

Egg Farmers of Canada

ANNUAL REPORT 2008



Caring is our business.



**EGG FARMERS
OF CANADA**

Dedicated to Quality

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36th Annual Report of the Egg Farmers of Canada for presentation March 25, 2009, at the 36th annual meeting and to the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, and the National Farm Products Council.



**EGG FARMERS
OF CANADA**
Dedicated to Quality

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Who are the Egg Farmers of Canada?

No matter where they live across this country, egg farmers are building a reputation for **excellence** through **hard work** on the farm and their commitment to the greater community. They are **embracing** their broader **social responsibilities** and responding to the needs of a dynamic population that increasingly demands a variety of **fresh**, **nutritious** eggs at reasonable prices. What's more, egg farmers **care for their hens** and for the environment, all the while observing some of the world's most **rigorous food safety** and **biosecurity standards**. These men and women are growing their businesses today for **future generations** of farmers under supply management, a uniquely Canadian approach to orderly marketing. It should come as no surprise, then, that egg farmers are also the hockey coaches, fall fair curators, 4-H organizers and school volunteers who share a **common commitment** to healthy, vibrant rural communities.

These are the Egg Farmers of Canada.

Message from the Chairman

What a difference twelve months can make! I can honestly say that 2008 was without question one of the most remarkable times for the organization since I became Chairman. Not only have we grown our markets, sold more eggs and reduced our levy, we've also undergone a very significant transformation.

Early in the year, due to my illness, I must admit it wasn't easy being away from my day-to-day activities. But as the days grew into weeks, I gradually resumed my duties in plenty of time to oversee the launch of our new name, Egg Farmers of Canada (EFC), and the move to our new home in August. I'm confident the transition is reinforcing the fact that EFC is farmer-led and farmer-driven, putting to rest any misconception we're a government agency. Many egg farmers I've spoken with have been extremely supportive of the name change, saying it's something they've been hoping to see for some time.

The new building is the product of a shared dream with Tim Lambert. In fact, we had a discussion about this literally at the time he was offered the CEO position. It's an idea the Board has actively supported, too. For my part, I've always believed our organization could come together with other industry partners under one roof. Now it's a reality, and I'm very proud to be involved in building an agriculture campus in the heart of the nation's capital—one that enables Egg Farmers of Canada, Dairy Farmers of Canada, Canadian Hatching Egg Producers and the Canadian Federation of Agriculture to present a united front to the world. What's more, it's a beautiful building inside and out, and it feels great when I come to work in the morning.

Just weeks before the move, I was in Geneva representing the interests of egg producers at the World Trade Organization's ministerial meeting. While the talks to conclude the Doha Round of negotiations again fell short, I know we've moved closer to a deal that will present serious challenges to Canadian industries operating under supply management. This is why I appreciate the support our federal government and opposition parties have shown for our industries on the domestic and international stage.



Laurent Souigny
Chairman

EFC continues to support the government as it works to achieve a fair deal for all farmers—one that results in no negative economic impacts for supply management. It's also why, despite the many years this round of talks has taken, it is as important as ever that egg farmers make their voices heard in defence of supply management.

Moving on to animal care, I'm pleased to see egg farmers across the country making the responsible care of their hens a top priority. In 2008, the Board's updated cage density requirements came into effect in April, making a pass rating on the Animal Care Program contingent upon meeting those requirements. As we look ahead, farmers retooling their barns will want to consider housing that goes beyond what is outlined in the *Code of Practice*.

Along with the special care we provide our hens, Canada's egg farmers are global leaders in the development of on-farm health and safety practices. Our Start Clean-Stay Clean™ on-farm food safety program is recognized as technically sound by the Canadian Food Inspection Agency (CFIA) and our eggs are regarded as among the safest in the world. Noting the increasing interest in local food, I'm pleased to report that Canadian egg farmers are well positioned to provide fresh, locally-produced eggs to consumers throughout the country.

Concerning animal disease, our farmers are among the best in the world when it comes to mitigating risks. When something isn't right, we're the first responders and it falls on our shoulders to alert the appropriate authorities. That's why I've been advocating changes in the way the CFIA calculates compensation to farmers in the event

Board of Directors

The Board of Directors is working to strengthen EFC's position as one of Canada's leading agriculture organizations.



Maurice Richard
Quebec



Fred Krahn
British Columbia



Peter Clarke
Nova Scotia

their flocks are destroyed under the *Health of Animals Act* due to avian influenza (AI). Without the assurance of adequate compensation, it's been a real challenge for each of us knowing our farms could be devastated by this disease—especially now that the government's AI surveillance program is in full swing. Furthermore, because I'm still not confident the federal government's new *Growing Forward* suite of programs will provide sufficient help for farmers in an emergency, I'll continue working with government officials to find an acceptable solution.

Regarding the judicial review over quota allocation, as Chairman it's time for me to clearly state that we need to move on. Saskatchewan has been heard. In a series of challenges that began in 2000, the partners in our system have made clear they do not agree with Saskatchewan. As I have stated many times—we are a family, and in any family there are disputes. But like a family, there comes a time when everything has been said, disputes are set aside and people move on for the greater good. Now is that time. On behalf of Egg Farmers of Canada, I now call upon the leadership of the Saskatchewan Egg Producers and the individual producers to set aside all challenges relating to our quota allocation and accept the collective judgment of your fellow producers and industry partners.

The Canadian egg industry achieves its full potential—whether in operations, retail sales or processing—when all stakeholders come together in a spirit of openness and friendship. We have been given both the responsibility and authority to manage our

industry. Therefore, it is essential that we accept that mandate and resolve our issues. If we do not, we risk others imposing decisions on us that may not serve our industry well, and we may create far-reaching consequences for our future. I say this because I know we are absolutely capable of coming together and truly functioning as a team. This applies as much to quota allocation as it does to our relationship with the processors. In 2009, it's my intention to find a way to resolve the outstanding issues with the processor and grading sectors, as well as quota allocation.

To conclude, there are a few people I'd like to recognize. First, I thank Vice Chairman Peter Clarke, who helped shoulder the load throughout the year. I also thank Tim Lambert, who in five short years has moved the organization forward tremendously with his inspirational leadership style. Next, I thank the Directors for the countless hours and energy they give to this industry. Together with them, I recognize the entire EFC staff for their excellent work this past year bringing the Board's vision to life. I would also like to thank the provincial boards and their staff for their input. I believe we're working together as an entire industry better than ever. Finally, to all of you across the country who've been wonderful friends and colleagues over the years, I thank you and look forward to working with you in 2009 to make our Canadian egg industry the best it can be.

Laurent Soulligny, Chairman

Message from the chief Executive officer

Not long after joining Egg Farmers of Canada (EFC) five years ago, then the Canadian Egg Marketing Agency, it became clear to me that achieving our goals and ensuring long-term success would be a multi-step process requiring a detailed road map. Without one, preparing for future challenges, growing our markets and improving organizational and business efficiency would prove increasingly difficult. It explains why one of my initial actions as CEO was to establish a business plan and a more rigorous business planning cycle. My aim is to ensure continuous improvement in all that we do: our processes, our relationships and our commitments. There are now processes in place to identify gaps and inefficiencies, we have the right people in place with the right skills, and we've raised the accountability bar. Our provincial board colleagues are also providing input into policy development. Together, we are working toward a common vision—to become the most efficient business we can be while accepting our broader social responsibilities.

This annual report is structured around Key Result Areas in the Business Plan. Over the past year, I'm pleased to say, we've made enormous strides toward these goals. This would not have been possible without our dedicated staff. I would like to thank all EFC staff for our successes this past year, especially my managers Judi Bundrock, Nancy Clark, Bonnie Cohen, Bernadette Cox, Neil Newlands and Stephanie Polianski.



Tim Lambert
Chief Executive Officer

Looking back, one of the most significant events in our history occurred on August 25, with the adoption of a new name and our move with agriculture partners to a new building. The Board of Directors has been extremely supportive of this initiative, recognizing the transition as a key step toward building EFC into one of the country's leading agriculture brands. In fact, it's already paying dividends in the short term with significant savings in occupancy costs. Countless hours were invested to make the move a success and to develop a new corporate identity. Looking ahead, I'm confident our new identity will better reflect who we are and what we do: we are Canada's egg farmers, working diligently to meet our commitments to our members, consumers and industry, proud of our track record on food safety and biosecurity, and a leader in caring for our animals and the environment.



Bryan Durst
Ontario



Michele Veeman
Consumers' Association of Canada
(alternate)



Peter Vriends
Prince Edward Island

One of my primary objectives, then, is to strengthen our position as an industry leader. We have been instrumental in getting recognition nationally and internationally for our Canadian egg industry programs. On the farm, our food safety and animal care programs are well regarded and the federal government recently recognized supply management as a Business Risk Management program. This distinction could help us broaden our ability to manage areas where we possess the expertise, such as disease risk and traceability.

We want Canadians thinking about buying Canadian eggs. So we're working to establish a farmer-focused image based on social responsibility that we can proudly stand behind under any circumstance. Our promise to stakeholders and to Canadians is simple: Egg Farmers of Canada provides a nutritious, high-quality product grown locally by farmers who care. We care for our animals and for the environment, we care about food safety and we care about the communities we live in.

These past five years, one of my priorities has been to position us to grow our markets and sell more eggs. As administrative and business challenges have gradually been overcome, we are able to funnel more resources into developing our markets and selling more eggs through promotions and sponsorships. Our TV ads are getting good recognition and people get the point about healthy energy. There's also good synergy between our national and provincial programs. In 2008, we experienced spectacular growth as a result of these initiatives and I fully expect to see increased table egg sales in Canada continue into 2009.

As well, fewer eggs are going into the industrial product pool and storage, an underlying factor behind the Board's decision to reduce the levy by 4 cents per dozen in 2008 and a further 5 cents

in 2009. We've identified savings from our transport study and our work on price spreads, and there's more to come.

Across the organization, I'm seeing stronger communication, better consultation with stakeholders and improved efficiency at the Board table. Directors are using less valuable Board time reviewing past actions and spending more time studying issues—resulting in timely decision-making and enhanced progress on policy development and governance. Furthermore, there is stronger collaboration within our staff team and across all business units. We also have excellent depth, capacity and skills to handle the workload. In short, the Board has a great deal of confidence in the entire EFC team.

The Board is also starting to focus more on potential risks facing egg farmers. We've been bolstering our Risk Management Fund to help farmers in the event of on-farm diseases, such as avian influenza, and our industry stakeholders will soon have a reciprocal insurance program in place for *Salmonella enteritidis*.

In conclusion, I'm extremely proud of the team we're building at EFC, and I'd like to thank the Board of Directors for their commitment to excellence. I also recognize our Chairman Laurent Souigny, who showed us last year that his commitment to this industry goes well beyond the ordinary, and whose leadership is an inspiration to everyone associated with EFC. I look forward to continuing this journey with all of you as we follow the road map to solidify Egg Farmers of Canada as a name trusted by all Canadians.



Tim Lambert, Chief Executive Officer



Joseph R. Smallwood II
Newfoundland and Labrador



George MacLeod
New Brunswick



Kurt Siemens
Manitoba (alternate)

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Mike Vanderpol
Canadian Poultry and
Egg Processors Council



Bill Gray
Canadian Poultry and
Egg Processors Council



Ben Waldner
Alberta



Bruce Ramage
Northwest Territories



Marvin Friesen
Canadian Poultry and
Egg Processors Council



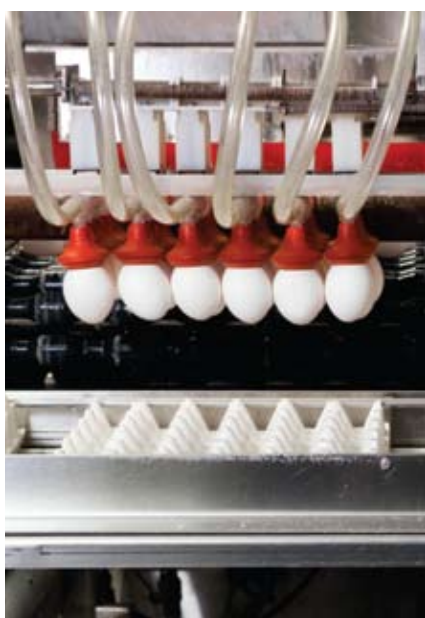
Stan Fehr
Saskatchewan

Missing:

Harold Froese
Manitoba

Robert Sexty
Consumers' Association of Canada

International Trade and Government Relations



Over the past few years, the Egg Farmers of Canada (EFC) Board of Directors has consistently ranked the World Trade Organization (WTO) negotiations and trade issues in general as top strategic priorities. In developing the 2008–2011 Business Plan, we emphasized the need to obtain key results on this file through collaboration with our national supply management partners and government relations.

