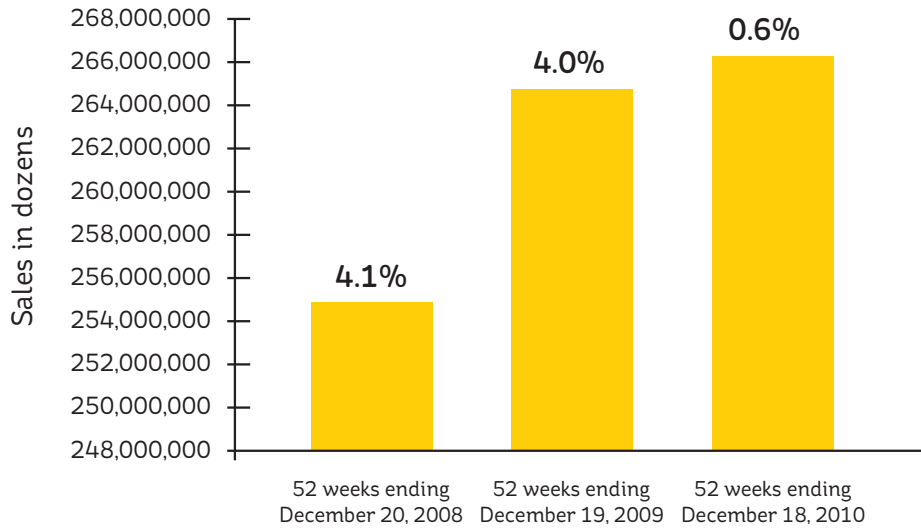


**EGG FARMERS
OF CANADA**
Dedicated to Quality

Retail Egg Sales Stabilized in 2010



Source: Nielsen MarketTrack, Total Eggs - National
52-week periods ending December 18, 2010

Our effective national marketing programs and promotions resonate with consumers.



Saskatchewan Egg Producers Marketing Coordinator Audrey Price (far right) hands out microwave egg cookers to Run for the Cure participants in Saskatoon.



EFC Chief Executive Officer Tim Lambert (left) presents a \$15,000 cheque from Egg Farmers of Canada to two-time champion Laura Newcombe of Toronto, Ontario at the 2010 Canwest Canspell national spelling bee finals in Ottawa.

Table of Contents

Message from the Chairman	2
Message from the Chief Executive Officer	5
Board of Directors	6
Industry Relationships and a Common Vision	8
Trade Issues	10
Social Responsibility	14
Market Growth	19
Business Efficiency	23
Auditor's Report	29
Financial Statements	30

38th Annual Report of Egg Farmers of Canada for presentation March 23, 2011 at the 38th annual meeting and to the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, and to the Farm Products Council of Canada.



21 Florence Street, Ottawa, Ontario K2P 0W6
t: 613-238-2514 www.eggs.ca



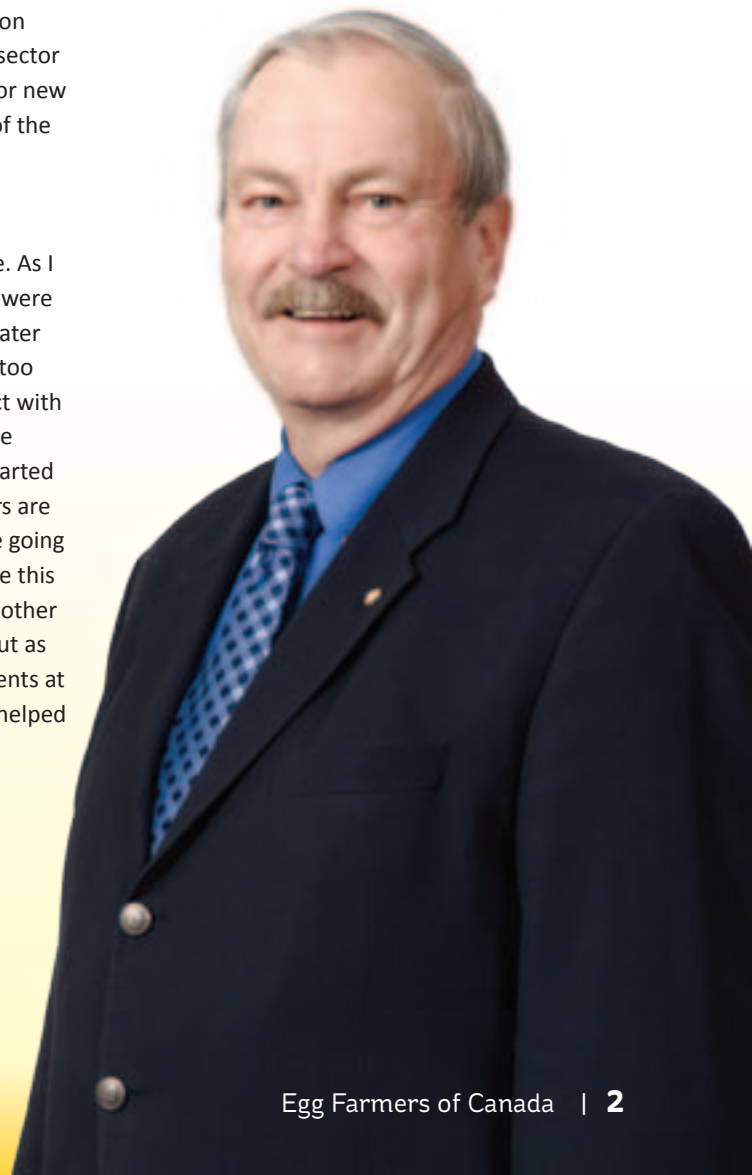
Message from the Chairman

It's time for a change. After leading Egg Farmers of Canada for eleven years, I've decided to step down as your Chairman. This was not an easy decision for me to make. It required a lot of reflection and soul searching. But, it's a decision I make with a glad heart, firm in the knowledge that I've attained many of the goals I set out to achieve over a decade ago. Perhaps most important, I depart knowing that I'm leaving the Canadian egg industry in good shape and in very capable hands.

If you were to ask me what I will miss the most, the answer should come as no surprise: the tremendous people who've made this industry what it is today—my fellow farmers, the processors, graders, and of course, the national and provincial board staff who work tirelessly to help realize the Board of Directors' strategic vision. I've enjoyed working with all of you on this national project to strengthen the egg sector under supply management. Now it's time for new leadership to emerge, while I tackle some of the big projects I've been putting off at home.

But, before I do, I'd like to look back at the triumphs and challenges of the past decade. As I reflect, I notice that on many occasions we were able to set aside our differences for the greater good of the industry. There was a time not too long ago when Directors would only interact with one another inside the board room. I felt we needed a more family-like approach. So I started by asking Directors to dinner. Now, Directors are the ones asking me "Laurent, where are we going to eat together after the meeting?" I believe this approach has enabled us get to know each other a bit better—not just as work colleagues, but as people. Granted, we've had our disagreements at times, which is normal. But as a Board, it's helped

us to see the bigger picture and focus on what's truly important: the worthwhile task of building a successful and dynamic egg industry that will be there for future generations of Canadian farmers.



A clear example of this cooperation is the Quota Allocation Committee agreement we reached shortly after I became Chairman in 2000. Now, instead of taking two years to make a decision on allocation, we can do it in two hours. The other is our agreement with Saskatchewan Egg Producers, also over allocation, which was reached in 2009. In both cases, I was proud to have been part of a solution that brings harmony to our industry.

I can recall many noteworthy moments during my time as Chairman: our agreement with Manitoba Egg Farmers in 2000 on quota allocation issues; the very first Chairman's Reception in 2001, which has since become an annual tradition; the adoption of our Animal Care Program and the arrival of Tim Lambert as CEO in 2003; the lessons learned from the avian influenza crisis in Abbotsford the following year; the National Egg Supply Team's first meetings in 2005 to streamline the Industrial Products Program, the benefits of which we see today; my visit to Hong Kong in 2006 to closely monitor the World Trade Organization ministerial meetings as well as my numerous visits to Geneva over the years; and our successful hosting of the International Egg Commission conference in Vancouver in 2009. Above all, I'm most proud of our new home on Florence Street in Ottawa—shared with several agriculture sector partners—and the decision we made to adopt the new Egg Farmers of Canada name in 2008. I'm also quite proud of our many marketing campaigns over the years that have consumers reaching for eggs more than ever before.

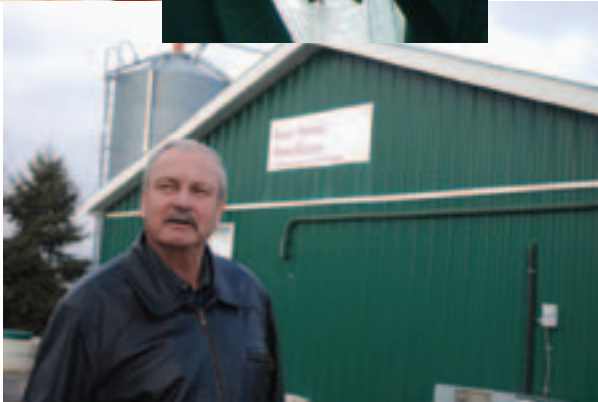
With supply management, we have the best system in the world for egg production. To keep it working well, you need cooperation from all the parties involved. While I think this is well understood, we still have to be careful not to take supply management for granted. Again, this requires cooperation from all stakeholders. I go back to the notion of family, a theme I've touched on in previous annual reports. Sure, there will always be disagreements over issues. At the end of the day, though, we're all in the same boat and we need to row that boat in unison for the well-being of the industry.



I've enjoyed working with all of you on this national project to strengthen the egg sector under supply management.

Top of the world: EFC Chairman Laurent Souigny with former International Egg Commission Chairman Frank Pace (left) in Whistler, British Columbia.

As one of my final announcements as Chairman, it's my pleasure to report that the government is expected to increase the maximum compensation levels for farmers whose flocks are ordered destroyed under the *Health of Animals Act*. We've been discussing this issue with the Minister of Agriculture and Agri-Food Gerry Ritz for quite some time. I appreciate the Minister's direct involvement in the process and am optimistic the government will gazette new maximums in the near future.



