

14

Annual Report 2014





**EGG FARMERS
OF CANADA**
Dedicated to Quality

BOARD OF DIRECTORS



- | | | |
|--|--|---|
| 1. Peter Clarke
<i>Chairman</i> | 7. Scott Brookshaw
<i>Canadian Poultry and Egg Processors Council (Grading)</i> | 12. Regan Sloboshan
<i>Saskatchewan</i> |
| 2. Roger Pelissero
<i>Ontario</i> | 8. Joseph R. W. Smallwood III
<i>Newfoundland and Labrador</i> | 13. Kurt Siemens
<i>Manitoba</i> |
| 3. George MacLeod
<i>New Brunswick</i> | 9. Glen Jennings
<i>Nova Scotia</i> | 14. Wayne Beggs
<i>Consumers' Association of Canada</i> |
| 4. Fred Krahn
<i>British Columbia</i> | 10. Ben Waldner
<i>Alberta</i> | 15. Mike Vanderpol
<i>Canadian Poultry and Egg Processors Council (Processing)</i> |
| 5. John Penner
<i>Northwest Territories</i> | 11. Leith Murray
<i>Prince Edward Island</i> | 16. Brad Lawson
<i>Canadian Poultry and Egg Processors Council (Hatcheries)</i> |
| 6. Serge Lefebvre
<i>Quebec</i> | | |

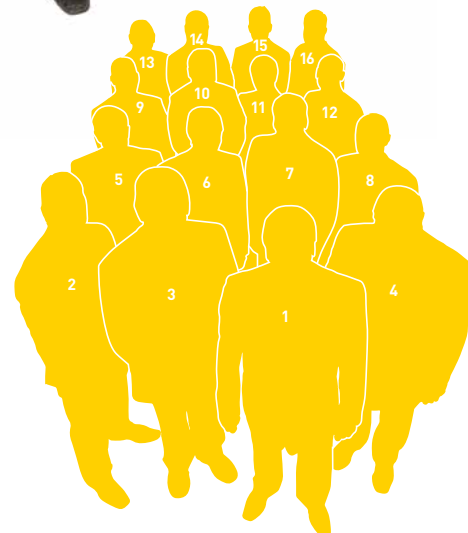


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CHAIRMAN'S MESSAGE



It was an honour to serve the Canadian egg industry as Chairman of Egg Farmers of Canada's Board of Directors in 2014—a year that was characterized by tremendous progress on farm and across the industry.

By working together under supply management, Canadian egg farmers delivered much more than fresh, local, high-quality eggs to the entire country. We reinvested in our operations, in the national Animal Care Program, and in our world-class on-farm food safety program, Start Clean-Stay Clean™. We supported industrial R&D in nutrition, public policy, animal welfare, economics, the environment and sustainability of food systems. We collaborated with our supply chain—graders, processors and food manufacturers—all of whom create value, jobs and economic returns in Canada.

Thanks to supply management, Canada thrives in egg production and processing—to the benefit of consumers, rural communities and the overall economy. Thus, and critical to remember while the Trans-Pacific Partnership and other trade negotiations are ongoing, egg farmers provide stability at home while other agricultural industries with greater export potential pursue opportunities in international markets.

This stability fuelled growth in our influence and role internationally in 2014 through knowledge and service exports. EFC is supporting expansion of egg farming in developing countries through the International Egg Foundation and their Heart for Africa project, a large and diverse farm, orphanage and school being run by two Canadians in Swaziland. It's part of our belief that the "humble egg" can and will play a major role in the world's approach to hunger and malnutrition as the global population soars—making self-sufficiency at home and mobilizing Canadian expertise for agriculture development abroad extremely valuable.

Our international work is an extension of our long-standing and deep affiliations with many important local and national causes, about which egg farmers are passionate. This was a very positive year in terms of giving back—something we do to honour our social license. In June, I was joined by several EFC Board members at a unique, engaging event in downtown Ottawa where we served egg sandwiches to the public,

elected officials and the media to highlight the important work of Food Banks Canada. We also continued to raise money for breast cancer research through our partnership with the CIBC Run for the Cure, and established new partnerships with Breakfast Club of Canada and Breakfast for Learning—ensuring tens of thousands of children have access to a nutritious breakfast before school.

In 2014 through our initiative to nurture leadership skills amongst younger farmers, we learned that more Canadians are building a rewarding career in egg farming due to the stability and opportunities afforded by the system of supply management. My own son, Jeff Clarke, has taken over our operation making him a sixth generation egg farmer. Elsewhere in Canada, some of our farm families are in their 10th generation of farming.

Regardless of who is at the helm, our regulated family farms are key employers, and the backbone of extensive supply chains that go from primary production to both whole and processed foods to retailers. Egg farms support everything from feed mills, equipment dealers and vets through to banks, restaurants and tourism.

Given the indisputable and valuable role we play in a dynamic Canadian agricultural sector, we must work even harder in 2015 to communicate well beyond our farms and communities. The year will hold trade negotiations, pundit criticism of supply management, a federal election, activism and other challenges and opportunities. Now more than ever we need to continue to educate the public on the value of our sector, work constructively with our value chain, and continue to impress upon government the urgent requirement for increased production to ensure Canadians continue to receive the local, fresh, high-quality eggs they expect and desire.

For the steady progress on and commitment to these important objectives, I'd like to thank my fellow directors of the EFC Board. To the staff at EFC and the Board and offices around the country, thank you for your dedication and service to the more than 1,000 farms we operate and the millions of Canadians we serve every single day.

I'd like to close by acknowledging and by paying tribute to Joseph Smallwood II, our EFC director from Newfoundland, who passed away in December 2014. Joseph served on the national board and that of his province for many years, dedicating his time, energy and passion to this great industry. He will be often missed and always remembered.

Peter Clarke
Chairman

CEO'S MESSAGE



Thanks to the leadership and expertise of the Egg Farmers of Canada's Board of Directors and the talented staff that work diligently on behalf of the industry, 2014 was another dynamic year for us. Table egg sales increased 2.7%, marking the eighth consecutive year of growth. In fact, over that period, sales have increased by 19.6%. Looking ahead, we are noting trends in the U.S. that suggest further growth is inevitable and that consumers' interest in high-quality protein, whole and nutrient-dense foods can be leveraged.

What's more is that the eggs produced and sold in Canada are among the best in the world in terms of food safety and farming practices. Consumers largely shop based on price, but increasingly want to know where their food comes from, how it was produced, the standards to which production was held, the impact on the environment, and the contribution to socio-economic well-being. In Canada, we know that more than 90% of consumers trust the quality standards for food from Canadian farms.

