



2015

ANNUAL REPORT



**EGG FARMERS
OF CANADA**

Dedicated to Quality

Board of Directors



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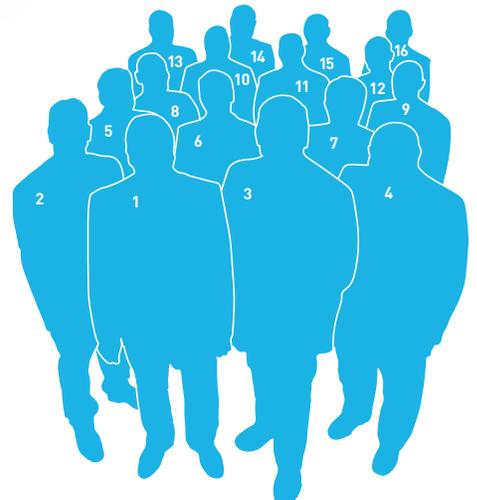


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The forty-third annual report of Egg Farmers of Canada (c.o.b. Canadian Egg Marketing Agency) is prepared for presentation to the Minister of Agriculture and Agri-Food and to Farm Products Council of Canada.



Chairman's message

If you love eggs and egg farming and want to continue the proud tradition we have in Canada as I do, then surely you also felt anxiety about our future last year.

Not surprisingly, the Trans-Pacific Partnership (TPP) negotiations brought out critics, who were more inflammatory than ever. Contrary to their convenient, simplistic rhetoric, supply management does not “control supply.” Nor does it “inflate prices.” Nor does it “block trade deals.” Supply management ensures farms are all across the country. It means one of Canada’s most coveted staple foods can be produced locally and affordably. It ensures each farmer in the system invests in national animal welfare and food safety programs, industrial research, risk management funds and other responsible business measures to help us continually provide Canadians with the high-quality, fresh product they expect.

If you cut through the noise, you find that the TPP, once ratified, promises to bring many benefits to the agricultural sector and the Canadian economy. The outcome, though not without impact for us, demonstrates that the Canadian egg industry will continue as an integral part of Canada’s agricultural future while at the same time allowing other sectors to benefit from the export market.

Also in 2015, whether you were directly involved in the British Columbia or Ontario outbreaks, or because you witnessed the unspeakable crisis in the U.S., we were affected by the devastation of avian influenza. In light of the severity of avian influenza, I’m proud of the investment we made in the Egg Industry Centre-led research effort, and of the MOU signed with the U.S. and Mexico to further align us on collaborative approaches to understanding and mitigating future risk.

Considering the profound loss we could have suffered via TPP or avian influenza helps put other challenges into perspective. The Directors around the Egg Farmers of Canada board table understand this. It is precisely why we addressed these challenges, all while continuing to do what we do best—continuously improve our operations and the society in which we conduct business.

We expanded and strengthened many partnerships that bring our product and our expertise to those who need it most. Through a variety of national organizations and programs we ensure more vulnerable Canadians of all ages are able to access the natural goodness of eggs. And, through the International Egg Foundation, we are supporting projects that aim to see burgeoning egg farms and industries in developing countries through to sustainable operation.

In the case of one such project, Heart for Africa in Swaziland, we realized an amazing accomplishment. During 2015, our fundraising yielded \$650,000—which saw a barren patch of land transformed into two layer barns filled with egg laying hens. We may concentrate the bulk of our efforts on feeding Canadians the best possible eggs, but our knowledge sharing and expertise has no boundaries.

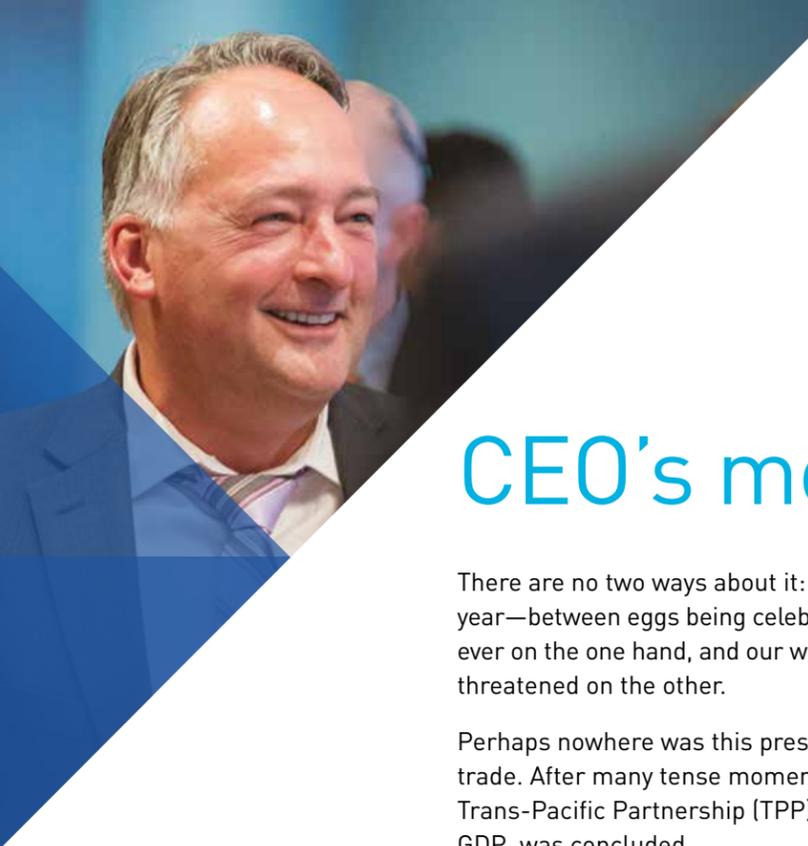
Like any industry, we have aspects that need attention—transitions in housing, improvements to the Codes of Practice, producing new product varieties and mobilizing science for new innovations. And, we are giving those things the attention they deserve through additional consultations across our industry and all along the supply chain, by expanding our Research Chairs program, and by harnessing our extensive international network and outreach to anticipate how global trends will impact us at home.

I feel like our story, one of a successful agricultural industry, is getting stronger by the minute. Our history is rich and we’ve overcome many obstacles to find ourselves still standing with one of the most unique approaches to farming in all the world. We have an amazing product—one whose nutritional potency and value is one people all over the world so desperately want and need.

For their enduring commitment to helping us achieve our mission, I would like to thank the staff in our national and regional offices. They continually uphold our interests, promote our product and industry, guide policy development and refine processes that challenge us to be better. It is a reassurance to those who work hard, day in and out on the farm, that such capable, resourceful people are a part of our team, helping us chart a future that is best for Canadians, our consumers, our partners and ourselves.

Thanks especially to my fellow national Egg Farmers of Canada board members who volunteer countless hours of their time—at board meetings, doing committee work, doing public relations, or helping on projects at home and abroad. Let’s embrace 2015 for what it was—a challenging year that ended on the right note. And, let’s see how we can leverage this pivotal moment in our history for much more success in 2016.

Peter Clarke
Chairman



CEO's message

There are no two ways about it: last year was demanding. There were tensions all year—between eggs being celebrated as wholesome, natural and more important than ever on the one hand, and our way of producing that immeasurably valuable commodity threatened on the other.

Perhaps nowhere was this pressure more extreme than in the context of international trade. After many tense moments and Ministerial meetings around the globe, the Trans-Pacific Partnership (TPP), a trade deal that encompasses 40% of the world's GDP, was concluded.

While the deal promises to bring significant overall benefits to the Canadian economy, it will come with an impact to the Canadian egg industry. The additional egg imports will mean that Canadians will be purchasing more imported products that they normally count on as being local. Nevertheless, we are confident that our industry's resiliency and growth will lessen the impact on the farmers we represent.

Part of that confidence stems from the fact that in 2015 we achieved a 1.6% increase in retail sales of table eggs, which brings the egg industry to 22.2% growth over the last nine years. This success continues to be driven by increased consumer demand for nutritious and protein-rich foods.

