

2012

A Year of Success

40 years

A History of Excellence



**EGG FARMERS
OF CANADA**

Dedicated to Quality

2012
A Year of Success

40 years
A History of Excellence

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40th Annual Report of Egg Farmers of Canada for presentation March 20, 2013 at the 40th annual meeting and to the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, and to the Farm Products Council of Canada.



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Message from the Chairman

It was my very special privilege to serve as your Chairman during our 40th anniversary of national egg supply management. Forty years is a significant milestone, an important time to step back and reflect upon our shared success. Looking at this period, and even before 1972, it is truly amazing how far this industry has advanced to become a model sector of Canadian agriculture.

Nowhere is this captured more strikingly than in the pages of our *From Farm to Plate* commemorative 40th anniversary book. The process of gathering the facts, crafting a compelling history and sharing it with our community and Canadians more broadly was certainly worth the effort. The privilege of unveiling the book at the Chairman's reception in March was one of my personal highlights of the year. Egg farmers are truly grateful to have this keepsake and historical record and we thank all those involved in this landmark project.

This initiative reminds us that we are fortunate to have benefited from so many outstanding leaders over the years. By their words and deeds, they set a bold course for the future that we easily recognize today as Canada's modern egg industry. On page 7 of this annual report, you will see the portraits of past Chairmen who have served our industry with such distinction. Thanks to the leadership of these 13 individuals, we have built

and continue to improve upon an industry in which we can take great pride.

We can proudly reflect on 40 years of innovation and contributions to Canadian society that have seen the introduction of world-class on-farm food safety and animal care programs, a national traceability standard, an expanding research chairs program, support for our rural communities in terms of jobs, and a positive impact across the wider Canadian economy. Innovation is abundant in our industry as evidenced by new wind turbines or solar panels on layer barns to power farms.

Looking back, we can say with certainty that those early industry leaders who hammered out the initial details of a national egg supply management program with federal and provincial governments were true visionaries. As a result of their hard work, we have egg production today in all ten provinces and the Northwest Territories.

But we also recognize that supply management—with its three pillars of import controls, producer pricing and production discipline—requires our elected officials to take a firm stand in the international trade arena. This reality became more pronounced



when Canada joined the Trans-Pacific Partnership negotiations in October. We have been informing those in government about the benefits of supply management in a number of ways, from our annual Parliament Hill Breakfast, to offering egg farm tours for MPs and Senators, writing letters and through online ad campaigns. I wholeheartedly thank all who continue to voice strong public support for our industry and everyone

40 years

A History of
Excellence

JANUARY 12, 1972

*Farm Products Marketing
Agencies Act* becomes law

DECEMBER 15, 1972

Newly-appointed federal Minister of Agriculture Eugene Whelan announces proclamation to establish the Canadian Egg Marketing Agency (CEMA)

working to achieve a balanced outcome for Canadian agriculture in trade talks.

While the challenges and opportunities of tomorrow are many, I look to the future with great confidence. We have built a strong foundation at EFC supported by a socially responsible culture of continuous improvement for the benefit of all Canadians. I thank the EFC Board of Directors, our CEO Tim Lambert and representatives of every egg board across Canada for their continued support. I hope you will join me as we begin the next significant chapter in our history.



Peter Clarke
Chairman



EFC Chairman Peter Clarke and CEO Tim Lambert met with all egg boards in 2012

EFC CEO Tim Lambert (left), former Minister of Agriculture Eugene Whelan (centre), and EFC Chairman Peter Clarke at Chairman's Reception in Ottawa, March 20, 2012.



EFC Chairman Peter Clarke (far right), past Chairmen Félix Destrijker (front row, left), Laurent Souigny (front row, center) and Alex Craig (second row, left), and current EFC Board of Directors with former Minister of Agriculture, Eugene Whelan (front row, right), at Chairman's Reception in Ottawa.



At the Chairman's Reception, EFC Chairman Peter Clarke delivers welcome address to mark 40th anniversary of national egg supply management and unveil commemorative book on the history of the Canadian egg industry, From Farm to Plate.

2012

A Year of
Success

JANUARY 12

40th anniversary
of Farm Products
Marketing
Agencies Act

JANUARY 23

EFC and National
Farm Animal Care
Council (INFACC)
announce start of
Code of Practice review



Message from the Chief Executive Officer

When the EFC Board of Directors began providing direction for the business plan that serves as the framework for this annual report, we knew this was going to be a monumental year for the Canadian egg industry. We thought there would be a great deal of fanfare attributed to our 40th anniversary, but 2012 was a standout year for a wide variety of reasons.

Perhaps the most notable of these was the new pricing agreement achieved between egg farmers and processors that provides for a significant contribution from industry toward operating the Industrial Products Program. More importantly, it symbolizes a new era of collaboration: of industry and farmers working together to improve this great system of supply management in Canada.

Further, we achieved 2.1% growth in total egg sales at retail over the previous year. This is the sixth consecutive year we have seen an increase and the first where more than 20 million dozen eggs were sold during every four-week period.

Another key accomplishment was our *Pride in Every Egg* commercial. We imagined that connecting Canadians to the real men and women responsible for their fresh, healthy and local eggs would build our reputation and support. It did. Our research shows that

the commercial was a resounding success, and our materials showcasing farm families that have been shared through social media and other channels have had a tremendously positive effect on consumers.

In order to continue doing our very best for consumers and farmers alike, we encourage accountability, innovation and the highest levels of quality. This means fostering a culture of continuous improvement at EFC, which in 2012 led to significant achievements including our Operations Department achieving full ISO 9001:2008 quality management certification, and our being named as one of the top 30 employers in the National Capital Region for 2013.

A big part of our success as an organization in these and the many other areas detailed in this report comes from our outreach and engagement of stakeholders. This past summer, Peter and I travelled across Canada to meet the chairs and general managers of all 11 egg boards. I value these meetings as they bring to light the regional realities that have such an important impact on how we operate

a national industry, and because they provide us with the opportunity to openly discuss issues that matter to egg farmers. We both look forward to face-to-face meetings with all these valued stakeholders again in 2013.

Canadian eggs are produced in a manner that reflects a spirit of responsibility, accountability and integrity on the part of all industry stakeholders. We believe that every egg must meet or exceed consumer expectations for safety and quality,



40 years

A History of Excellence

JANUARY 12, 1973

CEMA holds first Board of Directors meeting

JUNE 4, 1973

CEMA begins national egg promotion efforts. The Cost of Production (COP) Committee is tasked with establishing a formula to determine national and provincial COP

ANNUAL REPORT 1973



EFC CEO Tim Lambert (foreground) and EFC staff were proud supporters of the Canadian Breast Cancer Foundation CIBC Run for the Cure in 2012.



health and nutrition, choice, animal welfare and environmental stewardship. To build upon our culture of continuous improvement, EFC funds a network of research chairs at leading Canadian universities. This network is set to expand. We are beginning to see collaboration between the chairs on egg-related projects and hope to see this positive trend continue.

Along with running our business and achieving results for our sector, I am pleased to see we gave back to our communities and Canadians in a variety of ways. We feel strongly that our farmers have a rich tradition of community engagement and social responsibility, and we want to build on that heritage. Our 2012-2015 Business Plan weaves the culture of social responsibility into all aspects of our leadership, management, policy development, decision making and overall workplace culture.

The concrete outcomes of our social responsibility portfolio were impressive in 2012. For example, our second full year as Official Nutritional Partner of the Canadian Breast Cancer Foundation CIBC Run for the Cure was a rousing success, with farmers and staff raising in excess of \$45,000. We also continued to

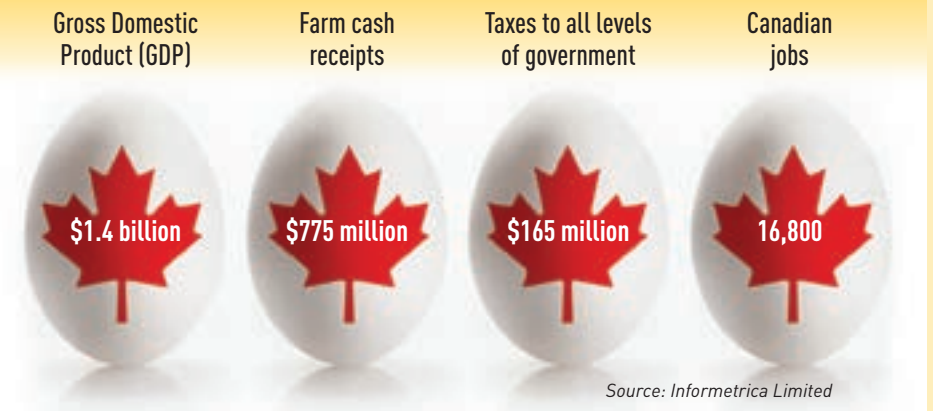
highlight the importance of healthy eating by supporting our local communities through food bank donations of fresh eggs. In 2012, we provided 1.1 million eggs to food banks across Canada.

Looking ahead to 2013, we already have our sights set high—and not just for sales. It will be important to focus on improving our business and sector, which includes achieving new efficiencies in our Industrial Products Program and strengthening support for supply management.



EFC CEO Tim Lambert (left) thanks former Minister of Agriculture Eugene Whelan for his lifelong support of Canadian agriculture and for his participation at the Chairman's Reception in Ottawa, March 20, 2012.

The egg industry's annual contribution to Canada's economy



2012

A Year of Success

FEBRUARY 1

Board of Directors approves the Canadian Egg Industry Traceability System (CEITS), a national voluntary standard for tracking and tracing eggs and hens



I am confident we have the team and the foundations needed to successfully tackle these issues, and the many other inevitable challenges and opportunities that will present themselves, head on. As I hope this report demonstrates, we benefit greatly from the insight and determination of our EFC Board of Directors. They have carefully identified and prioritized strategic goals to steer our industry on the right course. I commend them, as well as our egg board Chairs, General Managers and staff, for their professionalism and boundless energy. Of course, I also want to take a moment to thank EFC's senior management team and the entire staff for their excellent work this year and ongoing dedication to our mission. Finally, I offer a very special thanks to our Chairman, Peter Clarke. Peter has gladly embarked on the considerable challenge of leading Egg Farmers of Canada and he continues to carry out his duties as Chairman with distinction.