Overseas, we invested considerable time and effort monitoring the WTO talks, making it possible to keep industry decision-makers and egg producers aware of the latest Doha Round developments. Meanwhile, here at home, we met regularly with key politicians and bureaucrats and developed a federal election plan. These endeavours were supported by our grassroots producers who contacted local politicians to communicate the value of supply management. What's more, our annual *Eggscellent* Parliament Hill Breakfast was a great success and the *Speech from the Throne* was notable for a direct reference to support for our industry. Wherever possible, we worked in concert with like-minded organizations in defense of supply management and its three pillars: import controls, producer pricing and production discipline. Not least, the government's commitment to operationalize the agriculture Special Safeguard (SSG) earlier in the year was proof that a positive working relationship with politicians can yield positive results. That being said, we still harbour serious reservations about the direction of the WTO negotiations and ramifications for our industry, refusing to rest until a fair deal is achieved for all Canadian agriculture.

Work with federal and provincial officials in support of supply management and a WTO agreement favourable to supply management

As we look to the future, the federal government will one day be asked to sign off on a final WTO trade deal. This is the reason we continue to press the point with federal and provincial governments that Canada's dairy, poultry and egg producers cannot accept any cuts to over-quota tariffs or increases to minimum market access. To offer support in 2008, EFC representatives met whenever possible with the Minister of Agriculture and Agri-Food and the Minister of International Trade, along with various provincial ministers of agriculture. During the July ministerial meeting in Geneva, these meetings served as a key channel for gathering information. Furthermore, the SM-5 Chairs sent letters to



EFC Chairman Laurent Souigny (right) presents Agriculture and Agri-Food Minister Gerry Ritz with an authentic *Get Cracking*® Team Canada hockey jersey at our Parliament Hill Breakfast, May 7, 2008. Hockey Canada is a key partner in our efforts to promote eggs as a source of healthy energy.

politicians throughout the year offering cooperation and to ensure they understood the full implications of draft WTO modalities texts unfavourable to supply management.

Further develop relationships with federal and provincial politicians

Meetings are not the only way we communicate with government officials. EFC also hosts an annual Parliament Hill Breakfast for MPs and Senators. In 2008, this early-morning gathering attracted a record 61 guests, including the Minister of Agriculture and Agri-Food Gerry Ritz who sponsored the event. In his remarks, Minister Ritz stressed the importance of supply management to rural Canada and placed renewed emphasis on his government's commitment to achieving a fair WTO deal for all Canadian farmers.

The Hill Breakfast continues to be a highlight not only for its ideal setting in the Parliamentary restaurant, but because it affords egg farmers a venue to engage federal politicians in casual, friendly discussions. It is also a great opportunity for our Chair to touch on trade and other key industry issues before an appreciative, non-partisan audience. Generally speaking, the event is popular with politicians because they can meet egg farmers from all over Canada and start their day off right with a healthy egg breakfast.

Develop and maintain relationships with key bureaucrats

Besides meeting with federal and provincial politicians, EFC also met regularly this past year to discuss trade at a technical level with senior Agriculture and Agri-Food Canada officials, including the Deputy Minister and Chief Agriculture Negotiator. These meetings enable us to share information about the WTO talks and present new data that could be helpful for the government's negotiation strategy.

Continue collaborating with our national supply management (SM-5) partners

While EFC does pursue some government relations initiatives on its own, when it comes to issues like trade, we are strongest when working in collaboration with our national supply management (SM-5) partners: Dairy Farmers of Canada, Canadian Turkey Marketing Agency, Chicken Farmers of Canada and Canadian Hatching Egg Producers. The national SM-5 speaks with a single voice on trade issues before the federal government and in the media. It also works closely with supply management boards at the provincial level to ensure messages are communicated consistently across the country.

In terms of structure, the SM-5 coalition is made up of three distinct working groups. The Joint Executive Committee, consisting of the Executive Committees of the national SM-5, met face-to-face in March to fine-tune the coalition's overall government relations strategy. These efforts were supported throughout 2008 by weekly general manager conference calls that provided direction to staff. As well, the Communications Committee was again chaired by EFC's Corporate and Public Affairs Manager, who oversaw the preparation of press releases, letters to the editor and a communications plan to manage the ramping up of negotiations at the WTO. This committee also maintained online content at farmsandfood.ca, a website brimming with information about supply management aimed at consumers, media and producers. Meanwhile, the Technical Committee met on an as-needed basis to assess WTO draft modalities texts and to update supply management economic contribution figures.

Since the Doha Round of WTO negotiations was launched eight years ago, timely information-gathering and distribution to our members has been essential. Throughout 2008, our International Trade Policy Manager travelled to Geneva to keep our Chair, Executive Committee and all egg producers aware of the latest developments in trade talks. During peak agriculture negotiation periods, she prepared daily comprehensive written reports for senior staff and provided verbal updates at EFC Board meetings. She was also a regular participant on bi-weekly trade calls with provincial egg boards, fielding questions and offering her assessment of the talks. In addition, when updated draft modalities texts were issued at the WTO—as occurred four times in 2008—the SM-5 Technical Committee immediately assessed implications for supply management and filed a comprehensive report. Because it is not always possible to be in Geneva, the SM-5 employs a permanent representative there who prepares *Geneva Watch*, a report intended for wide distribution and readily accessible at eggs.ca.

Prepare a federal election communications plan aimed at ensuring continuing support for supply management

In anticipation of the federal election, EFC began work in the spring on a communications plan with its SM-5 partners. This included the development of key messages for use by producers at all-candidates meetings as well as the monitoring of traditional and alternative media. During the campaign, we were successful in getting a question about supply management included in the Canadian Federation of Agriculture’s agriculture debate. Broadcast live on television in September, it featured the Minister of Agriculture and Agri-Food squaring off against agriculture critics from the other major parties. The SM-5 also distributed a questionnaire to each party resulting in additional support for supply management—in keeping with the House of Commons motion passed unanimously by all Members of Parliament in 2005. Finally, in November, the Governor General heralded the government’s promise of continued strong support for “our supply-managed sectors at home and in international negotiations” in the *Speech from the Throne*.

Mobilize grassroots support when required in support of supply management

Being a national organization with strong representation from coast to coast, EFC has the ability to rally its members to raise awareness of issues among politicians. Throughout the year, EFC held bi-weekly conference calls with our provincial board general managers and chairs, primarily serving to update them on the status of the WTO negotiations. In July, we witnessed a strong show of support from farmers who contacted their provincial ministers in the lead-up to the WTO ministerial meeting, resulting in a number of provincial agriculture ministers being present in Geneva.

Earlier in July, we asked provincial ministers for their help in exempting supply management from the Agreement on Internal Trade (AIT). These efforts were carried out just prior to the federal and provincial agriculture ministers’ meeting in Quebec City, where the trade of Canadian goods between provinces was a key issue. To prepare for this meeting, the national SM-5 sent letters to federal ministers. Meanwhile, nearly every provincial board sent correspondence on this subject to their provincial minister to raise awareness of our concerns. In 2009, we will continue pressing for a positive outcome on this issue.

Render the agriculture Special Safeguard (SSG) operational to prevent over-access imports

Earlier in 2008, the federal government announced it would be taking steps to render the agriculture Special Safeguard (SSG) operational. The SSG is a tool Canada has reserved the right to use. It functions to block surges in egg imports which may come in over the tariff wall in the event of specific domestic and international conditions. From an egg industry perspective, this is a major concern for us whenever we experience a low U.S. price in combination with a higher Canadian dollar.

Before the government announced its intentions to move on this issue, our International Trade Policy Manager and CEO met for technical discussions on many occasions with the Department of Finance and Agriculture and Agri-Food staff. We also provided briefing notes for our farmers to help them raise this issue with politicians. Internally, together with our Trade Unit, the Economics, Statistics and Pricing (ESP) Unit has calculated price and volume triggers, putting us in a position to assess the government’s triggers when they are presented.

Continue working with like-minded organizations domestically and internationally in support of our objectives

Although Canada's supply management system is unique in the world today, there are organizations beyond our shores that see the value of farmer-led and farmer-driven industries. Three years ago, during the WTO meetings in Hong Kong, Egg Farmers of Canada signed a joint declaration with numerous agricultural organizations representing tens of thousands of farmers in developed and developing countries. In that declaration, the signatories took up a common position calling for a country's right to food production. At the WTO ministerial meeting in July, the national SM-5 again joined forces with these organizations to sign a declaration outlining shared concerns about the state of the WTO negotiations. Together with the SM-5 and our trade representative in Geneva, EFC also helped organize a Symposium session about supply management that was attended by non-governmental organizations.

Throughout the WTO negotiation process in 2008, but certainly with increased intensity in July, SM-5 representatives travelling to Geneva worked very closely with farm groups from Norway, Switzerland and Japan to exchange intelligence. With information arriving piecemeal, working together helped paint a more comprehensive picture of the talks as a whole. As a result of these linkages, a Norwegian delegation comprised of government and industry representatives came to Canada in October to learn about supply management as an alternative food production model.

Monitor all imports and exports

To better understand Canada's egg imports and exports, the Economics, Statistics and Pricing (ESP) Unit prepared reports throughout 2008 on within-access imports. Initially, the aim was to determine how huge imports in one particular tariff line could appear one year and not the next, and to investigate whether import permits in certain cases should not be issued. Although much has been learned, it has been a challenge to identify import and export patterns as we are still in the process of compiling data from multiple sources. Besides these activities, the Unit continues to produce regular reports for the Board on over-access imports.

Obtain the authority to manage supplementals and direct imports

In 2008, a further aspect of our government relations activities centred on ensuring the authority to manage supplemental imports and to direct eggs to the table market or directly to processors. As part of these efforts, the SM-5 Technical Committee developed key messages on tariff rate quota administration and directing imports—messages that were delivered in meetings with Canada's Chief Agriculture Negotiator and with politicians. Following several years at the technical level, the discussion has now reached the political stage. In 2009, EFC will continue working with government to secure this right.

Issues Management



Among the many issues in modern agriculture, our treatment of animals is clearly one of the most important. Anyone wanting to make informed choices about their egg purchases needs factual information, and Egg Farmers of Canada wants to assure Canadians that the hens under our stewardship are raised in a responsible way. Regardless of the types of housing in use today, egg farmers from coast to coast consider the care of their hens to be a top priority. They check feed and water consumption daily, make sure the barn is properly ventilated and keep a generator on stand-by in case of an emergency. To reassure consumers and do the right thing for our hens, egg farmers strive to ensure their farms are maintained according to credible, science-based criteria as outlined in the *Code of Practice* and our industry's Animal Care Program. What's more, egg farmers are especially interested in innovation through investments in hen health and housing research.

To further strengthen EFC's commitment to responsible hen welfare in 2008, we led focus groups with Canadians to gather their views on animal care, collaborated with existing farm animal-use organizations and reviewed the science of animal care. EFC also worked closely with our provincial egg board partners to provide consumers, retailers, foodservice operators and municipal politicians with factual information about the egg industry and the men and women who earn their livelihood from it.

Promote the Animal Care Program to producers and attain 100% compliance on cage density

In 2008, EFC updated the Animal Care Program to encourage all regulated producers to meet cage density guidelines. At the same time, we established 85% as the pass score, with this increasing to 90% in 2009. Of most significance, a pass score on the program is now contingent upon meeting density guidelines.

To communicate these changes to producers, EFC representatives discussed the amendments at annual general meetings in all provinces. The national-provincial communications committee then followed up with correspondence to all producers on this subject, encouraging those planning to refurbish their housing systems to consult with EFC and their provincial board to ensure a smooth transition.

“We love what we do and it’s a real privilege to care for our animals.”