In fact, consumer trends around food literacy and cooking are so pronounced that in 2015 we developed and launched EggcentricTV, a specialty streaming network dedicated entirely to eggs. The channel shares recipes and tips for cooking with eggs from EFC, egg boards and a variety of social media influencers and celebrity chefs with the aim of inspiring consumers to explore new ways to enjoy eggs.

It should come as no surprise then that our difficulty in supplying the growing market in 2015 continues to preoccupy us. Production must keep step with Canadians' ever-increasing demand for our products. We can and do import from the U.S.—both to meet trade obligations and when shortages necessitate. But, Canadian consumers prefer domestic product and the U.S. avian influenza crisis was a stark reminder that their supplements are not a given.

This challenge highlighted the ongoing need to work collaboratively across the industry to accelerate allocation and production to address the growing Canadian market.

As part of this, we collaboratively developed a number of short- and long-term measures to help the supply situation. As well, we continued to prioritize containing our Industrial Products Program costs. And so far through the collective impact of the

Processor Agreement, Service Fee and Optimization of Price Spreads and other projects we've realized about \$22 to \$23 million in savings per year, which is about an 8% cost reduction overall.

But, what became even clearer in 2015 is that our consumers and stakeholders want and expect much more than price stability for eggs and financial responsibility and efficiency across the industry. Canadians expect to see clearly that organizations are also committed to serving a greater good within society.

And we have an amazing story to tell in that regard. We accept that there are many things we must do as an industry to nurture public trust and to honour our social license. In fact, our long-time commitment to continuous improvement and to doing the right thing was reinvigorated this year during our 2015 strategic planning process and has been articulated as a new vision and mission shared in this document.

The bar on such matters has also been set high by the new Canadian government, especially in terms of what it expects when it comes to transparency and accountability. These notions were addressed earlier in 2015 at a meeting of the Federal, Provincial and Territorial Ministers of Agriculture, where the idea of a national strategy around public trust and social license took root. EFC will be a part of this process, and was specifically invited because of our leadership and the example we set—not only through partnerships with Breakfast Club of Canada, Breakfast for Learning, Food Banks Canada, Canadian Food For Children and Heart for Africa, but also through national animal care and food safety and traceability programs and a variety of significant research investments.

Our commitment to these organizations and initiatives at home and abroad is to be commended. The good work we do generates a lot of respect amongst consumers, stakeholders and decision-makers. For staff across the country, the way Canadian egg farmers give back makes working in this industry a great source of pride for highly qualified professionals. And, our international engagement expands the global role of the "humble egg" and is the perfect antidote for critics who think a domestic-only focused industry isn't relevant in today's global society.

As a leader in food production, we will use our 2015 accomplishments and well-tested resiliency as the basis to reintroduce ourselves and tell our story to a new federal government, to urban Canada, and to many more stakeholders in 2016. We have one of the best products in the world, amazing producers, motivated and talented staff and endless possibilities for improvement—in the wellbeing of people everywhere who can benefit from eggs, in our knowledge and expertise, and in the society in which we do business.

Tim Lambert
Chief Executive Officer

01

Sustainability of the **industry**

Creating a foundation for additional and future growth

Demand for table eggs has been growing over the last number of years and egg sales are at an all-time high. In fact, 2015 marks the Canadian egg industry's ninth consecutive year of growth. Even with additional allocation, increased demand for table eggs outpaced the industry's ability to meet demand with current levels of production, creating a supply crisis. Imports of table eggs from the U.S. reached record levels and the situation was further exacerbated when the spring 2015 avian influenza crisis hit.

EFC remained committed to working diligently across the industry and with Farm Products Council of Canada (FPCC) as the supply situation escalated on both acute and long-term industry matters throughout the year. A number of initiatives were put in place to work through challenges and with the end goal of getting more birds in barns and meeting growing demand with Canadian production. EFC's Board of Directors, with the support of egg boards, unanimously agreed to increase the quota utilization threshold from 97% to 100% in December. Moving to 100% utilization threshold in 2016 will result in an estimated increase of 661,053 birds in the system, or approximately 1.1 million additional boxes of eggs annually.

The EFC Board also approved the use of a forward looking component in all future quota allocation requests. It takes into account growth within the market by using forecasting tools to estimate the table market disappearance in the current year and a growth factor, developed in collaboration with the processing and grading industry, for the upcoming year.

In light of this, the EFC's Board was pleased that the following quota allocation requests were prior approved by FPCC in 2015:

Date	Allocation	Effective
April	751,584 regulated quota layers	Week 21 of 2015
September	900,000 special temporary market requirement quotas layers	Week 33 of 2015
December	728,050 regulated quotas layers	Week 1 of 2016

This is an important milestone in ensuring our industry's ability to expand production to reflect the growing need in Canada.

Further cost savings identified in the Industrial Products Program

Much has been done in recent years to pursue additional cost savings and efficiencies within EFC's Industrial Products Program (IPP). Three projects were fast-tracked and implemented since 2013 and a fourth project was launched in 2015 with the aim to capture a portion of the costs needed to maintain and sustain the system of supply management in the Cost of Production. To date, about \$22 million to \$23 million per year in savings have been achieved through a variety of sustainability projects, approximately an 8% cost reduction overall.

Much has been done in recent years to pursue additional cost savings and efficiencies within EFC's Industrial Products Program.



\$22M-\$23M
per year in savings achieved for the IPP

Avian influenza outbreak devastates American farms

The outbreak of a highly pathogenic strain of avian influenza in the U.S. in the spring had a very serious effect on the North American industry. The disease spread rapidly, forcing egg and poultry producers to depopulate millions of birds across the country. More than 36 million laying hens were lost to avian influenza and the outbreak affected farmers across the U.S., particularly in the Midwest where egg production is concentrated.

Response team mobilized during avian influenza crisis

EFC formulated a working group (National Egg Supply Team II) in May 2015 in response to the U.S. avian influenza outbreak. The team, comprised of a cross section of industry and staff, and representation from FPCC, successfully implemented a variety of solutions to offset the supply crisis.

As an example, after avian influenza hit, the Urner Barry price for breaking eggs used by processors jumped from approximately \$0.60 U.S. to \$2.36 U.S. in less than a month, reaching an all-time high of \$2.38 U.S. a dozen during the summer. High prices greatly impacted the Canadian processing market and made it difficult to obtain supply. In May 2015, EFC and CPEPC agreed to the High/Low Price initiative to increase stability and mitigate the financial risk to egg processing during this time of extreme price fluctuations.

Collaboration and industry-wide efforts further strengthened the Canadian egg industry during this crisis. The working group continues to monitor the situation, assessing a variety of scenarios.



82%
of Canadians are more likely to choose local food when given the choice

Cost of Production process adjusted to account for changes in the industry

The Cost of Production (COP) is calculated by examining the costs incurred to produce a dozen eggs (e.g. feed, birds, labour, operating costs, capital investments). The COP committee of the EFC Board of Directors tabled an expanded COP study that includes both conventional and furnished housing. Planning for the upcoming survey continues and timelines for the fieldwork, analysis and implementation phases of the study are currently being evaluated.

Enhancements to the national Animal Care Program

EFC's national Animal Care Program was significantly enhanced in 2015 with third-party auditing, Professional Animal Auditor Certification Organization (PAACO) certification for EFC inspectors as well as new elements including routine inspection provisions, a euthanasia plan, and handling, catching and loading guidelines. These new elements further strengthen the program and were launched with training videos to communicate the latest requirements to farmers to ensure a consistent understanding across the country.

An animal welfare review team tasked with monitoring emerging research was formulated in 2015. The team is comprised of experts including a welfare specialist, technical production specialist, poultry veterinarian, auditor and farmers and will propose new program elements to the Production Management Committee.

EFC's objects as outlined in the Farm Products Agencies Act

The objects of an agency are:

- (a) to promote a strong, efficient and competitive production and marketing industry for the regulated product or products in relation to which it may exercise its powers; and
- (b) to have due regard to the interests of producers and consumers of the regulated product or products.

1970-71-72, c. 65, s. 22.



Revising the national Code of Practice for the egg sector

The codes of practice are nationally developed guidelines for the care and handling of farm animals and serve as our national understanding of animal care requirements and recommended practices. In 2015, EFC Board members and staff contributed to the scientific review of animal care requirements and the update of the national Code of Practice for poultry in the egg sector.

