC will be investigating the possibility of providing leadership for the Canadian Animal Health Surveillance System (CAHSS), as well as the animal component of the new Plant and Animal Health Strategy (PAHS) led by the Canadian Food Inspection Agency.

Poultry Research

Chicken Farmers of Canada's long-term commitment to research and innovation is one of the keys to the success of the chicken industry in Canada. Research will allow our industry to grow as we look for ways to make our quality product even better and respond to evolving consumer preferences.

Chicken Farmers of Canada, along with the four other national poultry organizations, established the Canadian Poultry Research Council (CPRC) back in 2001 to foster innovation, science and education within poultry research. The Council was established with a mandate to create and implement programs for research and development that address current and future industry needs.

Tim Keet of Saskatchewan (representing Chicken Farmers of Canada) is the CPRC Chair. Helen Anne Hudson (Egg Farmers of Canada) is Vice-Chair and Erica Charlton (Canadian Poultry and Egg Processors Council) is the third member of the Executive Committee.

Since its inception, CPRC has allocated over \$4.4 million to foster poultry research, and these funds have been leveraged to over \$24.6 million.

Research Priorities

In 2017, CPRC performed a review of its research strategy, entitled "*National Research Strategy for Canada's Poultry Sector*". This document was first published in 2012, and has formed the basis for the research structure of the Poultry Science Cluster, as well as guiding decisions for annual funding of projects.

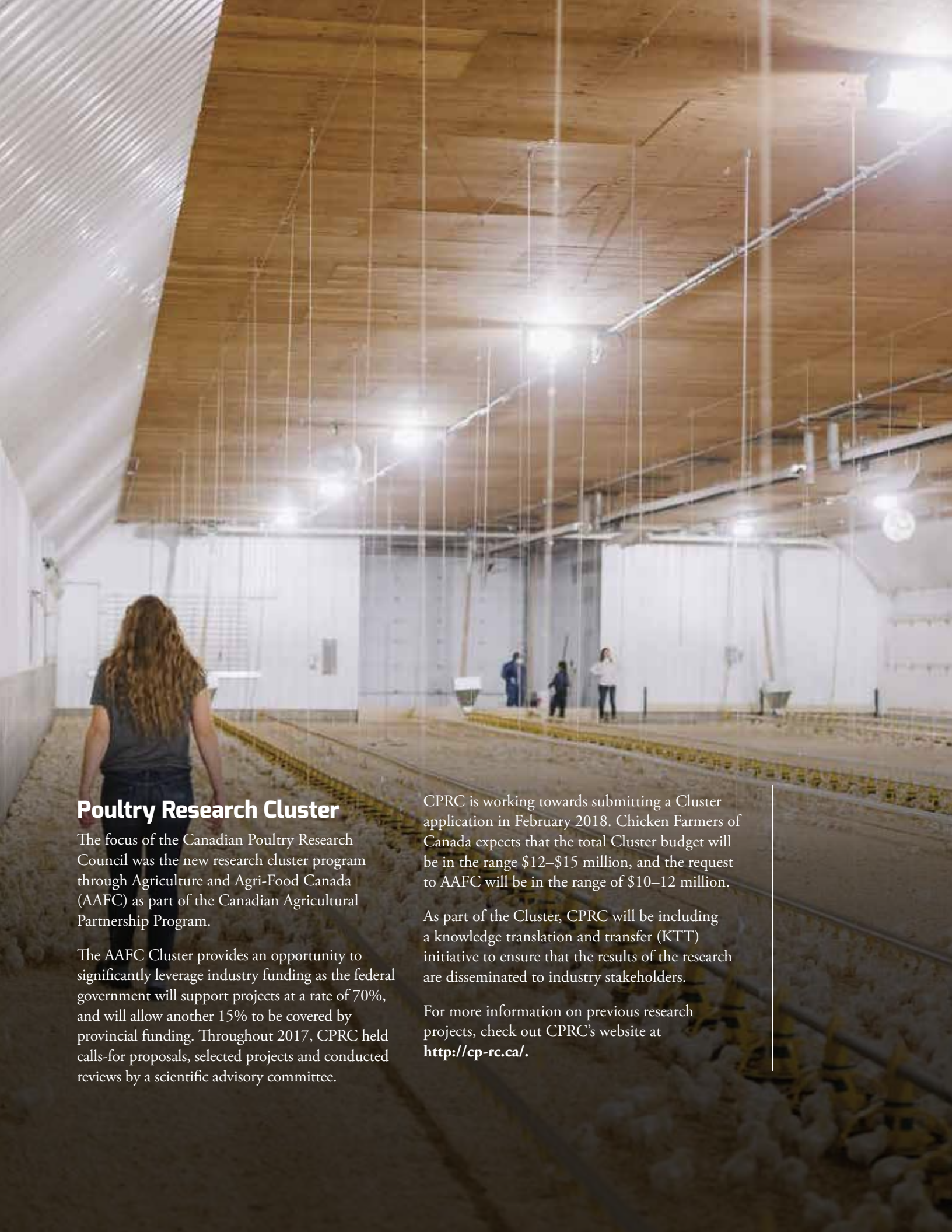
The review process sought input from farmers through the national and provincial representative organizations, the scientific community including universities and governments, and other industry stakeholder organizations representing a broad range of value-chain members. A survey of

these members was conducted via the Poultry Sustainability Value Chain Roundtable research working group.

This process re-confirmed the research priorities, and will be a key demonstration of Canada's poultry research needs for Agriculture and Agri-Food Canada's Cluster Program as part of the new Canadian Agricultural Partnership Program.

In addition to CPRC's national research strategy objectives, Chicken Farmers of Canada determines its research priorities on an annual basis. This year, Chicken Farmers of Canada identified the following three key areas:

1. **Strategies for the reduction of antimicrobial use:** There is an on-going need to help the industry prepare and implement for the reduced use of antibiotics/elimination of the preventive use of antibiotics. The three areas of research focus included vaccination (e.g. necrotic enteritis), pathogen reduction, and dietary modifications (e.g. acidifiers, prebiotics, probiotics).
2. **Animal Care:** The animal care research requests focused on the research opportunities outlined in the Code of Practice. These include stocking density, lameness, lighting and transport.
3. **Food Safety:** Calls for research included the exploration of research looking at pathogen reduction on-farm and at processing.



Poultry Research Cluster

The focus of the Canadian Poultry Research Council was the new research cluster program through Agriculture and Agri-Food Canada (AAFC) as part of the Canadian Agricultural Partnership Program.

The AAFC Cluster provides an opportunity to significantly leverage industry funding as the federal government will support projects at a rate of 70%, and will allow another 15% to be covered by provincial funding. Throughout 2017, CPRC held calls-for proposals, selected projects and conducted reviews by a scientific advisory committee.

CPRC is working towards submitting a Cluster application in February 2018. Chicken Farmers of Canada expects that the total Cluster budget will be in the range \$12–\$15 million, and the request to AAFC will be in the range of \$10–12 million.