Sure, there are always a couple of more things you wish you could have finished, but the timing wasn't right. In my case, it would be a new Federal-Provincial Agreement and an agreement with the processors. My view on this is simple: when the apple is ripe, it will fall from the tree. I have no doubt our leaders will seize the moment when the opportunity presents itself.

In closing, I humbly thank each and every egg farmer across this great country for inspiring me while I've served as your Chairman. I also thank my Board colleagues for many great memories and for the hard work they've put in leading this industry forward. Equally, I recognize and thank national and provincial staff for helping egg farmers build the national system they first envisioned when they chose orderly marketing under supply management in 1972. Finally, I thank Tim Lambert, the finest CEO I've ever had the pleasure of working with, for all that he's brought to his job and to this industry.

In choosing me to lead Egg Farmers of Canada, you've done me a tremendous honour. I will always look back fondly on my time as Chairman. But now, new leadership will emerge along with new opportunities for cooperation, efficiency and market growth. As my final request before I leave to take on new challenges, please join me in extending a warm welcome to the new Chairman of Egg Farmers of Canada.

Respectfully submitted,

Laurent Souigny
EFC Chairman (2000-2011)

Message from the Chief Executive Officer

In late fall 2010, our long-time Chairman Laurent Souigny announced his intention to step down as Chair of EFC following the end of his term in March 2011. Of course, the term “retirement” doesn’t really fit, as we all know that Laurent will continue to take on new challenges in whatever capacity he chooses.

As Laurent moves on, I have chosen to use my address as an opportunity to recognize and acknowledge what he has done for our industry. During his tenure, I believe that Laurent has had a profound impact not only on EFC, but on the entire egg industry in Canada, and even globally, through his involvement in the International Egg Commission (IEC).

For me, it’s easy to recall a long list of things that were accomplished under Laurent’s leadership, however the most lasting impression is not so much what he achieved, but how he went about his business and his attitude towards his responsibilities as EFC Chairman. In fact, I don’t believe it’s an overstatement to suggest that he has significantly and positively impacted the culture of our industry, and in so doing created something of a legacy. Certainly, I see tremendous value in contemplating the example set by Laurent and I feel that it’s important to reflect on some of these lessons as they will serve the industry well into the future.

We in supply management are a very small island of profitability in a very large sea of corporate interests that generally exert continuous downward pressure on farmer income. Despite the success of supply management in securing a fair return to farmers, there is no doubt that our system is continually being pressured and challenged whether through global trade negotiations or from others closer to home.



As CEO, I recognize and thank Laurent for his contribution, dedication and wisdom.

Laurent never lost sight of this challenge and has consistently communicated that our only hope to sustain this system for future generations is for the egg industry to stick together regardless of the issues we are dealing with. For Laurent, no single issue should ever be pushed to the point of placing the system itself in jeopardy.

This leads me to my next observation. Laurent always worked hard to place himself in the position of the other person when working through challenges. This ability to see others' points of view didn't necessarily mean a compromise was always possible. However, it created a certain dynamic where Laurent was able to maintain trust even during difficult times and on difficult issues. Whether people agreed or disagreed with Laurent, I believe most people understood that he was listening and was open to changing his mind on an issue based on new information. This ability to be seen as an "honest broker" has served the industry well over the years and is an important reminder to all as we go forward.

Laurent viewed his role as being one of service. He is a passionate believer in our system and his objective has always been to do what is best for the industry overall. He never approached an issue from any other perspective. The philosophy that leadership is very much rooted in a desire to be a good steward and serve others is part of the positive impact that Laurent has had on the culture of the industry and the working culture within the EFC Board of Directors and staff team.

This philosophy has also contributed to several key initiatives that we started in recent years and will continue to build upon in the future. These include a range of items associated with social responsibility, both domestically and internationally; enhanced on-farm food safety programs; traceability; and a desire to continuously improve at all that we do.

Every good leader wants to leave an organization better off than when they joined. Clearly, Laurent

Board of Directors

Mike Vanderpol
Canadian Poultry and Egg
Processors Council - processors

Laurent Souigny
Chairman

Tim Lambert
Chief Executive Officer

Fred Krahn
British Columbia

Leith Murray
Prince Edward Island

Joseph R. Smallwood II
Newfoundland and Labrador

George MacLeod
New Brunswick



can look back with pride on such accomplishments as resolving the long-standing quota issue with Saskatchewan; developing a more cohesive and collaborative Board of Directors; overseeing our shift from being the Canadian Egg Marketing Agency to becoming the Egg Farmers of Canada; and the creation of an “agriculture campus” in partnership with other commodities. I could continue to list many other accomplishments, big and small, but the point is Laurent will be able to move on knowing that he did indeed leave the industry better off than when he started.

One of the great strengths of Egg Farmers of Canada is that we have many people with strong leadership capabilities. Whomever the Board elects as the next Chairman of EFC will no doubt continue to build the industry and, in doing so, will make their own mark.

As CEO, I recognize and thank Laurent for his contribution, dedication and wisdom. For his

successor, I welcome your contribution and ideas as we move forward to take on the challenges of this industry.

As you read through this year’s annual report, I hope that the pride we take in doing our jobs well, whether it’s the Board, the staff, our provincial partners, or our industry partners, comes through in what you read. I trust that people will see our commitment to excellence and our dedication to this industry as clearly evident.

My thanks go to our dedicated staff and Board, and a very special thank you to our departing Chairman, Laurent Souigny.



Tim Lambert
Chief Executive Officer

I trust that people will see our commitment to excellence and our dedication to this industry as clearly evident.



Stan Fehr
Saskatchewan

Hubert Schillings
Ontario

John Penner
Northwest Territories

Scott Brookshaw
Canadian Poultry and Egg Processors Council - graders

Eric Stejskal
Canadian Poultry and Egg Processors Council - hatcheries

Serge Lefebvre
Quebec

Robert Sexty
Consumers' Association of Canada

Peter Clarke
Nova Scotia

Kurt Siemens
Manitoba

● Industry Relationships and a Common Vision

In 2010, Egg Farmers of Canada (EFC) continued working toward its goal of becoming a fully integrated supply management organization characterized by strong relationships, good collaboration and a shared vision among industry partners.

In a spirit of mutual respect and cooperation, we pursued a course of continuous improvement in our dealings with valued stakeholders to help solidify the Canadian egg industry for future generations. We understand that where there is trust and a united front, we can be at our best on trade issues, implementing socially responsible policies, growing our markets and enhancing business efficiency. To achieve these objectives over the past year, we strove to further strengthen our relationship with Farm Products Council of Canada (FPCC) while maintaining open and effective lines of communication with provincial egg boards and our processor and grader partners. Although the process to begin negotiations toward a renewed Federal-Provincial Agreement (FPA) did not materialize in 2010, EFC did make significant progress towards a new

processor agreement and a national *Salmonella enteritidis* (SE) insurance program for the Canadian egg industry.

In 2010, EFC enjoyed a positive working relationship with Farm Products Council of Canada. Following his appointment as FPCC Chairman, Laurent Pellerin, a farmer and respected agriculture leader, met regularly with EFC Chairman Laurent Souigny and CEO Tim Lambert. They noted Mr. Pellerin's genuine enthusiasm for agriculture and his clear understanding of our respective organizations' roles and responsibilities, as well as the key issues affecting the egg industry. Over the course of the year, we responded to FPCC requests for the national poultry groups to develop guidelines for approving external auditors. These guidelines



were finalized at the start of the year and were used in the selection process for our new external auditors. In total, EFC submitted two quota orders and one levies order in 2010, which were all prior approved in a timely fashion by FPCC. EFC will continue working collaboratively with Council to the benefit of all stakeholders.

Relations with our provincial egg board partners are also a process of continuous improvement. In February, Mr. Lambert met individually with provincial board general managers to determine how EFC could collaborate most effectively with the provinces. These meetings, which occurred just prior to the Board of Directors' annual Strategic Planning session, resulted in changes to the Board's 2010 meeting schedule. In March and April, members of EFC's Executive Committee delivered remarks at provincial board annual general meetings, while throughout the year Mr. Lambert kept provincial boards and other industry stakeholders aware of ongoing issues in his weekly CEO Updates. As well, EFC and provincial board staff, along with other key industry stakeholders, worked together successfully on various traceability standards working groups and the *Salmonella enteritidis* Transition Team (SETT).

In 2010, the SETT continued its work to develop a national SE insurance program for the Canadian egg industry. EFC and industry stakeholders believe it is important to have a national program specific to the egg industry that is determined and run by farmers to provide adequate compensation in the event a flock needs to be destroyed due to SE. During the year, SETT members reviewed possible insurance options with the Board of Directors and in December it was agreed that a stand-alone reciprocal program was the most appropriate approach. When implemented, EFC's current interim compensation program will be replaced with a permanent program that will allow for more frequent testing of flock environments. The new program will also contribute to enhanced biosecurity by linking insurance payouts to producer ratings on Start Clean-Stay Clean™, our on-farm food safety program for pullets and layers. EFC will work toward implementation of the new SE insurance program in 2011.

Although we were somewhat disappointed in being unable to reach consensus on a new agreement with the processors in 2010, we are heartened by the fact that real progress is being made. Instead of agreeing to a quick fix in the negotiations, EFC and representatives from the Canadian Poultry and Egg Processors Council accepted the fact more time would be required to achieve a fair and sustainable deal for farmers and for processors. It is clear that both groups are seeking a longer-term, more sustainable solution rather than engaging in negotiations over a new agreement on an annual basis. We continue to work steadfastly with the processors and remain confident both sides will agree to a deal that establishes a revised base price and a value-added pricing system that ensures a fair return for all stakeholders. In 2011, there will be more focus on achieving an agreement that is favourable for all parties. Meanwhile, at processing plants across the country, third-party verifiers equipped with enhanced inventory tracking and reporting tools have helped increase transparency and trust among stakeholders. EFC is confident this key facet of our Industrial Products Program is contributing to the integrity and sustainability of Canada's egg supply.

Concerning the industry's Federal-Provincial Agreement, Chairman Laurent Souigny consulted with EFC Directors and the provincial boards to discuss its potential renewal and concluded that our existing governance tools are sufficient at a fundamental level. In 2011, EFC will gauge the level of interest among Directors and the provincial boards regarding governance options, including developing formal Memorandums of Understanding as addendums to the FPA or re-opening the Agreement for renewal.