Under the guidance of the National Farm Animal Care Council, the draft Code will be available to farmers, consumers and others with an interest in the welfare of poultry for feedback in March 2016. The updated Code is expected to be released in early 2017.

Market analysis and industry information

In 2015 we achieved a 1.6% increase in retail sales of table eggs, which brings the egg industry to 22.2% growth over the last nine years. This success continues to be driven by increased consumer demand for whole, nutritious and protein-rich foods. Also, the cholesterol myth has been successfully debunked and consumers, now more than ever, appreciate the nutritional value and protein found in eggs. We can reasonably expect this growth to continue well into the future.

The retail sales figures do not even begin to capture the full extent of our impact. Our latest economic impact study shows we create 17,099 jobs across the country (a quarter of which are direct on-farm work), \$1.28 billion for Canada's GDP, and \$428 million in tax revenues to all levels of government.

A number of market conditions fluctuated throughout the years which resulted in a reduction in the levy to consumers of eight cents per dozen between October 2014 and the end of December 2015. This reduction was triggered by factors including changes to the price of feed, exchange rates, the Urner Barry price and Industrial Product volumes.

Farmers and average flock size per province and territory

Province or territory	Number of farmers ¹	Average number of layers per farmer ²
BC	134	19,014
AB	160	12,277
NT	4	27,694
SK	77	13,004
MB	150	15,142
ON	330	24,118
QC	114	35,999
NB	16	28,154
NS	22	34,118
PE	7	19,347
NL	7	49,816
Canada	1,021	20,811

Source: Egg Farmers of Canada

¹ Reported data for 2015

² Reported data for 2015. Excludes inventory for eggs for processing and special permits

Market analysis and industry information

Limits to federal quotas (dozen)¹

Province or territory	2016	2015	2014
BC	79,697,622	73,965,103	73,268,830
AB	64,089,749	56,640,534	55,567,436
NT	3,273,410	3,111,694	3,094,410
SK	29,885,676	27,530,056	27,225,481
MB	65,724,318	62,541,816	62,206,087
ON	238,236,050	222,753,392	220,978,510
QC	130,314,579	117,095,635	115,174,720
NB	13,131,377	12,368,328	12,278,450
NS	22,537,894	21,451,771	21,337,533
PE	3,734,985	3,554,181	3,535,113
NL	10,027,904	9,534,003	9,481,338
Total	660,653,564	610,546,513	604,147,908

Source: Egg Farmers of Canada

¹ The limits reflect the actual, total production permitted by the quota orders issued during the year. The 2016 limits reflect 53 weeks of production

Limits to special temporary market requirement quotas (dozen)¹

Province	2016	2015
BC	2,981,862	1,125,231
AB	414,868	156,554
SK	1,114,957	420,738
MB	1,374,249	518,585
ON	10,630,985	4,011,692
QC	3,889,385	1,467,692
NB	855,665	322,892
NS	2,074,338	782,769
Total	23,336,309	8,806,153

Source: Egg Farmers of Canada

¹ The 2015 limits reflect 20 weeks of production. The 2016 limits reflect 53 weeks of production

Market analysis and industry information

Limits to eggs for processing quotas (dozen)¹

Province	2016	2015	2014
BC	2,592,923	2,544,000	2,544,000
AB	648,231	636,000	636,000
SK	5,185,846	5,088,000	5,088,000
MB	10,371,692	10,176,000	10,176,000
ON	18,150,462	17,808,000	17,808,000
QC	2,592,923	2,544,000	2,544,000
Total	39,542,077	38,796,000	38,796,000

Source: Egg Farmers of Canada

¹ The 2016 limits reflect 53 weeks of production

Limits to export market development quotas (dozen)¹

Province	2016	2015	2014
MB	12,964,615	12,720,000	12,720,000
Total	12,964,615	12,720,000	12,720,000

Source: Egg Farmers of Canada

¹ The 2016 limits reflect 53 weeks of production

Limits to vaccine quotas allocation for vaccine production (dozen)

Province	2016	2015	2014
ON	2,661,750	2,661,750	3,688,755
QC	10,674,090	10,674,090	9,647,085
Total	13,335,840	13,335,840	13,335,840

Source: Egg Farmers of Canada

Number of farmers supplying eggs for vaccine production

Province	2015	2014	2013
ON	1	1	2
QC	5	5	5
Total	6	6	7

Source: Egg Farmers of Canada

Market analysis and industry information

Eggs from vaccine production going into the Industrial Product Program (dozen)

Province	2015	2014	2013
ON	0	0	340,920
QC	7,393,485	6,399,180	5,481,870
Total	7,393,485	6,399,180	5,822,790

Source: Egg Farmers of Canada

Federal quota utilization¹

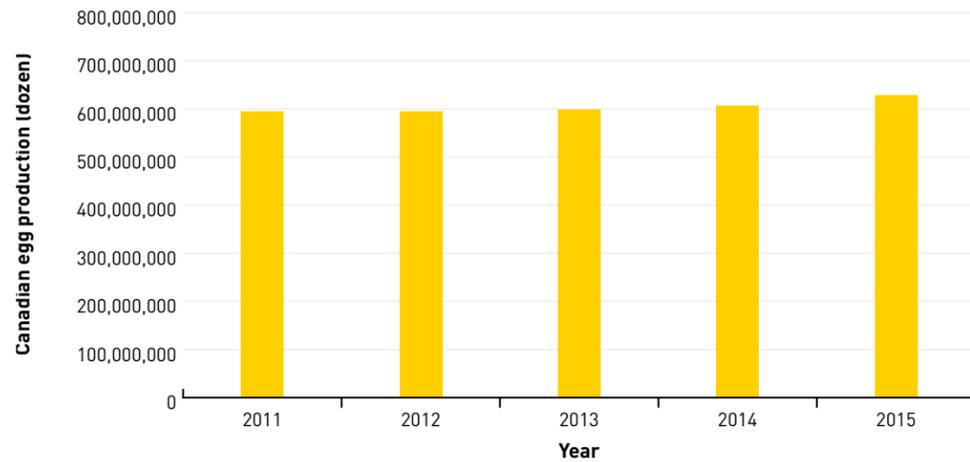
Province or territory	Week 8 – 2015	Week 8 – 2014	Week 8 – 2013
BC	92.10%	95.99%	97.00%
AB	92.03%	94.36%	95.02%
SK	92.77%	93.08%	94.72%
MB	93.91%	95.12%	94.65%
ON	93.95%	95.89%	96.02%
QC	93.64%	94.18%	94.40%
NB	93.29%	93.35%	94.79%
NS	93.00%	92.32%	94.58%
PE	94.26%	94.60%	92.74%
NL	93.74%	96.00%	94.48%
NT	92.78%	94.01%	90.16%
CANADA	93.38%	95.04%	95.38%

Source: Egg Farmers of Canada

¹ Utilization is calculated using inventory over allocation for a 52 week period. The period starts on week 9 and continues to week 8 of the following year. Provinces and territory may not exceed 97% utilization over the 52 week period, with the exception of NB, PE, NL, and NT. Excludes inventory for eggs for processing and special permits

