



Board of Directors



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2. Glen Jennings
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3. Roger Pelissero
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9. Kurt Siemens
Manitoba
10. Joe Kleinsasser
Alberta
11. Walter Siemens
British Columbia
12. Emmanuel Destrijker
Quebec
13. Brad Lawson
Canadian Poultry and Egg Processors Council (Hatcheries)
14. David Coburn
New Brunswick
15. Wayne Beggs
Consumers' Association of Canada
16. Mike Vanderpol
Canadian Poultry and Egg Processors Council (Processing)



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The forty-fourth 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



It is important to remember, as we look back on a challenging year, how much has been accomplished and how far we have come.

Yes, there were bumps on the road in 2016. But despite it being a demanding and somber year, Canada's egg industry is strong. Make no mistake about it: we are on the right road. It leads to a more balanced future for egg farmers and for Canadian consumers.

This year pulled into focus a topic close to our hearts—the way we house our hens and produce eggs in Canada. In February, after years of debate and discussion, EFC announced that over the next 20 years, farmers will transition away from conventional housing systems. The announcement triggered a coordinated, market-oriented move away from conventional egg production and toward other methods of supplying eggs.

While Canadians and organizations across the country applauded us for this transition, we also faced conflicting announcements coming from a mix of food service and retail organizations. It would have been easy to get swept up in the uncertainty, but the industry came together and identified immediate, medium and longer-term objectives. This led to the formulation of a national working group, co-chaired by representatives from EFC and the Canadian Poultry and Egg Processing Council, which further reviewed the situation. The group focused its efforts on gathering information and helping to devise a way forward that will safeguard the egg industry in Canada.

Through it all, our goals have been clear: we remain committed to promoting enriched housing as one of several alternatives to conventional egg production, and to working together to ensure the supply of eggs matches what consumers want and will pay for. Central to this approach is balance—a “balanced portfolio” of production types that upholds consumer choice, maintains a nimble and responsive industry, and avoids extremes.

2016 saw only the beginning of a long process. The task of transforming an entire agriculture supply chain like ours is complicated, and there is much work to be done to better understand how a transition of this magnitude will work over time, and how we can help our supply chain partners understand how their decisions affect our entire industry and the Canadian families who rely on our product.

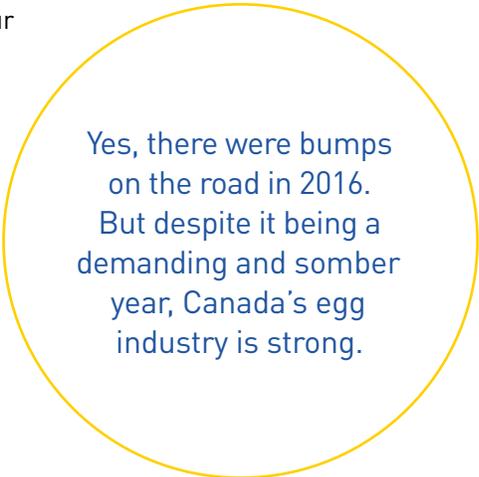
In the midst of all this, the draft revised Code of Practice went out for public comment over the summer. Thanks in large part to hard work by the multi-stakeholder Code Development Committee and our egg representatives, the draft retained enriched housing standards. It includes the commitment to transition away from conventional housing in 20 years with the aim of completing the transition within 15 years. This critical outcome reinforced the scientific support for enriched housing as a viable production type. We will revisit it with partners when the final Code is published in 2017.

As I have already said, Canada's egg industry is strong. 2016 marks a decade of growth in the retail sale of eggs and this trend applies to all types of production—from classic white and brown eggs through to free run, free range and organic. Our latest economic impact study shows we support 17,600 jobs across the country and add \$1.37 billion to Canada's GDP. It is this strength that allows us to expand and grow our many partnerships with food banks and school breakfast programs at home, and internationally through the International Egg Foundation.

We continued to make great strides in a number of areas and in pursuit of our mission. Our annual advocacy day in November was one of the largest to date and offered an opportunity to connect with decision-makers on a range of priorities including public trust, supply management, environment, trade and sustainable food production. Efforts across the industry secured additional quota and accelerated allocation to help match the ever-growing demand from Canadians for our fresh, local and high-quality eggs. And our efforts online and through digital media are allowing us to reach new heights in engagement and interact with the public on a number of issues and topics that are important to the farmers we represent.