However, to leverage this preference and seize the opportunity for growth, we must increase production in Canada to meet heightened demand—something we continue to emphasize and discuss with Farm Products Council of Canada. We simply must prepare wisely and adequately to ensure Canadians continue to receive the local, fresh, high-quality eggs they expect and desire. It takes close to two years to fully place new quota and it's essential we keep the pipeline full.

With growth as a driver, the Board of Directors and the entire industry worked diligently and cooperatively in 2014 to find ways to make our Industrial Products Program sustainable over the long-term. The project teams formed last year implemented three strategies that will reduce reliance on levy and will continue to drive costs out of the system. This was an important accomplishment in an area that will nevertheless demand continuous improvement in the years to come.

Through our public, government and stakeholder relations in 2014, we continued to communicate the benefits of the system of supply management, a logical framework for a product that is and must, by its very nature, be locally produced and consumed. Given its rationality, it is disappointing that the system's merits, or perceived weaknesses, continue to be debated in politically-fueled conversations. To elevate these conversations

to a more evidence-based level, we were pleased to announce support of public policy research through a partnership with the University of Waterloo. Dr. Bruce Muirhead joins Dr. Tina Widowski and Dr. Maurice Doyon as EFC research chairs and will build a robust, long-term research program to support sound agricultural policy decision making.

Last year our national advertising campaigns, "natural goodness" marketing programs and public relations efforts, educated the public on the benefits of our unparalleled product, and our unique approach to delivering safe, affordable eggs to all Canadians. Some of our highly successful programs, such as the Physician Education Program, which reached over 20,000 doctors since 2007 with accurate nutritional information, are wrapping up and we are moving on to activities in 2015 to fuel new opportunities for the industry.

Given how dynamic the external political, social and economic environment in which we operate is, we remain committed to good governance and underpin all we do in a robust strategic plan. Each year EFC staff guides our Board through a process of strategic planning. It leverages our collective wisdom to establish objectives that help us deliver on our mission. For 2014, we were very proud of many accomplishments across our four Key Result Areas (KRAs)—sustainability of the industry; public support and social license; growth and innovation; organizational excellence—the most significant of which are detailed in this report.

Looking ahead, we will continue to emphasize the value of the stability we provide for Canada, particularly in the face of heightened negotiations of the Trans-Pacific Partnership. There is a sense that 2015 is the year for this trade deal—and it also being a federal election year, we have an opportunity to carve out a leading role in the Canadian agriculture sector that lays to rest the notion that we are holding back others with greater international export potential.

To grow, to improve, to tackle challenges and seize opportunities, cooperation and consensus at all levels of our industry and along the supply chain is critical. This can sometimes be challenging in a federated model and with jurisdictional differences. But, supply management gives us a platform for proactive, industry-wide progress that so many sectors simply do not have and cannot replicate.

It is this privilege that drives our work at Egg Farmers of Canada. Thanks to the entire Board and to the staff at every office across the country. We have the best product in the world, an excellent industry and an even better team, making greater success in 2015 a realistic goal.

Tim Lambert
Chief Executive Officer

01

KEY RESULT
AREA



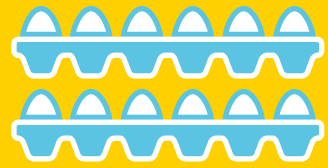
SUSTAINABILITY OF THE INDUSTRY

Sustainability of the Industrial Products Program

Each year Egg Farmers of Canada purchases more than \$200 million of eggs for the Industrial Products Program so that processors and food manufacturers can produce processed products for their markets. This program also supplies hotels, restaurants and institutions for their baking and meal preparation requirements.

Given the value these partners represent to the Canadian economy in terms of economic contribution and jobs, Egg Farmers of Canada is committed to continuous improvement and efficiency in the Industrial Products Program.

595
million dozen eggs
produced per year



In 2014 the Board, all egg boards and farmers worked expeditiously and collaboratively to design and implement three new and innovative measures that will make the Industrial Products Program more sustainable over the long-term. These strategies will reduce reliance on levy and will continue to drive costs out of the system. This was an important accomplishment in an area that will nevertheless demand continuous improvement in the years to come.

New challenges in keeping supply in step with increasing demand

Growth in the demand for table eggs has been substantial (an average of 2.45% per year) over the last eight years. We are anticipating a further 4% growth in the table market in 2015.

These indicators suggest the Canadian egg industry is strong and will remain so. However, starting at the end of 2013 and over the past year, the egg industry has had difficulty meeting demand with current levels of production. The result is imports of table eggs from the U.S. have increased substantially—up 31.4%—which is of great concern to egg farmers, processors and graders as well as Canadian consumers who see more and more U.S. eggs in Canadian stores.

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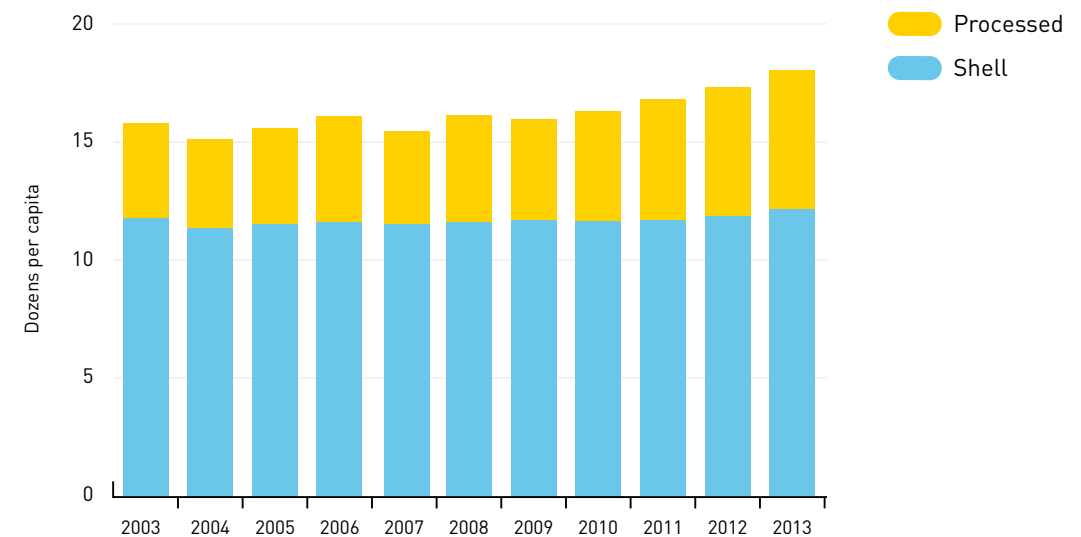
While two requests in 2014 were approved for 582,000 and 409,000 birds effective in January and October respectively, more allocation is required to rectify shortfalls and bolster production for additional growth of this expanding Canadian industry—something we continue to emphasize and discuss with Farm Products Council of Canada.