Market analysis and industry information

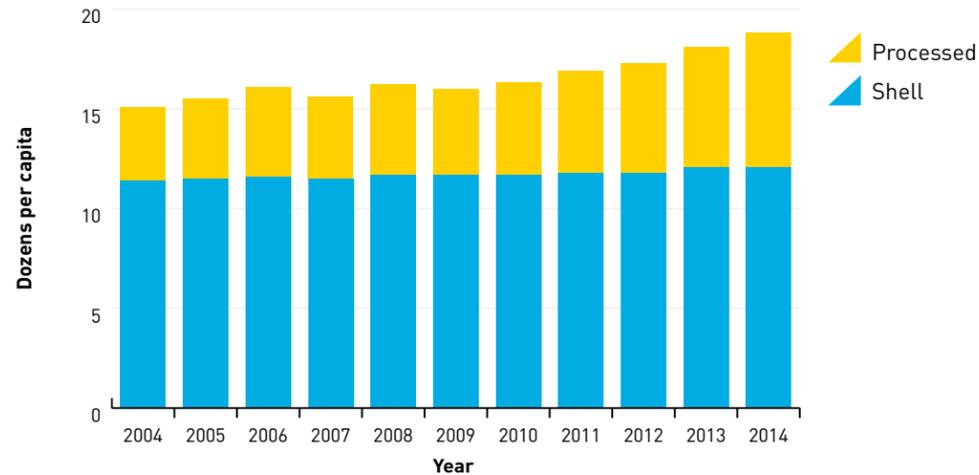
Canadian egg production¹



Source: Egg boards

¹ Provincial production numbers are final except for 2015

Canadian apparent per capita disappearance of eggs and egg products

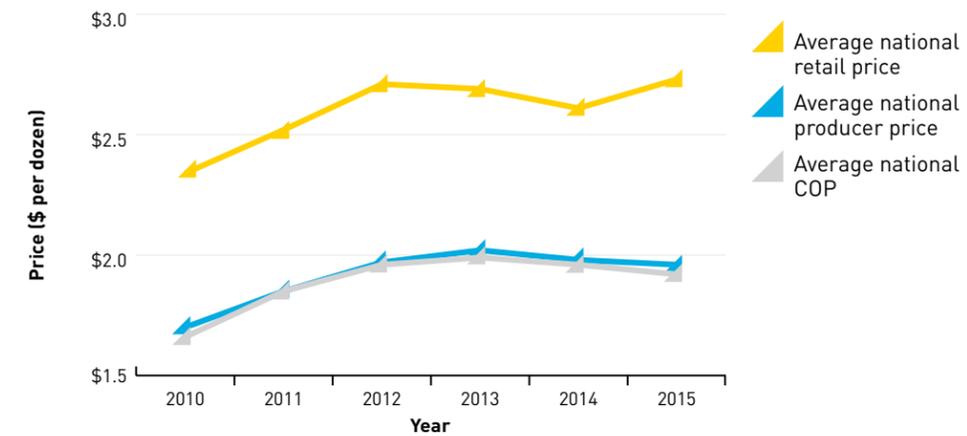


Sources: Statistics Canada — Total per capita egg disappearance

Shell / Processed split estimated by Egg Farmers of Canada based on Statistics Canada and Agriculture and Agri-Food Canada data

Market analysis and industry information

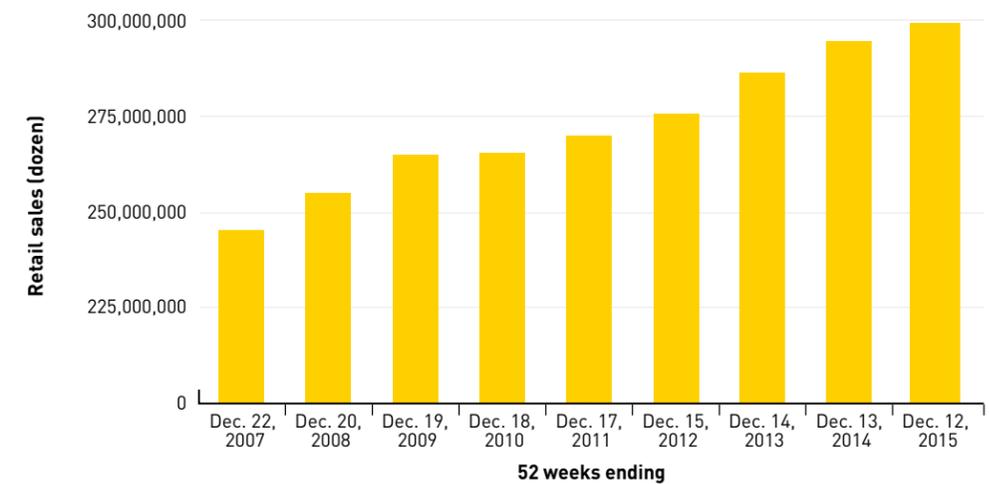
Pricing trends in the Canadian egg industry¹



Sources: COP: Egg Farmers of Canada; Producer price: Egg boards; Retail Price: Agriculture and Agri-Food Canada

¹ COP and producer price for Grade A, large eggs; Retail price for large, regular, white eggs; Weighted averages

Retail egg sales¹



Source: Nielsen MarketTrack, Total Eggs — National

¹ Annual enhancements are applied to Nielsen MarketTrack to increase coverage and data quality. Enhancements impact data trends and historic data. As a result, Nielsen Canada recommends using the most current database to understand growth trends

Visit the market information section of eggfarmers.ca for the latest reports and data on egg prices, production, imports and industrial products.

02



Public support and social license

Building support in a federal election year

Parliament was dissolved on the heels of the Trans-Pacific Partnership Ministerial in Hawaii and the longest election campaign in modern Canadian history was launched. EFC, egg boards and farmers across Canada made themselves available to discuss the egg industry, supply management and our many economic and social contributions with candidates, incumbents and others during the campaign.

Canadians took to the polls on October 19 and elected the Liberal Party of Canada, led by Justin Trudeau, to form a majority government with 184 seats out of 338 available. With more than 200 new members taking their seat in the House of Commons, we have a unique opportunity to introduce our industry to a younger and more diverse party and to the many urban Canadians who helped them to victory.

We have a unique opportunity to introduce our industry to a younger and more diverse party and to the many urban Canadians who helped them to victory.

International trade

EFC was very active in 2015 at critical events and meetings to represent the interests of our farmers within the context of the Government of Canada's trade agenda.

Government signs Trans-Pacific Partnership agreement

The most notable trade outcome of 2015 was the announcement of the 12-country Trans-Pacific Partnership (TPP) conclusion on October 5 after more than five years of intensive negotiations. In the lead up, our team worked diligently to make sure the principles of supply management were upheld. Our leadership and trade experts also discussed our position with Canadian negotiators and played a direct role in delivering technical insight and analysis.

Despite being positive overall to Canada, TPP is not without impact for the egg industry. Canada will be required to import a total of 19 million dozen additional eggs per year once the agreement is ratified and fully implemented after a period of 18 years. We remain confident that the industry's resiliency and growth will lessen the impact and the TPP's completion removes much of the uncertainty we have faced for the last several years. The industry can now continue to plan domestic production to meet the growing needs of Canadians knowing the volume of imported eggs as a result of the trade agreement.

We remain confident that the industry's resiliency and growth will lessen the impact and the TPP's completion removes much of the uncertainty we have faced for the last several years.

Given that the TPP was concluded under the previous government we continue to work with government to understand the ramifications of any change in government for the TPP and to investigate the mix of compensation programs for the supply-managed sector announced in conjunction with the trade deal.

Egg supply management within the context of global trade agreements

The volume of eggs imported into Canada is managed by Tariff Rate Quotas (TRQs). TRQs limit imports to a predetermined volume, keeping imports predictable. Knowing the volume of eggs imported into Canada as a result of trade agreements is critical to supply management. Current TRQs include:

Trade agreement	Tariff Rate Quotas
WTO	21.37 million dozen eggs per year
NAFTA	2.988% of previous year's domestic production calculated annually
TPP *if fully ratified	19.0 million dozen eggs per year phased in over an 18 year implementation period

World Trade Organization mini-package achieved in Nairobi

WTO members successfully concluded their tenth Ministerial Conference, known as MC10, after five days of negotiations in Nairobi, Kenya in December. The package included a number of decisions on high profile agricultural issues including the special safeguard mechanism, public stockholding for food security purposes and export competition. The deal was lauded as historic in the media given the consensus reached around eliminating export subsidies in agriculture.

WTO members were under pressure to deliver in Nairobi as many saw the MC10 as the last chance to save the multilateral trading system and the negotiating function of the WTO. Many important issues that may impact the egg industry remain unresolved and we continue to watch with caution if further negotiations move forward or if a new approach is undertaken given the lack of substantive progress over the past decade.



Building public support by promoting egg farmers, egg farming and eggs

In 2015 we delivered on a robust public relations plan with many egg farmers involved as spokespeople. Our efforts were amplified through social media and new partnerships that allowed us to better reach Canadians, build awareness of Egg Farmers of Canada and deepen the understanding of our industry.