As part of the Cluster, CPRC will be including a knowledge translation and transfer (KTT) initiative to ensure that the results of the research are disseminated to industry stakeholders.

For more information on previous research projects, check out CPRC's website at <http://cp-rc.ca/>.

Antimicrobial Use

Chicken Farmers of Canada are implementing an antimicrobial reduction strategy to meet consumer expectations while protecting the health and wellbeing of birds. Canada's chicken farmers continue to evolve their production practices in response to consumer preferences.

New Elimination Timelines

Following the successful elimination of Category I antibiotics in 2014 for disease prevention in Canadian chicken production, Chicken Farmers of Canada has established timelines to further its strategy to eliminate the preventative use of antimicrobials of human importance.

The antimicrobial use (AMU) strategy eliminates the preventative use of Category II antimicrobials by the end of 2018, and sets a goal to eliminate the preventative use of Category III antibiotics by the end of 2020. These were announced in July.

The strategy is built on the foundations of reduction, surveillance, stewardship and research and innovation. Key elements of the AMU strategy include:

- » defining antimicrobial use and analyzing antimicrobial resistance (AMR) trends
- » reviewing best management practices
- » ensuring effective controls of AMU in Canada
- » educating stakeholders on the issues of AMU and AMR
- » researching and determining the availability of alternative products

Chicken Farmers of Canada's policy will maintain the use of ionophores (those antimicrobials not used in human medicine) along with antibiotics for therapeutic purposes to maintain the health and welfare of birds.

The purpose of the AMU strategy is to:

- » maintain consumer confidence
- » ensure continued access to antibiotics for therapeutic purposes to treat disease

- » answer the public health threat of antimicrobial resistance and the concerns of antimicrobial use in agriculture
- » provide our customers a sustainable means of meeting government and consumer expectations, while protecting animal health

The effectiveness of Chicken Farmers of Canada's strategy has already been demonstrated by surveillance that is performed by the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) of the Public Health Agency of Canada (PHAC).

Surveillance results from the federal government agency indicate that the industry ban on the preventive use of Category I antimicrobials has been effective, and that resistance levels on surveyed farms, in abattoirs and at retail have dropped significantly.

Surveillance of antimicrobial resistance and use is integral to increasing our understanding of the impacts of use, and to help guide both industry and government on policy initiatives. This is why Chicken Farmers of Canada have been partnering with CIPARS since 2013 to perform surveillance at the farm for both antibiotic use and resistance – which is in addition to antimicrobial resistance surveillance at retail and processing plants.

Coordinated Efforts

Governments are also actively focused on the issue of antimicrobial resistance, and have developed a Pan-Canadian antimicrobial resistance framework to spur further action and collaboration among partners in human and animal sectors to minimize the impact of antimicrobial resistance.

Chicken Farmers of Canada's strategy is consistent with the federal and provincial government's Pan-Canadian framework. Chicken Farmers of Canada's National Program Manager, Steve Leech, presented to the House of Commons Standing Committee on Health (HESA) in early November regarding their study on Antimicrobial Resistance. Chicken Farmers of Canada has been actively engaged on this issue for many years now, and we were pleased to have the opportunity to discuss with the committee how we are working towards achieving these common industry and government objectives.

AMU Strategy: A Prescription for Change

The first edition of the Antimicrobial Use (AMU) magazine, *AMU Strategy: A Prescription for Change* was created in 2017 and made available in early 2018 in electronic and print formats.

The magazine is a tool developed to support the implementation of Chicken Farmers of Canada's

Responsible AMU Strategy and covers a wide range of topics and perspectives from industry experts relating to AMU in chicken production, including:

- » strategy details and timelines
- » the importance of working together and getting involved
- » practical, expert advice on brooding management, managing gut health, cleaning waterlines, feed alternatives, and vaccines

Check out the magazine at www.chickenfarmers.ca/wp-content/uploads/2018/01/AMU-Magazine_ENG_web.pdf for more details.

Surveillance of antimicrobial resistance and use is integral to increasing our understanding of the impacts of use, and to help guide both industry and government on policy initiatives.



Sustainability

Sustainability is often used term that can mean different things to different people. One element that is consistent is that Canadians want to know more about where their food comes from and how it has been produced.

Expanded Brand

Chicken Farmers of Canada has expanded its *Raised by a Canadian Farmer* brand to incorporate the programs that farmers use to raise their birds to the highest standards of care, quality and sustainability.

Three new logos were created, each supporting the *Raised by a Canadian Farmer* brand. These logos give farmers recognizable symbols that they can use to demonstrate the innovation, pride, and hard work they put in every day to implement some of the highest standards in food safety and animal care, and it proudly confirms their commitment to keeping their work environmentally, economically, and socially sustainable.

By buying chicken with this brand, not only are consumers getting quality Canadian chicken, but they are also supporting Canadian farmers they can trust.

Sustainability Strategy

Chicken Farmers of Canada has clearly defined its sustainability strategy in its inaugural Sustainability Report which was launched in 2016.

The sustainability strategy is based on the hard work of our farmers, the credible food safety and animal programs that have been implemented, and the supply management system that Canadian chicken farmers operate under that makes it all possible.

The four key sustainability values are:

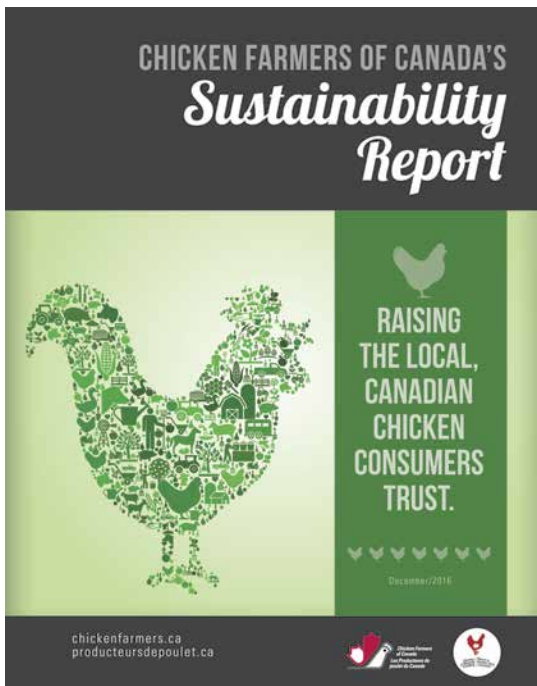
1. Protecting bird health and welfare

This is at the heart of what we do. The first and foremost concern of a chicken farmer is ensuring the birds in their care are healthy and comfortable.

2. Producing safe chicken for Canadians

We believe that food safety begins on the farm. That's why we've implemented a program to ensure that we are providing Canadians with the safe, fresh, high-quality chicken they expect.





Life Cycle Assessment

In order to determine the current state of the industry and to measure the environmental impact of the chicken industry, a firm called Agéco was retained to conduct an environmental and social life cycle assessment (LCA) of Canadian chicken in 2017.

An LCA is an internationally recognized approach to assess the impacts and efficiencies associated with the entire supply chain, which for the chicken sector will include breeders, hatcheries, farms, feed mills, all the way through to transport and processing.