Federal quota allocation (dozens)

	2015	2014 ¹	2013
BC	73,965,103	73,268,830	71,106,537
AB	56,640,534	55,567,436	52,544,160
NT	3,111,694	3,094,410	3,043,209
SK	27,530,056	27,225,481	26,329,593
MB	62,541,816	62,206,087	61,210,897
ON	222,753,392	220,978,510	215,767,593
QC	117,095,635	115,174,720	109,504,517
NB	12,368,328	12,278,450	12,017,765
NS	21,451,771	21,337,533	20,998,913
PE	3,554,181	3,535,113	3,478,421
NL	9,534,003	9,481,338	9,325,217
Total	610,546,513	604,147,908	585,326,822

¹ The 2014 allocation reflects the actual, total production permitted by the quota orders issued during that year.

Canadian apparent per capita disappearance of eggs and egg products





Ensuring a fair return to farmers

The cost of producing a dozen marketable eggs is calculated by examining the expenses necessary for its production (e.g. feed, birds, labour, operating costs, capital investments). EFC regularly establishes a Cost of Production (COP) value that is used by egg boards across the country when determining the dollar value that will be returned to farmers when eggs are bought by others in the supply chain. By having an independent, third-party survey and analysis of the COP, EFC can ensure fair returns for farmers, and predictability and affordability for those involved in purchasing for retail.

Last year was a preparatory one for a new analysis of the Costs of Production. In light of emerging trends in the egg industry, EFC's Cost of Production Committee is considering how much it costs egg farmers to produce eggs according to different production systems. The Committee continues its assessment of the remaining priorities identified during the environmental scan process.

The fieldwork phase of the 2014 COP areas of focus will be launched in 2015 and a representative sample of farmers will be contacted to participate. In preparation for this, the COP Committee developed and executed a new communications strategy around the importance of COP in ensuring fair returns to farmers on their labour and investment.

Animal Care Program enhancements

In 2014, the EFC Board, egg boards and farmers accelerated the design and implementation of many planned enhancements to the national Animal Care Program to strengthen the program. One of the most significant newly approved features of the program is third-party audits, which has met with significant approval from the value chain.

In the spirit of continuous improvement, several other new enhancements, based on best practices, were added to the program including: a farm animal welfare policy, employee code of conduct policy, visitor policy, routine inspection provisions, a euthanasia plan, and handling, catching and loading guidelines.



More than
90%
of consumers trust
the quality standards
for food from
Canadian farms

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Preparing for the national Cost of Production survey

The COP process is built into the pillars of supply management. It requires strong support from stakeholders to maintain a strong, national system. A substantive amount of preparatory work was conducted in 2014 to ensure an efficient, effective and accurate result when in 2015, the third-party consulting firm enlisted completes the survey and results are tabulated.

Codes of Practice

The codes of practice are nationally developed guidelines for the care and handling of farm animals. The codes serve as our national understanding of animal care requirements and recommended practices.

In 2014 EFC Board member Glen Jennings from Nova Scotia became the new Chair of the National Farm Animal Care Council's Code Development Committee for the code for laying hens. This committee, made up of various industry stakeholders, will review the recently completed science report, and write the new Code of Practice for laying hens, which could be completed as early as 2016.

Farmers and average flock size per province and territory

	Number of farmers per province or territory ¹	Average number of layers per farmer ²
BC	134	18,642
AB	158	11,999
NT	4	28,343
SK	77	12,100
MB	150	14,958
ON	322	23,937
QC	109	36,743
NB	16	26,039
NS	23	32,758
PE	7	18,207
NL	7	49,580
Canada	1,007	20,192

¹ Reported data for 2014.

² Reported data for 2014. Excludes inventory for eggs for processing and special permits.

Federal quota allocation for vaccine egg production (layers)

	2015 allocation	2014 allocation	2013 allocation
ON	126,750	175,655	175,655
QC	508,290	459,385	459,385
Total	635,040	635,040	635,040

Number of farmers supplying eggs for vaccine production

	2014	2013	2012
ON	1	2	2
QC	5	5	5
Total	6	7	7

Eggs from vaccine production going to Industrial Products Program¹

	2014	2013	2012
ON	0	22,728	152,792
QC	426,612	365,458	283,949
Total	426,612	388,186	436,741

¹ Data in boxes of 15 dozen.

02

KEY RESULT
AREA



PUBLIC SUPPORT AND SOCIAL LICENSE

Building on momentum and public support

Our marketing programs aim mainly to promote the undeniable greatness of our product with a view to enhancing sales and consumption. Necessarily, we must also tend to the environment in which those sales can and do occur, which means enhancing trust, building reputation and understanding of all aspects of our industry.

With this in mind, we delivered on a robust public relations plan in 2014 that promoted egg farmers, egg farming and the product at key times of the year—Easter, back to school, World Egg Day and prior to the holiday season. With many egg farmers involved as spokespeople, better leveraging of social media, more experience with the media and new partnerships, we were able to achieve some of our best results to date. For example, for our holiday-time #BeEggsquisite campaign our spokesperson, Celebrity Chef Lynn Crawford, made appearances on Canada AM, BT Breakfast, CP24 Breakfast and watchmojo.com talking about eggs and supply management and sharing her own egg-inspired recipes. The campaign delivered more than 20 million media impressions and the #BeEggsquisite hashtag was mentioned more than 6,800 times for over 16 million social media impressions.

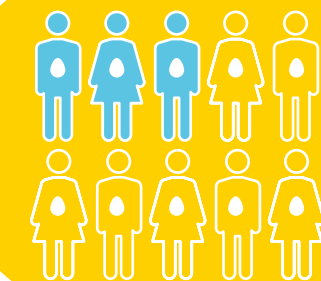
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Young Farmers program launched

In 2014, EFC launched a new program designed to nurture the next generation of farm leaders and advocates for the industry in partnership with egg boards across the country. The program was kicked off at the Canadian Young Farmers' Forum conference in Calgary in February, which EFC sponsored. Throughout the remainder of the year, delegates participated in meetings, conference calls, and a tailored training session on becoming a champion for supply management as well as in a moderated discussion towards the planned learning outcomes under consideration for our broader long-term national young farmer program.