All told, we made significant progress this past year toward realizing our long-term vision of a fully-integrated industry with open and trusting working relationships among stakeholders. By strengthening ties with our key partners, working to achieve a fair processor agreement and a reciprocal SE insurance program, and by bolstering third-party verification, EFC has moved a few steps closer to reaching our objectives in this key area.

We strove for continuous improvement in our dealings with valued stakeholders to help solidify the Canadian egg industry for future generations.



Trade Issues

Canada's egg industry operates under supply management. This uniquely Canadian approach to agriculture provides a fair return to farmers on their labour and investment, reasonable prices on domestically produced food for consumers, a steady supply of eggs to graders and processors, and stability for rural communities.

In 2010, EFC staff carried out a number of activities, both here and abroad, to help ensure that supply management, and its three pillars—import controls, producer pricing and production discipline—continue to provide these benefits for generations to come. Throughout the year, we met regularly with federal politicians and bureaucrats in both formal and informal settings to discuss trade issues and their potential impact on supply management. We also worked closely with our national supply management (SM-5) partners to monitor ongoing international and domestic trade agreement negotiations and to find common ground on key issues with like-minded agriculture organizations from around the world.

Throughout 2010, we worked diligently to strengthen ties with key government officials through a series of meetings to discuss trade issues and their potential impact on supply management and Canadian agriculture. EFC Chairman Laurent Souigny joined his national SM-5 Chair colleagues for meetings in March and April with Canada's Chief Agriculture Negotiator Gilles Gauthier. In October, Mr. Souigny joined



those same colleagues to meet with Minister of Agriculture and Agri-Food, Gerry Ritz. The following month, Mr. Souigny and the SM-5 Chairs met with the Minister of International Trade, Peter Van Loan. At each of these meetings, SM-5 Chairs stressed that supply management should be kept off the table in the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) negotiations. Also in November, Mr. Souigny and EFC CEO Tim Lambert discussed trade issues with the following Members of Parliament: Parliamentary Secretary to the Minister of International Trade, Gerald Keddy; Liberal trade critic Martha Hall Findlay; Bloc Québécois trade critic Jean-Yves Laforest; Parliamentary Secretary to the Minister of Agriculture, Pierre Lemieux; Liberal Agriculture critic Wayne Easter; and Bloc Québécois agriculture critic André Bellavance. At all of these meetings, politicians were encouraged to defend supply management at the World Trade Organization (WTO) negotiations, a position supported unanimously by all federal political parties.

Another way EFC builds and strengthens relationships with politicians is at our annual Parliament Hill Breakfast. This event is a great opportunity for politicians to meet egg farmers from their region in an informal and non-partisan setting. It also reinforces among politicians the fact the egg industry is part of Canadian supply management, along with the dairy, chicken,

turkey and hatching egg sectors. This past year's event, which took place May 5, attracted 52 Members of Parliament and Senators who enjoyed delicious, made-to-order omelettes prepared by the restaurant's talented chefs and EFC Director sous-chefs. We were pleased this year to welcome Minister Ritz as keynote speaker, along with the President of the Treasury Board, Stockwell Day, and the Minister of Fisheries and Oceans, Gail Shea. Also on hand were two stars of the Canadian women's Olympic hockey team, Captain Hayley Wickenheiser and goaltender Kim St-Pierre, fresh off their gold medal victory at the Vancouver 2010 Olympics. As official Get Cracking® spokespersons for eggs, Ms. Wickenheiser and Ms. St-Pierre discussed how a healthy diet and regular exercise contribute to their success both on and off the ice. Eggs are a big part of that diet, as the protein in eggs provides the energy they need to play their best. Many politicians at the event were clearly thrilled to meet them and waited patiently in line after breakfast for photos and autographs.

Meanwhile, in Geneva, the Doha Round of the WTO negotiations experienced a lull and was less intense than in previous years due to an absence of political momentum. At their November summit, however, G20 leaders gave the political signals necessary to resume negotiations, and



Throughout 2010, we worked diligently to strengthen ties with key government officials through a series of meetings to discuss trade issues and their potential impact on supply management and Canadian agriculture.



Made-to-order: EFC Chairman Laurent Souligny (left) and Minister of Agriculture and Agri-Food Gerry Ritz sharing a moment at EFC's annual Eggcellent Parliament Hill Breakfast, May 5, 2010.

a push to conclude the Doha Round by the end of 2011 is widely expected. Regardless of timelines, EFC remains very concerned with both the number of sensitive products and their treatment, just as we remain concerned about the most recent draft modalities text on agriculture. This is why EFC and its national SM-5 partners continue to support the government's position of zero increases in minimum market access and zero decreases in over-quota tariffs, consistent with the unanimous House of Commons motion.

To obtain the most current intelligence, we monitored the WTO negotiations from Geneva when negotiators were present and also from Ottawa during quieter periods. When EFC or SM-5 staff were not in Geneva to monitor meetings, we relied on our full-time SM-5 representative stationed there to gather information and report back to general managers on weekly conference calls, and to prepare *Geneva Update* reports. EFC Trade Unit staff also reported regularly to the Board of Directors and provincial boards to ensure industry stakeholders were kept up-to-date on the negotiations. Altogether, EFC staff made three trips to Geneva: when Mr. Gauthier was there for meetings in May, as participants in the annual WTO Symposium in September, and in December to remind Mr. Gauthier of our deep-seated interest in the negotiations. Whenever we are in town, we always try to meet with agriculture organizations from various countries, including but not limited to Japan, Norway and the United States. Here in Ottawa, EFC also participated in a meeting with visiting members of the European Economic and Social Committee.

With the Doha Round negotiations relatively quiet in 2010, talks over the Canada-European Union trade agreement progressed steadily in Ottawa and Brussels. By October, we received assurances from Mr. Gauthier that Canada would not be making any concessions on supply management in this agreement. This declaration



A winning team: (left to right) Canadian women's Olympic hockey team Captain Hayley Wickenheiser, Minister of Agriculture and Agri-Food Gerry Ritz, EFC Chairman Laurent Souligny, and Canadian women's Olympic hockey team goaltender Kim St-Pierre.

was consistent with the Canadian government's position on all other trade agreements it has signed to date. Earlier in the year, EFC had made known its concerns to key politicians, including the Minister of International Trade, that the federal government had not formally asked to keep supply management off the table at the outset of the talks. During meetings with MPs in November, Mr. Souligny and Mr. Lambert encouraged the government and opposition parties to remain firm and defend this position of no concessions throughout the CETA negotiations—in addition to those of the Trans-Pacific Partnership, should Canada participate. In a similar vein, EFC also sent a letter to the federal government requesting that supply-managed products be excluded in the ongoing Canada-Turkey trade agreement negotiations.

To make the most of available resources, EFC often works with its national SM-5 partners to address issues of mutual concern. In 2010, SM-5 general managers and trade staff participated in weekly conference calls to determine strategies on a wide range of trade-related issues. SM-5 Chairs met often as well, usually prior to meetings with politicians as well as during the semi-annual Canadian Federation of Agriculture (CFA) meeting in Halifax. In 2010, EFC again chaired the SM-5 Communications Committee and worked with our partners to develop a communications strategy around the CETA negotiations. EFC is also a key contributor to the SM-5 Technical Committee. This past year, we worked with our feather industry (SM-4) partners on the committee to commission an economic contribution study that will provide current data on our sectors' overall impact on the Canadian economy.

Besides these initiatives, EFC also worked with the SM-5 and the CFA to convey to provincial governments our concerns over the recently renewed Agreement on Internal Trade (AIT), which governs the exchange of goods between provinces. Specifically, we expressed that the section on agriculture and food products,

Chapter 9, does not clearly state how supply management, defined in the Agreement as a "technical measure", would be exempt from the provisions in the Agreement. As well, we supported the CFA in its opposition of the AIT's person-to-government dispute resolution and in its call to retain an effective government-to-government resolution mechanism.

Equally important, the SM-5 took advantage of the lull in negotiations in Geneva to approach countries and international agriculture organizations with similar needs and sensitivities as supply-managed industries, with the intent of forming a common front on key issues. Over the past year, a core group of farmer organizations from nearly every continent has come together to develop the *Call for Coherence*, a declaration intended to encourage governments negotiating new trade agreements to give appropriate consideration to whether their positions are consistent with the various international agreements they have already signed.

Altogether, it has been another very productive and busy year for all involved on the trade file. As we look ahead to 2011, EFC will continue working with its partners to deliver a consistent message about the importance of maintaining a viable and effective supply management sector for future generations.

● Social Responsibility

Around the world, society is demanding that companies do more than simply focus on the bottom line. There is increasing interest in food choices, food safety, health and nutrition, and how farmers care for their animals.

On the one hand, we see a growing interest in local food. On the other, we perceive a growing unfamiliarity about agriculture and the people who make their living in this sector. Egg Farmers of Canada understands the expectation that industries must act responsibly and in the best interests of society. We believe in acting responsibly not because we have to or because it is fashionable, but for the simple reason that it is the right thing to do. Egg farmers have been acting in the public interest for a long time. We safeguard the egg supply, provide Canadians with affordable and nutritious food, support international charities abroad and ensure the well-being of our hens. Further to these

initiatives, EFC is also an important partner in influenza vaccine production and farmers invest hundreds of thousands of dollars in research and innovation for the benefit of industry and consumers.

This past year, EFC worked with its provincial board partners to arrive at a shared understanding of social responsibility with the aim of further integrating elements of this philosophy into the organization's daily activities and long-range business objectives. Instead of talking about social responsibility in real or abstract terms, we took measurable steps on a journey of continuous improvement that impacts every aspect of what we do and who we are. To strengthen our social license to operate our industry, we focused on key areas like food safety, responsible animal care and research.

Society already places a very high level of trust in farmers. That said, this relationship must be nurtured to deepen that trust, which is why we developed print-based and online resources to help Canadians get to know egg farmers a little bit better.



To develop a national social responsibility program for the egg industry that leaves room for Canada's unique regional differences, EFC carried out provincial board consultations in 2010 that included EFC Directors, provincial chairs, general managers and communications and marketing specialists. A key finding of these sessions was the realization that the values of farmers and those working in the industry generally align with those of egg consumers. We also learned what actions our provincial egg boards are already taking to be socially responsible, such as donating eggs to food banks in their communities. Following these consultations, the EFC Board of Directors accepted a report outlining recommendations that will help the industry solidify its vision, mission and values as we work toward developing a defined and measurable social responsibility program in 2011.