Supporting a system that works for Canada

In early 2015, we launched a unique campaign entitled *Keep the "EH!" in eggs*. The online campaign shared the benefits delivered under Canada's system of supply management with decision-makers and Canadians. It was a helpful, ongoing and positive presence during the TPP negotiations when aspects of supply management were debated by some columnists and pundits in the media. As a result thousands of people visited eggfarmers.ca, furthering their understanding of our industry, supply management and Egg Farmers of Canada.



92% of Canadians say they prefer Canadian eggs

Supply management ensures Canadians get the fresh, local, high-quality eggs they want.

KEEP THE "EH!" IN EGGS



eggfarmers.ca

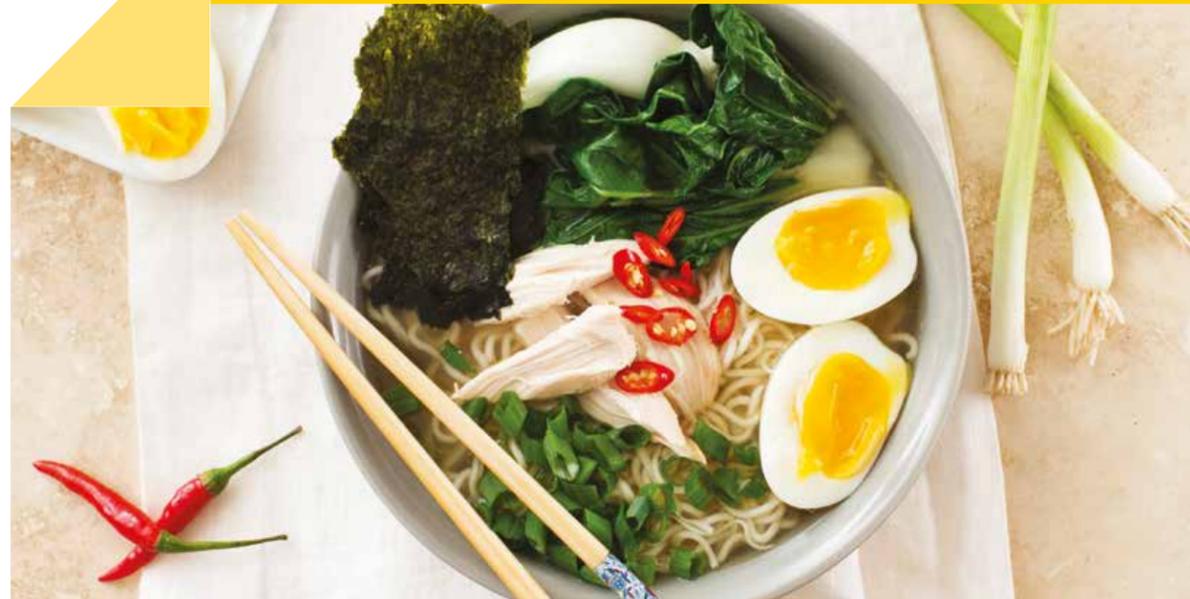


We joined forces with celebrity Chef and spokesperson Lynn Crawford for our #SummerSideUp celebration of fresh, local, high-quality eggs and the best of summer entertaining. Crawford's vibrant egg-inspired recipes and the system of supply management were prominently featured for eight weeks.

More than 12,000 mentions of the #SummerSideUp hashtag were achieved for over 49 million social impressions, making it one of our most successful campaigns to date.

More than 12.5 million media impressions were generated and the campaign was widely supported by Canadian Living's Test Kitchen which produced three custom videos featuring Crawford and eggs. By coordinating these efforts with egg boards and influential bloggers, we enhanced visibility and reach. More than 12,000 mentions of the #SummerSideUp hashtag were achieved for over 49 million social impressions, making it one of our most successful campaigns to date.

Canadians value our farmers and local eggs



This year we combined our October 9 World Egg Day celebration with Thanksgiving and shared a dozen reasons why we are thankful for eggs. In advance, a national survey was conducted to gauge what Canadians like most when it comes to eggs. Our research confirmed:

- 85% of Canadians are thankful that we have farmers who provide fresh, local, high-quality food regardless of where you shop
- 82% of Canadians are more likely to choose local food when given the choice
- 82% of Canadians agree that eggs are one of the most nutritious and affordable food items you can buy.

All along, and especially on World Egg Day, we invited Canadians to tell us what makes them thankful for eggs using the campaign hashtag: #Thankful4Eggs. Our farmers and egg champions appeared on morning and breakfast television shows to mark the occasion, which generated a lot of interest, conversation and attention to the global celebration. A total of 17 media hits were earned through this campaign and the hashtag was mentioned more than 13,000 times.

Engaging influencers and decision-makers

We highlighted and discussed the importance of the Canadian egg farming industry and supply management at many meetings with elected officials throughout the year and at our annual breakfast event on Parliament Hill and our Joint Annual Reception.

Downtown Diner celebrates Canadian food

In June, we teamed up with Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers to host a 1950's style pop-up diner to celebrate the high-quality food we deliver under the system of supply management.

On a beautiful day on Sparks Street in downtown Ottawa, MPs, Senators and the public were served sandwiches made with fresh, local ingredients from Canada's supply-managed farms. Farmers shared how the stability afforded by supply management allows them to deliver superior food products, contribute to the economy and give back to their local communities.



EFC Chairman Peter Clarke and Turkey Farmers of Canada Chairman Mark Davies serve sandwiches at the Downtown Diner in Ottawa.



Connecting with municipal leaders at FCM 2015

For the third consecutive year EFC joined Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers to take part in the Federation of Canadian Municipalities' (FCM) annual conference in Edmonton, Alberta. Farmers discussed the role supply management plays in today's communities and tomorrow's Canada with mayors, reeves and city councillors from across the country. This year we offered a study tour of an egg and chicken farm in the region. Almost 50 conference delegates joined us to visit a mixed operation farm and to discuss how critical agriculture is to the economy and the fabric of Canada.

Farmers discussed the role supply management plays in today's communities and tomorrow's Canada with mayors, reeves and city councillors from across the country.

Delivering value to communities and Canada

Egg farming is a valuable industry for many communities across the country. The industry creates jobs, supports local businesses, provides tax revenues and contributes to Canada's GDP. A national study conducted in 2015 confirmed that egg farming in Canada generates:

- 17,099 jobs across the country, a quarter of which are direct on-farm work
- \$1.28 billion to Canada's GDP
- \$428 million in tax revenues to all levels of government.

Growing our network of young leaders and champions

EFC facilitated a full year of programming for young leaders nominated into the national Young Farmer Program. Delegates participated in meetings, attended events and took part in tailored sessions throughout the year where they developed their understanding of key industry areas while further advancing their leadership skills.

The Young Farmer Program is part of our overall promise to nurture and educate the future leaders of our industry, providing the tools they need to succeed over time.

Egg boards amplified efforts by offering their own training session, allowing delegates to learn about the structure of the industry and their provincial or territorial egg board. The Young Farmer Program is part of our overall promise to nurture and educate the future leaders of our industry, providing the tools they need to succeed over time.



1 in 5
egg farmers is
new to the industry



Young egg farmers Mark Siemens, Tonya Haverkamp, Stephanie Nanne, Michael Nanne and Patrick Froese with The Honourable Gerry Ritz.

03



Growth and innovation

Nine straight years of sales growth

In 2015 we achieved a 1.6% increase in retail sales of table eggs, which brings the egg industry to 22.2% growth over the last nine years. This success continues to be driven by a number of trends including increased consumer demand for natural nutritious and protein-rich foods. Waves of advertising throughout the year focused on promoting the natural goodness of eggs and carried the message that eggs have always been a naturally good choice for Canadian families.