Tim Lambert
Chief Executive Officer

Board of Directors



- | | | |
|---|---|--|
| 1. PETER CLARKE
<i>Chairman</i> | 9. GLEN JENNINGS
<i>Nova Scotia</i> | |
| 2. GEORGE MACLEOD
<i>New Brunswick</i> | 10. SCOTT BROOKSHAW
<i>Canadian Poultry and Egg Processors Council - graders</i> | |
| 3. SERGE LEFEBVRE
<i>Quebec</i> | 11. LEITH MURRAY
<i>Prince Edward Island</i> | |
| 4. FRED KRAHN
<i>British Columbia</i> | 12. MIKE VANDERPOL
<i>Canadian Poultry and Egg Processors Council - processors</i> | |
| 5. JOSEPH SMALLWOOD II
<i>Newfoundland and Labrador</i> | 13. WAYNE BEGGS
<i>Consumers' Association of Canada</i> | 15. ROGER PELISSERO
<i>Ontario</i> |
| 6. ANDREW WIPF
<i>Alberta</i> | 14. ERIC STEJSKAL
<i>Canadian Poultry and Egg Processors Council - hatcheries (alternate)</i> | 16. KURT SIEMENS
<i>Manitoba</i> |
| 7. STAN FEHR
<i>Saskatchewan</i> | | |
| 8. JOHN PENNER
<i>Northwest Territories</i> | | |



40 years

A History of Excellence



JULY 29, 1976

Egg industry leaders and signatories sign the Federal-Provincial Agreement



ANNUAL REPORT 1976

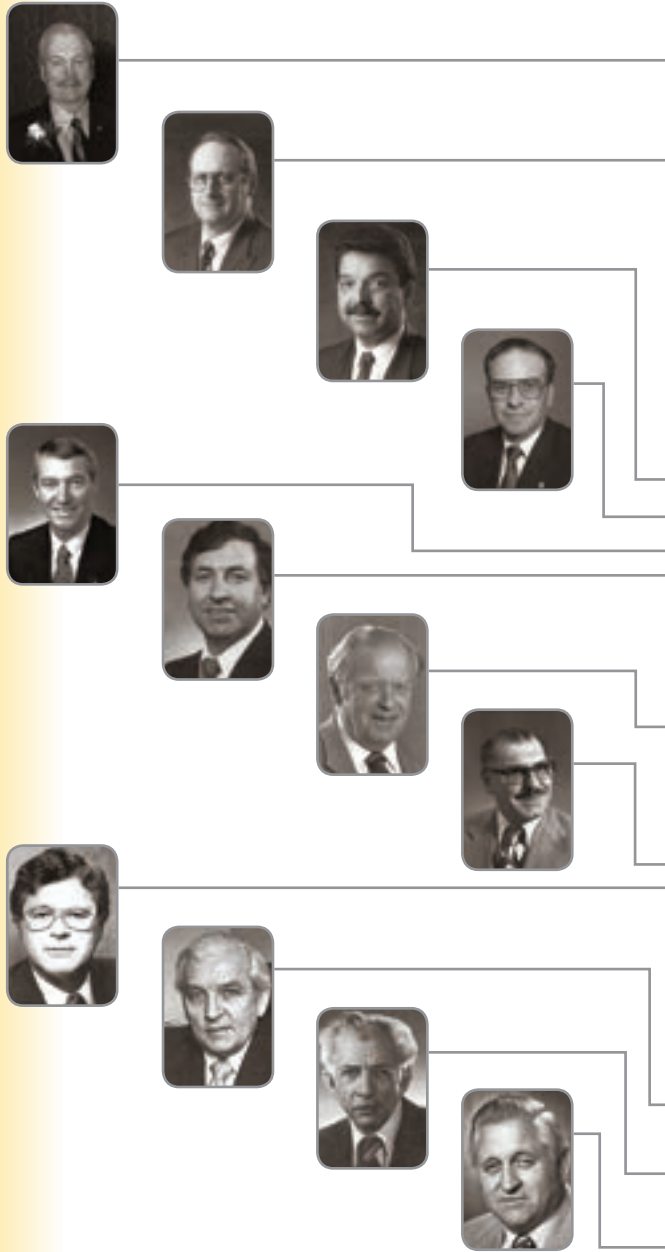
1977

Get Cracking® tagline makes first appearance in a major advertising campaign



40 years

of Leadership



	CHAIRMAN
2012-13	Peter Clarke
2011-12	Peter Clarke
2010-11	Laurent Souigny
2009-10	Laurent Souigny
2008-09	Laurent Souigny
2007-08	Laurent Souigny
2006-07	Laurent Souigny
2005-06	Laurent Souigny
2004-05	Laurent Souigny
2003-04	Laurent Souigny
2002-03	Laurent Souigny
2001-02	Laurent Souigny
2000-01	Laurent Souigny
1999-00	Félix Destrijker
1998-99	Félix Destrijker
1997-98	Félix Destrijker
1996-97	Félix Destrijker
1995-96	Robert Murphy (Acting)
1994-95	George McMillan (Acting)
1993-94	Ken Tjaden
1992-93	Ken Tjaden
1991-92	Ken Tjaden
1990-91	Ken Tjaden
1989-90	Alex Craig
1988-89	Stan Steen
1987-88	Stan Steen
1986-87	Stan Steen
1985-86	Stan Steen
1984-85	Harold Crossman
1983-84	Harold Crossman
1982-83	Harold Crossman
1981-82	Harold Crossman
1980-81	Harold Crossman
1979-80	Harold Crossman
1978-79	Murray McBride
1977-78	Jerry Pringle
1976-77	Jerry Pringle
1975-76	Phil Eldridge/Leslie Worsdale/John Hyde (Acting)
1974-75	Phil Eldridge
1973-74	John Hyde

2012

A Year of Success

MARCH 20

From Farm to Plate 40th anniversary book unveiled at Chairman's Reception in presence of former federal Minister of Agriculture, the Honourable Eugene Whelan



40 years





Consumer Satisfaction

Over the course of 40 years, Egg Farmers of Canada has worked steadily to understand and meet consumer demand for fresh, high-quality eggs. We continue to develop and improve our on-farm food safety and animal care programs to strengthen our industry through programs and activities that are science-based, socially responsible and the product of a culture of continuous improvement. Today, this commitment to excellence makes it possible to look back with pride upon a year of notable achievements as well as a forty-year legacy for which egg farmers, egg boards and industry can be commended.

Traceability

Throughout 2012, our commitment to on-farm food safety and animal care was evident in the various reviews, updates and improvements undertaken to strengthen our policies and programs. In February, the EFC Board of Directors unanimously approved a voluntary national

traceability standard for egg tracking and tracing, hen tracking and tracing, and premises identification. Developed over a period of two years by a project team of industry stakeholders including provincial egg boards, graders, pullet growers, hatcheries and breeders, the Canadian Egg Industry Traceability Standard (CEITS) improves supply chain management, inventory control and the ability to ensure a rapid response in the rare event of a human or animal health concern linked to eggs or hens.

At present, anyone in the supply chain who voluntarily participates in CEITS must comply with the minimum requirements. Participants may print a unique alphanumeric code on the eggs identifying the farm and the best-before-date in red food-grade ink approved by Health Canada and the Canadian Food Inspection Agency. The main objective of the standard is to make it possible, within 48 hours, to identify premises of interest where eggs and hens originated or were distributed. EFC has also developed a traceability compliance audit based on the CEITS standard which could be implemented in future to verify adherence.

Food Safety

As egg farmers, we take our responsibility to safeguard the national egg supply very seriously. The EFC Board of Directors believes that Canadian eggs must meet or exceed consumer expectations for safety and quality. Consequently we

have strengthened our on-farm food safety and biosecurity measures this past year by approving amendments to five elements of the Start Clean-Stay Clean™ (SC-SC) program for layers. These amendments strengthen biosecurity and reduce the risk of contamination and animal disease by increasing the number of points awarded on SC-SC ratings for farmers who move their flocks toward a single age in multiple-flock facilities; change or disinfect footwear when moving between different-aged flocks in the same production unit; ensure sanitary outer clothing and a different pair of boots are worn before anyone enters the restricted area of a production unit; possess a letter from a pullet grower indicating their flock has been tested for Salmonella enteritidis (SE); and who themselves have carried out microbiological sampling for SE at least twice during a production cycle in order to meet national and provincial SE program testing requirements. The Board also updated SC-SC and the new national SE protocol to ensure all sampling is carried out by a qualified third party, even in cases where the farmer has performed a dry clean of their laying facilities beforehand.

SE insurance

Much was accomplished this year toward finalizing the implementation of the Canadian Egg Industry Reciprocal Alliance (CEIRA), the egg industry's new national SE insurance for breeders, hatcheries, and pullet and egg farmers. Of note, the Board adopted a policy to divert



40 years

A History of Excellence

1983
CEMA introduces *Code of Farm Management Practice* to bolster on-farm food safety



ANNUAL REPORT 1983

1990

Canadian egg industry introduces Safe From Salmonella, a new on-farm food safety program designed to mitigate the risk of food-borne illness



eggs to processing from egg farms not following the proper sampling protocols. Under the new policy, farmers would be paid the lower industrial product price for their eggs until such time that an SE test is performed and verified as negative.

Animal Care

Regulated egg farmers in Canada are passionate when it comes to the care, handling and health of their hens. Their livelihood depends on a flock that is healthy and cared for in a responsible way. Farmers check their hens every day to ensure they have access to fresh feed and water and that laying facilities are well ventilated. Right across Canada regulated egg farmers follow EFC's Animal Care Program (ACP), which is based on the *Recommended Code of Practice for the care and handling of pullets, laying hens and spent fowl*. Farms are rated on the ACP by a national team of trained Field Inspectors, and farmers who achieve a passing score receive a certificate.

The ACP is regularly reviewed and improved. Any changes that could have an impact on hen health and well-being always undergo a rigorous review process requiring the approval of the Board. In November, the Board of Directors approved a recommendation by the Production Management Committee to adopt an Interim Standard for Aviary and Free-Run systems until new *Code of Practice* guidelines are established through the National Farm Animal



Dan Kampen

As second-generation egg farmers, Dan and his wife Danielle love the farming way of life. This is why they started Double D Farms, a small egg farm nestled in the heart of British Columbia.

In 2004, Dan took over the farm from his father after working full-time on the family farm since 1997. From the beginning, the Kampens have been excited about being able to work together as a family. Some of Dan's earliest memories are of collecting eggs with his mother, and now Dan's daughters get to carry on that tradition. "It's a lot of fun farming with my girls," he says. "They're my little helpers."

Along with lots of family time, Dan loves that egg farming allows him to work where he lives. "Taking care of 23,520 hens is a seven-day-a-week commitment," he explains, "but I really enjoy and take pride in producing high-quality eggs for the people of British Columbia." This past year, Dan and his daughters were featured in EFC's *Pride in Every Egg* campaign.

Care Council's (NFACC) Code Development process. The interim policy establishes minimum space requirements for nests, perches, floor space and litter.

Hen Housing

EFC continues to fund a wide variety of production management and animal welfare research at leading post-secondary institutions across the country. Prior to updating on-farm policies that affect the health

2012

A Year of Success

MARCH 21

Peter Clarke re-elected Chairman at EFC annual general meeting



and welfare of our laying hens, we take into account many factors. Over the course of 2012, EFC Chairman Peter Clarke acknowledged that many farmers are looking for direction on hen housing as they retool and renovate their barns. He also stressed that a number of research projects are ongoing in the field, including those of EFC's Research Chair in Poultry Welfare, Dr. Tina Widowski, and a three-year research project in the United States being carried out by the Coalition for a Sustainable Egg Supply, of which we are a member. When making business decisions, the Chairman asked egg farmers to be mindful of the research still in the field, the Code of Practice review process now underway, and the situation in Europe and the United States where cage housing has been phased out through legislation, or may soon begin to be phased out.

Code of Practice

EFC wants to ensure that animal welfare practices are based on the most current science and consistent with the views of a broad base of stakeholders. After we expressed our interest in a review of the *Code of Practice*, the National Farm Animal Care Council (NFACC) announced in January 2012 that a multi-party review process had begun that will eventually include key stakeholders such as veterinarians, government, the Canadian Federation of Humane Societies, poultry experts, processors and egg farmers. In April, EFC took part in a meeting to identify key welfare issues that will be studied by

the Code Science Committee. Looking ahead, the Science Committee will produce a study the Code Development Committee will draw from as it writes the new Code.