I was also impressed to see all the ways Canadian egg farmers rallied in 2016 to help tell our story with social media, in the classroom, at events and on their farms. After all, we know that with knowledge comes understanding. We are seizing opportunities to help more Canadians learn about where their food comes from and the world-class standards in place on Canadian farms.

Our achievements in 2016 were due to the collective efforts of many people. I would like to thank my fellow Directors of the EFC Board for their dedication throughout the year. I would also like to express my gratitude to the staff at EFC and egg boards around the country for their hard work and their commitment to supporting Canadian farmers.



Yes, there were bumps on the road in 2016. But despite it being a demanding and somber year, Canada's egg industry is strong.



Peter Clarke

Chairman

CEO's message



In many ways, 2016 was a foundational year for Egg Farmers of Canada. We started out by setting a new course: a national transition away from conventional housing systems in favour of other methods of production over the next 20 years. In doing this, we committed to making fundamental changes to the way in which the industry operates.

As Peter has rightly pointed out, while the road ahead is long, we have already taken the first—and most important—step forward by rallying together to identify objectives and principles to keep in mind as we transition the bulk of our industry. It is through collaboration, communication and action that we can minimize risk, avoid duplication and help others understand and embrace what has been set in motion.

As we move forward, EFC will continue to meet with people in our supply chain, as well as government and elected officials, to discuss how a transition of this scale will unfold. We will make the case for a “balanced portfolio” of production methods that takes into account a number of factors, including hen welfare, human health, resource implications, environmental impact and food production sustainability. These factors are complex, and they need to be better and more widely understood outside the industry. We will be working hard in the coming years to do just that.

This is part of the work we need to do to continue to strengthen public trust. We will achieve this by approaching all aspects of our business with the highest regard for the communities in which we operate, the well-being of the environment, and the health and satisfaction of the millions of Canadians who depend on our product every day.

This commitment underpins our partnerships with Food Banks Canada, Canadian Food for Children, Breakfast Club of Canada, Heart for Africa and the International Egg Foundation. It is the reason we nurture leadership skills among young farmers, and invest in programs that help Canadians learn where their food comes from and about the people responsible for its production. It is why we invest in research, and strive for continuous improvement in our national Animal Care Program. In fact, 2016 marked the first full year of third-party audits in this program and a strong step forward in the delivery of enhanced standards across the country.

We were also pleased to announce this year a new partnership with the University of British Columbia establishing Dr. Nathan Pelletier as the industry's first-ever Research Chair in Sustainability. Our investment in Dr. Pelletier's innovative research will ensure that the Canadian egg industry continues to improve its environmental footprint through a long-term research program.

This announcement came shortly after a landmark study confirmed that the industry has made incredible progress on environmental issues in the last 50 years. The study revealed that the environmental footprint of Canada's egg production supply chain declined by almost 50% between 1962 and 2012, while egg production increased by 50%. These results confirmed something that we've known for a long-time—that productivity and business success go hand in hand with environmental sustainability.

The team at EFC is proud to be part of an industry that is built on dedication and passion, and one that has the public's trust.

Underpinning our work this year in all our fields of endeavour were good governance and a strong strategic plan. Our annual planning process leverages the collective wisdom of the EFC Board of Directors, under the advisement of EFC staff, to establish objectives that help us deliver on our mission. Outcomes are measured in four Key Result Areas (sustainable development of the industry, public support and social license, growth and innovation, and organizational excellence) and show the strategies needed to achieve progress under each of them. You will find our most significant achievements for each of these key areas detailed in the following pages.

High-quality eggs are so much a part of our diet and our lives that it's easy to forget that it takes time, effort and commitment to produce them. The team at EFC is proud to be part of an industry that is built on dedication and passion, and one that has the public's trust. But we must never forget that trust cannot be taken for granted. Or that the public looks to us to maintain high standards in our industry.

Our achievements in 2016 were due to the collective efforts of many people. I would like, in closing, to offer thanks to the entire Board and to the staff at every office across the country for their enduring commitment.



Tim Lambert

Chief Executive Officer

01

Sustainable development of the industry

Industry-wide transition away from conventional housing

Earlier this year, EFC announced that egg farmers will transition away from conventional housing systems over the next 20 years with the aim of completing the transition within 15 years. The industry analyzed what is realistic and achievable, projecting a 50% restructuring in eight years, with 75–100% in alternative systems in 13 to 20 years. By 2036, all production would be in enriched, free run, aviary or free range housing systems assuming the current market conditions prevail. These projections take many critical factors into account, including: current production, existing farms, marketing data and direction, trend analysis, international research and lessons learned, consumer preferences and other forces.