The study aims to quantify the environmental impacts and evaluate the socioeconomic performance of the Canadian chicken sector. This will help to identify areas within the supply chain where there are opportunities for improvements

The LCA data collection process was completed in October and final results are expected to be presented to Directors in March 2018, along with discussions on how to promote the results throughout the year to farmers, industry stakeholders, governments, and consumers.

From a research perspective, Chicken Farmers of Canada continues to support developments in science and technology to help improve the environmental performance of our farms. To date, Chicken Farmers of Canada has invested in 12 different research projects through the Canadian Poultry Research Council looking at environmental issues and solutions in the poultry industry.

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3. Preserving the health of the land and of our farms

The health of our birds and the health of our farms go hand in hand. Healthy farms means not only protecting the natural environment, but also ensuring safe farm practices and encouraging new entrants to the industry.

4. Providing value to Canada, and affordable food to Canadians through supply management

The Canadian chicken industry contributes a great deal to the Canadian economy and our rural communities. This is all thanks to the system we operate within called supply management.

Our sustainability journey is a process of continual improvement, which was demonstrated in 2017 by a renewal of the antimicrobial use strategy, continuing 3rd party audits of the Animal Care and Food Safety programs, the review of the Animal Care Program, and the initiation of a life-cycle analysis of the chicken industry. Going forward, we will continue to evolve, improve our practices and deliver on the expectations of Canadian consumers.

Public Trust Steering Committee

Discussions in 2016, as well as regional consultations, led to the creation of a Public Trust Steering Committee. The Committee discusses public trust and social license in Canada's agri-food industry, which is often referred to as the 'Canadian Journey to Public Trust.'

The objective of the Roundtable is to bring together key senior Canadian poultry sector representatives with senior federal and provincial governments and allied value chain partners, particularly those that have a direct relationship with consumers.

Trust is becoming a defining issue for the entire Canadian agriculture and food system. The level of trust our agri-food industry has enjoyed is at risk:

- » A growing group of stakeholders raise questions about whether today's food system is worthy of public trust.
- » Consumers have questions about where their food comes from, who's producing it, and how.

The Committee aims to provide an inclusive forum for industry, governments and other stakeholders to discuss crosscutting topics related to public trust in the agriculture and food sector, to advance the aims outlined in Building Public Trust in Canada's Agri-Food System, and to encourage

collaborative action in this space. The Public Trust Steering Committee (PTSC) will serve as the hub to the broader Public Trust Network.

Chicken Farmers of Canada contributed to the development, provided seed funding, and is an observer on the committee.

Poultry Sustainability Value Chain Roundtable

Chicken Farmers of Canada is a member of the recently formed Poultry Sustainability Value-Chain Roundtable. The initiation of the Poultry Sustainability Value Chain Roundtable by the National Poultry Group had its genesis at the top-to-top meeting during the Canadian Poultry and Egg Processors Council convention in June 2017.

The objective of the Roundtable is to bring together key senior Canadian poultry sector representatives with senior federal and provincial governments and allied value chain partners, particularly those that have a direct relationship with consumers. Roundtable members will discuss common issues, with a focus on sustainability and public trust, and encourage collaborative action by industry and government.

These issues will often result in the creation of working groups, requiring ongoing collaboration in support of the larger roundtable group. Chicken Farmers of Canada's Chair – Benoît Fontaine – is co-chairing this important forum and that will help to advance the poultry industry's work on sustainability and public trust.

sustainability



Branding & Consumer Relations

Raised by a Canadian Farmer Brand

Chicken Farmers of Canada's *Raised by a Canadian Farmer* brand has focused on the message that Canada's chicken farmers raise chicken that contributes to a healthier diet for Canadian families with fresh, nutritious chicken, which is low in fat, healthy and versatile.

To support the brand, a large-scale traditional and digital promotional campaign was created to address Canadian consumers' desire to reinforce the already healthy image of Canadian chicken. The logo is made available to Canadian retailers, primary processors and foodservice operators.

The branding program was founded based on years of market research and expert marketing strategy analysis, which is used on an on-going basis to monitor, measure and manage brand awareness, likeability and consumers' desire to know the origin of their chicken.

Brand-Building Marketing Programs

In 2017, the program continued its two-pronged marketing approach – increasing awareness and building image among consumers and co-branding with retailers, primary processors, and foodservice operators. The programs worked in harmony to efficiently heighten the visibility of the *Raised by a Canadian Farmer* brand and increase prominence and importance of Canadian chicken among consumers. In addition we introduced in-depth integrated marketing measurement in 2017, which improved our media efficiencies.

Participant Marketing Programs: Licensing agreements are currently held with the following 25 processors, retailers and foodservice operators, with others signing on regularly.

FOODSERVICE

Chorizo's	Prime Pubs
Fat Bastard Burrito	Seven Eleven
Mary Brown's Inc.	Swiss Chalet
Montana's Cookhouse	Turtle Jack's restaurants
Nando's	Wild Wings

RETAILERS

Federated Co-op	Sobeys
Fiesta Farms	Vince's Market
Kudrinkos	Walmart

PRIMARY PROCESSORS

Blue Goose	Sunrise Farms
Eden Valley Farms	Twin Maple Products' Yarrow Meadow Certified Organic Chicken
Granny's Poultry	
Maple Leaf Prime	Yorkshire Valley Farms
Maple Lodge Farms	
Retail Ready Foods Inc.'s LiberTerre chicken	

Promoting the Program

In 2017, the *Raised by a Canadian Farmer* brand ran four waves of multi-platform, national, integrated marketing through four media partners: Rogers Media, Québecor Groupe Média, Ricardo Media and Dentsu Bos. The campaign included TV, digital, email marketing, tablet and print. Chicken Farmers of Canada also featured four seasonally-themed contests (up from three) to generate additional interest and drive consumers to the chicken.ca/poulet.ca websites and convert subscribers to Chicken Farmers of Canada's promotional newsletters. Messaging continued to emphasize the call to action "Ask for the *Raised by a Canadian Farmer* label at your local grocery store."

Chicken Farmers of Canada repeated its popular foodservice program with Swiss Chalet, which included co-branded TV ads, flyers with coupons, e-blasts and placement on dining room menus.

In addition, the *Raised by a Canadian Farmer* brand was launched in Walmart stores nationally, beginning mid-2017 – a milestone achievement with our ongoing outreach to retailers.

Based on the success of a 2016/2017 pilot test in French, which leveraged the popularity of Chef Ricardo Larrivé, Chicken Farmers of Canada participated in a fall wave of advertising with full page ads in Ricardo magazine and sponsorship of the Chicken Category on ricardocuisine.com, the number one food and lifestyle website in Quebec.

Chicken Farmers of Canada also developed and ran a separate "Trust your Farmer" TV campaign, targeting millennials. This campaign ran in rotation with the "Raised by a Canadian Farmer" TV ads.