Environment

Regulated egg farmers are conscientious stewards of the land and the environment. Some have adopted wind energy to power their farms while others have implemented watershed management techniques to purify run-off from fields fertilized with manure. In 2012, EFC laid the groundwork to begin analyzing every aspect of the egg industry's impact on both the environment and Canadian society at large. Requests for proposals were issued for environmental and social Life Cycle Assessment projects and we expect the results of these projects will form a baseline to help determine the impact of egg production, including our carbon footprint. Once complete, the results will enable us to further serve the public good by devising solutions to issues requiring immediate or longer-term action.

International Egg Commission

Globally, EFC has continued to demonstrate leadership on social responsibility as a member of the International Egg Commission (IEC). The IEC has more than 50 members in Asia, Africa, Europe, North and South America, and Australia. It holds conferences twice a year where members share best practices as part of their combined

Regulated egg farmers are conscientious stewards of the land and the environment.



commitment to corporate and social responsibility. In 2012, the IEC signed a Memorandum of Understanding with the United Nations Food and Agriculture Organization (FAO), which is dedicated to achieving food security and obtaining access to high-quality food for people around the world. The Memorandum established a working partnership that recognizes IEC as the official representative of the international egg industry. As part of this initiative, an IEC Scientific Advisor and Animal Welfare Working Group member will be conducting workshops on food security in several African countries.

Continuing Growth in Retail Sales

To increase egg sales this year, EFC implemented strategies around health care and healthy energy to ensure health professionals and consumers had an accurate understanding of the benefits of eggs. Looking back at 2012, Nielsen data shows we achieved 2.1% growth in total egg sales at retail, surpassing our 1.5% goal for the year and marking the sixth consecutive year of growth. For the first time ever, retail sales data showed at least 20 million dozen eggs were sold in each

40 years

A History of Excellence

1996

CEMA Board of Directors expands to include processing, grading, hatcheries and consumer representatives



ANNUAL REPORT 1996

1997

Start Clean-Stay Clean™ strengthened to become Hazard Analysis and Critical Control Point (HACCP)-based program



four-week period of the year. This is a great accomplishment and the direct result of strong teamwork between national and provincial staff as well as programs, partnerships and promotions that continue to resonate with our target audience.

Healthy Energy

The focal point of our Healthy Energy strategy this past year was the Canadian Breast Cancer Foundation CIBC Run for the Cure. For the second year running, we served as Official Nutritional Partner and enjoyed a strong public profile in the lead-up to the event and at 60 run sites across the country on the day of the event. On September 30, egg farmers, national and provincial egg board staff and thousands of Canadians came together to participate in several different walks and runs. More than 200 egg farmers and staff volunteered their time at *Get Cracking*® kiosks, talking with participants and supporters about the health benefits of eggs and handing out microwave egg cookers, recipe booklets, coupons and *Get Cracking*® tote bags.

Altogether, the Canadian egg industry raised more than \$45,000 for breast cancer research, education and health promotion initiatives across the country.

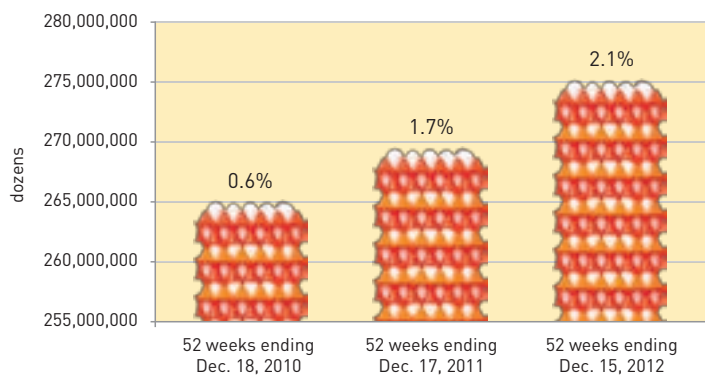
We were also involved in the final year of two educational sponsorships. The first was the Postmedia Canspell National Spelling Bee, in which young people nationwide took part in regional spelling bees and challenged for the national championship. Each regional finalist won an Education Award while the national champion took home a grand prize, all courtesy of EFC. Coverage of the championship aired on CBC television in March and EFC produced and sponsored 30-second vignettes featuring the 20 national finalists answering questions about eggs. We were also proud to support *La Dictée P.G.L.*, a French-language dictation program designed to promote and improve the quality of children's written French.



On September 30, 2012, EFC staff in Ottawa participated in the CIBC Run for the Cure as runners and supporters and as volunteers at our *Get Cracking*® kiosk. They were joined by egg farmers and egg board staff at event sites right across Canada.



In 2012, EFC proudly supported *La dictée P.G.L.*, a French-language dictation program designed to improve the quality of children's written French.



For the first time ever, retail sales data showed at least 20 million dozen eggs were sold during each four-week period of the year.

2012

A Year of Success

MARCH 26

EFC and Dairy Farmers of Canada lead education session on animal care at Forum For Young Canadians conference



Health Care

EFC's health care strategy was a priority again in 2012. In total, our national team of Physician Education Program (PEP) representatives shared with approximately 5,400 physicians our message that an egg a day is okay, even for those with cholesterol concerns. Since the Program's inception in 2009, our team has visited a total of 13,600 physicians in person. In cases where doctors support our cholesterol message and no longer require personal one-on-one visits, we continue to reach out to them by distributing our *Healthy Choices* kit for their patients. This education resource outlines practical ways people with cholesterol concerns can improve their health and make eggs part of a healthy lifestyle. Although cholesterol remains the number one factor for limiting egg consumption, research shows the percentage of people with high cholesterol choosing to limit egg consumption continues to decrease. Further to these initiatives, we launched aneggadayisok.ca, a new website for consumers seeking information on cholesterol, healthy eating, recipes and active living.



Pilot Programs

EFC launched a pilot program in Atlantic Canada and British Columbia this year which saw PEP representatives in those regions talking to physicians about the benefits of omega-3 fats for their patients at risk for heart disease. In particular, the representatives stressed the fact that omega-3 eggs are a good source of omega-3 fats and can help their patients meet requirements for heart health. This pilot will continue in 2013 and be evaluated later in the year to determine the feasibility of a national program. EFC was also approached by Shoppers Drug Mart to participate in its Heart Health campaign at 33 locations on a pilot basis. As part of this initiative, store pharmacists distributed *Healthy Choices* kits directly to consumers at store clinics.



Key Opinion Leaders

EFC has teamed up with a trio of respected health experts to help us communicate the benefits of eating eggs to our target audience. We are pleased to have the support of Dr. Christian Constance, a well-known cardiologist; Andrea Holwegner, a registered dietitian; and Dr. Peter Jones, a researcher with the University of Manitoba. In August, when a study comparing eggs with the dangers of smoking cigarettes received a fair amount of media attention, we relied on these advocates to speak up in defense of eggs in media interviews and among their peers.

Social Media

EFC's social media presence continues to grow. Our Facebook pages in both official languages have earned about 45,000 likes combined—which represents the largest social media audience among Canada's food commodity groups. Facebook is a great channel to engage directly with consumers while highlighting partnerships, coupons, our recipes at eggs.ca and cooking tips. Meanwhile, our Egg Timer app for iPhone, iPad and Android devices continues to be updated with new recipes and how-to videos for consumers. The app has been downloaded nearly 250,000 times.



40 years

A History of
Excellence

1999

St. Andrews Agreement is reached, with recommendations on quota, levy and governance



ANNUAL REPORT 1999

1999

Northwest Territories enters national egg supply management system

Industry Sustainability

Egg Farmers of Canada is dedicated to finding efficiencies in the supply management system to ensure a healthy, strong and sustainable egg industry in Canada for generations to come. Sustainability will ultimately depend on our ability to achieve steady growth, ensure fair returns to all stakeholders and maintain our social license to operate. It will also depend on how successfully we foster appreciation for egg farmers' contribution to the economy and to our communities. Over the past year, EFC carried out a number of targeted initiatives aimed at ensuring long-term sustainability by improving Industrial Products Program (IPP) efficiencies and strengthening support for the egg industry.

Processor Agreement

In March, the Board of Directors reached a historic pricing agreement with Canadian egg processors that provides for a significant contribution from the processing sector toward the cost of operating the IPP. After a long negotiation, egg farmers and processors arrived at a shared understanding of the possibilities for future growth, whether in product innovation, finding new efficiencies or supplying our markets. It was felt to be a fair and balanced outcome given the fact all stakeholders benefit from both a strong IPP and a strong processing sector.

IPP Efficiencies

In October, the Board of Directors gathered for a unique workshop to consider possible strategies and options to reduce the costs of operating the IPP. A number of ideas were discussed, and Directors reviewed the pros and cons of each as well as the feasibility and potential cost savings should various options be implemented. These efforts prepared the way for a follow-up session in February 2013, this time involving EFC Directors and egg board Chairs. Following this meeting, it is anticipated that EFC staff will begin organizing timelines for individual work projects.

Transport Review

As part of our efforts to realize additional IPP efficiencies this past year, we carried out a year-long review of transport options in Central Canada—specifically targeting shipping routes in Ontario and Quebec. This work was the third of three regional transport reviews, which included Western Canada in 2010 and Atlantic Canada in 2011. The end result is improved transportation efficiencies in these three regions of the country and significant savings in the cost of operating the IPP.

Average Number of Layers per Producer

	2012	2011	2010
BC	19,419	19,302	18,772
AB	11,651	11,534	11,049
NT	26,896	23,150	49,082
SK	11,907	11,916	12,151
MB	14,126	13,722	13,399
ON	23,402	22,996	22,103
QC	32,766	34,637	32,541
NB	25,304	24,424	24,761
NS	33,967	31,808	33,073
PE	14,796	15,774	15,668
NL	49,123	49,688	49,082
CANADA	20,241	20,108	19,446

Audited data for 2010 and 2011. Reported data for 2012. Excludes inventory for Eggs for Processing (EFP) and Special Permit.

Specialty Production

In keeping with our mission to supply our markets, EFC launched a new project this past year to determine how best to recognize specialty production destined for the processing market under the quota system. Growing consumer demand for products produced with Canadian free run or organic eggs made this project a priority for the industry. In collaboration with the provincial egg boards in Quebec and Alberta, pilot projects were organized whereby both provinces assigned quota from their provincial allocation and farmers with dedicated specialty egg production directly supplied a specific breaker. When both pilot projects are complete, we expect to be in a strong position to meet market demand.

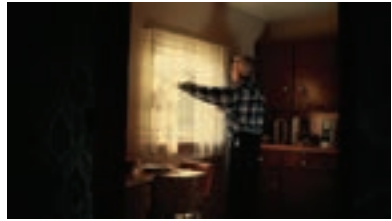
2012

A Year of
Success

MARCH 28

Jennifer Mong wins
Canspell National
Spelling Bee





EFC approached *Pride in Every Egg* as a great opportunity to strengthen the bond between egg farmers and a Canadian public largely removed from agriculture.

for specialty eggs and to formulate a policy that ensures fairness for all stakeholders.

Flock Placement Project

EFC undertook a flock placement project this past year to clearly map out egg production in Canada and match it with current demand. A key objective of the project is to establish a model to continuously update supply and demand while simultaneously taking new allocation into account. Once complete, it is expected the industry will be in a more advantageous position to manage existing allocation and shift production in a given province to a more suitable timeframe on an as-needed basis. This initiative involves all industry stakeholders, including hatcheries, processors, graders and catching crews. At the same time, the flock placement project complements additional steps we are taking to strengthen our forecasting ability through the use of state-of-the-art software, which in turn supports initiatives such as our semi-annual review of egg supply and demand.