Alain and Diana Legault and their three daughters may be fairly new to egg farming, but they are no strangers to responsible animal care. At 6:30 every morning, this eastern Ontario family begins the day by making sure their flock has plenty of fresh feed and water. Fresh air is also circulated to keep the barn clean and comfortable. After converting their farm from dairy to eggs in 2003, the Legaults have raised both white and brown hens on

their 1,200-acre farm, where they also grow corn, wheat and soy beans. “The brown hens are a bit bigger and somewhat calmer to work with,” says Diana. “But between white and brown eggs, there’s actually no difference in taste.”

The Legaults are rated annually on Egg Farmers of Canada’s

Animal Care Program. “For egg farmers, it’s not so much the type of housing we use, it’s the overall management that counts,” relates Alain. Pointing to a nearby backup generator, he says his 16,000 hens would be safe in any hydro emergency. “We love what we do and it’s a real privilege to care for our animals.”

Within the organization, our field inspectors are responsible for carrying out ratings for the Animal Care Program and Start Clean-Stay Clean™ (SC-SC). The field inspectors took training courses to develop their skills, adding value to the Field Operations Unit by specializing in specific knowledge areas, whether in biosecurity, alternative systems of production, animal care or food safety. To raise awareness of the issues facing our inspectors, we expanded the scope of the annual Field Operations seminar to include members of the Corporate and Public Affairs Unit, the Production Management Committee (PMC) and the Research Committee.

Meanwhile, toward the end of the year, several cage manufacturers were invited to meet with the PMC to review Canadian density criteria. The committee emphasized the fact that new housing options for Canadian producers need to comply with the *Code of Practice*.

Measure consumer perceptions of animal care in the Canadian egg industry

In 2008, EFC organized a series of focus groups in four major markets to better understand consumer perspectives on animal care. Our objective was to speak to individuals who have the inclination to make egg purchasing decisions based on animal care concerns. Of note, we found that this issue was not an immediate concern with consumers. The vast majority of participants indicated their purchasing decisions were influenced more by perceived health advantages than by animal care. In short, we learned that there is only a very small minority of people purchasing specialty eggs for animal welfare reasons. In addition, we tested messages with these groups to find out which were most credible. These same messages were later issued to a wider target in a Usage and Attitude survey, with very similar results.



Egg farmers Diana and Alain Legault inside their barn in eastern Ontario.

Work collaboratively with existing animal use organizations in communicating with various audiences on the practices of Canadian egg producers

From time to time, EFC collaborates with five provincially-based Farm Animal Council (FAC) groups that educate the public on animal agriculture. EFC is often asked for information about our industry as educational resources are developed. We then provide these materials to the provincial egg boards and the FACs. These groups also help by offering Speak Up! training for our industry spokespeople, media clips, and other information.

In November, EFC developed key messages for the FACs following the adoption of Proposition 2 in California, where a majority of voters elected to ban cage housing in that state's egg industry by 2015. We are under no illusion that cage bans may be considered in other states and possibly even in some regions of Canada. In fact, a few municipalities, education institutions and hospitals have changed purchasing specifications by adopting resolutions that have the potential to limit consumer choice. In the meantime, our provincial board partners have contacted municipal, university and hospital officials to position egg farmers as a credible source of information about eggs and egg production.

Develop communications products directed to various audiences

In response to a call for more resources on the subject of animal care, the national-provincial communication committee developed a resource binder to guide the industry's communications activities. Each section of the binder contains a backgrounder, strategic advice and templates. The resource binders were distributed to EFC Directors, provincial boards and the five FACs.

Assess government priorities related to animal care

In the last Parliament, two private Members' bills were tabled containing amendments to the *Criminal Code of Canada*. EFC had technical concerns with the wording in both bills, as the wording could have the potential to negatively impact agriculture. Although the intent of the bills was similar and worthwhile, the proposed legislation died on the order paper—neither becoming law before the end of the parliamentary session. EFC will continue to insist that current defences for farmers remain explicit in any new legislation.

Review international science-based practices

In 2008, we formed useful links with the Inter-American Poultry Committee (CISA) in order to comment on work plans specific to poultry that are being developed by the World Organization for Animal Health (OIE). Although these plans are still at the draft stage, they recommend that all egg farms be tested for *Salmonella typhimurium*. In Canada, egg farms are already tested for *Salmonella enteritidis* and there is no evidence to support the need for *Salmonella typhimurium* testing. The OIE appears to be taking on a greater role in developing a global standard for all aspects of animal agriculture. In any dealings with international bodies such as OIE, we will continue to advance our position and be prepared to ensure standards are fair for producers.

Review the science of animal care

As it has for decades, science continues to play a major role in advancing the egg industry's knowledge. For EFC, it is the cornerstone of on-farm practices and innovations in hen housing. For instance, we are a founding member of the Canadian Poultry Research Council (CPRC) and continue to support its programs. We also work with the Poultry Research Council in Alberta. Furthermore, EFC funds independent research such as the 18- versus 19-week light stimulation project to determine the optimal time to house pullets. At the time of writing this report, the Research Committee was reviewing these findings. Not least this past year, the Research Committee also examined the possibility of establishing Research Chairs in several fields at universities.

Marketing and Nutrition



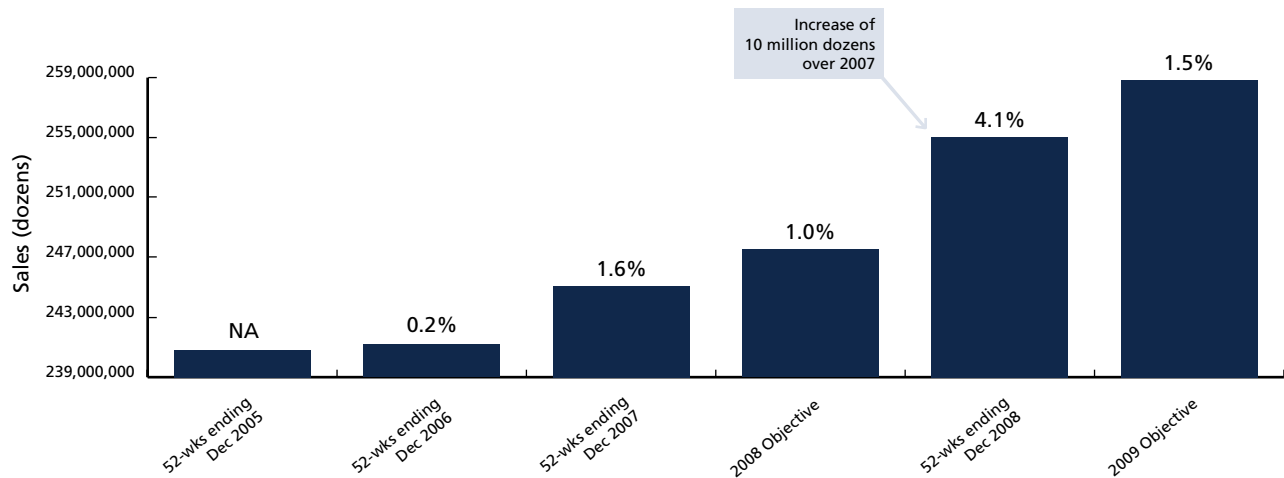
A key challenge we set for ourselves year after year at Egg Farmers of Canada is to sell more eggs and grow our markets. We are very proud of our achievements this past year, especially the 4.1% growth seen in Nielsen sales data. In fact, this is our finest result since shifting to the Healthy Energy strategy three years ago and speaks volumes about the excellent work of our national-provincial marketing team in achieving our business plan objectives. While our efforts to promote eggs as a healthy source of energy continue to deliver, we are also working actively to reduce the number of people limiting eggs due to cholesterol concerns. Further, our promotional activities and ongoing sports marketing partnerships have been resonating with Canadians. Last but not least, 2008 saw the launch of our new Egg Farmers of Canada name, corporate identity and website at eggs.ca, actions that merge our consumer and corporate content into a one-stop shop. On the whole, we could not be more pleased with retail sales that stand as a high-water mark for the organization.

Increase awareness of eggs as a source of protein providing lasting energy

Since *Get Cracking*® television commercials first began to air in the late 1970s, many culinary and technological trends have come and gone. One thing that has not changed, however, is that television remains an excellent way to reach our target audience of women aged 25 and over. After consulting focus groups earlier in 2008, EFC launched two new 30-second ads in the fall that successfully extended the momentum of the previous year's *Nudge* campaign. The new commercials feature a wide variety of demographic groups and activities, demonstrating that eggs are a great source of lasting energy.

Besides being a great source of physical energy, we know that the protein in eggs can help improve concentration. To communicate this message, EFC sent direct mail to one million households aiming to reach mothers of children aged 6 to 12 who primarily feed their children sugar-filled breakfast cereals. Interestingly, the microwave egg cooker offer available through this mailing resulted in the highest-ever demand for any *Get Cracking*® promotional offer.

Continued Growth in Sales Expected in 2009



Source: Nielsen MarketTrack, Total Eggs-National
52-week periods ending December 20, 2008.

The consistency and success of our marketing programs across the country are due in part to the effective work and close collaboration of our national-provincial marketing team.

Egg Farmers of Canada is now into its second year of a four-year sports marketing partnership with both Hockey Canada and the Canadian Soccer Association to reach moms and players at the grassroots level. In 2008, we sent EGGStreme Power Packs loaded with *Get Cracking*® promotional items to 54 hockey tournaments and 48 mini-soccer festivals throughout Canada. At the international level, EFC sponsored the Men's World Hockey Championship in Halifax and Quebec City this past May and partnered with Egg Farmers of Ontario to support the 2009 IIHF World Junior Championship held in Ottawa in December. In 2009, Hayley Wickenheiser and Kim St-Pierre, two-time Olympic champions with the Canadian women's national hockey team, will serve as spokespeople to promote eggs as a source of lasting energy.

Reduce number of people limiting egg consumption due to cholesterol concerns and number of physicians limiting eggs from high cholesterol patients

Alongside our efforts to promote eggs as a source of lasting energy, a key aspect of our growth strategy is to reduce the number of Canadians limiting egg consumption due to cholesterol concerns. Our aim is to convey the message that dietary cholesterol is not normally associated with blood cholesterol and that Omega-3 eggs are a good choice for heart health.



Left to right: Direct mail aimed at mothers of children aged 6 to 12; advertorial reaching out to cholesterol-concerned Canadians that ran in several publications; *Get Cracking*® bicycle lane pilot in two Ontario municipalities.

In 2008, we communicated this message to Canadians through a poster campaign in doctors' offices, advertorials in consumer magazines and health professional journals, and direct mail to some two million households. We also developed new tools including the livingwellwithcholesterol.ca website—a digital version of the *Healthy Choices* kit which doctors can provide patients just diagnosed with high blood cholesterol. With the aid of a cardiologist and a registered dietitian, EFC also carried out a national public relations campaign on eggs and cholesterol which received positive media attention.

Further to these efforts, we continue to benefit from our close collaboration with the U.S.-based Egg Nutrition Center (ENC) in Washington, D.C. In 2008, EFC issued a news release based on ENC research showing that eggs contribute to weight loss. In addition, we helped fund studies south of the border, including research on cholesterol, choline and protein.