Overall Results

Brand awareness research conducted at year-end reported an increase for the second consecutive year, which speaks to the strong strategic elements of our program and on-going media efficiencies being generated to support the build of our branding program. Over one-third of consumers



(35%) recalled seeing the *Raised by a Canadian Farmer* brand, up from 32% in 2016 (27% in 2015). Likeability of the television advertising continued to be impressive (78%) and more than half (52%) of consumers said they were more likely to purchase fresh Canadian packaged chicken after watching the TV ad.

The majority (84%) of Canadian shoppers/chicken consumers believe it is important that Canadian chicken be labeled as Canadian. Eight-in-ten (78%) Canadian shoppers / chicken consumers say it is important to them that they buy Canadian chicken, and 72% say they will look for the *Raised by a Canadian Farmer* logo the next time they buy fresh chicken.

Newsletter conversion rates continue to well exceed benchmark norms (average of 53% YTD versus benchmark of 8%–10%) due to the strategic strength of the integrated marketing plan and the continued relevance of the brand strategy.

Licensing agreements are currently held with the following 25 processors, retailers and foodservice operators, with others signing on regularly.

Social Media Strategy

Chicken Farmers of Canada continues to build, grow and engage its online communities and enhance its online presence.

Our core focus is to build and grow online relationships and brand advocates in the Canadian marketplace and for chicken as the protein of choice.

The Strategy's objectives are:

- » To facilitate and participate in dialogue
- » To encourage purchase of chicken by consumers
- » To increase consideration for chicken above other meats
- » To increase chicken's share of voice in the Canadian social media space and the quality of conversation pertaining to chicken
- » To increase positive opinion about chicken
- » To generate insights that will help to drive business for chicken in Canada
- » Enable real time conversations by influencer team during any time crisis communications programs are implemented

Social media also continues to play an important role in interacting with consumers and creating excitement around the *Raised by a Canadian Farmer* brand. Chicken Farmers of Canada traditionally concentrates on obtaining organic followings on its social platforms, versus merely contesting and obtaining paid followings. This results in a loyal fan base that works to promote both chicken and chicken farmers.

Twitter Parties

Chicken Farmers of Canada hosted evening Twitter parties to support active campaigns throughout the year. These Twitter parties generated a staggering average impression reach of 50 million people, and 309 million impressions by the end of the year.

Chicken Chats

During the year, 10 daytime Twitter chats which focused on health topics including Canadian chicken as part of a healthy diet, generated 264 million impressions. Topics included Heart Month, Nutrition Month, spring chicken meal ideas, healthy long weekend, BBQ season, healthy summer vacation recipes, back to school, National Chicken Month, Halloween healthy eating and diabetes-friendly comfort foods. February to June, and September to November chats generated between 17 and 35 million impressions each, which our core BBQ season (July and August) won an impressive 25 and 29 million. Again, these are daytime chats, and numbers for this timing are exceptional.

Brand Ambassadors

Each year, Chicken Farmers of Canada commissions socially active partners, "Brand Ambassadors", across Canada. These partnerships promote ongoing initiatives, recipes and also support the brand strategy while increasing Chicken Farmers of Canada's visibility on social media.

- » Simplystacie.net
- » Thebewitchinkitchen.com
- » Powered-by-mom.com
- » marginaleetheureuse.com
- » Etreradieuse.com

August 17th 9PM EST
TWITTER PARTY
#schoolURchicken
Hosts: @chickenfarmers; @SJConsulting_CA



www.chicken.ca

#CrocktoberChicken
October 3-17
@chickenfarmers

TWITTER CONTEST

WIN a \$500 Bed Bath and Beyond gift card.

WIN a \$5,000 Backyard Makeover!

www.chicken.ca

TWITTER PARTY

#nonakedchicken

May 16th, 9pm EST

Hosts: @ChickenFarmers; @SJConsulting_CA

2nd Annual
National Chicken Month
September 12th, 9:00 pm EST

Twitter Party

#CDNChickenMonth

Hosts: @TheInsideCoop @ChickenFarmers and @SJConsulting_CA

Love your chicken – Love your farmer!

Join us September 21st, 9:00 pm EST to celebrate Chicken Month!

•TWITTER PARTY•

#IHEARTCHICKENFARMERS

Hosts: @TheInsideCoop @ChickenFarmers and @SJConsulting_CA

TAKE A SELFIE
with your favourite chicken dish
THANK A CANADIAN CHICKEN FARMER

tag @theinsidecoop and use #IHeartChickenFarmers to be entered to

WIN A 500\$
Loblaws Gift Card!

Contest runs from November 30th to December 14th.

National Chicken Month Recipe Contest!

Send your recipe to communications@chicken.ca by September 30th, 2017

WIN \$5,000!

WIN \$5,000

Communications & Outreach

The Canada Food Guide

Health Canada launched the new Healthy Eating Strategy in the fall of 2016. The strategy covers a review and redesign of the Canada Food Guide, and new rules around front-of-package labeling and marketing to children.

Chicken is the most affordable meat protein and the leanest meat with the most amount of protein per serving. Chicken offers Canadians the ability to meet their protein requirements, as well as several other important nutrients, without going overboard on their daily caloric intake, fat and carbohydrates (depending on cooking method).

Since the launch of the Healthy Eating Strategy over a year ago, Chicken Farmers of Canada has been trying to address our concerns with how the new Canada Food Guide not only shuts out animal proteins, but has cut the nutritional expertise of many organizations out of the consultations as well. Chicken is nutritious and contributes to the health of Canadians; it needs to be maintained as a staple in Canada's Food Guide.

We fully support the emphasis on protein-rich foods, including plant-based proteins, as part of the foundation for a healthy diet. However, the detailed summary of the Guiding Principles of the consultation refers to poultry as a 'nutritious everyday food', but this is not clear within the general description, where plant-based sources of protein are highlighted instead.

This absence of information about protein sources in the general description will mislead Canadians, as it will be the most frequently and easily read. There are no "excellent" sources of plant-based protein, according to Health Canada's own standards. According to protein quantity and protein quality assessments, plant sources of protein are

generally inferior to animal sources of protein; the new recommendations fail to communicate this.

Researchers have developed many methods for evaluating the quality of a food protein; it is measured by its amino acids, its digestibility and by how well it meets human needs

Plant-based sources of protein contribute additional carbohydrates and fat to a person's diet, which has an effect on overall caloric intake. For instance, to achieve the same protein as one serving of chicken breast meat (75 g, roasted), one would need to consume:

- » Over 300 g of tofu (2 full 150 g servings, silkened, extra firm)
- » 3 cups of quinoa (6 full 125 mL servings)
- » Over half a cup of almonds (3 full 60 mL servings)
- » Over 350 mL of navy beans (over 2 full 175 mL servings)
- » Just under 350 mL of lentils (almost 2 full 175 mL servings)
- » Six tablespoons of peanut butter (3 servings of 30 mL/2 Tbsp each)

The caloric differences alone could contribute to establishing an overall unhealthy weight.

The food guide is a generational document (or teaching platform) that provides practical healthy eating recommendations that are based on the best evidence available to help Canadians make informed food choices.