Building Support

Along with the efforts we made to ensure the long-term sustainability on the operational side of the industry, we also set out to build on the positive equity of egg farmers by strengthening public appreciation for their economic and social contributions. We reached out to the Canadian public and politicians through a television and online campaign with positive messages about egg farming, and also through direct engagement with federal politicians and key decision-makers.

Pride in Every Egg

Early in the year, we began working to produce a new television commercial featuring farmers and displaying the Egg Farmers of Canada brand for the first time. Our first step was to strike a working group of national and provincial egg board staff to develop several concepts based on farmers' positive attributes. We then tested these concepts in focus groups and worked with the provincial boards to recruit farmers to appear in the ad. The winning concept with its

Pride in Every Egg tagline and catchy song went into production in March featuring five egg farmers from across the country. The final product hit the airwaves in English and French Canada for three weeks in June, three in July, and three in September. Ad tracking for the first wave showed the 30-second spot enjoyed very strong ratings. The timing was also beneficial, as it may have helped to neutralize negative media coverage about supply management in response to Canada being invited to join the Trans-Pacific Partnership (TPP) trade negotiations. The ad will air again nationally in 2013.

EFC approached *Pride in Every Egg* as a great opportunity to strengthen the bond between egg farmers and a Canadian public largely removed from agriculture. In terms of the message conveyed, ad tracking showed that viewers understood not only that eggs are good for you but, more important, that Canadian egg farmers are proud of what they do and proud of the food they produce. In tandem with the television ad, we introduced a new *Meet Our Farmers* section on eggs.ca which profiled 17 farm families from

40 years

A History of Excellence

2000

Quota Allocation Committee appointed and recommends two-part quota allocation formula based on market share and hen-to-population ratio

2001

CEMA announces new partnership with the Heart and Stroke Foundation's Health Check™ program



all ten provinces and the Northwest Territories, with each family located on an interactive map of Canada. All profiles featured a short vignette, and in some cases a video, inviting website visitors to learn about the men and women who produce fresh, high-quality Canadian eggs.

Parliament Hill Breakfast

In April, EFC Chairman Peter Clarke hosted our annual *eggscellent* Parliament Hill Breakfast in Ottawa. This popular event was attended by 46 MPs and Senators who enjoyed fresh, made-to-order omelettes prepared by Parliamentary Restaurant chefs and EFC Director sous-chefs in a friendly, non-partisan atmosphere. The breakfast was also the perfect occasion for egg industry leaders to mix and mingle with politicians from their riding, province or territory. Among the guests were the Minister of National Defence, Peter MacKay, the Minister of National Revenue, Gail Shea, the Leader of the Government in the House of Commons, Peter Van Loan, and the Leader of the Green Party, Elizabeth May. During his remarks, our Chairman highlighted the 40th anniversary of national egg supply management and thanked politicians for their ongoing support of the egg industry. He then introduced the Chair of the House of Commons Standing Committee on Agriculture and Agri-Food, Larry Miller, who congratulated EFC on the 40 year milestone and conveyed a message about his government's continued strong support for supply management.



Clément Pouliot

Clément is proud to be an egg farmer and is equally proud of his family history. His parents started raising laying hens in the 1960s and had about a hundred at the time. When Clément and his brother took over the business in the 1980s, the flock had grown to 8,000 hens.

Today, the P.E. Pouliot Inc. farm in Quebec houses 18,000 laying hens and the family history continues to evolve as Clément's nephew is now working on the farm. This past year, Clément Pouliot was honoured to appear in EFC's *Pride in Every Egg* campaign.

Active in many associations, federations and cooperatives in his home province, Clément's role as an ambassador for high-quality products is something he takes to heart. Just as when he was a child, his favourite part of the day is collecting fresh eggs early in the morning.



Chair of the House of Commons Standing Committee on Agriculture and Agri-Food, Larry Miller (left) with EFC Chairman Peter Clarke at the eggscellent Parliament Hill Breakfast in Ottawa on April 25, 2012.

2012

A Year of Success



APRIL 25

EFC hosts *eggscellent* Parliament Hill Breakfast attended by 46 MPs and Senators

APRIL 26

Board of Directors governance and strategic planning sessions



Farm Tours

In June, EFC was very pleased to organize a half-day guided tour of an egg farm, grading station and pullet barn in Eastern Ontario for four MPs from the three main federal political parties. The tour presented a valuable opportunity for these politicians in the agriculture and trade portfolio to strengthen their understanding of the industry and the people who derive their livelihood from egg production. It was also a chance for egg farmers Marcel Leroux, Marcel Laviolette and Jean Souigny to speak passionately about their industry and showcase their state-of-the-art pullet barn powered by solar energy. All visitors took home an information kit about the Canadian egg industry and a dozen fresh Canada Grade A eggs from Laviolette Farms. In November, EFC Director Glen Jennings hosted a similar tour for eight members of the Senate Standing Committee on Agriculture and Forestry, who witnessed firsthand his wind energy-powered egg farm in Nova Scotia.

Meetings with Politicians

Throughout the year, EFC Chairman Peter Clarke and CEO Tim Lambert met whenever possible with key politicians including the Minister of

On June 4, EFC organized a half-day tour for MPs to visit an egg farm, grading station and pullet barn in Eastern Ontario.

In December, we thanked politicians in a full-page holiday-themed ad in a special year-end print edition of iPolitics.

Agriculture and Agri-Food, Gerry Ritz, the Minister of International Trade, Ed Fast, the Leader of the Official Opposition, Thomas Mulcair, and the interim Leader of the Liberal Party of Canada, Bob Rae. These meetings were often used to discuss issues of interest to both sides such as international trade, animal welfare and traceability. Mr. Clarke and Mr. Lambert were also accompanied by the Chairs of Canada's poultry and dairy supply management organizations at several of these meetings. To reach other politicians and key decision makers, we placed an online ad on the iPolitics.ca website to coincide with MPs' return to Ottawa in September for the Fall parliamentary session. The ad garnered more than 60,000 impressions in three weeks.

Consumer Research

Over the summer, we observed a flurry of negative news stories about supply management resulting from the invitation for Canada to join the TPP. While in the past the tone and subject matter of such stories usually revolved around the issue of international trade, stories and opinions began to emerge advancing

the premise that consumers pay more for food under supply management than they would in a deregulated market. To determine whether this type of media coverage was having a negative impact on consumers, we conducted research in July and learned that only a quarter of respondents had heard anything recently in the news about supply management, and even fewer were familiar with the meaning of the term. We view this lack of awareness and knowledge as a great opportunity to engage in a dialogue about an approach to agriculture that is unique to Canada. In the near future, we will be looking at ways to communicate with audiences not overly familiar with supply management.



EFC CEO Tim Lambert (left) and EFC Chairman Peter Clarke (right) met with a number of key politicians in 2012, including the Minister of International Trade, Ed Fast (centre).



40 years

A History of Excellence

2003

Start Clean-Stay Clean™ on-farm food safety program recognized as technically sound by Canadian Food Inspection Agency

2003

CEMA establishes national Animal Care Program based on *Recommended Code of Practice for the care and handling of pullets, laying hens and spent fowl*

2004

After outbreak of H7N3 avian influenza in the Fraser Valley of British Columbia, major efforts begin to return egg farms to production

Stakeholder Engagement

The Canadian egg industry is poised for steady growth and long-term sustainability thanks to its unique national and provincial structures. Along with our industry partners, Egg Farmers of Canada understands that stakeholders working together in support of one another and towards common objectives have the potential to realize greater success than on their own. In our partnerships and collaborations we are guided by fairness and consistency, we understand the importance of open and inclusive communication, and we know that full stakeholder engagement is the key to successfully achieving any goal. We believe this approach will help us strengthen our ability to supply both our newer and traditional markets, carry out socially responsible initiatives domestically

and internationally at all levels, and address challenges facing supply management.

EFC manages egg sales to the processing industry through the Industrial Products Program (IPP). Over the years, these sales have been rising and today roughly 27% of all domestic production is absorbed by Canadian egg processors. One of the egg industry's most significant achievements occurred in March when farmers and processors agreed on a new pricing agreement. Both sides arrived at a shared understanding that will pave the way for enhanced cooperation in such areas as innovation, reinvestment, industry efficiency and improved cost sharing through a new pricing model. EFC is also confident the agreement will improve coordination between egg

Number of Registered Producers per Province

	2012	2011	2010
BC	131	129	127
AB	156	154	157
NT	4	4	4
SK	77	75	73
MB	155	158	161
ON	324	328	339
QC	115	106	110
NB	17	17	17
NS	22	23	22
PE	8	8	8
NL	7	7	7
CANADA	1,016	1,009	1,025

Audited data for 2010 and 2011. Reported data for 2012.

production and industry demand for various types and sizes of eggs. In the end, a deal was possible because everyone involved recognized that cooperation is the best way to ensure the industry's long-term

2012 Interprovincial Movement of Eggs

Buyers:	YT	BC	AB	NT	SK	MB	NU	ON	QC	NB	NS	PE	NL	Total Sales
Sellers:														
YT		0	0	0	0	0	0	0	0	0	0	0	0	-
BC	0		0	0	0	0	0	0	0	0	0	0	0	-
AB	9,571	191,288		31,328	62,354	24,388	270	3,780	0	162	0	0	120	323,261
NT	0	0	0		0	0	0	0	0	0	0	0	0	-
SK	0	0	469,502	0		4,284	0	0	0	0	0	0	0	473,786
MB	0	163,098	567,185	0	318,771		28	137,427	240	0	0	0	0	1,186,749
NU	0	0	0	0	0	0		0	0	0	0	0	0	-
ON	0	0	0	0	0	40,333	0		515,640	0	0	0	0	555,973
QC	0	0	0	0	0	0	0	279,281		27,505	5,760	0	1,027	313,573
NB	0	0	0	0	0	0	0	0	532		10,998	1,407	4,961	17,898
NS	0	0	0	0	0	0	0	0	0	1,035		13,979	1,229	16,243
PE	0	0	0	0	0	0	0	0	0	0	0		0	-
NL	0	0	0	0	0	0	0	0	0	0	0	0		-
Total Purchases	9,571	354,386	1,036,687	31,328	381,125	69,005	298	420,488	516,412	28,702	16,758	15,386	7,337	2,887,483

Data in boxes of 15 dozen. Subject to revision.

2012

A Year of
Success

MAY 6

New pricing agreement with egg processors comes into effect

JUNE 4

Pride in Every Egg television commercial airs for the first time on national television



Federal Quota Allocation (dozens)

	2013 Allocation	2012 Allocation ¹	2011 Allocation ^{2,3}
BC	71,106,537	70,711,082	71,818,998
AB	52,544,160	52,054,819	52,744,155
NT	3,043,209	3,033,910	3,086,331
SK	26,329,593	26,169,611	26,570,961
MB	61,210,897	61,030,688	62,089,558
ON	215,767,593	214,827,519	218,359,971
QC	109,504,517	108,467,912	109,893,495
NB	12,017,765	11,967,730	12,166,006
NS	20,998,913	20,937,591	21,301,174
PE	3,478,421	3,468,119	3,528,252
NL	9,325,217	9,296,896	9,457,642
Total	585,326,822	581,965,877	591,016,543

¹ The 2012 allocation reflects the actual, total production permitted by the Quota Regulations issued during that year.