Upon launching this program, we began showcasing inspiring young farmers through other initiatives including our annual breakfast on Parliament Hill, as keynote speakers at events where EFC is a sponsor including the Forum for Young Canadians MP dinners, and in media relations.



30%
of egg farmers are under the age of 45





Young egg farmers Jacob Pelissero, Bret Sloboshan, Jonathan Gauvin, Harley Siemens, Blake Jennings and Jeff Clarke with Agriculture and Agri-Food Minister Gerry Ritz at EFC's annual breakfast on Parliament Hill.

Building urban support at the grassroots level

The Federation of Canadian Municipalities annual conference was held May 30 to June 2 in Niagara Falls. This was the second year EFC participated as a sponsor along with Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers. Farmers and staff from the organizations spoke with delegates at the opening reception, from our booths throughout the conference, and during a special exclusive luncheon to recognize the importance of our industries to Canadian communities and the economy. The objective of our ongoing involvement in this annual conference is to help elevate local elected officials' awareness and support of our industry.

Engaging influencers and decision-makers

EFC's 2014 breakfast on Parliament Hill featured six of our young farmers alongside our Board of Directors who were on hand to discuss the importance of the Canadian egg farming industry and supply management with the many MPs and Senators in attendance. Attendance by elected officials was higher than the previous year with 42 MPs and six Senators in the room mingling with representatives of all levels of our industry.



It was the first time we sought to enhance the event with social media by posting tweets and photos throughout the event. This generated a high volume of engagement, and conversation with many high-profile attendees. The Ministry of Agriculture and Agri-Food Canada's announcement of funding for EFC to develop a national quality code program also generated a lot of social media activity.





Exporting our knowledge and expertise abroad

On World Egg Day (October 10, 2014), an occasion that recognizes the importance of eggs around the world, Egg Farmers of Canada announced details of their partnership, through the International Egg Foundation, with Heart for Africa. This initiative will help address food insecurity and feed orphaned children in Swaziland by sharing Canadian expertise on sustainable farming.

One in three people in Swaziland are undernourished, with more than 200,000 orphans and vulnerable children living in the country. A recent survey conducted by Vision Critical and commissioned by Egg Farmers of Canada also found that 84% of Canadians agree more can be done to help those in the developing world gain reliable access to nutritious and healthy food.

With the support of Egg Farmers of Canada, Heart for Africa will continue to expand with the addition of a new egg farm that will help feed orphaned children and teach Swazi locals world-class farming practices commonly used throughout Canada. The initiative is expected to impact thousands of people living in the region by providing high-quality protein that's essential for human growth and development.



We also responded to opportunities to assist government with policy development and to connect our farmers and decision-makers for mutual benefit. Most recently, Chairman Peter Clarke and CEO Tim Lambert presented to the Senate Committee on Agriculture and Forestry as part of their study on international market access priorities for the Canadian agricultural and agri-food sector. In their remarks, the importance of maintaining supply management as a stable “blue chip” investment while pursuing export opportunities in global markets for other commodities was emphasized.

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In 2014 we also responded to requests from various Ministers and Members of Parliament to meet or provide input, took active roles during trade milestones, and sought meetings with key stakeholders on a variety of industry matters.

International trade

The ambitious international trade agenda continues to necessitate a great deal of work for EFC—as we have particular interests in sustaining and growing a successful industry and we can be affected by the outcome of a bilateral or multilateral trade deal in today’s globalized society.

The various negotiations are times when technical and other experts must make themselves available to monitor and/or advise on matters as they unfold and perform detailed analyses of trade negotiation documents. These moments also spark lively debate and media commentary that demands careful attention and often responses or action on our part to ensure accuracy and fairness in the debate.

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Fortunately, amongst the supply managed commodities, an already adept and knowledgeable technical team continues to expand its international network and strengthen relationships with civil servants, NGO’s, elected officials and other experts from around the globe. This supports their advising of Canadian government and agricultural representatives, and industry leaders on the implications of trade negotiations.

World Trade Organization

The focus in the first half of 2014 was on implementing the decisions taken at the 9th Bali Ministerial Conference (MC9). Despite the momentum generated by that conference, the Trade Facilitation Agreement signed by Ministers in Bali was not signed by the July 2014 deadline, resulting in a stalemate. The issue was India refused to support the protocol of amendment of the Trade Facilitation Agreement until there was a permanent solution for public food stockholding programs for developing countries. This was resolved in November. Now WTO members will try to make up time in early 2015 to prepare the work plan and resume negotiations in anticipation of the next WTO Ministerial Conference in Kenya in December 2015. It is anticipated that much of the upcoming discussions will be focused on agriculture, including supply management.

Canada-European Union Comprehensive Economic and Trade Agreement

In 2013 an Agreement in Principle on the CETA trade deal was signed and the text of the agreement was released by the government in September 2014. The ensuing ratification process, which could take well over a year, is ongoing and includes having the text translated into 24 languages, legal review and finally submission to Parliament.

Trans-Pacific Partnership negotiations

Last year was a very intensive negotiating year for the TPP, which included several Ministerial meetings and a TPP leaders meeting. Significant progress was achieved in terms of negotiating chapters, but countries’ sensitivities have yet to be addressed. There is speculation that 2015 will be an important year for TPP, which we have been following closely, with member countries applying extra effort to conclude the negotiations.

03

KEY RESULT
AREA



GROWTH AND INNOVATION

Eighth straight year of sales growth

In 2014 we pursued and achieved a 2.7% increase in retail sales of table eggs, which brings us to 19.6% growth over the last eight years. With trends in the U.S. suggesting additional increase in demand given people's interest in whole, nutritious and protein-dense foods, we anticipate and want to seize additional growth and diversification in Canada.

This year marked the beginning of a new marketing strategy focused on promoting the natural goodness of eggs. The television ad, launched on April 21, features Ontario-based egg farmer, and former Chair of EFC, Laurent Souligny, and his family. In the new ad, Souligny outlines his family's farming history, explaining how despite various changes over the years, eggs have always been a natural source of protein and nutrients. Central to this campaign is the quality and freshness of eggs, and the message that eggs have always been a naturally good choice for Canadian families.