With the active participation of vegan activists who have been mobilized to drive changes to the Guide, there are concerns that they are acting with the ultimate objective of dictating what Canadians can and cannot eat. A non-science-based, emotional opposition to animal proteins is not in the best interests of Canadians and their best nutritional interests.

We feel that to overlook the information and expertise that agriculture organizations can offer is not in the best interests of Canadians.

Throughout 2017, and in fact starting back in 2016 when the Health Eating Strategy was launched, Chicken Farmers of Canada has worked through a variety of avenues to ensure that the voice of Canada's chicken farmers was heard through:

- » Three Letters to the Health Minister
- » Briefings with the Minister of Agriculture and Agri-Food and his staff
- » A Submission to HESA (House of Commons Standing Committee on Health)
- » Participation in Health Canada's Public Consultation Rounds (2) – as well as sending out calls to action to farmers
- » Participation in a Health Canada stakeholder meeting

Work on the Canada Food Guide will continue into 2018, and staff will also monitor the other elements of the Health Eating Strategy on behalf of farmers.

Vegan Activism

Farmers put in a lot of effort, shouldering the level of work, dealing with growing responsibilities as farmers, but the fact remains, however, that if we don't do these on our own, then someone else will decide how we run our farms, our barns, raise our birds, run our businesses.

Taking responsibility for our businesses – taking on the challenges ourselves, rather than waiting for them to come to us – being leaders – that's the right thing to do.

Dealing with, and responding to vegan activists has become a critical priority for the Chicken Farmers of Canada Board of Directors. We've ramped up how we are responding directly, and have been providing farmers and staff with training and tools to help them respond too.

And Canadian shoppers have said they are concerned about animal welfare or animals rights. 40% of shoppers say those concerns impact their consumption, and that number is growing.

But we have to be clear: We are always ready to adapt to the changing Canadian palate – but we are not willing to do it when it's being driven by vegan activists who ultimately want to force our farmers out of business and tell Canadians what they can and can't eat.

It is now time to tackle the issues head on. We need to make it clear: there is one standard for animal care in the Canadian chicken industry – and it's the *Raised by a Canadian Farmer* Animal Care Program. It's the only program that reaches all 2,800 chicken farms in Canada – no other program can achieve this reach.

This past year, we completed the comprehensive third party audit, and it ensures that the program has been implemented effectively. Our program is not optional, we all have to step up, follow every rule, file every form, and fight to keep it.

In some cases, demands on farmers will increase, but we will keep doing our best to make sure that changes are evidence-based, and that both our consumers AND our customers are on board. The reality is that we have to prove it – we have to be able to prove that we're caring for the birds in our barns, that we're able to prove that we are taking accountability, and that we're able to prove that we have zero tolerance for animal abuse.

Over the past year and a half, the Canadian chicken industry, along with foodservice and retail, has firmly entered the sights of activists, whose goals are to misinform and manipulate Canadians about what we do.

Canada Day!

July 1st in Ottawa, during Canada's 150th birthday, was definitely the way to celebrate Canada Day in style. Featuring a celebrity recipe at the 25th Annual Great Canadian Chicken BBQ, Chicken Farmers of Canada helped make sure that the party was one for the record books.

As in the past, 50 cents from the sale of each chicken item was donated to the Ottawa Food Bank.

With the BBQ stretched out to cover the two days of celebration, thousands of hungry visitors enjoyed the recipe from Ricardo Larrivée that was a seared Canadian

chicken breast, marinated in brine, sugar, and pepper, and served topped with cilantro coleslaw and creamed corn! Chef Ricardo was tasked with creating something unique for the 150th that featured fresh Canadian chicken and some amazing, fresh ingredients that showcase the diversity and bounty that farmers here in Canada provide.

As in the past, 50 cents from the sale of each chicken item was donated to the Ottawa Food Bank. 15,000 chicken breasts were served over the two-day BBQ! Chicken Farmers of Canada would also like to thank Maple Leaf Prime for providing the chicken for the event and for helping in the fight against hunger.

After the dust settled, and based on extensive study and investigation, Chicken Farmers of Canada declared 2017 the final year of national sponsorship of Canada Day and sent formal notice to the Minister of Canadian Heritage.

Over the past 25 years, there were many special moments, obstacles and challenges to overcome, and successes aplenty. The Great Canadian Chicken BBQ became a focal point to visitors to downtown, serving thousands of sandwiches to hungry and patriotic visitors, and since 2007 an initiative in support of the Ottawa Food Bank.

Trade Shows and Outreach

The focus of Chicken Farmers of Canada's outreach activities are to continue to increase our credibility, capture consumer interest, and raise awareness of the *Raised by a Canadian Farmer* brand and what it stands for. As well, there is a greater incorporation of trust messaging regarding the food safety, animal care and sustainability programs, now that they have been embedded within the *Raised by a Canadian Farmer* identity.

Trade shows are a great opportunity to have direct interaction with audiences that are sometimes more difficult to reach. Health professionals continue to be a target audience for Chicken Farmers of Canada, but the outreach program is being expanded to reach foodservice and restaurateurs, grocers, and other retailers. In 2017, we sponsored the following:

- » Dietitians of Canada National Conference
- » Canadian Diabetes Association Professional Conference
- » National Women's Shows
- » Grocery Innovations Conference

And more of the same are anticipated in 2018, as plans are underway to attend the Restaurants Canada Conference, as well as the Canadian Nutrition Society Annual Conference.

Outreach to health professionals will increase in 2018, given the upcoming revisions to the Canada Food Guide and its lack of proactive inclusion of meat protein. A strategy will be developed to find the right means to get messaging to health professionals so that they promote the importance of meat protein, specifically chicken, within a healthy diet.

Let's Talk Chicken

Chicken Farmers of Canada has completed a new website that answers all the questions we get about how chickens are raised in Canada. The idea is to be very consumer-friendly, with lots of pictures, infographics, and videos. The intent is that this will serve as a good resource for consumers, retail, and foodservice companies to learn and share the real facts about our industry.

www.letstalkchicken.ca



Public Relations Strategy

Since 2013, Chicken Farmers of Canada has maintained a Public Relations strategy to share accurate information on chicken farming, be responsive to criticism of our system, and as a platform to demonstrate to Canadians the importance of the hard-work chicken farmers do all year round. The strategy includes activities and initiatives to make sure Chicken Farmers of Canada is positioned as the face of trustworthy, hardworking, Canadian chicken farmers.

Combatting Supply Management Myths

In 2017, we continued to see a push towards the dismantling of supply management from various critics. As a direct response to these criticisms, Op-Eds or letters to the Editor were submitted and posted on chickenfarmers.ca, with a note to indicate whether it was run or not by the outlet in question. On a more proactive tone, we created a series of myth busting articles and infographics. These addressed key issues mentioned by the critics, which was amplified with the rise of during international trade talks, CPTPP and NAFTA alike. These articles were also useful during the Conservative Party of Canada's leadership race, where certain candidates questioned the legitimacy of supply management system. All these articles were posted on the website, and subsequently shared through social media channels, such as [@TheInsideCoop](https://twitter.com/TheInsideCoop) on Twitter and [@the.inside.coop](https://www.instagram.com/the.inside.coop) on Instagram.