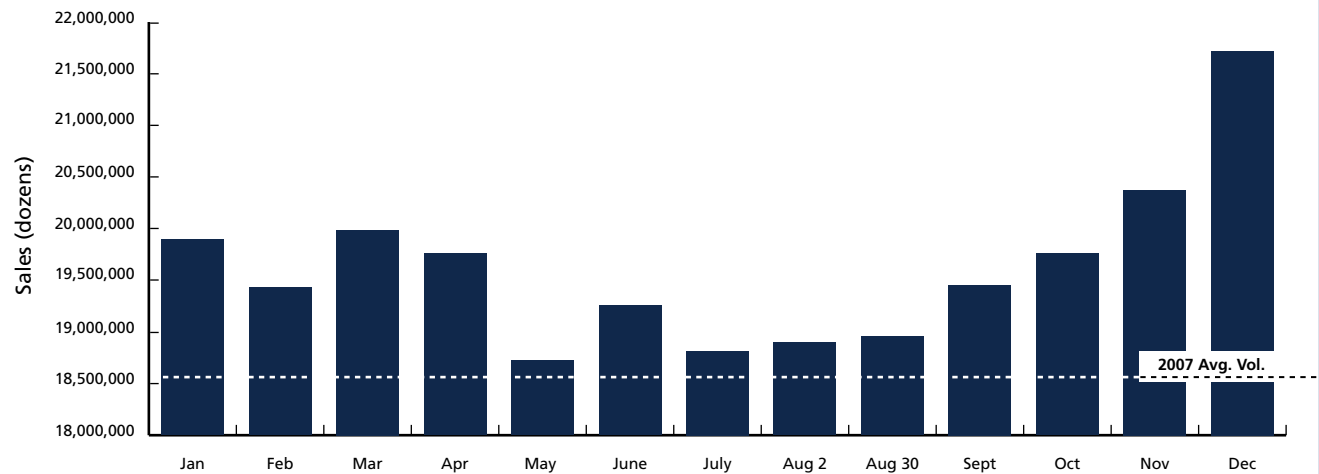
Increase egg sales through promotional activities

In January and February, when industrial product volumes were expected to peak, Egg Farmers of Canada collaborated with graders and carton manufacturers on a special promotion to increase table egg sales. Building on a successful pilot program in Newfoundland

and Labrador the previous year, the 2008 national on-carton promotion was the first of its kind. In total, 25 graders and three carton manufacturers issued more than 10 million specially-marked cartons featuring an individual PIN number. In Quebec, egg sales increased approximately 4% during the promotion period. Another positive outcome was that no industrial product required storage during or after the promotion. Many Canadians took their best shot at the grand prize: a trip for four to the 2008 IIHF World Championship game. Plans are in place for a second national on-carton promotion in early 2009, this time expanded to 12 million cartons with the grand prize being a trip for four to Costa Rica.

In addition to the on-carton promotion, EFC worked on a pilot program in Ontario, placing *Get Cracking*® advertisements on selected municipal bike paths—a novel way to reach people while they exercise. Eggs also received a significant promotional boost thanks to McDonald's Restaurants of Canada, which showcased fresh shell eggs as part of its television, print and Web-based ads. From our consumer research, we know a preference exists for fresh shell eggs, making our partnerships with McDonald's and other quick service restaurants an opportunity for additional growth.

9 out of 13 Periods Show Sales Surpassing 19 Million Dozen Eggs in 2008



Source: Nielsen MarketTrack, Total Eggs-National
4-week periods ending December 20, 2008.

Measuring egg sales and consumption through Nielsen data and other methods of evaluation and growth

Every four weeks, EFC receives the latest retail sales data from Nielsen. We use this data to identify trends within the industry and as a guide to determine strategies for increasing consumption. Throughout most of 2008, table egg sales were showing between 3 and 4% growth year-over-year—surpassing our 1% goal. We also achieved nine periods where sales surpassed 19 million dozen eggs per period, a level usually attained only during holidays. We attribute these record sales to our healthy energy and cholesterol-concerned strategies, as well as to the success of our promotion and sponsorship initiatives.

Work with provinces to implement a national marketing strategy

The consistency and success of our marketing programs across the country are due in part to the effective work and close collaboration of our national-provincial marketing team. For example, the Provincial Innovation Fund makes it possible for provincial boards to try new marketing ideas, with the most successful pilot programs considered for nationwide adoption. In 2009, the Alberta Egg Producers' Running Room program will be introduced nationally, providing EFC an opportunity to

reach a new audience through program and event sponsorship. Last year, Quebec put Provincial Innovation Fund resources toward its unique egg trailer at community football games while Newfoundland and Labrador hired a local athlete to be a spokesperson for eggs.

Evaluate programs through market research with consumers, health professionals and other stakeholders

Because we represent an industry mandated to supply a product based on consumer needs, it is necessary to hear regularly from Canadians. This is why Egg Farmers of Canada conducts consumer research. Such research was completed on ten separate occasions in 2008—including a consumer attitudes study on animal care. Specifically, the Marketing and Nutrition Unit worked with Corporate and Public Affairs to organize focus groups and quantitative surveys that provided insight into the views of individuals apt to switch from classic eggs to free-range or free-run. The research revealed that consumers tend to be more interested in the various beneficial attributes of all types of specialty eggs and less concerned with animal care issues.



EFC's new online presence at eggs.ca incorporates consumer and corporate content in a one-stop shop.



The Web version of our *Healthy Choices* kit can be accessed at livingwellwithcholesterol.ca.

We also learned that the most positive statement for communication purposes revolves around eggs not containing hormones or steroids. Interestingly, the consumers we spoke with believed that while free-range, free-run and organic eggs do not contain steroids or hormones, classic white and brown eggs do. We understand that an education program would be needed both to correct this myth and to help consumers understand that egg farmers care for their hens no matter what type of housing is used.

Promote choice of eggs to consumers based on market demand

In 2008, Nielsen data and the Usage and Attitude study results revealed that Omega-3 eggs enjoy a 12% market share nationally, making them the second-most popular egg category behind only classic white eggs at 84.5%. While the market share for organic, free-range and free-run combined is only 3.5%, that number is slowly growing. Going forward, understanding consumers' purchasing behaviour remains the key to developing successful educational and promotional programs and to meeting market demand.

In 2009, we will be working to achieve retail sales growth of 1.5% by continuing with our three main strategies: healthy energy, cholesterol concerned and promotional activities. With the help of a sales team, we will communicate the science of eggs and cholesterol to physicians who routinely advise some patients to limit egg consumption. In addition, along with our national on-pack promotion in early 2009, we will be working on a second promotion to highlight our Hockey Canada sponsorship through to the 2010 Winter Olympics. EFC is also a proud new sponsor of the 2009 CanWest *CanSpell Spelling Bee*, a national competition to be broadcast on the Global television network.

Throughout most of 2008, table egg sales were showing between 3 and 4% growth year-over-year—surpassing our 1% goal.

Managing the National Egg Supply



Efficiency is the cornerstone of every successful business. Egg Farmers of Canada is no exception. Our objective of steady improvement requires that we regularly examine all factors impacting the operations side of our business, including the Industrial Product Program (IPP), field operations and business development. In 2008, we continued our efforts to identify gaps, fine-tune existing processes within the supply chain and integrate new programs. A major highlight was the creation of the new Business Development Unit (BDU) and the further development of clearly written Standard Operations Procedures (SOPs) to document internal IPP Unit processes. To reduce reliance on levy, we also focused on pricing, transport, Early Fowl Removal and quota credits.

Of course, the national egg supply chain can function at peak efficiency only when concerns are addressed as they arise. This is why the operations department developed a standard template to assess emerging supply chain issues. It is also the reason we continue working closely with all our partners—producers, provincial boards, breakers, graders, and hatcheries—to enhance consultation and foster a broad range of support for supply management. The supply chain is stronger now than ever before, with further improvements to come in the year ahead.

This past year, EFC was in the unique position of not having to store industrial product anywhere in the country. We can attribute this in part to the rise in table egg consumption observed in national retail sales, as well as to the Flock Placement Program in Ontario. We also observed a drop in supply to processors, with total volume allocation down 6.7% year-over-year through November. As a result, the Board of Directors has approved an increase in quota allocation of 161,968 hens nationally in 2009. Meanwhile, a high U.S. base price for eggs in combination with increased table egg consumption and newly-implemented IP efficiencies enabled the Board of Directors to reduce the overall levy to 20.25 cents—a 4 cent reduction in 2008 and a further 5 cent reduction in 2009.

For nearly five decades, eggs have been part of daily life for François Beuparlant and his family, second-generation farmers near Trois-Rivières, Quebec. From humble beginnings in 1964, the family has slowly expanded the farm from 5,000 hens to a flock of

24,000 today. In that time, eggs have become an integral part of a healthy, balanced breakfast for this growing family. But François and his wife Sylvie can't speak about eggs without also talking about food safety and the proper handling of eggs in the kitchen and in the barn.

"On the farm, we take freshness for granted," says François. "But, our eggs are picked up from the farm twice a week and are in the grocery store before you know it." His flock lays nearly 2,000 dozen eggs a day. Before pick-up, he keeps these freshly-laid eggs in a cooler where temperatures average 11C. "Ideally," he says, "checking the best-before date on the carton is a good way to determine freshness." Another way is to put an egg in water. "A fresh one will sink," laughs Sylvie, "but an older one will float to the top!" Sylvie works as an ambassador for eggs at schools in the region, speaking about farm life and hen nutrition. Eggs are also a big hit with the Beuparlant children, active participants in the local hockey league.

"A fresh one will sink," laughs Sylvie, "but an older one will float to the top!"

Egg farmer François Beuparlant and his family enjoying an egg breakfast at their home near Trois-Rivières, Quebec.



2008 Interprovincial Movement of Eggs

SELLERS	BUYERS													TOTAL SALES
	YT	BC	AB	NT	SK	MB	NU	ON	QC	NB	NS	PE	NL	
YT	—	0	0	0	0	0	0	0	0	0	0	0	0	0
BC	0	—	0	0	0	708	0	0	0	0	0	0	0	708
AB	31,183	195,475	—	41,990	45,170	21,910	229	0	0	0	0	0	0	335,957
NT	0	0	0	—	0	0	0	0	0	0	0	0	0	0
SK	0	0	394,101	0	—	19,123	0	1,084	0	0	0	0	0	414,308
MB	0	210,668	398,127	0	145,875	—	0	172,895	0	0	0	0	0	927,565
NU	0	0	0	0	0	0	—	0	0	0	0	0	0	0
ON	0	660	0	0	0	25,217	0	—	537,915	0	0	0	0	563,792
QC	0	0	0	0	0	540	0	289,969	—	45,131	15,964	0	1,180	352,784
NB	0	0	0	0	0	0	0	0	360	—	10,469	1,356	4,479	16,664
NS	0	0	0	0	0	0	0	0	0	2,459	—	7,862	14,654	24,975
PE	0	0	0	0	0	0	0	0	0	0	0	—	0	0
NL	0	0	0	0	0	0	0	0	0	0	0	0	—	0
TOTAL PURCHASES	31,183	406,803	792,228	41,990	191,045	67,498	229	463,948	538,275	47,590	26,433	9,218	20,313	2,636,753

Data in boxes of 15 dozen. EFC table movement included. Subject to revision.

Develop a broader range of support for supply management among all stakeholders

With the unprecedented fluctuation in feed and transportation costs in 2008, it was more important than ever to maintain the strong support that exists for supply management across the industry. During the year, some producers expressed concerns that the Cost of Production (COP) formula, which ensures a fair rate of return for producers, was not accurately reflecting increased expenses. In light of this, EFC explored various measures. We reduced the lag in updating certain cost components, analyzed the baseline to ensure the methodology was factual, defensible and auditable and, finally, we investigated improved updating methodologies. Preparations are under way for a new COP survey and producers can expect to hear more about this from EFC in 2009.

Meanwhile, the Economics, Statistics and Pricing Unit worked closely with the COP Committee, EFC Directors, provincial boards and producers to increase the participation rate on our Producer Panel Survey on Feed Prices to 30% in all provinces. In brief, EFC launched the survey a year ago to capture the most accurate and up-to-date feed costs directly from producers.

Continue to improve operational responsiveness, integration and optimization of the national IPP supply chain

Early in 2008, EFC completed the first phase of a national transport study to identify gaps and inefficiencies in our supply chain. Focusing first on the Atlantic provinces, we carried out the initial recommendations by awarding new contracts to two transport companies. Specifically, our objective was to achieve more flexibility within the chain, cutting down on both paperwork and data entry in the process. Significant annual savings will result. In the coming year, the operations department will review transportation requirements in the western provinces. Another initiative is the newly formed Supply Chain Working Group, consisting of processor and producer representatives. The group emerged from the National Egg Supply Team (NEST) and is charged with examining the supply chain as a whole to optimize shipping routes.