2.7%
increase in the retail sales of eggs in 2014

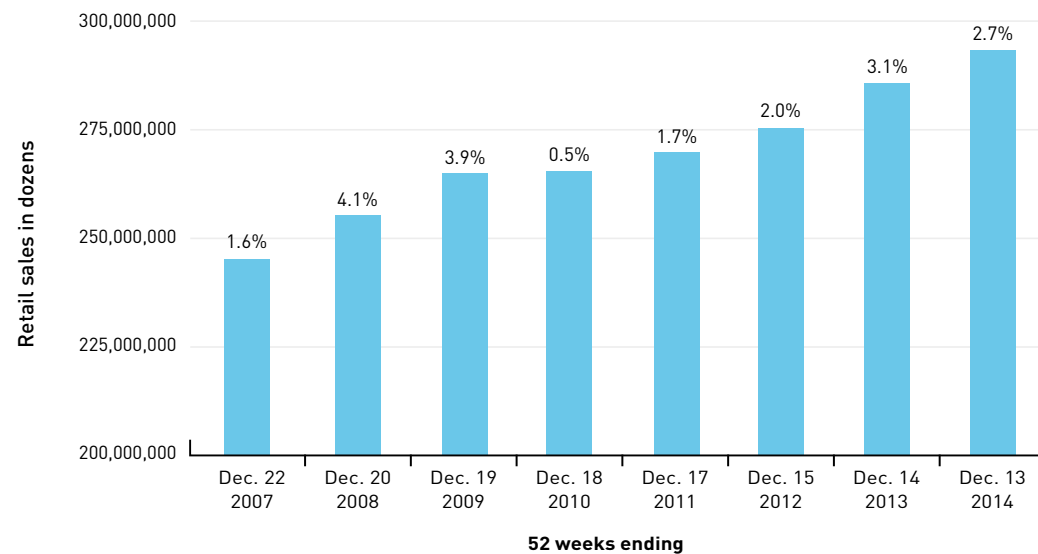


The television ad, and other assets, feature the tagline “Natural Goodness. Brought to you by your local egg farmers” in addition to the familiar Get Cracking logo. A national in-store promotion ran in over 3,500 retailers across the country in conjunction with the TV ad and digital media from September 15 to October 19. To support the campaign, a special marketing toolkit was created and shared with egg boards and graders across the country.

The #CrackedIt social campaign

#CrackedIt was a seven week recipe challenge that ran from September 8 to October 26, corresponding with our TV spot being on air. Each week featured four new ingredients and consumers were encouraged to create a unique egg dish and post it to Instagram or Twitter using the hashtag #CrackedIt and/or #jecraque. These photos were then posted on our online properties and winners were selected according to the number of “likes” a given recipe received. The campaign generated over 6,500 “likes” and close to 15,000 website visits.

Retail egg sales



Source: Nielsen MarketTrack, Total Eggs — National



Promoting the health benefits of eggs

EFC worked with the mdBriefcase.com network to develop an accredited education program for physicians focusing on nutrition and cardiovascular disease. The program is now available to mdBriefcase members (over 42,000 Canadian physicians) and will be until the end of 2015. It is being promoted by mdBriefcase and through our physician education reps in the field. Over 1,800 physicians completed the program in 2014, well surpassing our original target.

Our Physician Education Program, through which we have reached over 20,000 Canadian family physicians since 2007, will be wrapping up early in 2015. By providing doctors with accurate information on eggs and cholesterol, we reduced the number of doctors limiting eggs for their patients from 65% to 36%. We are moving on to new activities in 2015 to develop new nutrition and health communications opportunities for the industry.



20,000
Canadian family physicians reached since 2007



Egg farmers give generously via unique “Downtown Diner”

Chairman Peter Clarke with Ottawa Food Bank Executive Director, Michael Maidment, and Food Banks Canada Executive Director, Katharine Schmidt.

On June 5 Egg Farmers of Canada welcomed VIPs and the general public to a unique, '50s inspired, one-day-only, outdoor diner in downtown Ottawa. The mobile unit allowed a local celebrity chef and crew to prepare and give out gourmet egg sandwiches to visitors of the diner. Those who visited were encouraged to make a donation, matched by EFC, to Food Banks Canada.

A number of egg farmers from across the country were on hand to greet and chat with guests, including Agriculture Minister Gerry Ritz, 14 MPs, four Senators, many political staffers and journalists. In the end, more than 1,800 sandwiches were given out, 49 media outlets covered the event, and a \$10,000 donation was presented to Food Banks Canada by EFC Chairman Peter Clarke.

Engaging Canadians in conversation on eggs and farming

We continue to regularly publish news and recipes online, and engage Canadians and influencers through social media. Through Twitter and Facebook, we now reach more than 67,000 fans and followers, an increase of 15% in 2014. To expand further, we announced a new partnership with three prominent Canadian bloggers who acted as Canadian egg ambassadors, sharing a number of egg recipes and information about the industry. With over 2.4 million visits throughout the year, which represents a 40% increase in web traffic, these programs have solidified eggs.ca and eggfarmers.ca as the go-to sources for information on eggs and egg farming for our customers and public.



2.4
million visits to
our websites

Through Twitter and Facebook, we now reach more than 67,000 fans and followers, an increase of 15% in 2014.





Avian Influenza outbreak in British Columbia

In early December 2014, the Canadian Food Inspection Agency confirmed the presence of an H5 strain of Avian Influenza on two index premises in the Fraser Valley of British Columbia. The strain was later confirmed as a highly pathogenic H5N2 virus and the outbreak led to almost a dozen farms (broiler-breeder, turkey, and one egg) being affected. The national and joint regional emergency operations centres, national poultry partners, and BC poultry organizations and producers worked together on managing the situation. The outbreak at time of printing had not escalated and recovery measures were being executed. A great deal of prior knowledge and expertise gained through other Canadian Avian Influenza outbreaks was mobilized in an attempt to manage the situation and mitigate damages to farms.

A study conducted during the outbreak by the national poultry partners showed that:

- Although half of Canadians are aware of the recent Avian Influenza outbreak, concern for the safety of poultry and eggs is low and drops even lower when Canadians are given the facts about the disease
- The vast majority of Canadians believe that the government and the poultry and egg industry are doing all that they can to contain the outbreak, and half believe that the media is making this a bigger issue than it is.

This suggests the public's level of understanding about Avian Influenza—and that this occurrence represented a risk to bird health, not human health or food safety—is increasing.