However, one of the main arguments against supply management was that it is a tax on the poor. In order to combat this myth with substance, a national retail price comparison study was conducted late in 2017. The goal of this study was to demonstrate that when it comes to chicken prices, it is all about when and where you shop. As expected, prices can vary widely even within the same region of the country – thus demonstrating that the price farmers are paid (per kg) is not as big an influence as claimed on the final price the consumer pays – there is clearly no connection.

Social Media Presence

In 2017, the 2nd year of the #IHeartChickenFarmers campaign continued to promote and inform consumers about Canadian chicken farmers. By following the hashtag on Twitter and/or Instagram, Canadians get a first-hand look at the dedication chicken farmers bring to their chickens, their farms, and their communities. 2017 saw a spike in the number of farmers using the hashtag to promote life on the farm. The numbers continue to grow as we hope to continue expanding this in 2018.

One example of an #IHeartChickenFarmers initiative was the 2017 Holiday Twitter Campaign. Canadian consumers were encouraged to take a selfie with their chicken meal, thank a farmer, use the hashtag and tag [@TheInsideCoop](https://twitter.com/TheInsideCoop) for a chance to win a \$500 grocery gift card. The campaign was popular among consumers. Due to the high results and impressions, Chicken Farmers of Canada is looking to repeat this activity in 2018.

In order to continue expanding farmers' social media presence, a Social Media Toolkit was developed for farmers and a revamp was performed on the chickenfarmers.ca website. Both were completed at the end of the year and will be launched early in the new year.

Videos and Infographics

Numerous videos were created in 2017; the first was a video called This is My Farm (<https://youtu.be/T6l6j-TY544>), which promotes

the *Raised by a Canadian Farmer* Animal Care Program. This is My Farm was a response to activist pressures, filmed in Alberta and Quebec. It generated great responses and conversation was very positive.

A new Canada Day commercial was also launched, as part of our sponsorship of the 150th Canada Day in the National Capital. It talked about our family farms and how we have been feeding Canadians for generations (<https://youtu.be/M-xwyKfgAhM>).

This year also marked the beginning of the Day In The Life video series. Featuring farmers from coast to coast, this series aims to show Canadians what it is like to be a chicken farmer in Canada farming and the evolution of farming in the last couple of years, shedding away from its stereotypical image. The first two videos of the series were filmed in the fall; Steve and Kahley DeVries from Ontario and the Villeneuve family from Quebec were chosen for the project. Their videos will be posted in early 2018, and will be accompanied by a new farmer profile for the chickenfarmers.ca website.

Swimming Canada Partnership

Chicken Farmers of Canada has partnered with Swimming Canada since 2013 to create positive, consumer identification with fresh, Canadian chicken as a choice of a healthy lifestyle. Swimming Canada, an organization representing competitive and recreational swimming in Canada, realigned its image with us to disseminate healthy lifestyle information, which included messaging about the nutritional benefits of fresh Canadian chicken and the cardiovascular benefits of swimming.

Chicken is “the official protein of swimming in Canada,” and supports all Swimming Canada initiatives, both at the competitive and recreational levels. Sponsorship activities include consistent brand recognition throughout all communications and events, including major profile on online properties and promotion through social media, signage at events, hospitality opportunities at events, branding in mailers, broadcasts, newsletters, and more.

Swimming Canada 2017 Competitions:

- » Speedo Can-Am Para-swimming Championships, Windsor, ON (March 31–April 2)
- » Speedo Eastern Championships, Etobicoke, ON (April 20–23)
- » Speedo Western Championships, Calgary, AB (April 20–23)
- » Canadian Junior Championships, Toronto, ON (July 26–31)
- » Canadian Swimming Championships, Montreal (August 4–7)

Onsite activations for each event include:

- » Chicken Farmers of Canada pool-side board (2.5’ x 6’)
- » Display of logo on Videoboard
- » Full page black & white advertisement in heat sheets
- » PA Announcements acknowledging chicken as the official protein of Swimming Canada
- » Opportunity to present medals
- » Pool Peeps presented to each medallist (approximately 1,000 peeps)

Social Media Activities include:

- » Recipe of the Week – Average reach of 4,000 people/post
- » Weekly Health Feature – Average reach of 3,500 people/post
- » Monthly Team Kitchen – Average reach of 3,000 people/post

Overall, the fan base has grown from 28,500 to over 67,000 in the last two years through the Swimming Canada page and is steadily growing each week. The Twitter feed is also continuing to grow with over 18,000 followers.

National Chicken Month

September was our second annual National Chicken Month and it was another great success! Throughout the month, consumers across the country were talking about the importance of Canadian chicken and the benefits it brings to Canada.

Here are just some of the activities that took place:

Farmer Selfie Contest

This year, in order to celebrate National Chicken Month, we asked chicken farmers from across Canada to submit a selfie of them doing day-to-day activities around their farm. The top 30 submissions were featured on Chicken Farmers of Canada's social media throughout the month of September and the winning farmers received an awesome prize pack!

Facebook Live Video

A Facebook Live Q&A video with British Columbia's Derek Janzen aired on September 12th. It was a short chat that answered some consumer questions about farming and went through the day-to-day life of a farmer. So far, the video has received over 54,000 views. You can see it here: <https://www.facebook.com/chickenfarmers/videos/1629089370465795/>

National Chicken Month Recipe Contest

We asked Canadians from across the country to submit their favourite chicken breast or thigh recipe! The winning recipe will be featured on chicken.ca in early 2018 and the winner received a fun prize pack including some fun items from Swimming Canada!

Farmers Love Supporting Swimming Canada

We take that support very seriously – but not all the time. Check out our second annual Chef D'Œuvres Video! We upped the stakes this year and featured a cook off between two farmers and two swimmers. This year, we had Tim Ansems and Chris Sweeney from Chicken Farmers of Nova Scotia take on Richard Funk and Chantal Van Landeghem from Swimming Canada. Tim and Chris made a yummy **Chicken and Broccoli Calzones**, while Richard and Chantal made a beautiful **Chicken & Pasta alla Carbonara**. In the end, the farmers took home the crown!

Here's a link to the video:

www.youtube.com/watch?v=gAUAGZHYJm8&t=1s

Fans were asked to vote on their favourite recipe – and the farmers won!

www.youtube.com/watch?v=dt6zzkQTvJ4

For the French video, we had Stewart Humphrey and Alain Talbot from Les Éleveurs de Volailles du Québec take on Sandrine and Ariane Mainville from Swimming Canada. The farmers made **Grilled Chicken with Chimichurri Sauce & Brown Rice**, while the swimmers made **Apple-Sage Chicken Sauté**. At the end of it all, the sister duo Ariane and Sandrine won by a landslide!

Here's the link to that video (with English Subtitles)

<https://www.youtube.com/watch?v=vJyiSkgeEYZw>

Fans were asked to vote on their favourite recipe – and the swimmers won!