Federal Quota Allocation (dozens)

PROVINCE	2009 ALLOCATION	2008 ALLOCATION	2007 ALLOCATION
BC	66,692,583	66,213,800	66,213,800
AB	47,402,326	46,820,109	46,820,109
NT	2,908,211	2,896,491	2,896,491
SK	24,519,658	24,428,395	24,428,395
MB	58,594,170	58,366,811	58,366,811
ON	204,471,972	203,397,677	203,397,677
QC	98,337,562	96,886,293	96,886,293
NB	11,361,660	11,288,839	11,288,839
NS	20,108,513	20,031,119	20,031,119
PE	3,328,852	3,315,857	3,315,857
NL	8,913,934	8,878,198	8,878,198
TOTAL	546,639,441	542,523,590	542,523,590

Eggs for Processing (EFP) Quota (dozens)

PROVINCE	2009 ALLOCATION	2008 ALLOCATION	2007 ALLOCATION
BC	2,499,000	2,499,000	2,499,000
AB	624,750	624,750	624,750
NT	0	0	0
SK	4,998,000	4,998,000	4,998,000
MB	9,996,000	9,996,000	9,996,000
ON	17,493,000	17,493,000	17,493,000
QC	2,499,000	2,499,000	2,499,000
NB	0	0	0
NS	0	0	0
PE	0	0	0
NL	0	0	0
TOTAL	38,109,750	38,109,750	38,109,750

Further develop trust, respect and understanding among all IPP stakeholders, through increased knowledge and understanding of our industries and markets

This past year, EFC and the Fédération des producteurs d’œufs de consommation du Québec (FPOCQ) finalized arrangements regarding the administration of the Vaccine Fund. The fund was established to help the egg industry operate a part of the business that has expanded quickly in recent years. At the end of 2008, all that was required to finalize the agreement were signatures on a Memorandum of Understanding (MOU). Getting this agreement in place firmly entrenches areas of responsibility for EFC and for FPOCQ, which oversees the industry where vaccine egg production is most common. The Vaccine Fund MOU comes on the heels of the Vaccine Egg Policy, introduced last year to oversee vaccine quota allocation for producers and guide the entry of new participants.

Meanwhile, a series of MOUs were also finalized between EFC and provincial boards governing the delivery of the Start Clean-Stay Clean™ (SC-SC) and Clean Start (CS) programs. These documents will serve as a reference point for the administration and execution of both programs from province to province. New for 2008, the MOUs require that SC-SC pass scores be linked with the new reciprocal insurance program for *Salmonella enteritidis*.

Continue development and execution of NEST initiatives

The National Egg Supply Team (NEST) was established several years ago to improve the national egg supply and prepare the industry for anticipated market changes. This past year, work continued on a number of NEST projects including Early Fowl Removal (EFR), quota credits and IP pricing. We examined EFR strengths and weaknesses to identify areas for improved efficiency. As a result, the IPP Unit now has an outline to propose a new way of delivering the program. In addition, revisions to the quota credits program are to go to the Board of Directors early in 2009. With the formation of the Supply Chain Working Group, the role of the NEST will be reviewed by the Board in the new year.

Implement EFC Board’s direction with regard to changes to the current IP base price system

In 2008, a NEST team consisting of EFC staff, processors and provincial board managers worked on the IP Pricing Mechanism project to establish pricing systems that ensure stability for producers and processors while reducing reliance on levy. The project remains ongoing and will be brought before the Board of Directors in 2009.

Vaccine Quota Allocation (layers)

PROVINCE	2009 ALLOCATION	2008 ALLOCATION JUNE 29 TO DEC 27	2008 ALLOCATION DEC 30 TO JUNE 28	2007 ALLOCATION JUN 17 TO DEC 29	2007 ALLOCATION DEC 31 TO JUN 16
ON	211,000	211,000	200,783	190,000	77,777
QC	562,100	562,100	522,720	522,720	100,000
NB	56,500	56,500	60,000	60,000	—
TOTAL	829,600	829,600	783,503	772,720	177,777

Number of Vaccine Producers per Province*

PROVINCE	2008	2007
ON	2	2
QC	6	6
NB	1	1
TOTAL	9	9

*1 US producer in 2007 and 2008.

Vaccine Eggs to IP Pool

PROVINCE	2008	2007
ON	101,221	117,215
QC	287,721	312,815
TOTAL	388,942	430,030

Data in boxes of 15 dozen.

Monitor the impact of any emerging industrial product pricing systems on EFC's financial position and status

Also on the subject of pricing, the spread of the producer price was increased for medium and small eggs through the IP Pricing Options Project, initiated in 2007. This resulted in lower revenue to producers for those eggs, as well as a lower buyback—the price EFC pays to provincial boards for eggs. Based on the price breakers paid for industrial product, we realized significant savings in 2007 and expect a similar outcome in 2008. Producers also benefited from the conversion to Grade “A” large—a tool in the COP formula that compensates them for selling egg sizes other than large. In March, the Board made this project a standard program.

Continue to enhance consultations on issues and policies affecting the entire system

As a policy development vehicle, NEST functions well because it reflects the viewpoints of a diverse membership that includes provincial board directors, provincial board and EFC staff, and graders and processors from across Canada. In 2008, the consultations process was bolstered with the introduction of a standardized issue assessment template to ensure appropriate stakeholder involvement at the beginning of every issue assessment or risk analysis. By encouraging the consideration

of many sides of an issue prior to discussion, we are seeing strengthened trust and increased knowledge among partners, and issues are being dealt with in a timely manner relative to their complexity.

Continue to improve management of issues impacting the national egg supply system

In 2008, EFC established the Business Development Unit (BDU) to tackle technical projects. The BDU was created to alleviate the burden on field inspectors, who in recent years have been faced with an ever-increasing number of on-farm inspections for SC-SC, the Animal Care Program and now Clean Start. Going forward, the unit will be responsible for project development, project management and on-farm food safety initiatives.

Also this past year, Standard Operations Procedures (SOPs) and job descriptions for field operations were cross-referenced and finalized to clearly define roles and responsibilities. SOPs and process maps for the IPP Unit, Field Operations Unit and the Business Development Unit are now complete and centralized. From now on, all SOPs will be reviewed and updated every six months to capture any minor modifications in the way daily activities are carried out. If a major procedural change is made, process maps and SOPs will be updated immediately.

Number of Registered Producers per Province

PROVINCE	2008	2007
BC	132	128
AB	168	167
SK	64	64
MB	158	168
ON	346	351
QC	106	104
NB	16	17
NS	22	23
PE	11	11
NL	8	11
NT	1	1
CANADA	1,032	1,045

Reported data as of December 31, 2008.

In 2008, the number of registered producers per province remained fairly consistent with 2007 levels. There were 13 fewer producers nationwide from the previous year, a decrease of roughly 1%.

Average Number of Layers per Producer

PROVINCE	2008	2007	2006
BC	17,809	18,112	18,312
AB	9,906	9,794	9,854
SK	13,558	13,385	13,445
MB	13,629	12,681	12,803
ON	21,120	20,868	20,275
QC	32,542	33,517	32,969
NB	26,066	24,586	24,185
NS	32,859	31,447	31,268
PE	11,248	11,302	10,160
NL	41,522	30,802	30,966
NT	0	75,884	62,627
CANADA	18,788	18,595	18,368

Audited data for 2006 and 2007. Reported data for 2008.

Excludes inventory for EFP, Stand Down, Special Permits, and Early Fowl Removal.

The average number of egg layers per producer in 2008 rose approximately 1% nationally over 2007.

To increase transparency in the national egg supply, EFC upgraded its third-party verification (TPV) capability at breaking plants. This team of full- and part-time experts collects data at plants throughout Canada. Software is now installed on computers at every plant, and our Information Services Unit will be following up next year to establish a secure Web-based system. Our aim is to centralize the data by moving the reporting process online.

Effectively address relationship issues as they arise

In 2008, the IPP and Finance Units hired independent analysts to carry out four contract volume audits to ensure that any requested changes to processor contract volumes were in keeping with requirements. This part of the business must be managed in the interest of all stakeholders, and EFC has earned respect in the industry for applying policies in a consistent manner across the board for processors and graders.

Develop improved negotiating processes on issues which affect all stakeholders of supply management

Although EFC and the processors were unable to agree to a new contract in 2008, we worked throughout the year to strengthen trust between our parties. EFC remains a willing partner in this process and will continue working with the processors to resolve contentious issues. While some progress was made last year, we are charting a course in 2009 to reopen the discussion and seek an agreement that is good for both parties.

Managing Risk



The challenges of farming in the 21st century place a significant amount of responsibility on the shoulders of Canada's regulated egg producers. Even though the job places them on the forefront of animal disease prevention, animal care, food safety and environmental management, producers are embracing the challenge, choosing to lead by example. Our sector was among the first in Canada to institute its very own on-farm food safety program, Start Clean-Stay Clean™ (SC-SC). It is now supported by Clean Start, a program launched recently to mitigate the risk of *Salmonella enteritidis* in pullet flocks. This past year, we continued to press government for adequate producer compensation in case of avian influenza (AI) and have bolstered our Risk Management Fund, which could cover shortfalls. Meanwhile, with the national egg traceability project under way, our efforts to produce eggs according to the highest standards are leading toward the creation of a loyalty program—one designed to further strengthen consumer trust in Canadian eggs.

Connect with federal government on sponsoring insurance or assistance programs to compensate for depopulation due to avian influenza

In 2008, we continued our efforts to work with government officials to secure adequate compensation for egg producers in the event of avian influenza on their farms. As we have been doing for several years now, EFC pressed the federal government over its interpretation of the *Health of Animals Act* (HAA) regulations, arguing that the legislated \$8 maximum per hen is not representative of fair market value. Our efforts took on added urgency in August when the Canadian Food Inspection Agency launched its mandatory on-farm AI testing program for commercial poultry flocks, including laying hens.

Toward the end of the year, EFC compiled data from a diverse sampling of egg producers to determine what they would be eligible to receive were their farms depopulated. In early 2009, EFC met with the Deputy Minister of Agriculture and Agri-Food Canada to present these findings. In the months ahead, we will continue to advocate before government on behalf of all regulated producers until the compensation issue is successfully resolved.

Egg farmer Bert Harman inspecting his hens and observing biosecurity protocols on his farm near Prince Albert, Saskatchewan.



Producers just can't take any chances when it comes to biosecurity, says Bert Harman, who, together with his wife Darlene, owns three egg farms in two provinces. Upon entering their Prince Albert, Saskatchewan lay house operated by nephew Jason Labelle, Bert is like most visitors: even if he is the owner, he needs to don clean coveralls and a hair net for biosecurity.

Bert grew up in Prince Albert and in 1965 joined his father in the egg business. As a young lad, his family had about 1,800 hens. The flock grew to 6,500 by the time Bert came into the business. Since then, the business hasn't stopped growing. Besides the three

....the business plays a big part in helping people develop their abilities while providing for them and their families. "That gives me a lot of satisfaction."

farms, the Harmans today also run Star Egg, a grading station in Saskatoon they relocated to a newly retrofitted building in the fall. The tradition has been maintained as Bert and Darlene's daughter Dana runs the Star Egg office and their son Shawn manages the farm in Humboldt, Saskatchewan.

Expansion and growth is just ordinary operating procedure for the Harmans. "What that does for us is it allows us to hire more and better qualified people," Bert says. In return, the business plays a big part in helping people develop their abilities while providing for them and their families. "That gives me a lot of satisfaction."

Identify indemnification options and implement an indemnification program

Compensation for avian influenza has been a difficult issue for our industry because egg producers need assurances their livelihoods would not be compromised in the event of a government-ordered depopulation. In our view, we have no assurances that compensation under the HAA would provide adequate assistance in an emergency. In addition, an examination of the federal government's new *Growing Forward* suite of programs produced more questions than answers concerning producer access to emergency funds.

For the time being, while no flock screened as part of the surveillance program has tested positive for AI, it does remain a real possibility for which we must be prepared. This was a major factor behind the Board's decision in 2008 to rebuild the Risk Management Fund. In 2009, we will develop protocols for accessing Fund resources.

Have supply management recognized as a Business Risk Management program by the federal government

Last year, the federal government recognized supply management as a Business Risk Management (BRM) program, agreeing that our orderly marketing approach is a viable way for egg, poultry and dairy producers to mitigate market volatilities and manage risk. We can build on this recognition by exploring ways for supply management organizations to develop their own risk management programs.

EFC and its industry partners are placing the finishing touches on a reciprocal insurance program for *Salmonella enteritidis* (Se). The existing compensation program—available only to regulated egg producers—has worked well, but increasing food safety demands from consumers make additional barn environment testing imperative. Over the past few years, a dedicated group representing the full spectrum of our supply chain has been working with insurance experts to develop a comprehensive, industry-wide reciprocal insurance program for Se.