We know from research that Canadians are increasingly interested in animal welfare, the environment and where their food is produced. In response, EFC has developed a new print-based resource about egg farming to help strengthen the link between Canadians and egg farmers. The resource features in-depth profiles of three regulated farmers from Prince Edward Island, Saskatchewan and British Columbia and has been distributed to all provincial egg boards to help support their outreach activities. Equally important, following consultations with provincial board staff, we redesigned and expanded the eggs.ca website to include more information about eggs and egg farming. In addition, EFC helped the Ontario Farm Animal Council review its second edition of *The Real Dirt on Farming*, a

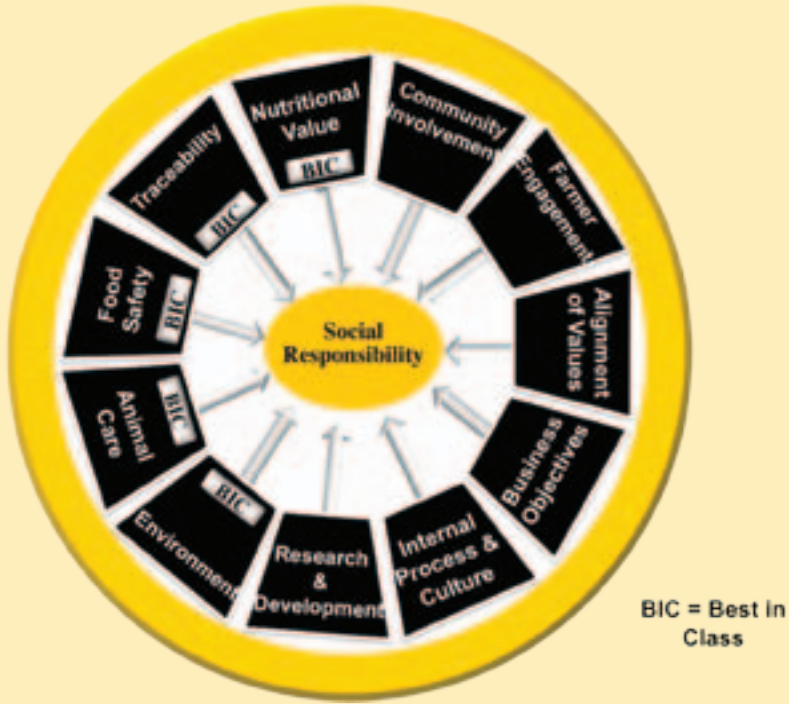
resource distributed across Canada that provides answers to common questions about modern farming practices. In 2011, EFC will begin using popular social media tools like Flickr, Twitter and YouTube to communicate in new ways with Canadians about egg farming.

Eggs are one of nature's most nutrient-rich foods and an excellent source of high-quality protein. Part of our mandate as Egg Farmers of Canada is to provide wholesome eggs to Canadians at stable and reasonable prices. As such, we take great pride in our ability to safeguard Canada's egg supply for the public good with Start Clean-Stay Clean™ (SC-SC), our world-leading HACCP-based on-farm food safety program for layers and pullets recognized as technically sound by the Canadian Food Inspection Agency. Our trained field inspectors are working to strengthen program ratings and achieve 100% compliance on SC-SC and the Animal Care Program, and their use of new handheld tablet computers this past year made it possible to identify gaps requiring corrective action in a timely and accurate manner. To complement these efforts, new software to be rolled out in the coming year will help improve the scheduling efficiency of inspectors' numerous on-farm visits. It will also help to lessen our impact on the environment by reducing our carbon footprint.



 **Canada's regulated egg farmers take great pride in providing healthy, affordable food for all Canadians in a socially responsible manner.**

Elements of Social Responsibility



Our close collaboration with government on matters of food safety was also evident this past December when EFC participated in a national symposium on *Salmonella enteritidis* (SE) in Vancouver, British Columbia (BC). The symposium was hosted by the BC Ministry of Agriculture in partnership with the BC Centre for Disease Control to help governments and the poultry industries identify priority challenges and make recommendations in managing SE. The symposium, which attracted national and provincial government representatives, offered an opportunity for EFC staff to provide these key stakeholders with relevant information about modern egg production practices as well as our sector's surveillance and control measures. We will continue working with federal and provincial governments to position the SC-SC pullet and layer programs as among the most highly effective food safety programs in Canada.

Track and trace: As part of concept trials to develop egg traceability standards, eggshells were stamped with a code in food-grade ink indicating the best before date, the egg farm, and Canada as country of origin.



In a related matter, one of the big news stories of 2010 concerned a massive recall of eggs in the United States due to SE. Although eggs

from two Iowa farms were not imported into Canada, media interest north of the border did provide EFC and provincial board staff and farmers opportunities to speak about on-farm food safety in television and radio interviews. We later learned through consumer research that 35% of Canadians had heard about the recall. Despite this high level of awareness, there was no noticeable impact on the demand for eggs at retail, nor was there much concern regarding the safety of Canadian eggs from respondents.

EFC is a leader in terms of our commitment to continuous improvements in egg quality and safety. This past year, we worked closely with provincial boards, pullet growers, hatcheries, the Canadian Poultry and Egg Processors Council and government to develop a set of national traceability standards that will make it possible to track eggs and hens from the farm to retail stores and all points in between. In the unlikely event of a food safety or animal health emergency related to eggs, we will be able to locate the source of a problem quickly to mitigate the impact on the supply chain and consumers.

Thanks to more than \$800,000 in funding from Agriculture and Agri-Food Canada in 2010, we initiated traceability concept trials at two large-scale grading stations in Western Canada—doubling the number of ongoing trials from two in Atlantic Canada to four in total. Eggs involved in the concept trials were stamped with a code in food-grade ink indicating the best before date, the egg farm and Canada as the country of origin. To keep the traceability project moving forward, seven working groups consisting of EFC and provincial board staff were struck in September to manage various aspects of the project, including risk management, premises mapping, database management and communications. The full set of standards is expected to go before the Board for approval in July 2011.

Canadians can feel confident that a top priority for egg farmers is the care and well-being of their laying hens. Inside the barn, farmers check their flocks daily by closely monitoring feed intake, water consumption and ventilation. Egg farmers practice sound on-farm management regardless

of the type of housing used. As part of our animal care initiatives this past year, EFC field inspectors worked closely with farmers to identify gaps that could prevent them from achieving a passing score on their Animal Care Program rating. Those who met the housing density targets and achieved the program's minimum 90% passing score received a letter of commendation and a certificate from EFC Chairman Laurent Souigny. Meanwhile, the Board of Directors approved the creation of a special advisory panel to provide expert, science-based advice on animal care issues. This panel will begin to take shape in 2011. Further, EFC staff took preliminary steps toward developing an animal care program for alternative housing systems by gathering data about existing systems in use in Canada and by examining practices in other jurisdictions. To support these efforts, we joined the Coalition for a Sustainable Egg Supply, a U.S.-based group studying housing alternatives. The Coalition is made up of animal welfare scientists, research institutions, non-governmental organizations, egg suppliers, retailers and other stakeholders. EFC joins Egg Farmers of Ontario, the British Columbia Egg Marketing Board and Burnbrae Farms as members of the Coalition.

Besides this work at home, we have been increasingly successful in exercising leadership on key animal care issues on the international scene. In May, EFC CEO Tim Lambert travelled to Paris, France to make a presentation at the 78th World Organization for Animal Health (OIE) General Session. In his role as Chair of the International Egg Commission's (IEC) animal welfare working group, Mr. Lambert stressed that one way to minimize the impact on farmers during influenza outbreaks is to use language that does not link a specific commodity with the disease. Examples that are extremely damaging to agriculture include references to certain influenza as "bird flu" or "swine flu". With the IEC recognized by OIE as the voice of the egg industry internationally, EFC is in the unique position of being able to help shape international standards around animal health and disease management. In the near future, OIE will be examining welfare standards for laying hens and IEC will be invited to participate in that consultative process.

Mr. Lambert also chairs the IEC Marketing Committee, which oversees international social responsibility (SR) initiatives. EFC will be working through this body to link some of our SR initiatives to a broader context internationally. This past June, Mr. Lambert also attended the Consumer Goods Forum in London, England to discuss SR initiatives with CEOs working in food production and the food retail sector.

2010 EFC Staff Conference Day

In early December, our EFC Staff Conference Day helped round out the year's social responsibility initiatives. Inspired by the theme of giving back to create better places to live and work, staff members teamed up in small groups to purchase practical and seasonal gifts from EFC for women's and children's shelters in the Ottawa region. As well, staff discussed ways in which EFC could make a positive impact helping people in our neighbourhood, in our country and around the world. Equally important, we were exceedingly pleased to be ranked by our staff in the top 9% out of 2,700 companies as first-time participants in *Canada's Top 100 Employers*, an annual survey ranking the best companies for which to work. Going forward, we fully intend to keep building on this success to make Egg Farmers of Canada one of the country's most respected employers.





New research partnership:
Representatives from Université Laval and the Canadian egg industry celebrated the official launch of Canada's first Economic Research Chair on the Egg Industry on October 14, 2010. From left to right: Dean of the Faculty of Agriculture and Food Sciences Jean-Paul Laforest, Vice-Rector of Research and Development Paul Fortier, Research Chair leader Dr. Maurice Doyon, EFC Chairman Laurent Souigny, EFC CEO Tim Lambert, and EFC Vice Chairman Peter Clarke. [photo: Marc Robitaille]

In October, Mr. Souigny and other Canadian egg industry leaders attended a special ceremony at Université Laval in Quebec City to mark the official launch of Canada's first Economic Research Chair on the Egg Industry. The agreement ensures the university annual funding for seven years toward research projects that are of interest to the egg industry. The Research Chair at Université Laval is led by Dr. Maurice Doyon of the Faculty of Agriculture and Food Sciences. Dr. Doyon will guide a team of internal and external researchers studying economic issues impacting our industry, such as specialty eggs, pricing models and trade. This proactive, targeted approach to research funding is a key first step toward promoting a culture of innovation over the long-term in the Canadian egg industry, and part of the funding will result in support for a greater mass of poultry researchers. Looking ahead, EFC will soon be establishing Research Chairs at several other universities investing in programs that specialize in animal care and nutrition.