<https://youtu.be/MZHDGMFoTrg>

Twitter Party

As a part of Chicken Month, Chicken Farmers of Canada held a Twitter Party on September 12th, to celebrate farmers. We had a farm family join the party, and they very much enjoyed participating and seeing the dynamic conversation. The results were very impressive, with an impression rate of over 55 million, and the hashtag #CDNChickenMonth was trending in Canada within the first 15 minutes of the event.

Federation of Canadian Municipalities Annual Conference and Trade Show

For the fourth year in a row, Chicken Farmers of Canada, along with Egg Farmers of Canada, Turkey Farmers of Canada, and Canadian Hatching Egg Producers, sponsored this year's Federation of Canadian Municipalities (FCM) Annual Conference and Trade Show, held in Ottawa from June 1–4.

FCM is the national voice of Canada's municipal governments – representing over 2,000 municipalities from coast to coast to coast – and ensuring their interests are heard by the federal government. Members include Canada's largest cities, small urban and rural communities, and over 20 provincial and territorial municipal associations.



To highlight Canada's 150th birthday, the theme of this year's conference was "Shaping Canada's Future" and sessions featured how to tackle 21st century challenges like climate change, forging better relationships with Indigenous people, building hubs of innovation and sustainability, and ensuring diversity. Over 3,500 elected officials and public servants from all over Canada attended.

Delegates at the conference heard keynote speeches from Prime Minister Justin Trudeau, Conservative Finance Critic Gérard Deltell, and NDP leader Tom Mulcair. Many federal Ministers and Members of Parliament attended breakout sessions and plenaries as well.

This year, the poultry and egg groups highlighted how our farmers have been feeding Canadians for generations, while raising awareness of the contribution supply management makes to both rural and urban communities. Chicken Farmers of Canada staff, alongside Ontario Director Tim Klomp maker and farmers and staff from the other groups, served up delicious chicken, turkey, and egg treats throughout the weekend at our trade show booth. Once again, the poultry and egg booth proved to be one of the most frequented booths of the weekend.

On the Saturday afternoon, the SM4 group took a study tour group of 44 delegates to Joly Drouin et Filles, a turkey farm about an hour from downtown Ottawa. Marie-Pier Drouin and her father Jean-François welcomed delegates to their farm, gave a brief family history, and discussed why biosecurity is important before entering the barn.

Downtown Diner

Sparks Street was the hot spot to be on June 1st last summer as Chicken Farmers of Canada, along with the Canadian Hatching Egg Producers, Egg Farmers of Canada, Dairy Farmers of Canada, and Turkey Farmers of Canada teamed up to host a unique pop-up diner in downtown Ottawa. The event celebrated Canadian food and promoted the benefits of the system of supply management.

Farmers from all over the country were on-hand to share how the stability provided by supply management allows them to deliver a stable supply of high-quality food products and answer questions about farming.

Breakfast and lunch, made with fresh, local ingredients, was served to a number of Members of Parliament, Senators, Hill staffers, and to the public. Over 2,500 guests were served between 7:30 am and 2:00 pm.



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Independent Auditor's Report

To
The Minister of Agriculture and Agri-Food Canada

The Farm Products Council of Canada

The members of Chicken Farmers of Canada

We have audited the accompanying financial statements of Chicken Farmers of Canada, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Canada as at December 31, 2017, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Ontario

February 23, 2018

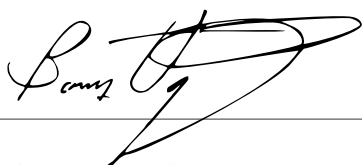
CHICKEN FARMERS OF CANADA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 1,000,908	\$ 1,835,675
Short-term investments (Note 2)	3,035,343	3,720,084
Accounts receivable	1,614,917	1,130,551
Prepaid expenses	103,898	95,943
	<u>5,755,066</u>	<u>6,782,253</u>
LONG-TERM INVESTMENTS (Note 2)	9,954,594	9,687,702
TANGIBLE CAPITAL ASSETS (Note 3)	209,243	277,897
	<u>\$ 15,918,903</u>	<u>\$ 16,747,852</u>
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	\$ 739,909	\$ 737,068
Current portion of deferred lease inducement (Note 4)	29,531	18,081
	<u>769,440</u>	<u>755,149</u>
LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (Note 4)	21,396	50,927
	<u>790,836</u>	<u>806,076</u>
CONTRACTUAL OBLIGATIONS (Note 5)		
FUND BALANCES		
Internally restricted – Promotion Fund	-	-
Internally restricted – Research Fund	4,888,946	5,075,776
Unrestricted – General Fund	10,239,121	10,866,000
	<u>15,128,067</u>	<u>15,941,776</u>
	<u>\$ 15,918,903</u>	<u>\$ 16,747,852</u>

On behalf of the Board:



Barry Uytterlinde, Finance Committee, Director



Yvan Brodeur, Finance Committee, Director



Peter Vale, Finance Committee, Director

CHICKEN FARMERS OF CANADA
**STATEMENT OF CHANGES
 IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2017

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2017	2016
Balance, beginning of the year	\$ -	\$ 5,075,776	\$ 10,866,000	\$ 15,941,776	\$ 16,491,003
Excess (deficiency) of revenues over expenses	(1,317,039)	(186,830)	690,160	(813,709)	(549,227)
Interfund transfer (Note 6)	1,317,039	-	(1,317,039)	-	-
Balance, end of year	\$ -	\$ 4,888,946	\$ 10,239,121	\$ 15,128,067	\$ 15,941,776

CHICKEN FARMERS OF CANADA
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2017	2016
REVENUES					
Levy and fee revenue	\$ -	\$ -	\$ 8,638,359	\$ 8,638,359	\$ 8,227,012
Interest	-	91,672	178,621	270,293	271,071
Overmarketing and market development levies	259,113	-	-	259,113	157,319
Other revenue	-	-	7,600	7,600	11,170
	<u>259,113</u>	<u>91,672</u>	<u>8,824,580</u>	<u>9,175,365</u>	<u>8,666,572</u>
EXPENSES					
Amortization of tangible capital assets	-	-	73,663	73,663	79,056
Canadian Poultry Research Council	-	201,712	-	201,712	212,480
Committees	-	-	269,785	269,785	266,239
Communication	-	-	736,735	736,735	661,948
Corporate social responsibilities	-	-	61,612	61,612	57,828
Directors and alternates	-	-	1,479,909	1,479,909	1,101,781
Information technology	-	-	115,187	115,187	74,706
Membership fees	-	-	228,430	228,430	216,577
Office	-	-	419,774	419,774	427,855
Professional fees	-	-	445,525	445,525	599,202
Promotional activities	1,330,833	-	-	1,330,833	1,322,552
Salaries, benefits and travel	-	-	3,133,918	3,133,918	3,017,908
Special studies	245,319	-	728,253	973,572	865,965
Trade	-	-	119,889	119,889	71,516
Translation	-	-	160,916	160,916	133,306
	<u>1,576,152</u>	<u>201,712</u>	<u>7,973,596</u>	<u>9,751,460</u>	<u>9,108,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(1,317,039)</u>	<u>(110,040)</u>	<u>850,984</u>	<u>(576,095)</u>	<u>(442,347)</u>
NET DECREASE IN INVESTMENTS	-	(76,790)	(160,824)	(237,614)	(106,880)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ <u>(1,317,039)</u>	\$ <u>(186,830)</u>	\$ <u>690,160</u>	\$ <u>(813,709)</u>	\$ <u>(549,227)</u>