The task of transforming an entire agriculture supply chain is a complicated one that necessitates collaboration across the industry. As a result, EFC formed a strategic working group, comprised of a cross section of industry





TEAM
ST. CROIX
2015

TEAM
JENNINGS
LIFETIME MEMBER
LEGEND

TEAM
JENNINGS
LIFETIME MEMBER
LEGEND

representatives and staff, to review the situation and help devise a way forward that will safeguard the egg industry in Canada as well as meet the demands of the market and its customers.

2016	2024	2029	2036
Approx. 84% of the industry in conventional housing and 16% in alternative systems.	Approx. 50% of the industry in conventional housing and 50% in alternative systems.	Approx. 25% of the industry in conventional housing and 75% in alternative systems.	100% in alternative systems. ¹

¹ With the aim to complete the transition in 15 years

New science-informed, consensus-based standards for animal welfare

The codes of practice are nationally developed guidelines for the care and handling of farm animals that serve as a national understanding of animal care requirements

and recommended practices. The review of the national Code of Practice for poultry in the egg sector was initiated by EFC in 2012. After four years of in-depth scientific evaluation and rigorous discussion and debate, the draft Code was released on June 30 for public comment. The Code Development Committee

has since reconvened to consider the comments and a final, revised Code is expected to be released in early 2017. The Code of Practice is a key building block of EFC's national Animal Care Program and the standards outlined in the final Code will enhance the program.

**New Code of Practice
for the Care and Handling
of Layers to be released in**

2017



Young farmer
David Newcombe
Port Williams, NS

Expanded scope further strengthens Cost of Production Study

After much consultation, the EFC Board of Directors approved an expanded scope for the COP Study to include both conventional and enriched production. In addition, a COP Rebase Study will be conducted in 2018 as part of the process to rebase the feed cost and rate of lay. The expanded scope strengthens the overall COP process and enhances its ability to remain current. The fieldwork phase of the COP Study is set to begin in early 2017, based on 2015 data. Timelines for the analysis and implementation phases of the Study are currently being finalized.

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.

Keeping step with the demand for eggs with Canadian production

Demand for table eggs continues to grow. In fact, this year marked a decade of growth in the Canadian egg industry. A number of initiatives were activated in 2016 to bolster production on Canadian farms. This included moving to a 100% quota utilization threshold, leveraging a forward-looking component to increase federal quota and a push by egg boards to maximize production. Unused portions of the Eggs For Processing (EFP) allocation were drawn down in Manitoba and Saskatchewan and increased in Quebec to better match regional demand. In addition, the Special Temporary Market Requirement Quota (STMRQ) allocation, which was implemented to address a shortfall of imports from the U.S. due to the 2015 avian influenza outbreak, was brought to zero since recovery measures had been successful.



Young farmer
Blake Jennings
Masstown, NS

While these measures have alleviated some market shortages and found new efficiencies within our system, EFC remains committed to working with Farm Products Council of Canada (FPCC) and egg boards to strengthen the industry's ability to meet the growing demand with Canadian production. In light of this, the EFC Board of Directors was pleased with the following quota allocation requests that were prior approved by FPCC in 2016:

Date	Allocation	Effective
May	Increase of 200,000 Eggs For Processing quota layers	Week 25 of 2016
December	Decrease of STMRQ layers to nil (to remain in the Quota Regulations, allowing for a quick activation)	Week 1 of 2017
December	Decrease of 275,000 Eggs For Processing quota layers	Week 1 of 2017
December	Increase of 847,887 regulated quota layers	Week 1 of 2017

Management of the Pooled Income Fund

A period of over-production in the U.S. caused the Urner Barry price for breaking eggs to drop sharply in 2016, reaching a 20 year low of \$0.15 U.S. per dozen on August 5, 2016. Given that the Urner Barry price is the most significant component of EFC's processor price, these record low prices significantly impacted EFC's Pooled Income Fund (PIF). As a result, two levy increases were approved in 2016 to ensure the PIF remains within its upper and lower trigger points. The first levy increase was for \$0.07 (effective week 34 of 2016) and the second for \$0.08 (effective week 5 of 2017).

Cost savings and new efficiencies within the Industrial Products Program

A number of projects have been executed since 2013 to implement cost savings and new efficiencies within the Industrial Products Program (IPP). One of these projects is the Service Fee Program. Industrial product volumes relative to production were high enough in 2016 to trigger a contribution from the Service Fee Fund to the PIF. This contribution offsets normal incremental expenses in the PIF for allocation increases placed since the end of 2013, helping to maintain the PIF within its trigger points.