² The 2011 allocation reflects the implementation of the 2009 COP Survey rate of lay (25.44 dozen/layer/year).

³ The 2011 allocation reflects 53 weeks of production.

Eggs for Processing (EFP) Quota (dozens)

	2013 Allocation	2012 Allocation	2011 Allocation ^{1,2}
BC	2,544,000	2,544,000	2,592,923
AB	636,000	636,000	648,231
NT			
SK	5,088,000	5,088,000	5,185,846
MB	10,176,000	10,176,000	10,371,692
ON	17,808,000	17,808,000	18,150,462
QC	2,544,000	2,544,000	2,592,923
NB			
NS			
PE			
NL			
Total	38,796,000	38,796,000	39,542,077

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

² The 2011 allocation reflects 53 weeks of production.

sustainability. In October 2012, EFC Directors began work to identify further IPP efficiencies building on the savings realized through the transport study. As a next step, EFC Directors and egg board Chairs were scheduled to meet in February 2013 to review potential projects the Board of Directors identified.

Consultations

Broad industry consultations were an essential feature of the national-provincial working group we struck to advance key projects like our *Pride in Every Egg* television commercial. Comprised of farmers and staff, the working group reviewed creative concepts and provided regional perspectives to help ensure the widest possible industry representation. Consultations extended to the production of our 40th anniversary *From Farm to Plate* book and to marketing activities as well. This year, EFC led two marketing workshops for national and provincial

marketers and communicators to help determine promotion strategies, review research and discuss issues of mutual concern. In a similar spirit, EFC consulted with each of our egg board partners to prepare an industry response to Statistics Canada's proposed changes to the 2016 *Census of Agriculture*.

Open Communication

As part of our commitment to ensuring regular and constructive communications, EFC Chairman Peter Clarke and CEO Tim Lambert attended provincial egg board annual meetings early in the year. They also travelled across the country during the summer months and met in person with representatives from each egg board. These meetings were useful as they provided participants with an opportunity for open and frank discussion. In between face-to-face meetings, Mr. Lambert issued weekly updates on a variety of EFC activities to Directors and egg boards.

Building Relationships

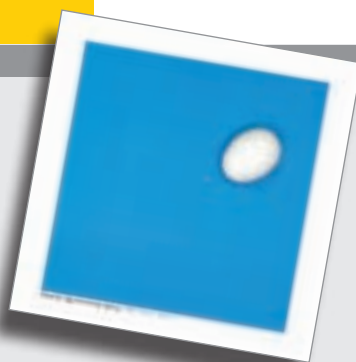
Over the course of the year, EFC strengthened the working relationship with Farm Products Council of Canada (FPCC) and its staff. We maintained regular communication and responded in a timely manner to requests for industry statistics and data. In particular, EFC worked in collaboration with FPCC to resolve some initial challenges around Levies Orders and Quota Regulations, which were prior-approved in March and

40 years

A History of Excellence

2004

CEMA hosts first national *eggcellent* Parliament Hill Breakfast for MPs and Senators



ANNUAL REPORT 2004

NOVEMBER 22, 2005

In unanimous vote, MPs pass motion in House of Commons instructing Canada's World Trade Organization negotiators to achieve agriculture trade agreement delivering no increases in minimum market access and no decreases in over-quota tariffs

September respectively. In November, we met with FPCC staff to discuss quota allocation and IPP issues. EFC was also pleased to welcome FPCC Chair Laurent Pellerin at our 2012 Annual General Meeting. Mr. Pellerin used the occasion to personally congratulate EFC on its 40th anniversary before outlining his vision for strengthened FPCC-industry collaboration and his organization's strategic priorities.

Further to these activities, we were once again pleased to lend our expertise and resources to the Canadian Federation of Agriculture (CFA). Our EFC representative on the CFA Board of Directors, Kurt Siemens, spoke on behalf of egg farmers at Federation meetings and also brought the Federation's *National Food Strategy* to the EFC Board, where it was endorsed in September with several recommendations. We hold the work of CFA in high regard and look forward to continued close collaboration as a member.



Mike Richter

Egg farming has been in Mike's family for three generations, so it's no wonder he takes great pride in his profession. "It's not something we just decided to get into," he says. "Farming is in our blood, it's in our family."

When his grandfather Andrew bought a plot of land in Alberta in 1948, the family farm was born. His father John would eventually take over before passing the reins to Mike. Along the way, each generation helped build the farm into the successful operation it is today.

For Mike, appearing in EFC's *Pride in Every Egg* campaign has been a career highlight. "It makes me proud to represent my fellow farmers," he says, "and to help consumers understand these aren't big, corporate farms – they're family businesses."

Who knows, perhaps one day Mike's children, Karly and Dawson, will continue the family tradition.



Farm Products Council of Canada Chairman, Laurent Pellerin, speaking at EFC's annual general meeting on March 21, 2012.

Over the course of the year, EFC strengthened the working relationship with Farm Products Council of Canada (FPCC) and its staff.

2012

A Year of Success

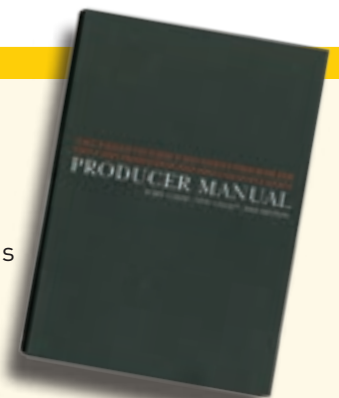
JULY 10

Board of Directors approves vaccine quota allocation of 635,040 laying hens



SEPTEMBER 19

Board of Directors strengthens Start Clean-Stay Clean™ on-farm food safety program



Innovation and Research

To remain at the forefront of change, growth and social relevance, the EFC Board of Directors has placed a high priority on innovation and research. Whether through targeted funding for research partnerships and projects, adopting new energy-efficient and sustainable technologies, or conducting qualitative and quantitative research to better understand consumers, our Directors believe in an industry founded upon science and knowledge. EFC supports research that addresses the public's evolving views of food production, expands possible benefits and uses of eggs and contributes to improving on-farm programs and industry efficiency. In order to advance knowledge in priority areas, we are continuing our development of a research chairs network made up of leading researchers and graduate students who will become the egg and poultry experts of tomorrow.

Research Chairs Program

The year 2012 marked the first full year of a seven-year partnership with Dr. Tina Widowski, our Research Chair in Poultry Welfare at the University of Guelph's Ontario Agricultural College. Dr. Widowski is leading a team of graduate students investigating production management issues, specifically alternative housing. At our summer conference in Regina, she shared some preliminary findings from her current research on the effects of cage size and density on



EFC Research Chair in Poultry Welfare, Dr. Tina Widowski (right), with graduate students and staff at the University of Guelph's poultry research facility.

hen behaviour, hen welfare and egg production. The final results of this study are expected in 2014.

At Université Laval in Quebec City, Dr. Maurice Doyon continued in his capacity as EFC's Research Chair on Egg Industry Economics. The chair was founded in June 2010 and since then six graduate students have been conducting research in a number of areas. Projects currently underway and in various stages of completion include an examination of Urner Barry as an appropriate pricing reference, trade liberalization, supply management and consumer willingness to pay for eggs from enhanced housing systems. Final results from some of these projects are anticipated as early as next year.

Both Dr. Widowski and Dr. Doyon are now working with Dr. John Cranfield, a professor in the Department of Food, Agriculture and Resource Economics at the University of Guelph, to investigate consumer willingness to pay for eggs from various types of hen housing systems. To expand upon these collaborations and to further our network, we also investigated the potential for research chairs in human nutrition, poultry nutrition and agri-environmental engineering.

Animal Care and Welfare Advisory Panel

Dr. Widowski also chairs our Animal Care and Welfare Advisory Panel (ACWAP), which consists of a cross-section of research scientists, poultry specialists and egg farmers. This body is responsible for providing EFC's Production Management Committee with insight into animal welfare issues as well as advice on research priorities. The panel met on three occasions in 2012 and will continue to do so on an as-needed basis.

Egg Production Research

Outside of its research chairs network, EFC continued working with a broad group of researchers across the country. Dr. Michelle Jendral of Dalhousie University completed the initial phase of a project on the health, welfare and productivity of three strains of laying hens in different hen housing environments. Dr. Bernhard Benkel, also of Dalhousie University, submitted his first report on genetic markers for egg production persistence and egg shell quality at the end of an extended laying period, while Agriculture and Agri-Food Canada researcher Dr. Fred Silversides submitted a progress report on poultry genetics preservation. Meanwhile, the Research Committee invited Dr. Derek Anderson of the

40 years

A History of Excellence

2007

Supply management recognized by federal, provincial and territorial Ministers of Agriculture as Business Risk Management Program under new *Growing Forward* agriculture policy framework



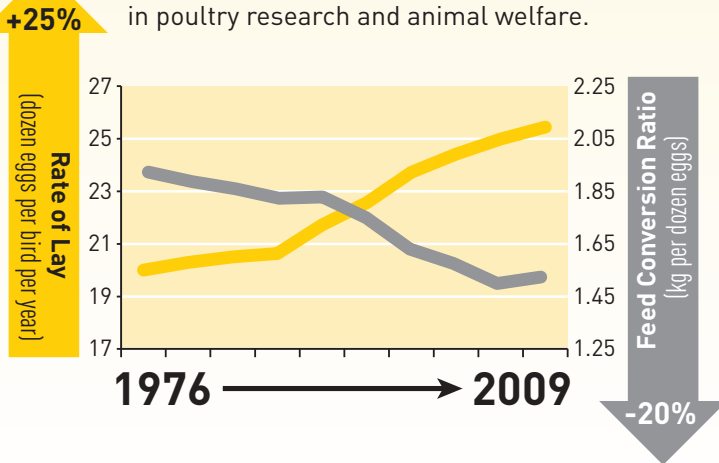
ANNUAL REPORT 2007

2008

Adoption of Egg Farmers of Canada (EFC) name and corporate identity



Over the last few decades, Cost of Production surveys commissioned from third-party consultants reveal consistent improvements in egg industry efficiency and productivity. For the period between 1999 to 2009, the number of eggs laid annually per hen has increased 25% compared to 1976, while the amount of feed required to produce a dozen eggs has dropped 20%. These productivity gains are the result of an industry that continues to invest in poultry research and animal welfare.



Atlantic Poultry Research Institute and Dalhousie University to begin studying the effects of water quality on laying hen performance.

Health and Nutrition Research

Regarding research in the domain of human health and nutrition, EFC is funding several projects to advance our knowledge of folic acid, vascular health and high blood pressure prevention. At the University of Manitoba, Dr. James House completed his investigation of how hens transfer nutrients such as folic acid into their eggs. Dr. House is also carrying out research into egg consumption and the risk of peripheral arterial disease. Further west, the University of Alberta's Dr.

Jianping Wu continued his research into the properties of eggs that may contribute to preventing high blood pressure. Projects like these have the potential to expand possible benefits of eggs and demonstrate the proactive approach we are taking to find unique solutions to improve human health. EFC also continues working with the U.S.-based Egg Nutrition Center (ENC) to fund human health and nutrition research both organizations have identified as priorities.