New research chair in public policy

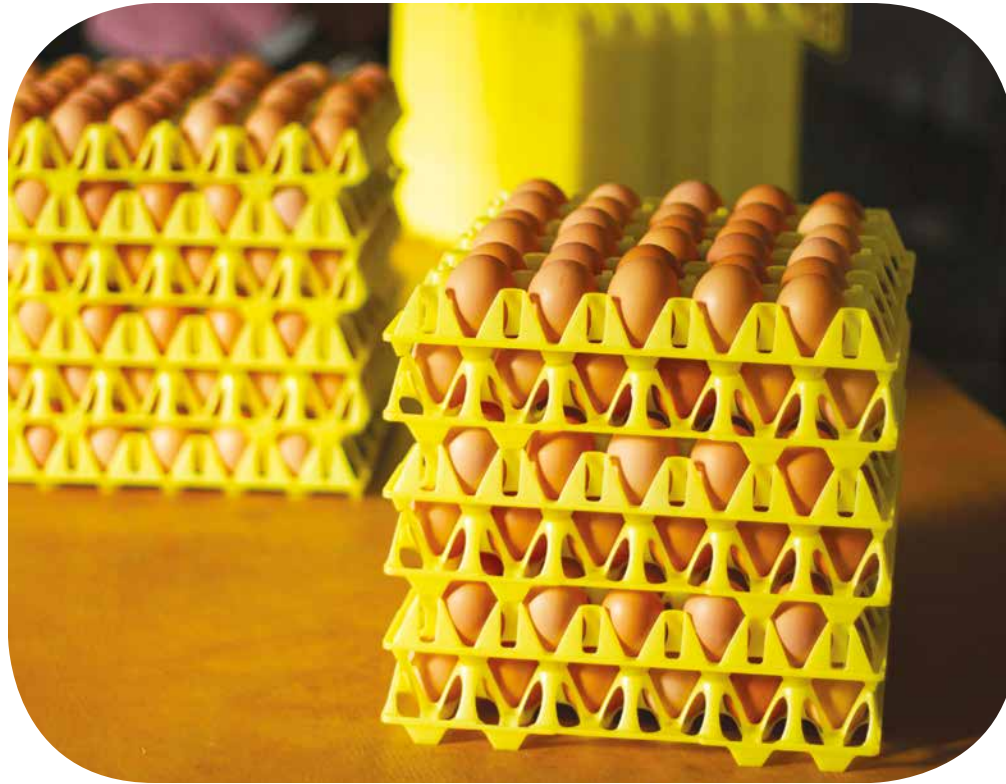
In 2014 we announced a new partnership with the University of Waterloo, establishing Dr. Bruce Muirhead as the industry's first-ever research chair in public policy. Prof. Muirhead will be developing a research program that relates to the current and future challenges faced by Canadian egg farmers, providing historical context and international comparisons to support sound agricultural policy decision-making in the future.

Supporting the Canadian university research enterprise

At EFC's July meeting, Dr. Maurice Doyon, EFC's research chair in economics shared that in the decades prior to his research chair being established at Université Laval, there had been no theses in agro-economics. Since 2010, thanks to EFC's investment, there have been six theses, 11 research projects totalling close to \$350,000, three scientific publications published or being evaluated, others in progress, and invitations to have seven papers presented at scientific conventions. They have been able to hire one research professional and two interns.

Since 2010, thanks to EFC's investment, there have been six theses, 11 research projects totalling close to \$350,000, three scientific publications published or being evaluated, others in progress, and invitations to have seven papers presented at scientific conventions.

Similarly, Dr. Tina Widowski, EFC's research chair in animal welfare reported on a growing number of studies completed by the team she has supported with her funding. Dr. Widowski helped mobilize some of this team's latest findings via a research symposium on a variety of poultry topics held in conjunction with the CPEPC summer meeting, which was attended by numerous farmers, processors, scientists and other industry leaders in June 2014.



Enhanced process for funding research projects

We are committed to supporting research and development for the egg farming industry. EFC's research funding program supports the research projects of many Canadian poultry researchers at universities across the country on topics that address issues of importance to the industry while helping to ensure the sustainability of the sector.

Research project proposals are currently reviewed by the Research Committee of the EFC Board of Directors. Funding is awarded based on predetermined criteria, including alignment with EFC's research priorities.

A proactive, standardized call for proposal cycle was developed in 2014 to improve the process for applying for research funding. This will be launched at the start of 2015 with a new section added to the eggfarmers.ca website.

Striving for greater sustainability in egg farming

In 2014, data collection for EFC's first-ever Life Cycle Analysis (LCA) of our industry was completed. This project will help the egg industry and its stakeholders better understand and manage the environmental dimensions of egg production and consumption. The assessment results will also help the industry make decisions and assess new processes, procedures and technologies with environmental and social impacts in mind.



Meeting consumer expectations

EFC received funding in 2014 from AAFC under the Growing Forward 2 program to develop the National Quality Code program, which will integrate our current (food safety and animal care) and future national on-farm programs. The project is being initiated and working groups will be established with key industry stakeholders from throughout the supply chain. The project aims to develop a comprehensive certification program, combined with a national symbol that will increase visibility of the programs that go into producing Canadian eggs.

04

KEY RESULT
AREA



ORGANIZATIONAL EXCELLENCE

EFC recognized as one of Canada's 10 Most Admired Corporate Cultures

In its pursuit of organizational excellence, EFC was pleased to be named by Waterstone Human Capital as one of Canada's 10 Most Admired Corporate Cultures in 2014. Now in its 10th year, the national program annually recognizes best-in-class Canadian organizations for having a culture that has helped them enhance performance and sustain a competitive advantage.

This new honour was complemented by EFC also being named as one of the National Capital Region's Top Employers in 2014 for the second year in a row.



EFC employees come together to volunteer as a team and gear up for the year ahead at the annual staff conference day.

Helping staff and farmers give back

Social responsibility continues to be one of the overarching principles for EFC's Business Plan, policy development, decision-making and day-to-day operations. This approach is based on the belief that the Canadian egg industry will grow and prosper if centered on core values and guiding principles.

This commitment permeates through the national Farmers Give Back Program where funding is available to farmers and egg boards to further support and encourage community level action and engagement. Staff at EFC, who receive paid time off for volunteering, proactively engage each other in causes of significance. As an example, in 2014, small cross-divisional teams were given flexibility to donate to a cause of their choosing, then shared information and anecdotes about their experiences with each other as part of their annual staff conference day.