1.6%
increase in the retail sales of eggs in 2015



Launch of EggcentricTV



EggcentricTV, a unique streaming television network dedicated entirely to eggs, was launched by EFC in the fall of 2015. The channel shares recipes and tips for cooking with eggs from EFC, egg boards and a variety of social media influencers and celebrity chefs with the aim of inspiring consumers to explore new ways to enjoy eggs. The network is already generating world-wide attention and is yet another powerful and wide-reaching tool to highlight farmers, our industry's story and how we are collectively supporting communities both at home and around the world. Visit eggcentric.tv to learn more.



Sharing #MommyKnowHow and new infant feeding guidelines

New infant feeding guidelines from Health Canada, the Canadian Pediatric Society, Dietitians of Canada and the Breastfeeding Committee for Canada now recommend introducing whole eggs starting at about six months of age to lower the chance of developing an egg allergy. Much of EFC's nutrition and health communications in 2015 focused on sharing this and promoting eggs as an iron-rich protein source for babies.



New infant feeding guidelines recommend introducing eggs at **6 months** of age

EFC worked with pediatrician and spokesperson Dr. Dina Kulik, the Yummy Mummy Club and Savvy Mom networks to communicate the benefits of eggs as a first food. For a period of six weeks starting on October 26, the #MommyKnowHow campaign generated media interest and dialogue with pregnant and new moms through social media.

Our spokespersons made appearances on CHCH Morning Live in Hamilton, Global Morning Show and the Sirius XM radio show What She Said. The campaign delivered more than 6 million media impressions and the #MommyKnowHow hashtag was mentioned more than 6,000 times, generating over 40 million social media impressions.

Promoting our national on-farm programs to consumers

Consumers are becoming more interested in how their food is produced and increasingly want to know about the standards in place that govern production. This shift in public attitudes is juxtaposed with the desire to support farmers by purchasing local, or at least Canadian. To shine a light on the world-class standards on Canadian egg farms, an advertising campaign that shares EFC's national Animal Care Program and Start-Clean, Stay-Clean™ program was piloted in 2015. Initial campaign results are positive and efforts will be expanded in 2016 so more Canadians become familiar with our high-quality standards.

Expanding our engagement with Canadians and consumers online

In 2015, we had more than 4.3 million visits to our websites. This strong presence was driven through the publishing of regular news, recipes and blog posts on eggs.ca and eggfarmers.ca. We also continue to engage with consumers and the public on social media. Our community is growing and now exceeds 70,000 fans, followers and egg lovers. Throughout 2015 our blogger program was expanded, creating even more opportunities to work with online influencers who champion our product and industry.



4.3 million
visits to our websites
in 2015



Ask me, I'm a farmer

"Ask me, I'm a farmer"

Raising a barn in Swaziland with expertise and compassion



▲ One in three people in Swaziland is undernourished and there are more than 400,000 orphaned and vulnerable children in the country. Heart for Africa, a humanitarian organization based in Swaziland, brought hope to the region when it invited the international agriculture community to work alongside them to find a solution to hunger. EFC, through the International Egg Foundation, mobilized a team of volunteers and kicked-off a year-long journey to plan, design and oversee the construction on Heart for Africa's layer operation. Canadians and partners responded with compassion and generosity. Through donations and in-kind contributions \$650,000 has been raised to date to sustain the operation over time. Construction concluded in December 2015 and volunteers returned to Swaziland to support the training of farm employees.



Shaping an industry through research and development

Our current chairholders, Dr. Bruce Muirhead, Public Policy Research Chair at the University of Waterloo, Dr. Tina Widowski, Poultry Welfare Research Chair at the University of Guelph, and Dr. Maurice Doyon, Egg Industry Economic Research Chair at Université Laval, continue in their pursuit of proactive research that promotes growth and innovation within the industry based on the latest scientific research. A collection of project fact sheets that summarize research findings generated through EFC's investment in R&D were developed in 2015. These resources mobilize knowledge on issues that matter to farmers and consumers and are centralized on our website.



Investing in fresh ideas and researchers at universities across the country

A standardized call for research funding applications was launched in January 2015. A total of 29 letters of intent for funding were received which represents a significant increase in applications. As a result, the Research Committee of the EFC Board of Directors has awarded funding to seven new research projects and is continuing to evaluate additional research proposals on topics that will shape the future of egg farming.

EFC funds avian influenza research

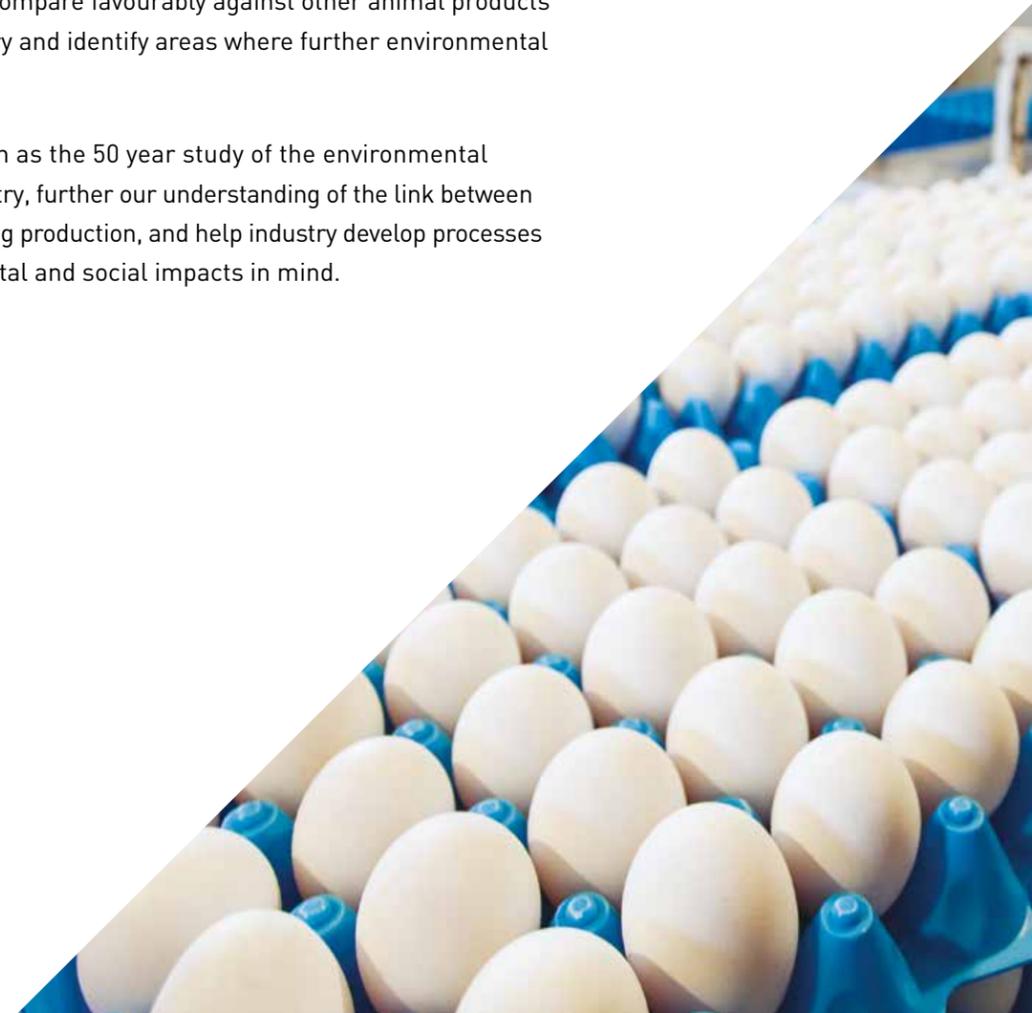
Highly pathogenic avian influenza had a significant impact on the entire North American industry in 2015 and there is concern that migratory birds will spark further outbreaks. EFC committed \$500,000 over the next three years for avian influenza research to advance the industry's knowledge of the disease and to find new solutions to quickly contain future outbreaks. The funding is administered by the Egg Industry Center at Iowa State University who awards research grants to research projects focused on the top concerns of the egg industry.

EFC committed \$500,000 over the next three years for avian influenza research to advance the industry's knowledge of the disease and to find new solutions to quickly contain future outbreaks.