Renewal of the Federal-Provincial Agreement

The EFC Board of Directors approved moving forward with the renewal of the Federal-Provincial Agreement (FPA) in 2016. The FPA outlines the duties and obligations of the signatories (EFC, egg boards, FPCC, supervisory boards, and federal and provincial ministers) and was last modified in 1984. Representatives from all egg boards have been appointed to the committee, and former Chair of EFC, Laurent Souligny, and former Vice-Chair of EFC, Gordon Hunter, have agreed to serve as Chair and Vice-Chair respectively. The committee will begin its work with a meeting in late January 2017.

Market analysis and industry information

Production increased by 8.6% since 2015 to keep step with growing demand, adding an additional 54 million dozen eggs in 2016. This increase was triggered by factors including new allocation, a push to 100% utilization threshold and collaboration across the industry to boost production on Canadian farms. Pricing trends in 2016 saw a decrease in the average national COP and producer price. The average national retail price of eggs was \$2.73 per dozen of eggs and remained unchanged from 2015.

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

Farmers and average flock size per province and territory

Province or territory	Number of farmers ¹	Average number of layers per farmer ²
BC	137	20,760
AB	179	11,732
NT	4	28,238
SK	76	13,866
MB	154	15,354
ON	345	23,967
QC	117	38,491
NB	16	28,956
NS	22	36,695
PE	7	18,883
NL	5	73,605
Canada	1,062	22,374

Source: Egg Farmers of Canada

¹ Reported data for 2016

² Reported data for 2016. Excludes inventory for eggs for processing and special permits

Market analysis and industry information

Limits to Federal Quotas (dozen)¹

Province or territory	2017	2016	2015
BC	80,737,155	79,697,622	75,268,305
AB	66,264,435	64,089,749	58,621,363
NT	3,267,514	3,273,410	3,143,177
SK	30,348,553	29,885,676	28,090,127
MB	65,570,093	65,724,318	63,153,676
ON	240,535,774	238,236,050	226,108,404
QC	133,627,666	130,314,579	120,522,865
NB	13,190,142	13,131,377	12,526,056
NS	22,482,091	22,537,894	21,659,956
PE	3,726,206	3,734,985	3,588,936
NL	10,009,019	10,027,904	9,629,986
Total	669,758,648	660,653,564	622,312,851

Source: Egg Farmers of Canada

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

Limits to Special Temporary Market Requirement Quotas (dozen)¹

Province	2017	2016	2015
BC	0	1,800,370	1,125,231
AB	0	250,486	156,554
SK	0	673,182	420,738
MB	0	829,735	518,585
ON	0	6,418,708	4,011,692
QC	0	2,348,308	1,467,692
NB	0	516,628	322,892
NS	0	1,252,430	782,769
Total	0	14,089,847	8,806,153

Source: Egg Farmers of Canada

¹ The limits reflect the actual, total production permitted by the quota regulations issued during the year

Market analysis and industry information

Limits to Eggs for Processing Quotas (dozen)¹

Province	2017	2016	2015
BC	2,544,000	2,592,923	2,544,000
AB	636,000	648,231	636,000
SK	3,180,000	5,185,846	5,088,000
MB	5,088,000	10,371,692	10,176,000
ON	17,808,000	18,150,462	17,808,000
QC	7,632,000	5,430,462	2,544,000
Total	36,888,000	42,379,616	38,796,000

Source: Egg Farmers of Canada

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

Limits to Export Market Development Quotas (dozen)¹

Province	2017	2016	2015
MB	12,720,000	12,964,615	12,720,000
Total	12,720,000	12,964,615	12,720,000

Source: Egg Farmers of Canada

¹ The 2016 limits reflect 53 weeks of production

Limits to Vaccine Quotas (dozen)

Province	2017	2016	2015
ON	2,661,750	2,661,750	2,661,750
QC	10,674,090	10,674,090	10,674,090
Total	13,335,840	13,335,840	13,335,840

Source: Egg Farmers of Canada

Number of farmers supplying eggs for vaccine production

Province	2016	2015	2014
ON	1	1	1
QC	5	5	5
Total	6	6	6

Source: Egg Farmers of Canada

Market analysis and industry information

Eggs from vaccine production going into the Industrial Product Program (dozen)¹

Province	2016	2015	2014
ON	0	0	0
QC	5,310,555	7,393,485	6,399,180
Total	5,310,555	7,393,485	6,399,180