Scheduled for a 2009 launch, it will offer coverage for egg producers, pullet growers, hatcheries and breeders. Recognizing the value of the new program and its strong emphasis on biosecurity, EFC provided funds to get it up and running.

Internally, Corporate and Public Affairs carried out a risk identification and assessment exercise this past year that examined risks that could prevent EFC from reaching its strategic objectives. In the framework developed expressly for this purpose, risks were assessed qualitatively and ranked to determine a level of importance. Depending on the outcome, appropriate staff members were assigned to manage each risk, and trigger points were established to prevent risks from being realized.

Develop a national egg traceability program in consultation with CPEPC

EFC is an active participant on the Industry-Government Advisory Committee (IGAC), a body developed by federal and provincial governments to advance premises identification, identification of animals and animal movement tracking. The government has made commercial poultry, including laying hens, a priority sector for establishing traceability mechanisms. In 2008, EFC representatives met regularly with their IGAC counterparts to investigate every possible facet of a national traceability system, including farm data, hardware, tools, legal agreements and communications. In short, establishing national standards for premises identification remains a challenge as existing systems differ from province to province. In the coming year, further consultation will be required.

Within EFC, the operations department is spearheading efforts to build a national egg and hen traceability system where eggs can be traced up and down the supply chain from the farm to the consumer and back again. Going forward, we will explore launching a traceability pilot in 2009.

Establish a strategy for the development of a loyalty program for Canadian eggs that integrates on-farm programs, traceability, etc.

Along with our mission to optimize supply to our traditional and newer markets and ensure a fair return for producers, we are also working to position Canadian eggs as the best product on the market for consumers. As EFC builds a loyalty program around Canadian eggs, we are striving to ensure that our programs provide a high level of care for the animals under our stewardship and are based on science, environmental sustainability and sound risk management.

The Canadian egg industry is already trusted by consumers and governments to produce a steady supply of quality eggs. Now, we are seizing the opportunity to bring the relationship full circle by letting consumers know that not only are we proud to grow their food, but that Canadian eggs are produced under some of the most rigorous food safety, animal care and biosecurity standards in the world.

To determine what could function in a Canadian context, EFC representatives travelled to the UK and the Netherlands this past year to learn more about successful egg loyalty programs and traceability technology. While it is still too early to predict the form this program will take in Canada, the research was invaluable. In the coming year, EFC will continue to work on this multi-step project.

Governance, Human Resources and Knowledge Management



As we work to position Egg Farmers of Canada as a leading agriculture organization, our strategy continues to be one of having sound business operations, effective government relations and strict on-farm food safety. For this strategy to achieve the best results, we are paying close attention to our internal organizational development priorities. In 2008, we restructured several units and emphasized the need for strong teamwork along with efficient fiscal management. As well, our policy of transparent consultation with internal and external stakeholders was bolstered through the use of newer technologies, such as SharePoint. The highlight was our move to a new building and adoption of a new name—an undertaking that would not have been possible without the attention to detail and cooperation of the entire EFC team.

The move represents a major milestone in our development as one of the country's leading agriculture organizations. In short, we recognized a golden opportunity and teamed up with like-minded groups such as the Canadian Federation of Agriculture, Dairy Farmers of Canada and Canadian Hatching Egg Producers, with whom we now share office space. Long a shared vision by EFC Chairman Laurent Souigny and CEO Tim Lambert, our new agriculture campus right in the heart of the nation's capital enables our organizations to project a united front to the world.

Strengthen mission and develop a new image, including a new name and corporate logo, viewed positively by all stakeholders

The move occurred simultaneously with the launch of our brand new Egg Farmers of Canada name and corporate identity, an initiative spearheaded by our Marketing and Nutrition Manager. Prior to the move, we consulted with industry partners and consumers to find the most appropriate name, logo and tagline to build on farmers' positive reputations. An important reason for the change was to eliminate the common misperception that our organization might be a government agency. Further to these efforts, our eggs.ca website was redesigned and now serves as a one-stop shop for information about the egg industry in Canada. So far, feedback from all quarters has been overwhelmingly positive. Ultimately, we are hopeful this transformation will continue to strengthen relations with our many stakeholders.

Oversee the successful completion of the renovation and relocation of EFC head office

Without question, the building acquisition and subsequent move was one of the most significant changes we have ever faced as an organization. Led by our VP, Human Resources & Organizational Development and our Chief Financial Officer, and with the direct assistance of the Information Services (IS) Unit and staff team, the project was carried out seamlessly and delivered on time. Notably, our telephone and computing infrastructure was transferred on a Friday evening and made completely operational by Monday morning. As well, even in our first year as owners, occupancy costs are less than what we would have been paying in rent. In summary, the new office space is a pleasant environment in which to work, a sentiment echoed by directors, employees and visitors.

Hold annual board visioning session aimed at providing effective strategic leadership to employees

In order for staff to implement the Board's vision, all directors are involved in an annual strategic planning process. As part of this exercise, directors identify and rank priorities, provide direction, and lay out objectives for the EFC Business Plan. From there, the Business Plan is drawn up and tied to unit work plans and individual goal setting, thereby ensuring that all within the organization are working collectively to achieve the goals of the Board.

Following the presentation of the strategic audit—a summary of the previous year's achievements and challenges—directors identified goals and ongoing challenges for the short, medium and long term. The resulting feedback became the foundation for a strategic insights questionnaire forwarded to directors. Following a round of interviews with directors, the findings were incorporated into the 2009–2012 Business Plan. This past year, directors praised the planning process and, in 2009, we are expanding the process to include provincial egg board managers and chairs.

Provide ongoing governance training and development sessions covering current trends and principles to both directors and employees

Establishing and communicating up-to-date, accurate governance principles to directors and staff is the key to maintaining a high level of accountability within the organization. Beginning in May 2009 and recurring annually, EFC will be organizing a

Board governance training session for directors. This will include updated orientation packages for incoming directors with relevant information about their role and responsibilities as well as the legal fundamentals of governance. We are also planning to add governance principles to employee job descriptions.

Ensure clarity of roles and accountability among directors and employees

Our work to strengthen the consultations process these past few years is resulting in improved teamwork. We have significantly enhanced our efficiency in Board meetings by ensuring access to information for decision-making prior to meetings. Directors are informed and have already given thought to implications for their region and the national supply chain as a whole. In essence, the Board has the information it needs today to make informed choices—the streamlined 2009 budget being a prime example, as directors were able to react quickly to external factors affecting the Pooled Income Fund.

At the staff level, there are now more projects being managed and implemented jointly across units. We have acted to ensure the right people with the right skills are in place to deliver results that move the organization forward. There is more capacity and depth, and a good mix of veteran and newer staff. Over the short and medium term, we will improve communications among units using tools such as SharePoint.

Establish a policy development and update cycle, and further refine existing policies and processes and develop new ones as needed

This past year, EFC reworked its human resources policy manual and updated new finance policies governing audits and accounting. The expense and travel policy for directors was also fine-tuned. In addition, committees updated their Terms of Reference, completed self-assessments and identified goals. Starting in 2009, we will begin reviewing policies in all units on an annual basis to strengthen the planning cycle.

Wind is one of Prince Edward Island's most valuable resources. Egg farmers Douglas and Ian Simmons have taken advantage of the clean natural resource by purchasing a turbine to provide energy for their 10,000-hen egg farm, garden market, greenhouses and the two homes that house each of their families. "It's the cleanest energy you can produce," Ian says of the wind energy, explaining why he and Douglas opted to purchase a turbine. "We have a lot of wind in PEI and we should use our natural resources to the best of our ability."

The brothers divide work around the business according to their preferences and talents. Ian is in charge of administration, financial details and marketing while Douglas handles day-to-day operations. The most rewarding experience about egg farming, says Ian, is getting a new flock in the fall. There isn't much that's more rewarding than cracking the first eggs from a new flock.

Every autumn, the two brothers, their families and employees host a free community scarecrow contest with the help of local suppliers and the local Lions Club. About 3,000 people visit the farm during this annual event. Families want things they can do together without it costing a lot of money and the scarecrow contest gives them just that opportunity.

Implement training and development for employees

As the EFC staff team becomes further established, we are now better able to develop employee skills and further knowledge through training. About a third of the workforce took training in 2008 in software programs, leadership, French and more. Our Chief Operations Officer also offered in-house project management training to managers. It is expected that most, if not all, members of the team will participate in training in 2009.

Develop a succession plan

Senior staff have begun developing a succession plan to identify employees who are interested in being groomed for greater levels of responsibility, thereby increasing the potential for retaining key performers. Some employees attended leadership training and development courses, while we increased responsibilities for others and mentored newer arrivals. In the year ahead, more work will be done to ensure EFC's succession plan is in place.

Transition to a new performance management program linking employee goals and objectives to the Business Plan

In 2008, EFC staff worked with a new performance management program to link individual goals to unit work plans in support of the Business Plan. For the first time, all staff performance reviews and salary adjustments occurred around a common review date. Equally important, our annual review and salary adjustment process is now part of the annual business cycle.

Conduct an organizational capabilities review that identifies strengths and gaps

A unit-by-unit organizational review in 2008 led to the restructuring of two departments. The review shed new light on strengths and weaknesses, making it possible to better understand short and long-term staffing requirements. As a result, the Finance Unit and Field Operations Unit were restructured to address specific gaps and we reorganized the Administrative Services Unit in conjunction with our office move. Meanwhile, the Business Development Unit was created to undertake projects of a technical operational nature.

“We have a lot of wind in PEI and we should use our natural resources to the best of our ability.”



Egg farmers Ian (left) and Douglas Simmons on their farm near Summerside, PEI. The brothers use a wind turbine to help power their farm, garden market, greenhouses and the two homes that house each of their families.

Create a knowledge management environment and architecture that enables and influences the business

EFC's knowledge management capability can be measured by how well our decision-makers are provided with relevant, timely information. At present, we are working from a multi-year road map to help create a computing environment built upon a stable and secure infrastructure. With each step, we are delivering value to the end-user; staff and stakeholders benefit from timely access to information compiled from various data sources housed in a single, convenient location.

Take a leadership role as the source for information about eggs in Canada

To strengthen our position as the best source of information about eggs in Canada, the Marketing and Nutrition Unit helped redesign our eggs.ca website in 2008. It is now the central repository for our corporate and consumer content where visitors can find recipes, our media centre, resources for health professionals, information about trade, contest information and more. Equally important, we launched livingwellwithcholesterol.ca, an online version of the *Healthy Choices* kit aimed at Canadians with cholesterol concerns and their physicians. In 2009, employees will be able to update these sites and add content using Content Management System software.

Build a plan to develop a robust information infrastructure that enables the interoperability of stakeholders

The IS Unit is focused on becoming more of a partner in enabling the overall business strategy by making information available without need of sophisticated technical knowledge. Among our key challenges is making this data easier to find—and the search process increasingly more seamless. The Web-based SharePoint application is the foundation upon which we are building our infrastructure. Last year saw the laying of this foundation—mostly document storage and retrieval capabilities—and more applications were added this year.

SharePoint and Webex technologies make it possible for team members to work together over the Internet, regardless of their geographic location. Rather than travelling or waiting for documents to arrive by mail, provincial board staff can receive online training on the Egg Information Management System (EIMS), while members of the National Egg Supply Team (NEST) draft documents in real time during conference calls. At present, we are using this technology to support activities involving the Board of Directors, Executive Committee, the NEST and more. In the coming year, IS will add more applications to SharePoint in preparation for a paperless future.

Implement key performance measures which highlight accurate financial data on a timely basis

A key objective for the IS Unit is to ensure that EFC's computing infrastructure is fully operational. In 2008, IS launched a two-year project to bring all desktop and laptop computers up to date with the latest software. Work was also done to update Great Plains to the most recent version, an important step in web-enabling our financial system. With the technical foundation and building blocks in place, we will be working in 2009 to integrate the pieces so that all users, regardless of their level of financial expertise, can easily extract data from the program.

Harness knowledge through the evolution of information management systems

The ever-developing world of information management has provided us with new ways of working. In 2008, we built a "data warehouse"—a tool designed to house business information. The warehouse will function on a trial basis next year. When fully operational, staff will be able to extract industrial product and Nielsen retail sales data from a single source. In future, there are plans to integrate flock, transport and EIMS data. Besides the data warehouse, we eliminated some limitations to EIMS by upgrading the system to capture inter-provincial egg purchases and sales. Next year, the Field Operations Unit will be working closely with IS to implement further recommendations from the provincial board offices for EIMS.