CHICKEN FARMERS OF CANADA
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (813,709)	\$ (549,227)
Items not affecting cash:		
Amortization of net premiums on investments	68,749	66,577
Amortization of tangible capital assets	73,663	79,056
Amortization of lease inducement	(18,081)	(29,531)
Loss on disposal of tangible capital assets	-	880
Change in unrealized loss on investments	237,614	106,880
	<u>(451,764)</u>	<u>(325,365)</u>
Changes in non-cash working capital:		
Accounts receivable	(484,366)	116,532
Prepaid expenses	(7,955)	(7,958)
Accounts payable and accrued liabilities	2,841	324,561
	<u>(941,244)</u>	<u>107,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,685,512)	(300,000)
Proceeds from disposal of investments	3,797,000	100,000
Acquisition of tangible capital assets	(5,011)	(46,969)
	<u>106,477</u>	<u>(246,969)</u>
NET DECREASE IN CASH	(834,767)	(139,199)
CASH, BEGINNING OF YEAR	1,835,675	1,974,874
CASH, END OF YEAR	\$ 1,000,908	\$ 1,835,675

CHICKEN FARMERS OF CANADA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. ACCOUNTING POLICIES

Purpose of the Organization

Chicken Farmers of Canada is a not-for-profit organization incorporated pursuant to the *Farm Products Agencies Act* and was established to ensure the orderly marketing of chicken in Canada. Chicken Farmers of Canada is exempt from income taxes under section 149(1)(e) of the *Income Tax Act*.

Chicken Farmers of Canada charges levies to farmers based on chicken marketings in inter-provincial and export trade and receives fees in relation to intra-provincial trade.

Basis of Accounting

Chicken Farmers of Canada applies the Canadian accounting standards for not-for-profit organizations.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the estimated useful life of Chicken Farmers of Canada's tangible capital assets and the related amortization expenses.

Fund Accounting

Resources are classified for accounting and reporting purposes into funds that are in accordance with specific activities, or objectives. Accordingly, separate accounts are maintained for the General Fund as well as for the Promotion and Research Funds, which are internally restricted.

The General Fund accounts for operating and administrative activities as well as all transactions related to tangible capital assets and other interest revenue not allocated to the other funds.

The Promotion Fund reports the overmarketing and market development levies collected and also reports expenses that relate to the promotional activities of chicken, as indicated in the Market Development Policy and the Monitoring and Enforcement Policy, and expenses incurred in collecting overmarketing and market development levies. It also reports interest earned on resources held for the purpose of the Promotion Fund.

The Research Fund reports interest earned on resources held for research purposes and expenses for research projects related to the poultry industry in Canada.

Revenue Recognition

Chicken Farmers of Canada follows the deferral method of accounting for contributions.

Levies and fees are recognized as revenue during the year when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned.

1. ACCOUNTING POLICIES

(continued)

Financial Instruments

Initial and subsequent measurement

Chicken Farmers of Canada initially measures its financial assets and liabilities at fair value. Chicken Farmers of Canada subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and short-term and long-term investments which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations in the year incurred.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indications of possible impairment.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Tangible Capital Assets

Tangible capital assets are accounted for at cost and amortized on the basis of their useful life using the straight-line method and following durations:

Office equipment.....	10 years
Computer equipment	3 years
Leasehold improvements	Term of Lease

2. INVESTMENTS

SHORT-TERM INVESTMENTS

	2017	2016
Guaranteed investment certificate (GIC)	\$ 200,000	\$ 100,000
Canada Housing Trust Bonds	2,835,343	3,620,084
	<u>\$ 3,035,343</u>	<u>\$ 3,720,084</u>

LONG-TERM INVESTMENTS

Guaranteed investment certificates	\$ 2,217,000	\$ 2,000,000
Canada Housing Trust Bonds	7,737,594	7,687,702
	<u>\$ 9,954,594</u>	<u>\$ 9,687,702</u>

Chicken Farmers of Canada limits its investments to those authorized investments under the *Farm Products Agencies Act*.

Bonds are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds and GICs mature at face value on a staggered basis over the next seven years (2016 – six years). Interest rates for these securities range from 1.7% to 4.1% (2016 – 1.7% to 4.1%).

3. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 333,628	\$ 269,751	\$ 327,372	\$ 248,828
Computer equipment	260,587	214,277	256,707	188,992
Leasehold improvements	436,319	337,263	436,319	304,681
	<u>\$ 1,030,534</u>	<u>\$ 821,291</u>	<u>\$ 1,020,398</u>	<u>\$ 742,501</u>
Net carrying amount		<u>\$ 209,243</u>		<u>\$ 277,897</u>

4. DEFERRED LEASE INDUCEMENT

In 2010, Chicken Farmers of Canada entered into a lease agreement which expires in 2020, which included an inducement for leasehold improvements of \$123,252 as well as granting Chicken Farmers of Canada seven months rent-free over the term of the lease as outlined in the lease agreement.

	2017	2016
Balance, beginning of the year	\$ 69,008	\$ 98,539
Amount amortized to expenses during the year	<u>(18,081)</u>	<u>(29,531)</u>
Balance, end of the year	50,927	69,008
Current portion	<u>29,531</u>	<u>18,081</u>
Long-term portion	<u>\$ 21,396</u>	<u>\$ 50,927</u>

5. CONTRACTUAL OBLIGATIONS

Chicken Farmers of Canada entered into a lease agreement for its premises expiring in June 2020. Chicken Farmers of Canada also has operating leases for various office equipment expiring, at the latest, in December 2021. Future minimum lease payments total \$497,445 and include the following payments over the next four years:

2018.....	\$ 207,247
2019.....	\$ 203,856
2020	\$ 82,893
2021.....	\$ 3,449

6. INTERFUND TRANSFERS

The Board of Directors of Chicken Farmers of Canada has approved a transfer of \$1,317,039 (2016 – \$297,403) from the General Fund to the Promotion Fund to cover the deficiency of the fund.

7. FINANCIAL INSTRUMENTS

Credit risk

Chicken Farmers of Canada is exposed to credit risk on its accounts receivable. Chicken Farmers of Canada monitors its accounts receivable regularly and does not expect to have any uncollectible amounts.

Interest rate risk

Chicken Farmers of Canada is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest rate instruments subject Chicken Farmers of Canada to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

8. EMPLOYEE FUTURE BENEFITS

Defined contribution plan

Chicken Farmers of Canada has funded a defined contribution plan providing pension benefits to employees. The contribution is a net percentage of the employees' annual income. The total contributions made by Chicken Farmers of Canada under this plan in 2017 was \$128,159 (2016-\$114,475).