Canadian Poultry Research Council

EFC continues to be an active member of the Canadian Poultry Research Council (CPRC), a poultry industry and

Vaccine Data for EFC Annual Report 2012

Vaccine Quota Allocation (laying hens)

	2013 Allocation	2012 Allocation	2011 Allocation
ON	175,655	175,655	175,655
QC	459,385	459,385	459,385
Total	635,040	635,040	635,040

Number of Vaccine Producers per Province*

	2012	2011	2010
ON	2	2	2
QC	6	5	5
Total	8	7	7

*1 US-based producer in 2010.

Vaccine Eggs to Industrial Products Pool

	2012	2011	2010
ON	152,792	147,519	107,081
QC	283,949	338,154	258,028
Total	436,741	485,673	365,109

Data in boxes of 15 dozen.

government-supported body dedicated to the advancement of poultry science. This year, our Research Committee provided input on CPRC's *National Poultry Research Strategy*, a document that identifies priority issues for the poultry industry and establishes CPRC's agenda over the next few years. We were also pleased in 2012 to support CPRC's Poultry Research Cluster program in partnership with the federal government through its *Growing Forward* agricultural funding framework. The cluster approach fosters collaboration and matches industry funds at a ratio of three to

2012

A Year of Success

SEPTEMBER 30

EFC serves as Official Nutritional Partner for the Canadian Breast Cancer Foundation CIBC Run for the Cure at 60 event sites across Canada

OCTOBER 18

EFC Directors attend special meeting to discuss potential options for improving Industrial Products Program efficiency



one, making it possible for scientists and experts from diverse disciplines to pool their knowledge in the pursuit of answers to complex scientific questions.

Coalition for a Sustainable Egg Supply

EFC is a member of the Coalition for a Sustainable Egg Supply, a U.S.-based multi-stakeholder coalition currently conducting a three-year study of various types of hen housing systems. Coalition members believe a balanced and objective evaluation of egg production is needed to determine the most sustainable approach for egg production. As such, the Coalition is taking into account five aspects of egg production: animal welfare, the environment, food safety, food affordability and farm worker safety. At its annual meeting in October, the Coalition released interim findings from its first flock pertaining to animal welfare, food affordability and the environment. The study will conclude in 2014 and final results are expected the following year.

Consumer Research

Our Marketing and Nutrition Unit regularly conducts research in a number of key areas to gauge the success of its program and gather insights from consumers. EFC receives Nielsen data that tracks retail egg sales nationwide. We also carry out advertising campaign tracking research to evaluate recall, awareness, relevance and message reception. In addition, we always do

creative research before proceeding with the launch of any new advertising campaign. To measure the impact of our Physician Education Program, we survey doctors as well as consumers diagnosed with high cholesterol to assess attitudes toward recommending and eating eggs. Finally, we conduct a Usage and Attitude study once annually to better understand evolving consumer sentiment with regard to eating eggs and egg farming in general.

What we learn from all our research, whether conducted in the lab or with consumer focus groups, helps us develop high-quality products that meet the demands of our traditional and newer markets.

Trade

EFC is dedicated to ensuring long-term industry sustainability in order to provide Canadians with high-quality, locally-produced eggs at a reasonable price. Our unique approach to agriculture under supply management provides a fair return to farmers on their labour and investment, a steady supply of domestic product for graders and processors, stability for rural communities across the land, and the highest quality products available to consumers. This year, we promoted the benefits of supply management to strengthen stakeholder



Minister of International Trade, Ed Fast, meets with EFC Chairman Peter Clarke in Ottawa on May 15, 2012.

understanding of our system and its three pillars—import controls, producer pricing and production discipline. We also met regularly with key decision makers and continue to support the Government of Canada's position of no increases to minimum market access and no reductions in Over-Quota Tariffs (OQT) for eggs, poultry and dairy products.

With the World Trade Organization (WTO) negotiations relatively quiet this year, bilateral and multilateral free trade agreements have become the new focus for many countries, including Canada. In 2012, the Government of Canada was actively pursuing six bilateral and multilateral trade negotiations. Of these, EFC and our national supply management partner organizations collectively known as the SM-5 followed two negotiations most closely: the ongoing Comprehensive Economic

40 years

A History of Excellence

DECEMBER 20, 2008

Total egg sales at retail grow by 4.1% over previous year according to Nielsen sales data

MARCH 24, 2009

Agreement reached with Saskatchewan Egg Producers on quota allocation

SEPTEMBER 13, 2009

The Canadian egg industry proudly hosts the International Egg Commission conference in Vancouver

Trade Agreement (CETA) bilateral trade talks between Canada and the European Union, and the multilateral Trans-Pacific Partnership (TPP).

Comprehensive Economic Trade Agreement

CETA negotiators finally addressed sensitive products for the first time in July after more than two years of talks. In response, EFC staff travelled to Brussels that month as part of an SM-5 delegation to monitor the discussions. Following a round of talks in September between Canadian and the European Union negotiators in Ottawa, we returned to Brussels the following month for a regular negotiating session and again in November to monitor a ministerial meeting. By the end of the year, the CETA talks had reached an advanced stage with both sides aiming to finalize an agreement in the first quarter of 2013. The European Union has aggressively lobbied for more access to Canada's dairy market, specifically cheese, in exchange for more access to Europe's beef market. We are optimistic the federal government will remain firm in its position to achieve an agreement that results in no negative economic impact for supply management farmers.

Trans-Pacific Partnership

The TPP is an ambitious trade negotiation among Pacific Rim countries which pursues among other things comprehensive market access liberalization. Since 2010,



Willy and Monica Fitzl

While farming has been in the Fitzl family for generations, Willy and Monica hadn't really planned to become egg farmers.

Eighteen years ago, they inherited 25 chickens from Willy's grandmother and began selling small batches of organic eggs to local health food stores. A passion for egg farming quickly took hold and, before they knew it, the British Columbia farm was growing.

They love the farming lifestyle because it allows their family, including their son Tobin, to spend plenty of time together. Plus, they truly enjoy caring for their hens. "The chickens are fun!" says Monica. "They have their own personalities and we talk to them and spend time with them."

With 5,500 laying hens, this is a smaller farm. But Willy wouldn't change a thing. "We're very happy that a small farm in Canada can support a family." In 2012, Willy and Monica took part in the filming of EFC's *Pride in Every Egg* campaign.

negotiations have been ongoing between United States, Chile, New Zealand, Australia, Singapore, Malaysia, Brunei and Vietnam. Canada and Mexico were officially invited to join the negotiations in June and our federal government officially

became a member in October. The TPP agenda contains more than 26 negotiating areas including market access, intellectual property rights, state-owned enterprises, investor-state trade dispute settlement, technical barriers to trade including

2012

A Year of Success

NOVEMBER 7

Board of Directors increases fresh shell egg donation to Food Banks Canada by 10% over previous year to 6,820 boxes of 15 dozen eggs, or 1.2 million eggs



sanitary and phytosanitary measures, and government procurement.

Throughout this negotiation and despite repeated calls in the media to discontinue supply management—calls that grew louder over the summer in the lead-up to Canada officially joining the eleven-member TPP—the government has expressed continued strong public support for supply management. This was consistent with its support for Canada’s poultry and dairy sectors in the *Speech from the Throne* and in the unanimous 2005 House of Commons motion that instructed Canadian negotiators to achieve a trade deal at the WTO with no increases in minimum market access and no reductions in OQTs.

In 2012, the SM-5 monitored all five rounds of TPP negotiations including the December session in Auckland, New Zealand, where a 50-person Canadian delegation sat at the table for the first time as a full-fledged TPP member. Kirsten Hillman, Canada’s chief negotiator, publicly reiterated the government’s commitment to reaching a comprehensive and ambitious TPP agreement. Ms. Hillman noted, however, that all countries have sensitivities and that Canada will only endorse an agreement in the best interest of Canadians. While in Auckland, the SM-5 met with federal and provincial government representatives from British Columbia, Alberta and Quebec, with TPP member countries, with stakeholders from the agricultural sector as well as with

EFC remains concerned about the most recent draft modalities text for agriculture that calls for a 23% cut in OQTs and increases in minimum market access.

civil society organizations. Our SM-5 presence in Auckland was also an opportunity to get a better sense of the negotiating process and to participate in stakeholder activities organized by the host New Zealand government.

World Trade Organization

At the close of 2012, WTO member countries were preparing for what could potentially be accomplished at the next ministerial conference scheduled for December 2013 in Bali, Indonesia. EFC staff noted the Chair of the WTO’s Agriculture Negotiations, John Adank, had met in the fall with members of the agriculture negotiating group to discuss proposals tabled by a group of 20 developing countries (G20). EFC remains concerned about the most recent draft modalities text for agriculture that calls for a 23% cut in OQTs and increases in minimum market access. This text would be the starting point of any resumption in the talks. As it stands, Canada grants fair market access under its WTO commitments for egg, poultry and dairy imports. In some cases, our country already grants more access in these sectors than many of our key international trading partners.

In September, EFC’s First Vice Chair, Fred Krahn, and International Trade Policy Manager, Judi Bundrock,

attended the 7th annual WTO Public Forum in Geneva. The gathering provided an opportunity for those with a vested interest in international trade to examine whether multilateralism—currently characterized by the ongoing Doha Round stalemate—is in a state of crisis. Delegates considered the possibility of trade facilitation as a new approach to multilateral trade, the role of non-state actors in strengthening multilateral trade, and addressing 21st century issues to identify areas in need of new regulations. The Forum also provided EFC an opportunity to engage with audiences not overly familiar with supply management. Mr. Krahn and Ms. Bundrock attended a number of sideline meetings with several international contacts including Mr. Adank. As well, they met with members of the core group of the Call for Coherence to receive an update on member activities in their respective countries as well as to discuss future prospects for collaboration.

SM-5

Traditionally, we work closely with our national supply management partners at Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers. The advantage of working together is the opportunity to share information and

40 years

A History of Excellence

OCTOBER 14, 2010

EFC establishes Research Chair in Egg Industry Economics at Université Laval headed by Dr. Maurice Doyon



MARCH 23, 2011

Minister of Agriculture and Agri-Food Gerry Ritz announces increase in compensation to \$30 per hen for egg farmers whose flock is ordered destroyed by the federal government due to disease

MARCH 24, 2011

Peter Clarke elected EFC Chairman



resources. Throughout the year, SM-5 General Managers participated in weekly conference calls to coordinate joint activities and explore additional ways of working together.

EFC staff also served on two SM-5 committees this past year. We provided expertise and leadership to the Technical Committee and Communications Committee to ensure egg industry positions were considered in decision-making on joint initiatives. Specifically, these committees provided technical analysis on trade issues and developed key messages for meetings with elected officials such as the Minister of Agriculture and Agri-Food, Gerry Ritz, the Leader of the Official Opposition, Thomas Mulcair, and the interim Leader of the Liberal Party of Canada, Bob Rae. In a separate meeting, EFC Chairman Peter Clarke and CEO Tim Lambert met with Ed Fast, the Minister of International Trade, to discuss issues of concern to the egg industry.

Economic Impact Study

One way we like to demonstrate the importance of Canada's egg and poultry sector is by measuring its combined economic impact. In 2011, we joined our poultry industry partners at Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers, known as the SM-4, to commission a third-party to prepare an updated Economic Impact Study of our industries collectively and

individually. When finalized in early 2012, the new study showed that Canada's egg industry generates \$1.4 billion annually in measurable economic activity (GDP), provides \$775 million in farm cash receipts, contributes \$165 million in taxes to all levels of government and employs nearly 17,000 Canadians. When viewed as a whole, it is estimated that all four poultry industries combined add roughly \$9.3 billion to GDP each year on net farm sales of \$3.2 billion and generate more than 33,500 direct jobs and 86,000 jobs economy-wide. As well, the industries add some \$1.8 billion to government tax revenues. We have been communicating the results of the new study with key audiences and stakeholders.