In addition to establishing new Research Chairs, EFC also funded individual researchers this past year with a focus on alternative housing and nutrition. At the same time, we increased funding to the Canadian Poultry Research Council to facilitate additional research and helped in the search for a new Executive Director. Meanwhile, EFC developed a draft research business plan that calls for a more strategic approach to research funding over the next four years.

Canada's regulated egg farmers take great pride in providing healthy, affordable food for all Canadians in a socially responsible manner. It's a job farmers do well and a job they love. The contribution they make in their communities and in the lives of Canadians is a tremendous honour and privilege. In order to maintain the trust of Canadians to operate their businesses in the days ahead, egg farmers will continue to exercise leadership in their communities while demonstrating knowledge, passion and a love of farming that is second to none.

Market Growth

To maintain sustainable and healthy growth in table egg sales in 2010, EFC carried out a marketing and nutrition plan to reach consumers which focused on eggs for healthy energy, cholesterol concerns, promotions, sponsorships, research and cooperation with our provincial marketers.

At the same time, we offered consumers their preferred choice of eggs based on supply and demand, and gathered important information about classic and specialty eggs to identify opportunities for future market growth.

In 2010, total Canadian egg sales at retail increased by 0.6% over the previous year, slightly lower than our 1.5% goal. Perhaps most significant is the fact that the 8% growth achieved over the previous two years has been maintained and continues to improve. It is quite possible that consumers, recognizing that eggs represent good value in difficult economic times as an inexpensive source of high-quality protein, purchased more during the recent recession and remained loyal. But there are other factors to consider for this stability as well, including our effective national marketing programs and promotions that resonate with consumers.

Working in conjunction with the provincial egg boards, our messages have continued to stress the importance of eggs as a source of healthy energy. In January, we continued our television campaign reaching out to women aged 25 and up and featuring members of the Canadian women's Olympic gold medal-winning hockey team, Hayley Wickenheiser and Kim St-Pierre. The athletes, who served in 2010 as our official Get Cracking® spokespersons through our sponsorship with Hockey Canada, appear in the ad facing off



***In 2010,
total
Canadian egg
sales at retail
increased by
0.6% over the
previous year.***





against four young men at an outdoor rink, with the losing side treating the eventual winners—Ms. Wickenheiser and Ms. St-Pierre—to an egg breakfast. Along with these ads which aired prior to and immediately following the 2010 Vancouver Olympics, our Get Cracking® sponsorship of closed captioning during Olympic hockey games helped tap into some of the excitement surrounding the Winter Games.

As our spokespersons, Ms. Wickenheiser and Ms. St-Pierre also served as the face of our January in-store promotion encouraging consumers to redeem two UPC codes from egg cartons for an official Get Cracking® Team Canada toque. The promotion increased retail egg sales by 2.5% at a time of year when retail sales are typically lower. The two stars also participated in a brief media tour in March: Ms. Wickenheiser appeared on *Canada AM* and Ms. St-Pierre spoke with media in Quebec. What's more, both athletes signed autographs at grocery stores in Calgary, Toronto and Montreal—events that were

picked up by media. In the fall, EFC returned to the air with our *Touch* series of television ads to convey the eggs for healthy energy message. We also sponsored several family-friendly English-language TV shows on Canwest specialty channels and similar programs in French on the Astral Media network. Indeed, television remains the most important tool at our disposal for strengthening the link between eggs and energy. As a point of interest, when EFC began the healthy energy strategy in 2005, research showed that only 35% of consumers saw a link between eggs and energy. By 2010, that number has more than doubled to 77%.

This past year, our successful long-standing partnerships with Hockey Canada and the Canadian Soccer Association concluded as we began a shift toward other priority areas with high public profiles. Needless to say, working with both organizations has been a great fit for our product. Our partnership with Hockey Canada, for instance, was timed to coincide with the lead-up to the Vancouver Olympics. For many young hockey and soccer enthusiasts across the country, it marked one last chance to play for fun egg-themed gear at minor hockey tournaments and mini soccer events throughout the country. With hockey and soccer winding down, however, we continued to support walking programs at the Running Room, a fitness store that offers people with similar goals and abilities the opportunity to walk, run, or train for marathons together. We were also very excited to become an Official Nutrition Partner of the Canadian Breast Cancer Foundation™ CIBC Run for the Cure, an annual volunteer-led fundraising event in which thousands of Canadians participate to raise funds for breast cancer research, education and awareness programs. We see this as a good fit for eggs as well, and most consumers we asked agreed. In October, EFC was represented at eight race locations. Next year, we plan to be visible at more than 60 locations across the country.

As part of our focus on eggs for “mental energy”—the protein in eggs that can help fuel academic performance—we demonstrated to mothers of children aged 6 to 12 that eggs are

a smarter choice for breakfast than sugar-laden cereals. To reinforce this message, EFC proudly sponsored the Canwest Canspell National Spelling Bee for the third consecutive year. At many of the regional finals leading up to the national competition in Ottawa, provincial marketers had an opportunity to speak to the competitors about the advantages of starting the school day with eggs. On the morning of the national final, participants enjoyed an egg breakfast with EFC CEO Tim Lambert, who offered some words of encouragement prior to the showdown. Mr. Lambert was amazed at the high skill level on display at the competition, eventually won by repeat champion Laura Newcombe of Toronto, Ontario. In addition to Canspell, EFC sponsored *La Dictée P.G.L.*, an international French-language dictation contest for elementary school students enrolled in French-language schools and French-immersion programs across Canada. Getting behind these worthwhile initiatives helped us convey the message that eggs, as part of a balanced breakfast, help students feel fuller for longer so they can concentrate on their lessons instead of a rumbling stomach.

Cholesterol Concerns

With an aging population, more people are being diagnosed with high cholesterol. Even though several recent major studies have shown no link whatsoever between dietary cholesterol and consuming an egg a day, many family physicians still advise patients to limit or cut eggs completely from their diets. As part of EFC's cholesterol-concerned strategy, specially-trained sales representatives visited more than 4,000 family physicians and general practitioners through our Physician's Education Program to convey the message that an egg a day is okay. The high number of visits this year coincided with increased funding from our provincial egg board partners in Atlantic Canada, Quebec and Alberta. By the end of next year, the sales representatives will have visited all doctors we identified in Atlantic Canada at least five times. In early 2011, research will be done to confirm that the message is getting through to doctors and consumers in the region and how to proceed to maintain momentum.

In a related matter, the Washington D.C.-based Egg Nutrition Center's (ENC) Scientific Advisory Panel changed the focus of their research in 2010 to cholesterol and energy. ENC has been sharing research findings with us for about five years and our research priorities are now more aligned than ever before. We plan to use ENC's research findings wherever possible in materials we develop for the Physician's Education Program as well as in messaging aimed at dietitians.

For the first time, as part of both our healthy energy and cholesterol-concerned strategies, we published coupons in *Metro* publications as well as in major dailies where *Metro* is not published. The coupons were redeemable at many retailers for \$2 off 2 dozen eggs of any kind. The coupons were also handed out at Run for the Cure event sites and sent to doctors' offices together with our *Healthy Choices* information kits.



We get some of our best ideas from what consumers tell us in qualitative focus groups and quantitative research, such as the annual Usage and Attitude survey. As part of our program evaluation research in 2010, we asked our target demographic (women 25 or older with children aged 6 to 12) how eggs fit into their active and busy lifestyles. What we learned in this research will help shape future programs and promotions around eggs and energy in 2011 and beyond.

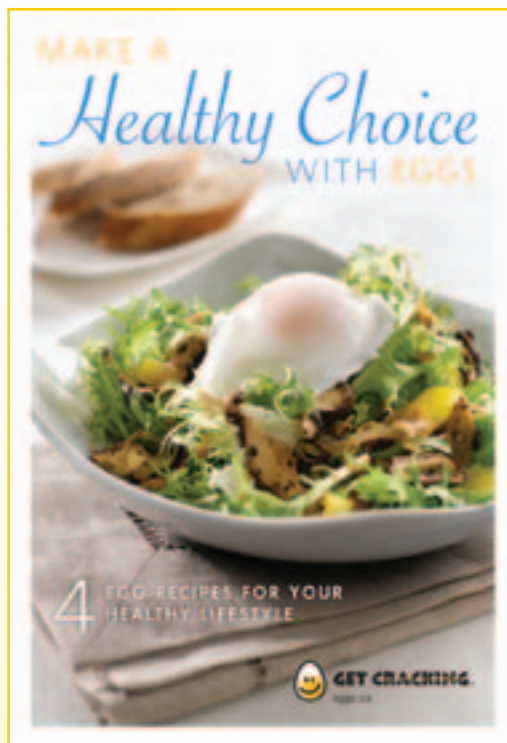


EFC works in step with its provincial egg board partners to deliver a national marketing program with consistent messaging across many markets. Throughout the year, EFC kept its provincial partners informed of activities at the national level with monthly updates and regular conference calls. National and provincial marketers also met for multi-day workshops in Ottawa and Saskatoon to review research, discuss relevant issues and learn more about each other's marketing initiatives. At the Ottawa workshop in May, we learned about social media prior to the launch in August of our Facebook page, which provides recipe ideas and information about eggs to roughly 11,000 followers. In October, national and provincial marketers expanded their knowledge of the egg industry with a visit to poultry research facilities at the University of Saskatchewan and the Star



Egg grading station in Saskatoon. National and provincial marketers also provided valuable feedback to help redesign EFC's eggs.ca website, launched in early January 2011.

Looking ahead, EFC is working to grow national retail sales by 1.5% in 2011. With the support of our Board of Directors, buy-in from the provinces on the national marketing strategy and another complete team effort from staff, this goal is well within reach.



Business Efficiency ●

Striking the right balance between supply and demand is the key to success in any business. For the Canadian egg industry, seasonal demand for a variety of eggs from consumers and customers in various regions makes it imperative that we have the right tools, the right information, and the right processes in place to operate our business efficiently.

To achieve these goals in 2010, Egg Farmers of Canada remained firmly committed to a process of continuous improvement to enhance our best practices and reduce the cost of operating the Industrial Products (IP) Program.