EFC recognized for leadership in social responsibility

In 2014 EFC was the recipient of the Crystal Egg Award for outstanding commitment to corporate and social responsibility, a prestigious international award presented by the International Egg Commission.

The International Egg Commission, which celebrated their 50th anniversary last year, made the announcement at their annual Gala where hundreds of delegates from across the world gathered to share best practices, discuss global trends and emerging opportunities in the international egg industry.

Nutritional and financial support for the CIBC Run for the Cure

Last year was EFC's fifth as the official nutritional sponsor of the Canadian Breast Cancer Foundation CIBC Run for the Cure, Canada's largest single-day, volunteer-led event to raise funds for breast cancer research, education, and awareness. The Run takes place in over 65 sites across Canada, with over 127,000 people participating. Egg farmers and staff participate in their own communities at a dozen runs across the country. Throughout our partnership, there has been \$130,000 raised by our national run teams.

New green initiatives for EFC headquarters

EFC established a new environmental partnership with Bullfrog Power in 2014 to offset our emissions footprint. This partnership is the latest action to be implemented under our Office Green Initiative, which aims to reduce our environmental impact. By choosing clean, pollution-free energy with Bullfrog Power for our Ottawa office, EFC is taking another step to support renewable energy sources while helping to create a cleaner world for generations to come.

Helping Canadian children get a jump on learning

In 2014, EFC launched new partnerships with Breakfast Club of Canada and Breakfast for Learning as part of our overall promise to promote healthy living in Canadian communities. These partnerships were featured prominently in EFC's World Egg Day activities with over 130,000 Canadian children receiving a nutritious egg breakfast. Each school was sent a World Egg Day celebration kit which included posters, coupons, recipe ideas and stickers, which generated a lot of excitement and positive feedback from schools and students. In addition, Cora's restaurants, also a Breakfast Club of Canada partner, donated a portion of all egg meal sales on World Egg Day to this worthy cause.





Honouring Joseph Smallwood II

Joseph Smallwood II, the grandson and namesake of Newfoundland and Labrador's first premier, and EFC Director for more than a decade, passed away on December 28, 2014 after a two-year battle with cancer.

Smallwood was Chairman of the Smallwood Group of Companies, which includes Russwood Poultry on Roaches Line, the largest egg producer in Newfoundland and Labrador.

He was a beloved family member, a quiet and reserved individual and someone who gave back to his community. Similarly, he was generous of his time and energy in service of the Canadian egg industry, in particular as a member of EFC's Audit, Industrial Products, Marketing, Production Management and Cost of Production Committees during his tenure on the EFC which started in November 2002.

On behalf of the Canadian egg industry, EFC wishes to pay respect and thanks to a great leader and contributor and sends sympathy to his family.

CANADIAN EGG MARKETING AGENCY C.O.B. EGG FARMERS OF CANADA

Financial Statements

December 27, 2014

(in thousands of dollars)



February 20, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada (EFC), which comprise the statement of financial position as at December 27, 2014 and the statements of operations, changes in fund balances and cash flows for the fifty-two weeks then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

PricewaterhouseCoopers LLP
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EFC as at December 27, 2014 and the results of its operations and its cash flows for the fifty-two weeks then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

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

Statement of Financial Position

(in thousands of dollars)

			December 27, 2014	December 28, 2013
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Assets				
Current assets				
Cash	11,405	4,001	15,406	18,485
Accounts receivable (note 4)	20,127	1,724	21,851	19,832
Inventory	515	–	515	493
Prepaid expenses	1	312	313	285
Investments (note 5)	44,807	5,146	49,953	18,807
	76,855	11,183	88,038	57,902
Capital assets (note 6)	213	4,914	5,127	5,304
	77,068	16,097	93,165	63,206
Liabilities and Fund Balances				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	17,839	4,315	22,154	17,048
Current portion of long-term loan (note 8)	–	82	82	78
	17,839	4,397	22,236	17,126
Long-term loan (note 8)	–	2,406	2,406	2,489
	17,839	6,803	24,642	19,615
Fund balances (note 3)				
Unrestricted	49,879	3,711	53,590	34,036
Internally restricted	9,350	5,583	14,933	9,555
	59,229	9,294	68,523	43,591
	77,068	16,097	93,165	63,206
Commitments (note 10)				

Approved by the Board of Directors



Chairman of the Board of Directors



Chairman of the Audit Committee

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

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

Statement of Operations

For the fifty-two weeks ended December 27, 2014

(in thousands of dollars)

			December 27, 2014	December 28, 2013
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Revenue				
Egg sales (note 4)	110,175	–	110,175	101,582
Levy and service fees – unrestricted	164,664	16,800	181,464	184,255
Levy and service fees – internally restricted	1,279	1,373	2,652	1,917
Interest and other – unrestricted	543	142	685	407
Interest and other – internally restricted	118	73	191	164
	276,779	18,388	295,167	288,325
Expense				
Trade operations:				
Cost of eggs sold	240,199	–	240,199	255,231
Transportation and handling	5,694	–	5,694	6,585
Third party verification	1,310	–	1,310	1,330
	247,203	–	247,203	263,146
Advertising and promotion	–	8,909	8,909	8,248
Marketing and nutrition research	–	–	–	389
Donations	343	33	376	332
Interest on long-term loan	–	144	144	148
Meetings and travel	–	1,553	1,553	1,496
Office and other administrative	–	1,413	1,413	1,236
Per diems	–	566	566	479
Professional fees and consulting	266	701	967	1,114
Public affairs and communications	–	1,830	1,830	1,131
Restricted (note 3)	–	1,465	1,465	7,424
Salaries and benefits	–	5,320	5,320	5,138
Amortization of capital assets	92	397	489	490
Allocation of administration expenses (note 9)	2,654	(2,654)	–	–
	3,355	19,677	23,032	27,625
Total expense	250,558	19,677	270,235	290,771
Net revenue (expense) for the period	26,221	(1,289)	24,932	(2,446)

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

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

Statement of Changes in Fund Balances

For the fifty-two weeks ended December 27, 2014

(in thousands of dollars)

	Balance – Beginning of period \$	Net revenue (expense) for the period \$	Interfund transfers \$	Balance – End of period \$
Pooled Income Fund				
Unrestricted	29,055	24,824	(4,000)	49,879
Internally restricted – Risk Management (note 3)	5,953	687	2,000	8,640
Internally restricted – Service Fee (note 3)	–	710	–	710
	35,008	26,221	(2,000)	59,229
Administration Fund				
Unrestricted	4,981	(1,270)	–	3,711
Internally restricted – Research (note 3)	3,602	(19)	2,000	5,583
	8,583	(1,289)	2,000	9,294
	43,591	24,932	–	68,523