Canadian Federation of Agriculture

The Canadian Federation of Agriculture (CFA) is a farmer-funded national umbrella organization representing provincial farm organizations and national commodity groups. It is the largest such organization in Canada and represents 200,000 farmers and farm families across a broad group of commodities. EFC is an active member and our Manitoba Director, Kurt Siemens, represents the egg industry on CFA's 21-person Board of Directors. This past year, EFC was invited to join CFA's newly-created Trade Policy Review Committee, where members updated a trade policy document to be considered by the entire CFA membership in

2013. In addition, the committee reviewed a North American trade statement that was submitted to the World Farmers' Organization (WFO). The WFO is working on a joint trade statement based on input from all continents at the upcoming World Farmers Forum in Japan in April, 2013. CFA President Ron Bonnett, who represents North American agriculture on the WFO Board of Directors, will be tabling the trade statement at that meeting.

Governance

Egg Farmers of Canada places a high priority on excellence in everything we do. We have developed an internal culture that values being socially responsible, accountable, and results-oriented. Social responsibility is the organizing principle for our annual business planning process, our policy developments and our day-to-day decision-making.

To meet or exceed best practices for governance in the not-for-profit sector, we prioritize training for the Board of Directors along with strategic business planning and policy development. At the same time, we are bolstering our human resources through training and by providing employees every opportunity to succeed in a fast-paced and top-rated work environment. Underpinning all

2012

A Year of
Success

NOVEMBER 13

EFC Operations Department achieves ISO 9001:2008 certification

DECEMBER 15

Nielsen data shows a 2.1% increase in egg sales at retail in 2012—5.6 million dozen eggs more than 2011

our activities is a knowledge management infrastructure featuring state-of-the-art business intelligence tools.

These and other initiatives are making it possible for EFC to take on new and demanding challenges, strengthen organizational efficiencies, and build upon our socially responsible culture of continuous improvement. We believe EFC has managed to achieve success as an organization because we value our staff, our provincial and territorial partners, industry and consumers. We are passionate about what we do, we care about Canadians and our communities, and we are honouring our social license to produce fresh, high-quality eggs.

Business Planning Cycle

EFC's annual planning cycle drives our business. This process is supported by policy development and review procedures that reinforce one another, keeping us accountable and on track to achieve our goals. Essentially, the strategic direction is established by the Board of Directors and then used to align EFC staff work priorities. All resources, whether human, technical, or financial, are organized and focused upon goals as determined by the Board of Directors.

This year's planning cycle began over three days in April when we held a planning discussion with egg board General Managers, as well as governance training and strategic planning sessions with the

Board of Directors. The objective of the first day was to engage with egg board General Managers and Chairs to understand their perspectives on key trends, opportunities and risks facing the Canadian egg industry. The following day, Directors underwent governance training on topics such as fiduciary responsibility, roles and responsibilities, and the mandates of the various Board committees. We also reviewed EFC's conflict of interest policy and worked with Directors to strengthen their ability to communicate decisions taken at the national level back to their respective boards. On the final day, we developed a vision and the components of a high-level strategy for the Canadian egg industry that formed the basis of next year's business plan.

In May, we drafted the Strategic Plan based on the strategy components and obtained feedback from Directors and staff. As part of this planning exercise, staff linked individual goals, unit work plans and budgets to the business plan. At the November meeting, the Board of Directors approved *Business Plan 2013-2016*, which included the Strategic Plan and the 2013 budget.

Directors also approved a motion for a quota allocation increase equal to



As part of EFC's annual Staff Day Conference on November 29, 2012, Field Operations Manager Michel Smith (left) presents a donation on behalf of the organization to The Ottawa Mission, an organization providing food, clothing and shelter in the Nation's Capital.

an additional 286,663 layers, although this proposed increase was held in abeyance while the Board worked through IPP efficiency opportunities. In the interim, the Board agreed to submit to Farm Products Council of Canada for prior approval a status quo allocation equivalent to 21,655,148 layers, effective December 30, 2012 to December 28, 2013.

Further to these business cycle activities, each year we complete staff compensation and performance reviews, publish an annual report, and carry out a strategic audit of our business plan. The Board of Directors elects a Chairman in March at our Annual General Meeting, as well as executive and committee members. EFC benefits from having a number of permanent committees: Audit, Budget, Cost of Production, Executive, Marketing and Nutrition, Production

40 years

A History of Excellence

MAY 12, 2011

EFC establishes Research Chair in Poultry Welfare at the Ontario Agricultural College at the University of Guelph

AUGUST 1, 2011

EFC helps establish the Canadian Egg Industry Reciprocal Alliance for all eligible stakeholders in the supply chain from breeders to egg farmers

NOVEMBER 6, 2011

Former Chairman Laurent Souigny inducted into Canadian Agriculture Hall of Fame



EFC Chairman Peter Clarke (centre) presents a donation on behalf of EFC to the Ottawa Food Bank's Executive Director Peter Tilley on November 29, 2012.

Management, and Research. These committees met on a regular basis throughout the year. In addition to carrying out their primary advisory and reporting functions to the Board, each committee reviewed its respective Performance Assessments, Terms of Reference, and Committee Objectives to ensure alignment with the business plan.

Best Practices

EFC places a priority on governance as we seek to create and maintain a culture of high performance both for the Board and staff. Part of this entails fostering a culture of continuous improvement within the organization. To this end, and to receive honest and constructive feedback about our practices, we voluntarily underwent two rigorous evaluation processes in 2012, with excellent results.

In the first instance, EFC's Operations Department was very pleased this past year to achieve ISO 9001:2008 certification—a quality management standard adhered to by more than one million companies and organizations in 170 countries worldwide. The standard is based on a series of quality management principles,

including consistency, continual improvement and customer satisfaction. Increasing the chances of our certification during the audit process was the fact the Operations Department had developed standard operating procedures, process maps, template forms and a core ideology or mission statement. The Department will be audited on an annual basis in order to maintain the certification.

Top Employer

In the second instance, we put our human resources and corporate culture to the test. Following a comprehensive and rigorous application process, EFC was very proud to be shortlisted among the top 300 employers in Canada for the third year in a row. *Canada's Top 100 Employers* is a national competition to determine leaders among organizations that offer exceptional workplaces for their employees. Employers are evaluated by the editors of *Canada's Top 100 Employers* against such criteria as performance



management, community involvement, training and skills development, employee communications, work atmosphere and employee benefits. Employers are compared with other organizations to determine which offers the most progressive and forward-thinking programs.

We were also pleased this year to be selected for the first time as one of the *National Capital Region's Top 30 Employers*, the winners of which will be announced early in 2013. This unique achievement resulted in a feature article about EFC that was published in a special pullout section of the *Ottawa Citizen* in February. Because we continue to achieve in all these areas, EFC benefits from a high level of employee engagement as evidenced by low turnover rates and the service length of many employees.

2012

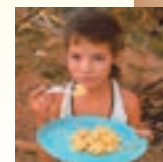
A Year of
Success

DECEMBER 15

EFC marks 40th anniversary of national egg supply management

EFC sends an annual powdered egg donation to developing nations through the Canadian Food for Children program.

16 metric tonnes of powdered egg feeds the equivalent of 99,000 children in 66 villages every month, or 1.2 million children per year.



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February 22, 2013

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 statements of financial position as at December 29, 2012, December 31, 2011 and December 26, 2010 and the statements of operations, changes in fund balances and cash flows for the fifty-two weeks ended December 29, 2012 and fifty-three weeks ended December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EFC as at December 29, 2012, December 31, 2011 and December 26, 2010 and the results of its operations and its cash flows for the fifty-two weeks ended December 29, 2012 and fifty-three weeks ended December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
 Statements of Financial Position

(in thousands of dollars)

	December 29, 2012			December 31, 2011	December 26, 2010
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$	Total \$
Assets					
Current assets					
Cash	15,451	4,305	19,756	33,201	31,268
Accounts receivable (note 4)	15,955	1,413	17,368	15,826	12,301
Inventory	455	–	455	402	169
Prepaid expenses	–	278	278	217	163
Investments (note 5)	18,332	4,047	22,379	15,258	18,381
	50,193	10,043	60,236	64,904	62,282
Capital assets (note 6)	79	5,344	5,423	5,493	5,709
	50,272	15,387	65,659	70,397	67,991
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities (note 7)	14,396	2,586	16,982	14,973	10,717
Current portion of long-term loan (note 8)	–	74	74	70	66
	14,396	2,660	17,056	15,043	10,783
Long-term loan (note 8)	–	2,566	2,566	2,640	2,709
	14,396	5,226	19,622	17,683	13,492
Fund balances (notes 3 and 13)					
Unrestricted	22,225	4,914	27,139	30,559	31,518
Internally restricted	13,651	5,247	18,898	22,155	22,981
	35,876	10,161	46,037	52,714	54,499
	50,272	15,387	65,659	70,397	67,991

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

Statements of Operations

(in thousands of dollars)

	Fifty-two weeks ended December 29, 2012			Fifty-three weeks ended December 31, 2011		
	Pooled Income Fund \$	Administration Fund \$	Total \$	Pooled Income Fund \$	Administration Fund \$	Total \$
Revenue						
Egg sales	87,049	–	87,049	81,588	–	81,588
Levy and service fees	165,737	17,823	183,560	160,783	17,953	178,736
Interest and other	486	243	729	2,225	332	2,557
	253,272	18,066	271,338	244,596	18,285	262,881
Expense						
Trade operations:						
Cost of eggs sold	247,899	–	247,899	228,979	–	228,979
Transportation and handling	6,801	–	6,801	5,942	–	5,942
Third party verification	1,337	–	1,337	1,345	–	1,345
	256,037	–	256,037	236,266	–	236,266
Advertising and promotion	–	8,161	8,161	–	7,439	7,439
Marketing and nutrition research	–	274	274	–	–	–
Donations	274	5	279	233	8	241
Interest on long-term loan	–	152	152	–	156	156
Meetings and travel	–	1,475	1,475	–	1,653	1,653
Office and other administrative	–	1,155	1,155	–	1,114	1,114
Per diems	–	513	513	–	556	556
Professional fees and consulting	205	919	1,124	478	1,138	1,616
Public affairs and communications	–	2,087	2,087	–	793	793
Restricted (note 3)	430	856	1,286	8,151	1,434	9,585
Salaries and benefits	–	5,026	5,026	–	4,804	4,804
Amortization of capital assets	33	413	446	47	396	443
Allocation of administration expenses (note 9)	2,406	(2,406)	–	2,425	(2,425)	–
	3,348	18,630	21,978	11,334	17,066	28,400
Total expense	259,385	18,630	278,015	247,600	17,066	264,666
Net revenue (expense) for the period	(6,113)	(564)	(6,677)	(3,004)	1,219	(1,785)

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

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
 Statements of Changes in Fund Balances

(in thousands of dollars)