AUDITORS' REPORT

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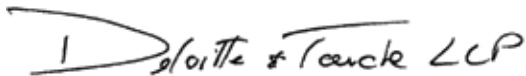
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To the Members of the
Canadian Egg Marketing Agency
c.o.b. Egg Farmers of Canada

We have audited the statement of financial position of the Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada ("EFC") as at December 27, 2008 and the statements of operations, changes in fund balances and of cash flows for the fifty-two week period then ended. These financial statements are the responsibility of EFC's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of EFC as at December 27, 2008 and the results of its operations and its cash flows for the fifty-two week period then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

February 4, 2009

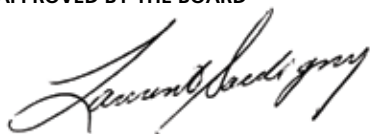
FINANCIAL STATEMENTS

Statement of Financial Position

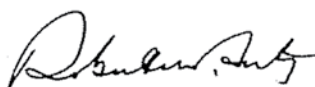
as at December 27, 2008
(in thousands of dollars)

	Pooled Income Fund	Administration Fund	Total 2008	Total 2007 (Restated) (Note 3)
CURRENT ASSETS				
Cash and cash equivalents	\$ 30,025	\$ 5,345	\$ 35,370	\$ 33,964
Accounts receivable (Note 5)	11,929	2,098	14,027	16,179
Inventory	220	—	220	632
Prepaid expenses	33	246	279	86
Investments (Note 6)	35,494	—	35,494	10,866
	77,701	7,689	85,390	61,727
RESTRICTED INVESTMENTS (Note 7)	3,538	—	3,538	1,569
CAPITAL ASSETS (Note 8)	—	5,428	5,428	3,390
INTANGIBLE ASSETS (at a cost of \$345 net of accumulated amortization)	—	328	328	—
	\$ 81,239	\$ 13,445	\$ 94,684	\$ 66,686
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,030	\$ 2,690	\$ 11,720	\$ 10,586
Short-term portion of long-term loan (Note 9)	—	59	59	56
	9,030	2,749	11,779	10,642
LONG TERM LOAN (Note 9)	—	2,838	2,838	2,896
	9,030	5,587	14,617	13,538
COMMITMENTS AND CONTINGENCIES (Notes 15 and 16)				
FUND BALANCES				
Internally restricted (Note 10)	5,802	5,932	11,734	7,063
Unrestricted	66,407	1,926	68,333	46,085
	72,209	7,858	80,067	53,148
	\$ 81,239	\$ 13,445	\$ 94,684	\$ 66,686

APPROVED BY THE BOARD



Chairman of the Board of Directors



Chairman of the Audit Committee

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

FINANCIAL STATEMENTS

Statement of Operations

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

	Pooled Income Fund	Administration Fund	2008	2007
REVENUE				
Egg sales	\$ 85,227	\$ —	\$ 85,227	\$ 68,389
Levy, service fees and contributions (Note 11)	96,389	17,787	114,176	133,131
Net levy contribution	12,592	—	12,592	14,970
Interest and other income	1,628	10	1,638	2,087
Other income — restricted (Note 10)	208	153	361	299
	196,044	17,950	213,994	218,876
EXPENSES				
Trade operations:				
Egg purchases	159,025	—	159,025	156,804
Transportation and handling	5,130	—	5,130	5,560
Food safety program	123	—	123	160
Third party verification	1,223	—	1,223	1,180
Other	178	—	178	62
	165,679	—	165,679	163,766
Advertising and promotion	—	7,884	7,884	7,274
Salaries and benefits (Note 13)	—	4,235	4,235	4,213
Repayment of producer contributions	—	—	—	3,878
Professional fees and consulting	798	1,154	1,952	1,923
Meetings and travel	—	1,660	1,660	1,503
Public affairs and communications	—	1,138	1,138	1,577
Office and other administrative	—	897	897	709
Marketing and nutrition research	—	889	889	461
Rent	—	377	377	417
Per diems	—	547	547	479
Donations	183	—	183	206
Restricted expenses (Note 10)	1,600	361	1,961	774
Interest on long-term debt	—	65	65	—
Amortization of capital assets	—	183	183	70
Amortization of intangible assets	—	17	17	—
Uncollected levy, service fees and contributions	(533)	(59)	(592)	92
Transfer of administration expenses (Note 12)	2,235	(2,235)	—	—
	4,283	17,113	21,396	23,576
TOTAL EXPENSES	169,962	17,113	187,075	187,342
EXCESS OF REVENUE OVER EXPENSES	\$ 26,082	\$ 837	\$ 26,919	\$ 31,534

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

FINANCIAL STATEMENTS

Statement of Changes in Fund Balances

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

	Pooled Income Fund			Administration Fund			2008	2007
	Internally Restricted (Note 10)	Unrestricted	Total	Internally Restricted (Note 10)	Unrestricted	Total		
BALANCE, BEGINNING OF PERIOD	\$ 2,194	\$ 43,933	\$ 46,127	\$ 4,869	\$ 2,152	\$ 7,021	\$ 53,148	\$ 21,614
Excess (deficiency) of revenue over expenses	(1,392)	27,474	26,082	1,063	(226)	837	26,919	31,534
Interfund transfers	5,000	(5,000)	—	—	—	—	—	—
BALANCE, END OF PERIOD	\$ 5,802	\$ 66,407	\$ 72,209	\$ 5,932	\$ 1,926	\$ 7,858	\$ 80,067	\$ 53,148

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

FINANCIAL STATEMENTS

Statement of Cash Flows

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

	Pooled Income Fund	Administration Fund	2008	2007
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Excess of revenue over expenses	\$ 26,082	\$ 837	\$ 26,919	\$ 31,534
Item not affecting cash				
Amortization of capital assets	—	183	183	70
Amortization of intangible assets	—	17	17	—
	26,082	1,037	27,119	31,604
Changes in non-cash operating working capital items	1,540	1,965	3,505	(4,915)
	27,622	3,002	30,624	26,689
FINANCING AND INVESTING				
Purchase of investments	(84,579)	—	(84,579)	(24,312)
Proceeds from matured investments	57,982	—	57,982	12,147
Purchase of capital assets	—	(2,221)	(2,221)	(2,952)
Purchase of intangible assets	—	(345)	(345)	—
Proceeds from long-term loan	—	—	—	2,956
Payments on long-term loan	—	(55)	(55)	(4)
	(26,597)	(2,621)	(29,218)	(12,165)
NET CASH INFLOW	1,025	381	1,406	14,524
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,000	4,964	33,964	19,440
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 30,025	\$ 5,345	\$ 35,370	\$ 33,964

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

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

1. ACTIVITIES OF EFC

Objective of EFC

In 1972, Parliament enacted the Farm Products Marketing Agencies Act. The Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada (“EFC”), a Statutory Corporation, was then established by proclamation and incorporated pursuant to the Farm Products Agencies Act. It, along with a Federal-Provincial Agreement, identifies EFC’s responsibilities, including: to effectively manage the production, pricing, distribution and disposition of eggs in Canada and to promote the sale of eggs. EFC is exempt from income taxes under section 149(1)(e) of the Income Tax Act.

As of August 25, 2008, the Canadian Egg Marketing Agency operates under the name “Egg Farmers of Canada”.

Levy, service fees and contributions

The provincial and territorial egg marketing boards have agreed to act as agents of EFC for the collection, control and remittance of the levy, as recommended by EFC and approved by the National Farm Products Council. Further amounts are paid to EFC by the provincial boards to finance the national industrial product removal system pursuant to the supplementary Federal-Provincial Agreement and, in the case of Quebec and Alberta, through service fees payable pursuant to a commercial contract.

Removal activities

EFC purchases, at specified buy-back prices, all eggs that meet EFC specifications that have been declared as excess to provincial table market requirements. These eggs are then sold to domestic processors.

Service contract

EFC maintains a service contract with the Quebec provincial board.

The contract allows for the operation of a provincial industrial product removal program within the national system. As a result of national programs operated by EFC, not all provincial declarations are recorded as sales by the provincial board. In Quebec, the provincial removal program was responsible for 97% (2007 — 90%) of their province’s industrial product declarations. The difference of 3% (2007 — 10%) represents product sold interprovincially by EFC. The excess of national levies over the cost of removal of industrial product is recorded as net levy contribution.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and reflect the following accounting policies:

Fund accounting

The EFC reports under the fund accounting method to ensure the observance of limitations and restrictions placed on the use of resources available to EFC. The accounts of EFC are classified for reporting purposes into funds in accordance with activities or objectives specified by the members or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the Fund balances have been classified into two funds consisting of the following:

- (i) The Pooled Income Fund includes the industrial product removal levy, service fees, contributions and related professional fees and consulting. All transactions involving the buying and selling of eggs are recorded in this Fund.
- (ii) The Administration Fund includes the administration levy, service fees and contributions and all administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

Foreign currency translation

Revenue and expense items are translated using average monthly rates. Any resulting foreign exchange gains or losses are charged to miscellaneous income or other expense of the Administration Fund. Foreign currency monetary assets and liabilities are translated at the exchange rates in effect at the statement of financial position date.

Revenue recognition

EFC follows the deferral method of accounting.

Egg sales revenue is recognized on the date eggs are delivered to the customer.

Levy, service fees and contributions are recognized in the period of issuance, production or provision of service as applicable.

Levy revenue is calculated based on the weekly provincial bird issuance and a weekly per bird levy rate.

Cash and cash equivalents

Cash and cash equivalents, which include cash and short-term investments with maturities of three months or less from the date of the balance sheet, are considered to be held-for-trading and carried at fair value.

Investments

Investments in government bonds and restricted investments are classified as held-to-maturity and are recorded at amortized cost. Interest on interest-bearing investments is calculated using the effective interest rate method.

The fair values of investments are based on quoted market prices at the date of the statement of financial position. Transaction costs related to investments are expensed as incurred.

Accounts receivable

Amounts receivable are classified as loans and receivables and carried at amortized cost, net of the allowance for doubtful accounts. Because of the short-term nature of accounts receivable, amortized cost approximates fair value.

Inventory

Inventory consists of eggs which are valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the straight-line method over their anticipated useful lives once placed in service as follows:

Buildings	40 years
Office equipment	10 years
Computer hardware and software	5 years
Leasehold improvements	over remaining term of lease

Carrying costs associated with the buildings are capitalized until the buildings are ready for productive use.

Intangible assets

Intangible assets, which include the design and related expenses of EFC's corporate identity, are recorded at cost and amortized over their estimated useful life, which is 10 years.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

Accounts payable, accrued liabilities and long-term debt

Accounts payable and accrued liabilities are classified as other liabilities and carried at amortized cost. Because of the short-term nature of accounts payable and accrued liabilities, amortized cost approximates fair value.

Long-term debt is classified as other liabilities and carried at amortized cost using the effective interest rate method.

The fair value of the debt is estimated using quoted market prices of similar debt or based on models and other valuation techniques that include prices sourced from observable data. Transaction costs related to the debt are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the periods in which they become known.

The estimated useful lives of capital assets and intangible assets, the amount of accrued liabilities, the allowance for doubtful accounts and the assessment of contingent liabilities are the most significant items where estimates are used.

3. CHANGE IN ACCOUNTING POLICIES

Financial instruments

On December 30, 2007, EFC adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1535, *Capital Disclosures*; Handbook Section 3862, *Financial Instruments — Disclosures*; and Handbook Section 3863, *Financial Instruments — Presentation*.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replaced Handbook Section 3861, *Financial Instruments — Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Not-for-profit standards

On December 30, 2007, EFC adopted the amendments issued by the CICA to several of the existing sections in the 4400 series. The amendments include a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with Canadian generally accepted accounting principles (GAAP); f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

The impact on EFC's 2008 financial statements is as follows:

	Current Accounting Policy	Previous Accounting Policy
Statement of Financial Position — Administration Fund		
Restricted	\$ 5,932	\$ 4,999
Invested in capital assets	—	2,859
Unrestricted	1,926	—

This change in accounting policy has been applied retrospectively. As such, the impact on EFC's 2007 financial statements is as follows:

	Current (Restated)	Previously
Statement of Financial Position — Fund Balances		
Invested in capital assets	\$ —	\$ 438
Unrestricted	46,085	45,647

4. CAPITAL MANAGEMENT

As disclosed in note 3, EFC adopted Handbook Section 1535 effective December 30, 2007. This new standard establishes disclosure requirements about EFC's capital and how it is managed.