In particular, we conducted a review of transportation routes in Western Canada to identify cost savings, performed regular reviews of our supply chain in collaboration with key stakeholders and improved buyback price forecasting. Significant projects also included the carrying out of a new Cost of Production survey, a flock placement program, semi-annual

reviews of IP supply to the processors, and our mid-year review of supply and demand projections. At the same time, we continued working closely with the federal government to increase compensation available to farmers whose flocks are ordered destroyed under the *Health of Animals Act* due to disease. In essence, our strategic approach to business planning, organizational governance and human resources, supported by state-of-the-art knowledge management tools and infrastructure, has positioned EFC to implement best practices while continuing to realize efficiencies throughout the business, specifically egg sales to processors.



Federal Quota Allocation (dozens)

Province	2011 Allocation ^{1,2}	2010 Allocation ³	2009 Allocation ³
BC	71,818,998	68,577,486	67,403,044
AB	52,744,155	49,936,179	48,360,664
NT	3,086,331	2,956,504	2,926,767
SK	26,570,961	25,335,571	24,831,914
MB	62,089,558	59,530,145	58,953,844
ON	218,359,971	208,980,817	206,180,638
QC	109,893,495	103,959,899	100,524,423
NB	12,166,006	11,633,654	11,467,377
NS	21,301,174	20,426,995	20,230,899
PE	3,528,252	3,382,357	3,349,410
NL	9,457,642	9,061,041	8,970,465
Total	591,016,543	563,780,648	553,199,445

¹ The 2011 allocation reflects the implementation of 2009 COP Survey rate of lay (25.44 dozen per layer per year).

² The 2011 allocation is pro-rated to reflect 53 weeks of production.

³ The 2010 and 2009 allocations reflect the actual, total production permitted by the quota orders issued during these years.

Eggs for Processing (EFP) Quota (dozens)

Province	2011 Allocation ^{1,2}	2010 Allocation	2009 Allocation
BC	2,592,923	2,499,000	2,499,000
AB	648,231	624,750	624,750
NT	0	0	0
SK	5,185,846	4,998,000	4,998,000
MB	10,371,692	9,996,000	9,996,000
ON	18,150,462	17,493,000	17,493,000
QC	2,592,923	2,499,000	2,499,000
NB	0	0	0
NS	0	0	0
PE	0	0	0
NL	0	0	0
Total	39,542,077	38,109,750	38,109,750

¹ The 2011 allocation reflects the implementation of 2009 COP Survey rate of lay (25.44 dozen per layer per year).

² The 2011 allocation is pro-rated to reflect 53 weeks of production.

To identify efficiency gaps and achieve cost savings in the IP program this past year, our Operations Department carried out a review of transportation routes in Western Canada. As a result, we adopted a hybrid model consisting of grader-shippers along with a single transport company to handle the bulk of our interprovincial movement requirements. The outcome was similar to that of the previous year's transport review in Atlantic Canada: a more efficient IP program, considerable cost savings for the industry, and less reliance on levy. Building on this momentum, EFC staff have also begun reviewing existing routes in Central Canada with a view to streamlining transport in Ontario and Quebec starting in 2011.

The Canadian egg industry supply chain has many moving parts and is under constant review. We continuously strive to reduce our costs and make the most efficient use of levy. This past year, EFC worked with members of the Supply Chain Working Group to further streamline IP efficiencies in Atlantic Canada. Accordingly, the decision-making process for all eggs in this region destined for the processed market is now more automatic in determining the breaker. In a similar vein, EFC will soon examine the supply chain in Western Canada to further improve efficiencies in that region. We are also planning to make a clear distinction between policy items and daily operational items to strengthen efficiencies in our application of IP Program procedures and guidelines. In addition, staff completed a draft protocol and policy which calculates value-added pricing based on the Canada-US dollar exchange rate, the Urner Barry price and the market price of grain.

Meanwhile, the Canadian Egg Operations Advisory Group (CEOAG), a joint farmer-processor working group, met by conference call in April and November to review key operational issues related to the IP program. Created following the dissolution several years ago of the Industrial Products Committee and chaired since its inception by EFC Chairman Laurent Souigny, the CEOAG reviewed fill rates, new entrant concerns, IP release tracking software, pallet and divider washing, nest run issues, transport, animal care, on-farm testing for *Salmonella enteritidis* and traceability.

Before EFC can sell industrial product to processors, we must first purchase eggs from our provincial board partners at the buyback price. These transactions represent the largest expense in our budget, making it essential that the buyback price be accurately forecasted for the coming year. We do this using a time-series analysis that looks at past buyback price performance as well as economic indicators. In 2010, the Economics, Statistics and Pricing Unit worked jointly with the Finance Unit to improve the accuracy of our buyback price forecasting to within 2 cents—in turn strengthening stakeholder confidence in the budget.

To better match supply with demand, we are working to optimize the timing of flock placements. In 2010, EFC studied information made available by provincial egg boards to better understand the variables affecting flock placement, such as production volumes, the timing of consumer demand, and grader requirements determined by market forces. Once given a proper weighting, each of these variables will play a role in the flock placement project expected in 2011. EFC will also be gathering information about eggs produced in alternative housing to ensure that farmers using these systems can continue to earn a fair return on their eggs.

Producer pricing is one of three essential pillars required to operate an effective national egg supply management system, along with import controls and production discipline. It ensures farmers a fair return on their investment and labour. To determine the actual cost to farmers of producing a dozen eggs in Canada, EFC conducts a nationwide Cost of Production (COP) survey once every five years. In 2010, EFC commissioned The Thomsen Corporation to gather financial and production data for the 2009 calendar year from a confidential and statistically representative sample of 127 egg farmers. The four-phase project was carried out between December 2009 and December 2010 and involved planning, surveying, data analysis and reporting. Those surveyed included farmers with at least 3,000 layers producing classic white, classic brown and Omega 3 eggs. Participating farmers were asked about input costs including, but not limited to, the price of

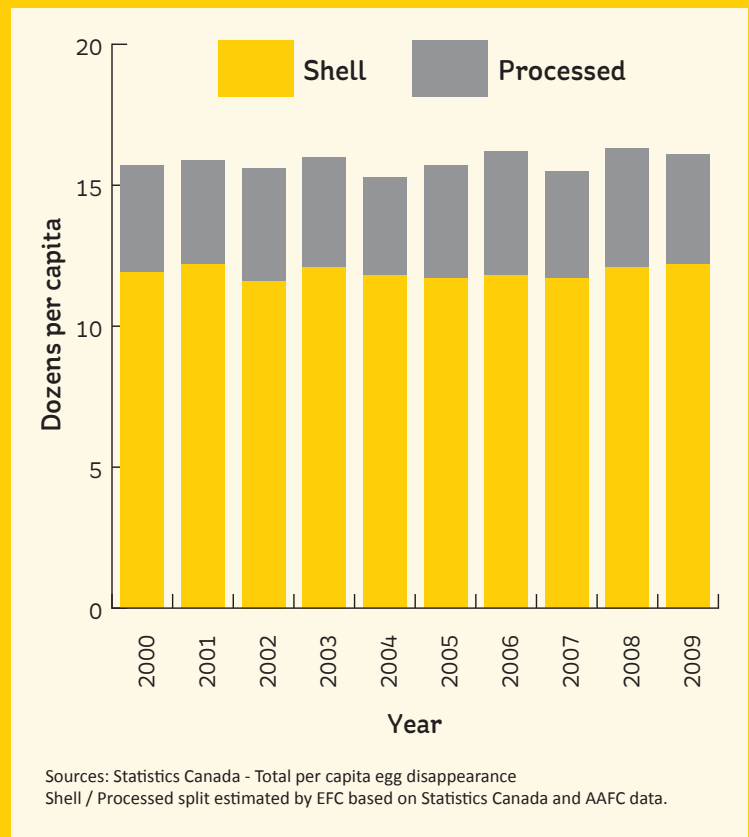
Average Number of Layers per Producer

Province	2010	2009	2008
BC	18,763	18,223	17,799
AB	11,085	10,482	9,851
SK	12,158	13,974	13,484
MB	12,969	13,496	13,549
ON	22,024	21,430	21,123
QC	32,856	31,835	32,528
NB	24,669	25,854	25,856
NS	32,927	33,113	32,806
PE	15,671	14,870	11,219
NL	49,324	48,460	42,909
NT	19,782	10,490	0
CANADA	18,969	19,287	18,764

Audited data for 2008 and 2009. Reported data for 2010.

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

Canadian Apparent per capita Disappearance of Eggs and Egg Products

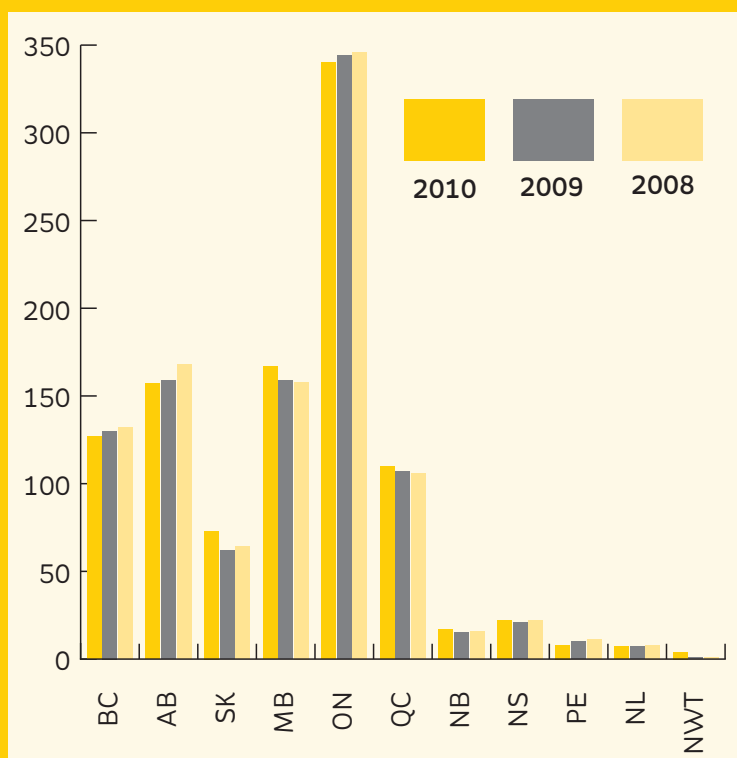


Cost of Production (COP)

Productivity Indicator	COP Survey Year		
	2009	2004	1999
Rate of Lay (dozen per layer per year)	25.44	24.99	24.41
Feed Conversion Ratio (kg per dozen)	1.5246	1.4999	1.5759
Labour Hours per Dozen (hours per dozen)	0.0103	0.0076	0.0092

Number of Registered Producers per Province

Province	2010	2009	2008
BC	127	130	132
AB	157	159	168
SK	73	62	64
MB	167	159	158
ON	340	344	346
QC	110	107	106
NB	17	15	16
NS	22	21	22
PE	8	10	11
NL	7	7	8
NWT	4	1	1
CANADA	1,032	1,015	1,032



Reported data as of December 31, 2010.

pullets, feed, labour and operational expenses. The survey revealed a 2% improvement in rate of lay since 2004. Meanwhile, feed conversion efficiency improved relative to 1999 although the number of labour hours required to produce a dozen eggs increased due to changes in the survey format and questioning. At their November meeting, the EFC Board of Directors approved the survey results as well as the updating methodologies scheduled for implementation in January 2011.