Striving for greater sustainability in egg farming

Results from the industry-wide Life Cycle Analysis (LCA) show that the environmental and social impact of the industry compare favourably against other animal products and with the American egg industry and identify areas where further environmental efficiencies can be achieved.

Other environmental studies, such as the 50 year study of the environmental footprint of the Canadian egg industry, further our understanding of the link between environmental sustainability and egg production, and help industry develop processes and technologies with environmental and social impacts in mind.



04



Organizational excellence

Leveraging collective wisdom through our strategic planning process

Each year the Board embarks on a rigorous strategic planning process to set EFC's direction and priorities. This approach leverages the collective wisdom and experience of the EFC Board, egg boards and senior staff. On November 18, the Board approved EFC's 2016–2018 Business Plan and with its invigorated vision and mission, and the Egg Farmers of Canada way.



The Egg Farmers of Canada way

Egg Farmers of Canada believes in the inextricable link between social license and business success. We nurture our acceptance nationally, and in the broader international community—not just because it is the right thing to do but because it bolsters our aspirations of profitability and enhanced socio-economic development.

Legitimacy with our stakeholders and customers drives us each and every day. We respect and honour the social license provided to our industry under the system of supply management. Everything—from operations to policy development to governance—is approached with the utmost regard for: the communities, environment and society in which we operate; the well-being of our animals; and the health, safety and satisfaction of the millions of Canadians who enjoy and depend upon our product every single day.

Mission

To position the Canadian egg industry as a leader in Canada's agricultural future through sustainable growth, continuous improvement and social responsibility, by working collaboratively under the system of supply management to uphold the interests of all those who depend upon and enjoy our products.

Vision

A world where everyone—whether it be due to want or need—can enjoy the immeasurable benefits of the humble egg.

Maintaining a reputation as an employer of choice

EFC has built a reputation as a leading agriculture organization and as an employer that maintains a progressive and forward-thinking culture. Honours like being named one of the National Capital Region's Top Employers in 2013, 2014 and 2015, and being recognized by Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures further echo EFC's commitment to its employees. This best-in-class culture has enhanced performance and has helped sustain a highly motivated and skilled team, further benefiting the organization and the industry as a whole.

A culture of high-performance is fostered within the organization and the employees' careers are enriched through professional development and specialized training programs. As a result EFC benefits from a high level of employee engagement and low turnover rates.



Named **one**
of Canada's
**10 Most Admired
Corporate Cultures**
by Waterstone
Human Capital





More than
1 million
eggs donated to school
breakfast programs

Helping our communities thrive

EFC is deeply committed to social responsibility and this continues to be a driving force for EFC's Business Plan, policies and day-to-day operations. EFC works with egg boards and farmers to honour our social license by acting with integrity and transparency, and by making a positive impact within our communities both at home and abroad.

Support for school breakfast programs and community food banks

EFC's partnerships with two of the country's national school breakfast programs, Breakfast Club of Canada and Breakfast for Learning, continued in 2015. These partnerships benefit thousands of children across the country by helping them start their day with a healthy and balanced breakfast. The partnership with Breakfast Club of Canada was also featured prominently in EFC's World Egg Day activities with over 1,500 schools receiving a World Egg Day celebration kit.

Our overall promise to promote healthy living in Canadian communities is carried through our partnership with Food Banks Canada. More than 1.23 million eggs were donated in 2015 ensuring more vulnerable Canadians of all ages have increased access to the essential protein and nutrients found in eggs.

Partnership delivers much-needed nutrition to hungry children

Canadian Food For Children, an independent charitable organization, helps millions of people by delivering life-saving food items to nearly two dozen countries around the world. EFC has been part of this for more than 30 years and donated 16 metric tonnes of powdered eggs—the equivalent of 1.27 million eggs—to the program each year. Through this collaboration thousands of people around the world who suffer from chronic hunger and poor nutrition have access to the protein and nutrients found in eggs.



FINANCIAL STATEMENTS OF
Canadian Egg Marketing Agency
c.o.b. Egg Farmers of Canada

Fifty-two weeks ended
December 26, 2015





INDEPENDENT AUDITORS' REPORT

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

The Minister
Agriculture and Agri-Food Canada; and

The Farm Products Council of Canada

We have audited the accompanying financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada, which comprise the statement of financial position as at December 26, 2015, the statements of operations, changes in fund balances and cash flows for the fifty-two weeks then ended, and notes, comprising 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada as at December 26, 2015 and its results of operations, changes in fund balances and its cash flows for the fifty-two weeks then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

The financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada as at and for the fifty-two weeks ended December 27, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on February 20, 2015.

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slanted. A long horizontal line is drawn underneath the signature, extending from the left side of the "K" towards the right.

Chartered Professional Accountants, Licensed Public Accountants

February 19, 2016

Ottawa, Canada

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

Statement of Financial Position

December 26, 2015, with comparative information for December 27, 2014

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2015 Total	2014 Total
Assets				
Current assets:				
Cash	\$ 12,447	\$ 2,712	\$ 15,159	\$ 15,406
Accounts receivable (note 3)	28,630	1,627	30,257	21,851
Inventory	352	–	352	515
Prepaid expenses	–	272	272	313
Investments (note 4)	33,904	5,251	39,155	49,953
	75,333	9,862	85,195	88,038
Capital assets (note 5)	121	4,716	4,837	5,127
	\$ 75,454	\$ 14,578	\$ 90,032	\$ 93,165
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities liabilities (note 6)	\$ 18,970	\$ 4,459	\$ 23,429	\$ 22,154
Current portion of long-term loan (note 7)	–	87	87	82
	18,970	4,546	23,516	22,236
Long-term loan (note 7)	–	2,319	2,319	2,406
Fund balances (note 8):				
Unrestricted	41,650	2,656	44,306	53,590
Internally restricted	14,834	5,057	19,891	14,933
	56,484	7,713	64,197	68,523
Commitments (note 9)				
	\$ 75,454	\$ 14,578	\$ 90,032	\$ 93,165

See accompanying notes to financial statements.

Approved by the Board of Directors



Chairman of the Board of Directors



Chairman of the Audit Committee

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

Statement of Operations

Fifty-two weeks ended December 26, 2015, with comparative information
for the fifty-two weeks ended December 27, 2014

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2015 Total	2014 Total
Revenue				
Egg sales	\$ 128,804	\$ -	\$ 128,804	\$ 110,175
Levy and service fees – unrestricted	133,125	17,421	150,546	181,464
Levy and service fees – internally restricted	5,362	1,424	6,786	2,652
Interest and other – unrestricted	792	129	921	685
Interest and other – internally restricted	143	95	238	191
	268,226	19,069	287,295	295,167
Expenses				
Trade operations:				
Cost of eggs sold	259,822	-	259,822	240,199
Transportation and handling	6,196	-	6,196	5,694
Third party verification	1,390	-	1,390	1,310
	267,408	-	267,408	247,203
Advertising and promotion	-	8,465	8,465	8,909
Marketing and nutrition research	-	146	146	-
Donations	389	23	412	376
Interest on long-term loan	-	139	139	144
Meetings and travel	-	1,936	1,936	1,553
Office and other administrative	-	1,443	1,443	1,413
Per diems	-	609	609	566
Restricted (note 8)	21	2,045	2,066	1,465
Professional fees and consulting	193	651	844	967
Public affairs and communications	-	2,016	2,016	1,830
Salaries and benefits	-	5,656	5,656	5,320
Amortization of capital assets	93	388	481	489
Allocation of administration expenses (note 10)	2,867	(2,867)	-	-
	3,563	20,650	24,213	23,032
Total expenses	270,971	20,650	291,621	270,235
Excess (deficiency) of revenue over expenses	\$ (2,745)	\$ (1,581)	\$ (4,326)	\$ 24,932

See accompanying notes to financial statements.