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

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

Statement of Cash Flows

For the fifty-two weeks ended December 27, 2014
(in thousands of dollars)

			December 27, 2014	December 28, 2013
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Cash flows provided by (used in)				
Operating activities				
Net revenue (expense) for the period	26,221	(1,289)	24,932	(2,446)
Item not affecting cash:				
Amortization of capital assets	92	397	489	490
Net change in non-cash working capital items	3,062	(25)	3,037	(2,443)
	29,375	(917)	28,458	(4,399)
Investing activities				
Purchase of investments	(39,532)	(2,078)	(41,610)	(17,792)
Proceeds on disposal of investments	9,450	1,014	10,464	21,364
Purchase of capital assets	(132)	(180)	(312)	(371)
	(30,214)	(1,244)	(31,458)	3,201
Financing activity				
Repayment of long-term loan	–	(79)	(79)	(73)
Net change in cash for the period	(839)	(2,240)	(3,079)	(1,271)
Interfund transfer	(2,000)	2,000	–	–
Cash – Beginning of period	14,244	4,241	18,485	19,756
Cash – End of period	11,405	4,001	15,406	18,485

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 27, 2014

(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 Québec, Ontario and Alberta, through service fees payable pursuant to a commercial contract.

Starting in 2014, a service fee is assessed on eligible birds upon placement in the laying facility to support the Pooled Income Fund.

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

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board and reflect the following accounting policies.

Fund accounting

The Pooled Income Fund consists of the Industrial Products Program 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.

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.

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

Notes to Financial Statements

December 27, 2014

(in thousands of dollars)

2 Significant accounting policies (continued)

Investments

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.

Employee future benefits

EFC sponsors and administers The Pension Plan for the Employees of EFC, which is a defined contribution plan registered under the *Ontario Pension Benefits Act*. Contributions for this plan are expensed as incurred.

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 Canadian accounting standards for not-for-profit organizations 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 expense 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 27, 2014

(in thousands of dollars)

3 Fund balances

EFC's objectives are to safeguard the ability to continue 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 rate per dozen eggs marketed was set at 33.75 cents effective March 25, 2012 until October 4, 2014. Effective October 5, 2014, the levy rate per dozen eggs marketed was set at 29.75 cents.

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 thresholds of the Research Fund are \$2,000 and \$5,000, respectively. The lower and upper thresholds of the Unrestricted Pooled Income Fund are \$20,000 and \$40,000, respectively. The Risk Management Fund is to maintain a balance of at least \$8,000.

Should balances fall outside these ranges, EFC could adjust the levy rate on a prospective basis. The fund balances at December 27, 2014 compared to the established thresholds are considered appropriate.

Risk management fund

In 2001, EFC was directed by the Board of Directors to restrict the use of certain funds in the Pooled Income Fund to self-finance potential costs related to its risk management activities.

Service fee fund

In 2014, the EFC Board of Directors established a service fee fund to capture the transactions related to the Service Fee program.

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.

4 Accounts receivable

	December 27, 2014	December 28, 2013
	\$	\$
Levy and service fees	11,114	10,594
Egg sales	10,034	8,886
Other	703	352
	21,851	19,832

Egg sales are dependent upon two groups of related companies. During the period, these customers represented 64% [December 28, 2013 – 66%] of eggs sales revenue; 25% [December 28, 2013 – 27%] of accounts receivable are owing from these customers.

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

Notes to Financial Statements

December 27, 2014

(in thousands of dollars)

5 Investments

	December 27, 2014	December 28, 2013
	\$	\$
Cash	99	82
Guaranteed investment certificates	49,854	17,711
Canadian Housing Trust floating rate note	–	1,014
	49,953	18,807

Guaranteed investment certificates bear interest at fixed rates ranging from 1.61% to 2.05% and mature between 2015 and 2016 (December 28, 2013 – 1.45% to 2.05%; maturing between 2014 and 2016).

6 Capital assets

			December 27, 2014	December 28, 2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	416	–	416	416
Buildings	4,736	733	4,003	4,072
Office equipment	446	359	87	113
Computer hardware and software	2,542	2,043	499	525
Leasehold improvements	134	121	13	32
Corporate identity	345	236	109	146
	8,619	3,492	5,127	5,304

Cost and accumulated amortization at December 28, 2013 was \$8,316 and \$3,012 respectively.

7 Government remittances

Government remittances (sales and payroll withholding taxes) of \$987 (December 28, 2013 – \$1,136) are included in accounts payable and accrued liabilities.

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

Notes to Financial Statements

December 27, 2014

(in thousands of dollars)

8 Long-term loan

The loan amount at inception was \$2,956. The loan bears interest at 5.68% and is payable in monthly instalments of principal and interest of \$19. The loan is amortized over a 25-year period and is due November 30, 2017. The loan is secured by the Florence Street and James Street properties. These properties have a carrying value of \$4,432 (December 28, 2013 – \$4,520). All owners of the properties are jointly and severally liable for the total amount outstanding of the loan, \$5,514 as at December 27, 2014 (December 28, 2013 – \$5,686), should an owner default on payment.

Future payments of the loan are as follows:

	Principal	Interest	Total
	\$	\$	\$
Period ending December 26, 2015	82	139	221
December 31, 2016	87	134	221
December 30, 2017	2,319	1,209	3,528
	2,488	1,482	3,970
Less: current portion	82	139	221
	2,406	1,343	3,749

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 27, 2014, loans under this facility were \$nil (December 28, 2013 – \$nil).

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

Notes to Financial Statements

December 27, 2014

(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:

	December 27, 2014	December 28, 2013
	\$	\$
Building costs	91	97
Insurance	39	41
Meetings and travel	312	360
Office and other administrative	376	277
Per diems	87	73
Professional fees and consulting	37	36
Salaries and benefits	1,610	1,688
Amortization of capital assets	102	109
	2,654	2,681

10 Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2015 for an amount of \$5,035.

\$1,100 has been committed over the next six years to support the University Research Chairs at Université Laval, University of Guelph and University of Waterloo.

For more information visit our websites:

eggfarmers.ca | eggs.ca



Egg Farmers of Canada
21 Florence Street
Ottawa, ON K2P 0W6