	Balance – December 26, 2010 \$	Net revenue (expense) for the fifty-three weeks ended December 31, 2011 \$	Balance – December 31, 2011 \$	Net revenue (expense) for the fifty-two weeks ended December 29, 2012 \$	Interfund transfers 2012 \$	Balance – December 29, 2012 \$
Pooled Income Fund						
Unrestricted	26,690	(2,199)	24,491	(7,695)	5,429	22,225
Internally restricted – Risk Management (notes 3 and 13)	18,303	(805)	17,498	1,582	(5,429)	13,651
	44,993	(3,004)	41,989	(6,113)	–	35,876
Administration Fund						
Unrestricted	4,828	1,240	6,068	(1,154)	–	4,914
Internally restricted – Research (notes 3 and 13)	4,678	(21)	4,657	590	–	5,247
	9,506	1,219	10,725	(564)	–	10,161
	54,499	(1,785)	52,714	(6,677)	–	46,037

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

FINANCIAL STATEMENTS

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

Statements of Cash Flows

(in thousands of dollars)

	Fifty-two weeks ended December 29, 2012			Fifty-three weeks ended December 31, 2011		
	Pooled Income Fund \$	Administration Fund \$	Total \$	Pooled Income Fund \$	Administration Fund \$	Total \$
Cash flows from (used in)						
Operating activities						
Net revenue (expense) for the period	(6,113)	(564)	(6,677)	(3,004)	1,219	(1,785)
Items not affecting cash –						
Amortization of discount / premium on investments	13	3	16	50	–	50
Amortization of capital assets	33	413	446	47	396	443
Net change in non-cash working capital items	(136)	489	353	1,476	(1,032)	444
	(6,203)	341	(5,862)	(1,431)	583	(848)
Investing activities						
Purchase of investments	(18,336)	(4,050)	(22,386)	(11,656)	(2,000)	(13,656)
Proceeds on disposal of investments	13,249	2,000	15,249	16,729	–	16,729
Purchase of capital assets	(22)	(354)	(376)	(17)	(210)	(227)
	(5,109)	(2,404)	(7,513)	5,056	(2,210)	2,846
Financing activity						
Repayment of long-term loan	–	(70)	(70)	–	(65)	(65)
Net change in cash for the period	(11,312)	(2,133)	(13,445)	3,625	(1,692)	1,933
Cash – Beginning of period	26,763	6,438	33,201	23,138	8,130	31,268
Cash – End of period	15,451	4,305	19,756	26,763	6,438	33,201

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

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

1 Activities of EFC

Objective of EFC

In 1972, Parliament enacted the Farm Products Marketing Agencies Act, which was renamed the Farm Products Agencies Act in 1993. 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

Egg boards have agreed to act as agents of EFC for the collection, control and remittance of the levy, as recommended by EFC and prior approved by the Farm Products Council of Canada. Further amounts are paid to EFC by the egg boards to finance the Industrial Products Program 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 table market requirements. These eggs are then sold to domestic processors and grading stations.

2 Significant accounting policies

Canadian accounting standards for not-for-profit organizations

Effective January 1, 2012, EFC elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of the Handbook of the Canadian Institute of Chartered Accountants) as issued by the Canadian Accounting Standards Board (NPO Standard). The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. EFC has not utilized any transitional exemptions on the adoption of NPO Standards. There were no adjustments to the statement of financial position or the statements of operations, changes in fund balances and cash flows.

Fund accounting

The Pooled Income Fund consists of the Industrial Products Program removal levy and service fees, and related expenses. 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.

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

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.

Investments

Government guaranteed investments are recorded at amortized cost. Interest is calculated using the effective interest rate method.

Capital assets

Capital assets are initially 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
Corporate identity	10 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 bird issuance and a weekly per bird levy rate.

Allocation of expenses

Administration expenses described in note 9 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 NPO Standards 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.

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

3 Fund balances

EFC's objectives are to safeguard the ability to continue operating while keeping levy rates at a minimum. EFC sets the levy rates 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 eggs marketed were set at 30.00 cents effective January 24, 2010, 32.75 cents effective January 23, 2011, and 33.75 cents effective March 25, 2012.

In February 2013, EFC provided \$6,400 from the Risk Management Fund to support egg boards with *Salmonella enteritidis* prevention initiatives.

EFC's Board of Directors has established thresholds for its Funds that are reviewed annually.

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

Should the balance fall outside these ranges, EFC could adjust the levy rate on a prospective basis. The fund balances at December 29, 2012 compared to the established thresholds are considered appropriate.

Risk Management 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 July 2011, the Board of Directors approved a contribution of \$8,000 to capitalize the Canadian Egg Industry Reciprocal Alliance (CEIRA). At this time, a majority of the interim CEIRA Board was made up of individuals who were also provincial or industry representatives on EFC's Board of Directors. The election of a successor Board occurred during fiscal 2012, at the first meeting of the subscribers of CEIRA. Certain individuals who are also on EFC's Board of Directors were also elected to the Board of CEIRA.

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

The related transactions in the Fund are as follows:

	Fifty-two weeks ended December 29, 2012		Fifty-three weeks ended December 31, 2011	
	\$	\$	\$	\$
Balance – Beginning of period		17,498		18,303
Levy	1,694		5,504	
Interest	318		1,842	
Restricted expenses	(430)		(8,151)	
Transfer back to Pooled Income Fund – unrestricted	(5,429)		–	
		(3,847)		(805)
Balance – End of period		13,651		17,498

Restricted Research 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 weeks ended December 29, 2012		Fifty-three weeks ended December 31, 2011	
	\$	\$	\$	\$
Balance – Beginning of period		4,657		4,678
Levy	1,347		1,351	
Interest	99		62	
Restricted expenses	(856)		(1,434)	
		590		(21)
Balance – End of period		5,247		4,657

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

4 Accounts receivable

	December 29, 2012	December 31, 2011	December 26, 2010
	Total \$	Total \$	Total \$
Levy and service fees	9,588	10,372	8,594
Egg sales	7,191	5,250	3,506
Other	589	204	201
	17,368	15,826	12,301

5 Investments

	December 29, 2012		December 31, 2011		December 26, 2010	
	Cost \$	Fair value \$	Cost \$	Fair value \$	Cost \$	Fair value \$
Government guaranteed investments	22,379	22,373	15,258	15,331	18,381	18,364

Investments bear interest at fixed rates ranging from 1.25% to 1.90% (December 31, 2011 – 1.27% to 2.00%; December 26, 2010 – 1.25% to 2.00%).

EFC invests only in securities guaranteed by the Government of Canada. The fair value of investments is based on quoted market prices.

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

Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

6 Capital assets

	December 29, 2012		
	Cost \$	Accumulated amortization \$	Net \$
Land	416	–	416
Buildings	4,614	498	4,116
Office equipment	470	316	154
Computer hardware and software	2,181	1,657	524
Leasehold improvements	113	82	31
Corporate identity	345	163	182
	8,139	2,716	5,423
	December 31, 2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	416	–	416
Buildings	4,513	382	4,131
Office equipment	468	282	186
Computer hardware and software	1,993	1,485	508
Leasehold improvements	94	60	34
Corporate identity	345	127	218
	7,829	2,336	5,493
	December 26, 2010		
	Cost \$	Accumulated amortization \$	Net \$
Land	416	–	416
Buildings	4,475	269	4,206
Office equipment	472	246	226
Computer hardware and software	1,822	1,267	555
Leasehold improvements	94	42	52
Corporate identity	345	91	254
	7,624	1,915	5,709

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Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

7 Government remittances

Government remittances (sales tax and withholding taxes) of \$1,148 (December 31, 2011 – \$1,230; December 26, 2010 – \$1,021) are included in accounts payable and accrued liabilities.

8 Long-term loan

The loan amount at inception was \$2,956. The loan bears interest at 5.68% and is payable in monthly installments of principal 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 properties. These buildings have a carrying value of \$4,563 (December 31, 2011 – \$4,581; December 26, 2010 – \$4,674). All owners of the properties are jointly and severally liable for the total amount outstanding of the loan, \$5,850 as at December 29, 2012 (December 31, 2011 – \$6,004, December 26, 2010 – \$6,150), should an owner default on payment.

Future payments of the loan are as follows:

	Principal \$	Interest \$	Total \$
Period ended December 28, 2013	74	148	222
December 27, 2014	78	144	222
December 26, 2015	82	140	222
December 31, 2016	87	135	222
December 30, 2017	2,319	1,209	3,528
	2,640	1,776	4,416
Less: current portion	74	148	222
	2,566	1,628	4,194

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 an assignment of book debts as part of a general security agreement. As at December 29, 2012, loans under this facility were \$nil (December 31, 2011 – \$nil; December 26, 2010 – \$nil).

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 loan is \$2,999 at December 29, 2012 (December 31, 2011 – \$3,048; December 26, 2010 – \$2,975).

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(in thousands of dollars)

9 Allocation of administration expenses

EFC allocates administrative expenses from the Administration Fund to the Pooled Income Fund to provide for the full cost of operating EFC's Industrial Products Program as follows:

	Fifty-two weeks ended December 29, 2012	Fifty-three weeks ended December 31, 2011
	\$	\$
Building costs	96	102
Insurance	43	45
Meetings and travel	301	366
Office and other administrative	212	213
Per diems	102	111
Professional fees and consulting	38	21
Salaries and benefits	1,508	1,465
Amortization of capital assets	106	102
	2,406	2,425

10 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 Pension Benefits Act.

EFC contributes an amount equal to each employee's required contribution under the Plan. During the period, EFC contributed \$167 (fifty-three weeks ended December 31, 2011 – \$175).

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December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

11 Financial instruments and risk management

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

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.

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 the financial conditions of EFC's 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 customers and its 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 two groups of related companies. During the period, these customers represented 60% (53 weeks ended December 31, 2011 – 65%) of egg sales revenue. 25% (December 31, 2011 – 14%; December 26, 2010 – 16%) of accounts receivable are owing from these customers.

12 Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2013 for an amount of \$2,489.

\$880 has been committed over the next several years to support the Research Chairs Program at Université Laval and the University of Guelph.

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Notes to Financial Statements

December 29, 2012, December 31, 2011 and December 26, 2010

(in thousands of dollars)

13 Fund balances

A summary of fund details as at December 31, 2011 and December 26, 2010 are as follows:

	December 31, 2011			December 26, 2010		
	Pooled Income Fund \$	Administration Fund \$	Total \$	Pooled Income Fund \$	Administration Fund \$	Total \$
Assets						
Current assets						
Cash	26,763	6,438	33,201	23,138	8,130	31,268
Accounts receivable (note 4)	14,207	1,619	15,826	11,372	929	12,301
Inventory	402	–	402	169	–	169
Prepaid expenses	–	217	217	–	163	163
Investments (note 5)	13,258	2,000	15,258	18,381	–	18,381
	54,630	10,274	64,904	53,060	9,222	62,282
Capital assets (note 6)	90	5,403	5,493	120	5,589	5,709
	54,720	15,677	70,397	53,180	14,811	67,991
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities (note 7)	12,731	2,242	14,973	8,187	2,530	10,717
Current portion of long-term loan (note 8)	–	70	70	–	66	66
	12,731	2,312	15,043	8,187	2,596	10,783
Long-term loan (note 8)	–	2,640	2,640	–	2,709	2,709
	12,731	4,952	17,683	8,187	5,305	13,492
Fund balances						
Unrestricted	24,491	6,068	30,559	26,690	4,828	31,518
Internally restricted (note 3)	17,498	4,657	22,155	18,303	4,678	22,981
	41,989	10,725	52,714	44,993	9,506	54,499
	54,720	15,677	70,397	53,180	14,811	67,991