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

Statement of Changes in Fund Balances

Fifty-two weeks ended December 26, 2015, with comparative information for the fifty-two weeks ended December 27, 2014

(In thousands of dollars)

	Unrestricted (note 8)	Internally restricted - Risk Management (note 8)	Internally restricted - Service Fee (note 8)	Internally restricted - Research	Total 2015
Pooled Income Fund					
Balance, beginning of period	\$ 49,879	\$ 8,640	\$ 710	\$ -	\$ 59,229
Excess (deficiency) of revenue over expenses	(8,229)	704	4,780	-	(2,745)
Interfund transfers	-	-	-	-	-
Balance, end of period	41,650	9,344	5,490	-	56,484
Administration Fund					
Balance, beginning of period	3,711	-	-	5,583	9,294
Excess (deficiency) of revenue over expenses	(1,055)	-	-	(526)	(1,581)
Interfund transfers	-	-	-	-	-
Balance, end of period	2,656	-	-	5,057	7,713
	\$ 44,306	\$ 9,344	\$ 5,490	\$ 5,057	\$ 64,197

	Unrestricted (note 8)	Internally restricted - Risk Management (note 8)	Internally restricted - Service Fee (note 8)	Internally restricted - Research	Total 2014
Pooled Income Fund					
Balance, beginning of period	\$ 29,055	\$ 5,953	\$ -	\$ -	\$ 35,008
Excess (deficiency) of revenue over expenses	24,824	687	710	-	26,221
Interfund transfers	(4,000)	2,000	-	-	(2,000)
Balance, end of period	49,879	8,640	710	-	59,229
Administration Fund					
Balance, beginning of period	4,981	-	-	3,602	8,583
Excess (deficiency) of revenue over expenses	(1,270)	-	-	(19)	(1,289)
Interfund transfers	-	-	-	2,000	2,000
Balance, end of period	3,711	-	-	5,583	9,294
	\$ 53,590	\$ 8,640	\$ 710	\$ 5,583	\$ 68,523

See accompanying notes to financial statements.

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

Statement of Cash Flows

Fifty-two weeks ended December 26, 2015, with comparative information
for the fifty-two weeks ended December 27, 2014

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2015 Total	2014 Total
Cash provided by (used in)				
Operating activities:				
Excess (deficiency) of revenue over expenses	\$ (2,745)	\$ (1,581)	\$ (4,326)	\$ 24,932
Item not involving cash:				
Amortization of capital assets	93	388	481	489
Changes in non-cash operating working capital items	(7,208)	281	(6,927)	3,037
	(9,860)	(912)	(10,772)	28,458
Investing activities:				
Purchase of investments	(13,405)	(5,313)	(18,718)	(41,610)
Proceeds on disposal of investments	24,307	5,209	29,516	10,464
Purchase of capital assets	-	(191)	(191)	(312)
	10,902	(295)	10,607	(31,458)
Financing activities:				
Repayment of long-term loan	-	(82)	(82)	(79)
Increase (decrease) in cash	1,042	(1,289)	(247)	(3,079)
Cash, beginning of period	11,405	4,001	15,406	18,485
Cash, end of period	\$ 12,447	\$ 2,712	\$ 15,159	\$ 15,406

See accompanying notes to financial statements.

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

Notes to Financial Statements

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

1. Description

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* (Canada).

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.

Industrial Products Program

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 by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) 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.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(b) 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.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. EFC has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, EFC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount EFC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) 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:

Asset	Useful life
Buildings	40 years
Office equipment	10 years
Computer hardware and software	3–5 years
Leasehold improvements	over the term of the lease
Corporate identity	10 years

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(e) Revenue recognition:

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

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

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

(f) Employee future benefits:

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

(g) Allocation of expenses:

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

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Accounts receivable

	December 26, 2015	December 27, 2014
Levy and service fees	\$ 14,254	\$ 11,114
Egg sales	15,327	10,034
Other	676	703
	\$ 30,257	\$ 21,851

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

3. Accounts receivable (continued)

Egg sales are dependent upon two groups of related companies. During the period, these customers represented 64% (December 27, 2014 – 64%) of eggs sales revenue; 29% (December 27, 2014 – 25%) of accounts receivable are owing from these customers.

4. Investments

	December 26, 2015	December 27, 2014
Cash	\$ 89	\$ 99
Guaranteed investment certificates	39,066	49,854
	\$ 39,155	\$ 49,953

Guaranteed investment certificates bear interest at fixed rates ranging from 1.25% to 2.11% and mature between 2016 and 2018 (December 27, 2014 – 1.61% to 2.05%; maturing between 2015 and 2016).

5. Capital assets

	December 26, 2015		December 27, 2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 416	\$ –	\$ 416	\$ 416
Buildings	4,736	853	3,883	4,003
Office equipment	446	383	63	87
Computer hardware and software	2,729	2,327	402	499
Leasehold improvements	134	134	–	13
Corporate identity	345	272	73	109
	\$ 8,806	\$ 3,969	\$ 4,837	\$ 5,127

Cost and accumulated amortization at December 27, 2014 amounted to \$8,619 and \$3,492, respectively.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

6. Accounts payable and accrued liabilities

Government remittances (sales and payroll withholding taxes) of \$863 (December 27, 2014 – \$987) are included in accounts payable and accrued liabilities.

7. 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 \$4,299 (December 27, 2014 – \$4,432). All owners of the properties are jointly and severally liable for the total amount outstanding of the loan, \$5,331 as at December 26, 2015 (December 27, 2014 – \$5,514), should an owner default on payment.

Future payments of the loan are as follows:

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

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 26, 2015, loans under this facility were \$Nil (December 27, 2014 – \$Nil).

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

8. 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 29.75 cents effective October 5, 2014 until January 24, 2015. Effective January 25, 2015, the levy rate per dozen eggs marketed was set at 26.75 cents until May 16, 2015. Effective May 17, 2015, the levy rate per dozen eggs marketed was set at 25.75 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 internally restricted 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 internally restricted Risk Management Fund is to maintain a balance of at least \$8,000; the minimum balance was temporarily adjusted to \$4,500 in 2015.

Should balances fall outside these ranges, EFC could adjust the levy rate on a prospective basis. The fund balances at December 26, 2015 compared to the established thresholds are considered appropriate.

(a) 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.

(b) 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.

(c) Research Fund:

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

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

9. Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2016 for an amount of \$6,681 (December 27, 2014 – \$5,035).

\$2,680 (December 27, 2014 – \$1,100) has been committed over the next six years to support the University Research Chairs at Université Laval, University of Guelph, University of British Columbia (Okanagan Campus) and University of Waterloo.

10. 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 26, 2015	December 27, 2014
Building costs	\$ 91	\$ 91
Insurance	41	39
Meetings and travel	386	312
Office and other administrative	380	376
Per diems	94	87
Professional fees and counselling	38	37
Salaries and benefits	1,733	1,610
Amortization of capital assets	104	102
	\$ 2,867	\$ 2,654

11. Financial risks

(a) Liquidity risk:

Liquidity risk is the risk that EFC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. EFC manages its liquidity risk by monitoring its operating requirements. EFC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 26, 2015

(Amounts in thousands of dollars unless otherwise noted)

11. Financial risks (continued)

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. EFC is exposed to credit risk with respect to the accounts receivable. EFC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Interest rate risk:

EFC is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments and long-term loans are included in notes 4 and 7.

(d) Currency risk:

EFC is exposed to currency risk in the Unrestricted Pooled Income Fund as the pricing of egg sales revenues is based on US dollar inputs. EFC mitigates this risk by actively monitoring its Fund balances.

(e) Market risk:

EFC is not exposed to significant market risks on its investments.

There have been no changes to the risk exposures from 2014.

12. High Low Price (HLP) Agreement

Due to volatility of the base component for processor pricing during the year, the pricing calculation on eggs sold to processors was amended. Beginning in May, the price per the High Low Price (HLP) agreement was used for eggs sold to processors by EFC instead of the processor protocol calculation. The difference between the price per the processor protocol and the price per the HLP agreement is the Total Differential Balance (TDB). Additions to the TDB are deemed unrealized revenue to be recovered on future egg sales when the price per the processor protocol falls below the price per the HLP agreement. As of December 26, 2015, the TDB is \$38,563. On December 24, 2015, EFC announced effective fiscal year 2016, that it has entered into the "Low" phase of the HLP; indicating the TDB will be recaptured as a pricing adjustment in the price of eggs sold to processors over the next 2 years.



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