This past year, EFC Operations staff conducted semi-annual reviews of the processor supply for the Board of Directors to better understand factors affecting IP and provide as complete a picture as possible of trends in the processor market. A review of the last four years of data showed increasing demand for eggs in both the table and processor markets, with increasing processor demand being filled by supplemental imports due to a shortage of domestic product. As this trend was expected to continue, the Board of Directors recognized the need for more supply and a quota increase of 558,044 layers was granted. With hens being placed throughout 2010 and 70% of new production being sent to processors, projections for 2011 suggested decreased reliance on imports to satisfy the table market and processor fill rates.

Egg farmers are first responders on the front lines of agriculture when trouble strikes. On rare occasions when flocks are ordered destroyed by government under the *Health of Animals Act*, the Minister of Agriculture and Agri-Food provides compensation to alleviate the negative financial impact incurred by the farmer. As part of our commitment to safeguard the well-being of Canadians and ensure business continuity, EFC worked closely with the Minister and the Canadian Food Inspection Agency this past year to increase the maximum compensation available to egg farmers from \$8 per hen. The increased maximum is expected to be in place in early 2011.

In order to operate the business efficiently, take on new challenges and build on our culture of continuous improvement, EFC has prioritized strategic planning, good governance, human

2010 Interprovincial Movement

Buyers:	YT	BC	AB	NT	SK	MB	NU	ON	QC	NB	NS	PEI	NL	
Sellers:														Total Sales
YT		0	0	0	0	0	0	0	0	0	0	0	0	-
BC	0		240	0	0	0	0	0	0	0	0	0	0	240
AB	21,044	186,412		35,308	50,394	33,268	203	0	0	0	0	0	0	326,629
NT	0	0	0		0	0	0	0	0	0	0	0	0	-
SK	0	0	472,448	0		3,296	0	0	0	0	0	0	0	475,744
MB	0	205,789	533,975	0	116,052		60	146,804	2,220	0	120	0	0	1,005,020
NU	0	0	0	0	0	0		0	0	0	0	0	0	-
ON	0	0	0	0	0	40,263	0		245,035	0	0	0	0	285,298
QC	0	0	0	0	0	0	0	292,590		38,268	0	0	1,850	332,708
NB	0	0	0	0	0	0	0	0	468		11,377	1,440	5,211	18,496
NS	0	0	0	0	0	0	0	0	0	331,616		6,580	12,687	350,883
PEI	0	0	0	0	0	0	0	0	0	0	1,320		0	1,320
NL	0	0	0	0	0	0	0	0	0	0	0	0		-
Total Purchases	21,044	392,201	1,006,663	35,308	166,446	76,827	263	439,394	247,723	369,884	12,817	8,020	19,748	2,796,338

Data in boxes of 15 dozen.

EFC table movement included.

Subject to revision.

resources and knowledge management. In February 2010, our annual Board of Directors Strategic Planning session was an opportunity for Directors to drive future priorities by identifying challenges, trends and opportunities for the industry. These priorities were then captured in the 2011-14 Business Plan, which was rolled down to unit managers and individual staff work plans. Directors also participated in a very successful governance training session in August to strengthen understanding of their roles and responsibilities. In addition, EFC Board committees timed their goal-setting with the business plan. Looking ahead, we are also planning to establish an annual policy review cycle. Meanwhile, for the second year in a row, we achieved our goal of completing all staff performance reviews and compensation

adjustments before the end of the calendar year. New performance management software featuring a custom-built database increased efficiency by making it possible to view employee objectives and accomplishments by key result area or by subject, such as staff suggestions or training requests. In total, 75% of EFC staff received some type of training in 2010.

In terms of knowledge management, we made further progress this past year toward our goal of building a state-of-the art computing infrastructure that provides the right information to staff in a cost-effective, user-friendly, and timely fashion. We introduced online analytical processing cube technology—a business intelligence tool that can amalgamate and display various data from our data warehouse, or

Vaccine Quota Allocation (Layers)

Province	2011 Allocation	2010 Allocation	2009 Allocation
ON	175,655	127,000	211,000
QC	459,385	349,200	562,100
NB	0	0	56,500
Total	635,040	476,200	829,600

Number of Vaccine Producers per Province*

Province	2010	2009
ON	2	2
QC	5	5
NB	0	0
Total	7	7

*1 US producer in 2009 and 2010.

Vaccine Eggs to IP Pool

Province	2010	2009
ON	107,081	80,955
QC	258,028	210,040
Total	365,109	290,995

Data in boxes of 15 dozen.

central data storage location. To ensure that field inspectors are using resources efficiently while on the road, we acquired and will soon roll out new software to optimize scheduling for farm visits, overnight stays and program audits. This software will work in tandem with the recently acquired relationship management software that will serve as a single repository for detailed stakeholder contact information. Of note, inspectors' use of tablet computers during on-farm visits has made it possible to track visits and required corrective actions in real time.

In 2010, we replaced the database engine of the Egg Information Management System (EIMS) used to track flock information so that data previously available only through EIMS will be available through other computing systems. In addition, given the volume of eggs that flow into the IP program, we have adopted Web-based business intelligence tools for third-party verification. Equally important, we enhanced our business continuity plans to ensure key processes would remain operational in the event of human resource emergencies, such as a pandemic situation.

Looking ahead, Egg Farmers of Canada will continue to pursue a path of continuous improvement in all aspects of our business as we strike the right balance between supply and demand for the table egg and processed markets. We are confident that these efforts to decrease costs, increase efficiency and apply policy in a fair manner will continue to strengthen the Canadian egg industry to the benefit of all stakeholders today as well as future generations.

Auditor's Report

PricewaterhouseCoopers LLP
Chartered Accountants
99 Bank Street, Suite 800
Ottawa, Ontario
Canada K1P 1E4
Telephone +1 613 237 3702
Facsimile +1 613 237 3963

February 25, 2011

Independent Auditor's Report

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

We have audited the accompanying financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada (EFC), which comprise the statement of financial position as at December 25, 2010 and the statements of operations, changes in fund balances and cash flows for the fifty-two week period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of EFC as at December 25, 2010 and its results of operations and cash flows for the fifty-two week period then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements of EFC for the fifty-two week period ending December 26, 2009, were audited by other auditors who expressed an unmodified opinion on those statements dated January 29, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

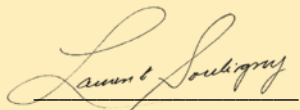
Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
Statement of Financial Position
(in thousands of dollars)

	Pooled Income Fund \$	Administration Fund \$	December 25, 2010 \$	December 26, 2009 \$
Assets				
Current assets				
Cash	23,138	8,130	31,268	13,765
Accounts receivable (note 4)	11,372	929	12,301	10,320
Inventory	169	-	169	244
Prepaid expenses	-	163	163	293
Investments (note 5)	10,132	-	10,132	28,886
	44,811	9,222	54,033	53,508
Investments (note 5)	8,249	-	8,249	10,836
Capital assets (note 6)	120	5,335	5,455	5,484
Intangible asset (note 7)	-	254	254	290
	53,180	14,811	67,991	70,118
Liabilities and Fund Balances				
Current liabilities				
Accounts payable and accrued liabilities	8,187	2,530	10,717	12,927
Current portion of long-term loan (note 8)	-	66	66	62
	8,187	2,596	10,783	12,989
Long-term loan (note 8)	-	2,709	2,709	2,776
	8,187	5,305	13,492	15,765
Fund balances				
Internally restricted (note 9)	18,303	4,678	22,981	17,741
Unrestricted	26,690	4,828	31,518	36,612
	44,993	9,506	54,499	54,353
	53,180	14,811	67,991	70,118

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

Approved by the Board of Directors



Chairman of the Board of Directors



Chairman of the Audit Committee

Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada Statement of Operations (in thousands of dollars)

			Fifty-two week period ended December 25, 2010	Fifty-two week period ended December 26, 2009
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Revenue				
Egg sales	64,838	-	64,838	56,735
Levy and service fees	134,777	18,177	152,954	103,651
Interest and other	892	208	1,100	1,874
	200,507	18,385	218,892	162,260
Expense				
Trade operations:				
Egg purchases	192,570	-	192,570	161,740
Transportation and handling	5,068	-	5,068	4,490
Third-party verification	1,332	-	1,332	1,215
	198,970	-	198,970	167,445
Advertising and promotion	-	7,589	7,589	8,711
Donations	262	68	330	170
Interest on long-term loan	-	160	160	163
Marketing and nutrition research	-	159	159	483
Meetings and travel	-	1,379	1,379	1,519
Office and other administrative	-	1,020	1,020	1,049
Other expenses	1,086	-	1,086	324
Per diems	-	518	518	543
Professional fees and consulting	230	918	1,148	1,581
Public affairs and communications	-	457	457	854
Restricted expenses (note 9)	115	1,046	1,161	572
Salaries and benefits (note 11)	-	4,341	4,341	4,117
Uncollected levy, service fees and contributions	-	-	-	81
Amortization of capital assets	44	348	392	324
Amortization of intangible assets	-	36	36	38
Allocation of administration expenses (note 10)	2,156	(2,156)	-	-
	3,893	15,883	19,776	20,529
Total expense	202,863	15,883	218,746	187,974
Net revenue (expense) for the period	(2,356)	2,502	146	(25,714)