EFC's objectives when managing capital are to safeguard EFC's ability to continue as a not-for-profit organization while keeping levy rates at a minimum. EFC's capital consists of long-term debt and net assets. EFC sets the levy rates at a rate to meet its projected cash flow requirements for restricted and unrestricted funds, which are reviewed periodically by management and the Board of Directors. The levy rates per dozen marketed were set at the following levels during 2008:

December 30, 2007	28.25 cents
May 18, 2008	26.25 cents
October 5, 2008	24.25 cents

EFC is not subject to externally imposed capital requirements with the exception of being permitted to invest only in securities of or guaranteed by the Government of Canada.

5. ACCOUNTS RECEIVABLE

	Pooled Income Fund	Administration Fund	2008 Total	2007 Total
Levy, service fees and contributions	\$ 6,869	\$ 1,296	\$ 8,165	\$ 11,296
Egg sales	4,749	—	4,749	4,340
Other	523	747	1,270	1,263
Interfund receivable	(55)	55	—	—
Allowance for doubtful accounts	(157)	—	(157)	(720)
	\$ 11,929	\$ 2,098	\$ 14,027	\$ 16,179

Management assesses the recoverability of accounts receivable on a regular basis and records an impairment loss when it believes that a receivable is impaired, based on the expected amount to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
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At the period-end date, the accounts receivable are aged as follows:

	Less than 30 days	31–60 days	More than 60 days
Levy, service fees and contributions	\$ 7,548	\$ 25	\$ 592
Egg sales	4,413	170	166
Other	812	158	300
Allowance for doubtful accounts	—	—	(157)
Total	\$ 12,773	\$ 353	\$ 901

Information about the allowance for doubtful accounts, measured at the period-end date, are as follows:

	2008	2007
Balance, beginning of period	\$ 720	\$ 527
Write-offs	(105)	—
Expense (Reversal)	(458)	193
Balance, end of period	\$ 157	\$ 720

6. INVESTMENTS

	2008 Cost	2008 Fair Value	2007 Cost	2007 Fair Value
Government guaranteed investments	\$ 35,494	\$ 35,725	\$ 10,866	\$ 10,992

The rate of return on investments ranges from 1.05% to 3.90% (2007 — 3.00% to 4.11%).

7. RESTRICTED INVESTMENTS

Restricted investments held by EFC represent funds which have been restricted by the Board of Directors for the purposes described in Note 10. The cost and fair values of the investments are as follows:

	2008 Cost	2008 Fair Value	2007 Cost	2007 Fair Value
Short-term government guaranteed investments	\$ 3,538	\$ 3,553	\$ 1,569	\$ 1,582

The rate of return on investments ranges from 2.25% to 5.50% (2007 — 3.59% to 5.95%).

8. CAPITAL ASSETS

	2008 Cost	2008 Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	\$ 416	\$ —	\$ 416	\$ 416
Buildings	4,430	47	4,383	2,815
Office equipment	489	211	278	72
Computer hardware and software	1,373	1,094	279	87
Leasehold improvements	76	4	72	—
	\$ 6,784	\$ 1,356	\$ 5,428	\$ 3,390

In 2007, cost and accumulated amortization amounted to \$5,734 and \$2,344 respectively.

In November 2007, EFC purchased 43.04% of a building and its land located on Florence Street in Ottawa at a cost of \$2,205 and relocated its operations to this building in August of 2008. EFC also purchased, in November 2007, 50% of a building and its land located on James Street in Ottawa at a cost of \$1,028. EFC is leasing this facility to other organizations.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

9. LONG-TERM DEBT

In November 2007, EFC entered into a loan agreement with a financial institution to finance the acquisition of two buildings. The loan amount at inception was \$2,956. The loan bears interest at an annual rate of 5.68% and is payable in monthly installments of capital and interest of \$18.5. The loan payments are amortized over a 25-year period and the loan is renewable in 2017. The loan is secured by the Florence Street and James Street buildings. All owners of the buildings are jointly and severally liable for the total amount outstanding of the loan should an owner default on payment. The fair value of the loan as at December 27, 2008 is \$3,168 (2007 — \$3,450).

As well, EFC has a revolving demand loan facility with a total approved limit of \$5,000 at an interest rate of prime. The facility is secured by a general assignment of book debts and a demand debenture agreement. As at December 27, 2008, loans under this facility were \$NIL (2007 — \$NIL).

Future payments of the loan are as follows:

	Capital	Interest	Total
2009	\$ 59	\$ 163	\$ 222
2010	62	160	222
2011	66	156	222
2012	70	152	222
2013	74	148	222
Years thereafter	2,566	1,627	4,193
	2,897	2,406	5,303
Less: short-term portion	59	163	222
	\$ 2,838	\$ 2,243	\$ 5,081

10. FUND BALANCES

Restricted fund balance — Pooled Income Fund

EFC has been directed by the Board of Directors to restrict the use of certain funds in the Pooled Income Fund. The use of the funds is at the discretion of the Board of Directors. There are currently two restrictions in the Fund:

- (i) In 1995, a trust account was set up to administer transactions for the National Quota Exchange (“NQE”) Program.
- (ii) In 2001, a Risk Management Fund was set up to self-finance potential costs related to its risk management activities.

The transactions in the Fund are for the following purposes:

	2008 Risk Management	2008 NQE Program	2008 Total	2007 Total
Beginning balance	\$ 1,866	\$ 328	\$ 2,194	\$ 2,098
Interest income	192	16	208	97
Risk management activities	(1,600)	—	(1,600)	(1)
Transfer to Restricted Funds	5,000	—	5,000	—
Ending balance	\$ 5,458	\$ 344	\$ 5,802	\$ 2,194

In 2008, funds of an amount of \$5,000 were transferred from the unrestricted fund to the Risk Management Fund to finance future costs related to risk management activities.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
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Restricted fund balance — Administration Fund

- (i) In 1997, EFC was directed by the Board of Directors to set up a restriction in the Administration Fund to fund research. The lower and upper limit thresholds for this restricted fund are of \$2,000 and \$5,000 respectively; should the balance fall outside this range, EFC would adjust the levy rate on a prospective basis. Use of the funds is at the discretion of the Board of Directors.
- (ii) In 2005, EFC received a settlement of \$379 as a result of the Canadian Vitamins class action suit. These funds are directed to be expensed against future research activities. As per the agreement, EFC exhausted these funds by the end of 2008.

The transactions in the Fund are as follows:

	2008 Research	2008 Canadian Vitamins	2008 Total	2007 Total
Beginning balance	\$ 4,792	\$ 77	\$ 4,869	\$ 5,150
Interest income	148	5	153	202
Research activities	(279)	(82)	(361)	(774)
Income from levies	1,271	—	1,271	291
Ending balance	\$ 5,932	\$ —	\$ 5,932	\$ 4,869

11. SUPPLEMENTARY INFORMATION

Egg sales revenue and egg purchases are recorded on a net basis as net levy contribution for an amount of \$12,592 (2007 — \$14,970), in accordance with the service contract with the Quebec provincial board, and on a gross basis as egg sales and egg purchases, in the case of the other provinces.

Had all the industrial product removal operations in Quebec been recorded on a gross basis, the Pooled Income Fund Statement of Operations would be as follows:

	2008	2007
Revenue		
Egg sales	\$ 94,263	\$ 76,312
Levy, service fees and contributions	117,313	143,365
Interest and other income	1,628	1,883
Other income — restricted	208	97
	213,412	221,657
Expenses		
Trade operations:		
Egg purchases	176,009	175,082
Transportation and handling	5,514	5,976
Food safety program	123	160
Third-party verification	1,223	1,180
Other	178	62
Repayment of producer contributions	—	3,878
Professional fees and consulting	798	1,059
Donations of eggs	183	206
Restricted expenses (Note 10)	1,600	—
Uncollected levy, service fees and contributions	(533)	83
Transfer of administration expenses	2,235	1,912
	187,330	189,598
Excess of revenue over expenses	\$ 26,082	\$ 32,059

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
(in thousands of dollars)

12. TRANSFER OF ADMINISTRATION EXPENSES

In 2008, EFC made an allocation of administrative expenses of \$2,235 (2007 — \$1,912) from the Administration Fund to the Pooled Income Fund. This transfer provides for the full cost, including administration and overhead, of operating EFC's Industrial Product Program.

13. PENSION PLAN

EFC sponsors and administers The Pension Plan for the Employees of EFC (the "Plan"), which is a defined contribution plan registered under the Ontario Pensions Benefit Act.

EFC contributes an amount equal to the employee's required contribution under the Plan. In the 2008 fiscal period, EFC contributed \$147 (2007 — \$152) to the Plan, which is included in salaries and benefits expense in the statement of operations.

14. FINANCIAL INSTRUMENTS

EFC's financial instruments consist of cash and cash equivalents, investments, restricted investments, accounts receivable, accounts payable and accrued liabilities and the short-term and long-term portions of the debt.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

EFC's cash and cash equivalents earn interest at prevailing market rates. Investments in short-term government bonds and long-term debt bear interest at fixed rates and are exposed to changes in fair values due to fluctuations in market interest rates.

The following table details EFC's exposure to interest rate risk as at December 27, 2008 by the earliest of maturities:

	Rate of Return				Total
	0%	0-2%	2-5%	More than 5%	
Assets					
Cash and cash equivalents	\$ —	\$ 35,370	\$ —	\$ —	\$ 35,370
Accounts receivable	14,027	—	—	—	14,027
Investments	—	9,136	26,358	—	35,494
Restricted investments	—	—	3,522	16	3,538
Total assets	\$ 14,027	\$ 44,506	\$ 29,880	\$ 16	\$ 88,429
Liabilities					
Accounts payable and accrued liabilities	\$ 11,720	\$ —	\$ —	\$ —	\$ 11,720
Long-term debt	—	—	—	2,897	2,897
Total liabilities	\$ 11,720	\$ —	\$ —	\$ 2,897	\$ 14,617

A 200 basis point change in interest rates would result in an annual difference of approximately \$2,194 in the EFC's excess of revenue over expenses.

Currency risk

EFC is not significantly exposed to currency risk, as EFC operates primarily in Canadian dollars.

NOTES TO THE FINANCIAL STATEMENTS

for the fifty-two week period ended December 27, 2008
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Other price risk

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

EFC is not exposed to other price risk at period end.

Credit risk

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. EFC's maximum exposure to risk represents the total amount of accounts receivable and investments. No financial assets have been offered as collateral.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. EFC monitors the financial health of its investments and restricted investments on an ongoing basis with the assistance of its investment advisors. EFC only invests in securities of or guaranteed by the Government of Canada.

As described in Note 5, EFC's receivables are from two main sources: egg sales to egg processors and levy, and service fees and contributions collected by Provincial Boards. EFC mitigates credit risk through credit evaluations and monitoring of the outstanding balances and the financial conditions of EFC's customers.

Egg sales are dependent upon four groups of related companies. In 2008, these customers purchased 87% (2007 — 86%) of the eggs sold by EFC.

Liquidity risk

Liquidity risk refers to the adverse consequence that EFC will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities, and long-term debt.

EFC manages its liquidity risks by regularly reviewing its projected future cash flows and adjusting levy income levels to meet its financial obligations. EFC believes its overall liquidity risk to be minimal as EFC's financial assets are considered to be highly liquid and due to the fixed term of payments of the long-term debt as detailed in Note 9.

15. COMMITMENTS

EFC is committed under contract for the purchase of advertising and other services in fiscal 2009 for an amount of \$2,768 (2008 — \$2,174).

16. CONTINGENT LIABILITIES

Two legal claims have been made against EFC. One, claiming damages of \$17,000, has been inactive for several years. The second claim would not have a material financial impact. These potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

It is EFC's view that the outcome of these legal processes is not determinable at this time. As a result, no recognition of any liability has been included in the 2008 financial statements.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.