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

Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
Statement of Changes in Fund Balances
(in thousands of dollars)

	Pooled Income Fund			Administration Fund			Fifty-two week period ended December 25, 2010	Fifty-two week period ended December 26, 2009
	Internally restricted	Unrestricted	Total	Internally restricted	Unrestricted	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance - Beginning of period	13,263	34,439	47,702	4,478	2,173	6,651	54,353	80,067
Net revenue (expense) for the period	5,393	(7,749)	(2,356)	200	2,302	2,502	146	(25,714)
Transfers from (to)	(353)	-	(353)	-	353	353	-	-
Balance - End of period	18,303	26,690	44,993	4,678	4,828	9,506	54,499	54,353

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

Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
Statement of Cash Flows
(in thousands of dollars)

			Fifty-two week period ended December 25, 2010	Fifty-two week period ended December 26, 2009
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Cash flows from (used in)				
Operating activities				
Net revenue (expense) for the period	(2,356)	2,502	146	(25,714)
Items not affecting cash –				
Amortization of discount / premium on investments	149	–	149	–
Amortization of capital assets	44	348	392	324
Loss on disposal of capital assets	–	55	55	8
Amortization of intangible assets	–	36	36	38
	(2,163)	2,941	778	(25,344)
Net change in non-cash working capital items	(4,968)	982	(3,986)	4,876
	(7,131)	3,923	(3,208)	(20,468)
Investing activities				
Purchase of investments	(15,496)	–	(15,496)	(37,579)
Proceeds on disposal of investments	36,688	–	36,688	36,889
Purchase of capital assets	(128)	(290)	(418)	(388)
	21,064	(290)	20,774	(1,078)
Financing activity				
Repayment of long-term loan	–	(63)	(63)	(59)
Net change in cash for the period	13,933	3,570	17,503	(21,605)
Cash – Beginning of period	9,558	4,207	13,765	35,370
Transfers from (to)	(353)	353	–	–
Cash – End of period	23,138	8,130	31,268	13,765

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

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

1 Activities of EFC

Objective of EFC

In 1972, Parliament enacted the Farm Products 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 Act. The Act, 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 subsection 149(1) (e) of the Income Tax Act.

Levy and service fees

The provincial and territorial egg marketing boards have agreed to act as agents of EFC for the collection, control and remittance of levy, as recommended by EFC and prior-approved by the Farm Products Council of Canada. 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 cases 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.

2 Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reflect the following accounting policies:

Fund accounting

The Pooled Income Fund consists of the industrial product removal levy and service fees and related professional fees and consulting. All transactions involving the buying and selling of eggs are recorded in this Fund.

The Administration Fund consists of the administration levy and service fees, and all administrative expenses.

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.

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

Investments

Government-guaranteed 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.

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	3 – 5 years
Leasehold improvements	over remaining term of lease

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 ten years.

Revenue recognition

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

Levy and service fees 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.

Allocation of expenses

Administration expenses described in note 10 are allocated from the Administration Fund to the Pooled Income Fund. The allocation is based on the level of effort and time spent by EFC directors and staff on operating the Industrial Products Program.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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.

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

3 Capital management

EFC's objectives when managing capital are to safeguard the ability to continue as a not-for-profit organization while keeping levy rates at a minimum. EFC's capital consists of a long-term loan 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 monthly by management and the Board of Directors. The levy rates per dozen marketable eggs were set at 20.25 cents for the first period of 2010 and at 30.00 cents effective January 24, 2010.

EFC's Board of Directors has established thresholds for its Funds. Should the balance fall outside these ranges, EFC would adjust the levy rate on a prospective basis. The thresholds are reviewed for appropriateness on an annual basis.

The unrestricted portion of the Administration Fund is to maintain a balance of at least \$1,000. The lower and upper limit thresholds for the restricted portion of the Administration Fund are of \$2,000 and \$5,000 respectively. The unrestricted portion of the Pooled Income Fund has a lower limit of \$20,000 and upper of \$40,000. The restricted portion of the Pooled Income Fund's thresholds have not been established.

EFC is not subject to externally imposed capital requirements and can only invest in securities guaranteed by the Government of Canada.

4 Accounts receivable

			December 25, 2010	December 26, 2009
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Levy and service fees	7,462	1,132	8,594	6,338
Egg sales	3,506	-	3,506	3,508
Other	78	123	201	631
Interfund receivable	326	(326)	-	-
Allowance for doubtful accounts	-	-	-	(157)
	11,372	929	12,301	10,320

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
December 25, 2010
(in thousands of dollars)

5 Investments

	December 25, 2010		December 26, 2009	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Short-term government guaranteed investments	10,132	10,138	28,886	28,359
Long-term government guaranteed investments	8,249	8,226	10,836	10,662
	18,381	18,364	39,722	39,021

Investments bear interest at fixed rates ranging from 1.25% to 2.00% (December 26, 2009 – 0.55% to 4.05%). Long-term government guaranteed investments mature in 2012.

6 Capital assets

	December 25, 2010		December 26, 2009	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	416	–	416	416
Buildings	4,475	269	4,206	4,282
Office equipment	472	246	226	268
Computer hardware and software	1,822	1,267	555	447
Leasehold improvements	94	42	52	71
	7,279	1,824	5,455	5,484

As at December 26, 2009, cost and accumulated amortization amounted to \$7,065 and \$1,581, respectively.

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

7 Intangible assets

			December 25, 2010	December 26, 2009
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Corporate identity	345	91	254	290

As at December 26, 2009, cost and accumulated amortization amounted to \$345 and \$55, respectively.

8 Long-term loan

The loan amount at inception was \$2,956. The loan bears interest at an annual rate of 5.68% and is payable in monthly instalments of capital and interest of \$18.5. The loan is amortized over a 25-year period and is due 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 (\$6,150 as at December 25, 2010) should an owner default on payment.

Future payments of the loan are as follows:

	Capital \$	Interest \$	Total \$
Period ended 2011	66	156	222
2012	70	152	222
2013	74	148	222
2014	78	144	222
2015	82	139	221
Thereafter	2,405	1,342	3,747
	2,775	2,081	4,856
Less: current portion	66	156	222
	2,709	1,925	4,634

EFC also 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 25, 2010, loans under this facility were \$Nil (December 26, 2009 – \$Nil).

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
December 25, 2010
(in thousands of dollars)

9 Fund balances

Internally restricted fund balances – 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. In 2001, a Risk Management Fund was set up to self-finance potential costs related to its risk management activities.

In 1995, a trust account was set up to administer transactions for the National Quota Exchange (NQE) Program. In 2010 the balance of this fund was transferred to the Administration Fund and the NQE fund ceased to exist.

The related transactions in the Fund are as follows:

	Risk Management		NQE Fund		Fifty-two week period ended December 25, 2010		Fifty-two week period ended December 26, 2009	
	Total		Total		Total		Total	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – Beginning of period		12,910		353		13,263		5,802
Levy	5,402		–		5,402		6,392	
Interest	106		–		106		149	
Restricted expenses	(115)		–		(115)		(11)	
		5,393		–		5,393		6,530
		18,303		353		18,656		12,332
Transfers from (to) Administration Fund		–		(353)		(353)		931
Balance – End of period		18,303		–		18,303		13,263

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

Internally restricted fund balance – Administration Fund

In 1997, EFC was directed by the Board of Directors to set up a restriction in the Administration Fund to fund research. Use of the funds is at the discretion of the Board of Directors.

The related transactions in the Fund are as follows:

	Fifty-two week period ended December 25, 2010		Fifty-two week period ended December 26, 2009	
	\$	\$	\$	\$
Balance - Beginning of period		4,478		5,932
Levy	1,208		-	
Interest	38		38	
Restricted expenses	(1,046)		(561)	
		200		(523)
		4,678		5,409
Transfer to Pooled Income Fund		-		(931)
Balance - End of period		4,678		4,478

10 Allocation of administration expenses

During the period, EFC made an allocation of administrative expenses of \$2,156 (period ended December 26, 2009 – \$2,258) 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 Products Program. The breakdown of costs is as follows:

	Fifty-two week period ended December 25, 2010 \$	Fifty-two week period ended December 26, 2009 \$
Building costs	52	99
Insurance	43	47
Meetings and travel	309	364
Office and other administrative	149	177
Per diems	95	110
Professional fees and consulting	23	14
Salaries and benefits	1,385	1,362
Amortization of capital assets	100	85
	2,156	2,258

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
December 25, 2010
(in thousands of dollars)

11 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 each employee’s required contribution under the Plan. During the period, EFC contributed \$157 (2009 – \$150) to the Plan, which is included in salaries and benefits expense in the statement of operations.

12 Financial instruments and risk management

EFC has chosen to apply the recommendations found in Section 3861, *Financial Instruments, Disclosure and Presentation*, of the Handbook of the Canadian Institute of Chartered Accountants.

EFC’s financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities and a long-term loan.

Fair value

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity.

The fair value of investments included in note 5 is based on quoted market prices.

The fair value of the long-term loan is determined using the present value of future cash flows under current financing agreements, based on EFC’s current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term debt is \$2,975 at December 25, 2010 (December 26, 2009 – \$2,950).

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. Investments and the long-term loan bear interest at fixed rates and are exposed to changes in fair values.

Notes to Financial Statements

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada

December 25, 2010

(in thousands of dollars)

Credit risk

Credit 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, investments and long-term loan (note 8). EFC mitigates credit risk through credit evaluations and monitoring of the outstanding balances and financial conditions of its customers.

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 customers and investments on an ongoing basis with the assistance of its investment advisors. EFC only invests in securities guaranteed by the Government of Canada.

Egg sales are dependent upon four groups of related companies. During the audited period, these customers represented 84% (fiscal 2009 – 86%) of egg sales revenue and 20% (December 26, 2009 – 27%) of accounts receivable.

13 Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2011 for an amount of \$1,180. In addition, \$440 has been committed over the next four years for the Economic Research Chair on the Egg Industry at Université Laval.