Source: Egg Farmers of Canada

¹ Table reports actual shipments to the Industrial Products Program

Federal quota utilization¹

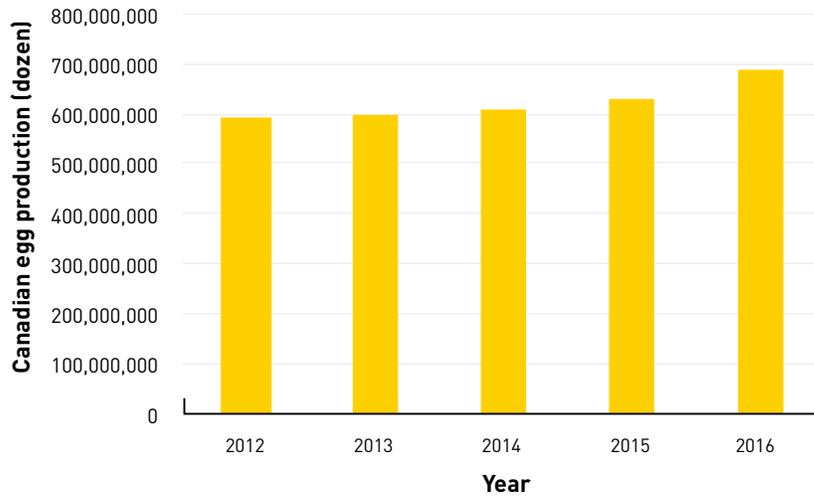
Province or territory	Week 8 – 2016	Week 8 – 2015	Week 8 – 2014
BC	92.42%	92.10%	95.99%
AB	89.72%	92.03%	94.36%
NT	89.69%	92.78%	94.01%
SK	93.38%	92.77%	93.08%
MB	94.51%	93.91%	95.12%
ON	94.59%	93.95%	95.89%
QC	91.14%	93.64%	94.18%
NB	94.39%	93.29%	93.35%
NS	92.05%	93.00%	92.32%
PE	94.93%	94.26%	94.60%
NL	89.11%	93.74%	96.00%
Total	92.93%	93.38%	95.04%

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 periods shown, with the exception of NB, PE, NL and NT. Excludes inventory for eggs for processing and special permits. As of week 9 - 2016 the utilization rate increased to 100% for all provinces and NT

Market analysis and industry information

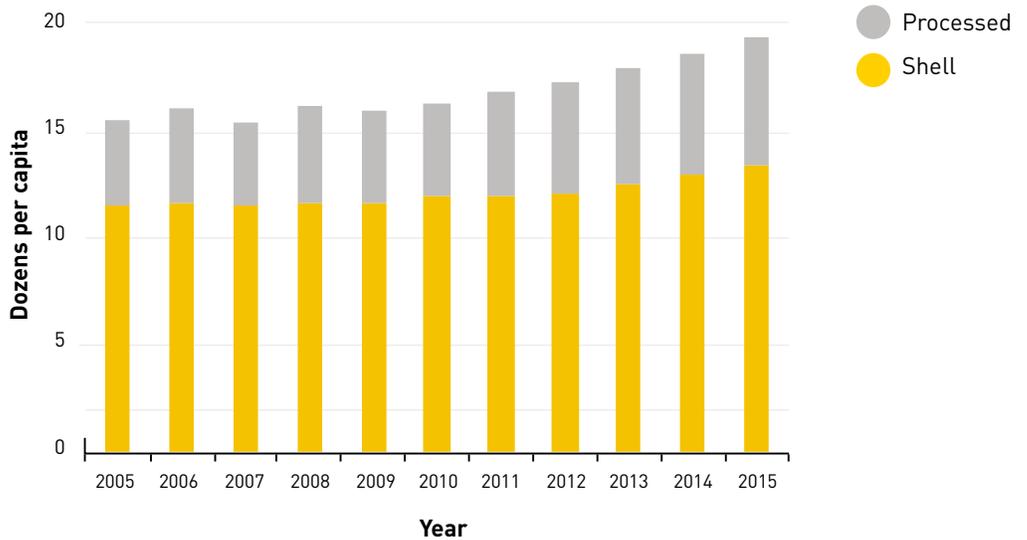
Canadian egg production¹



Source: Egg boards

¹ Production numbers are final except for 2016. 2016 data represents 53 weeks of production

Canadian apparent per capita disappearance of eggs and egg products

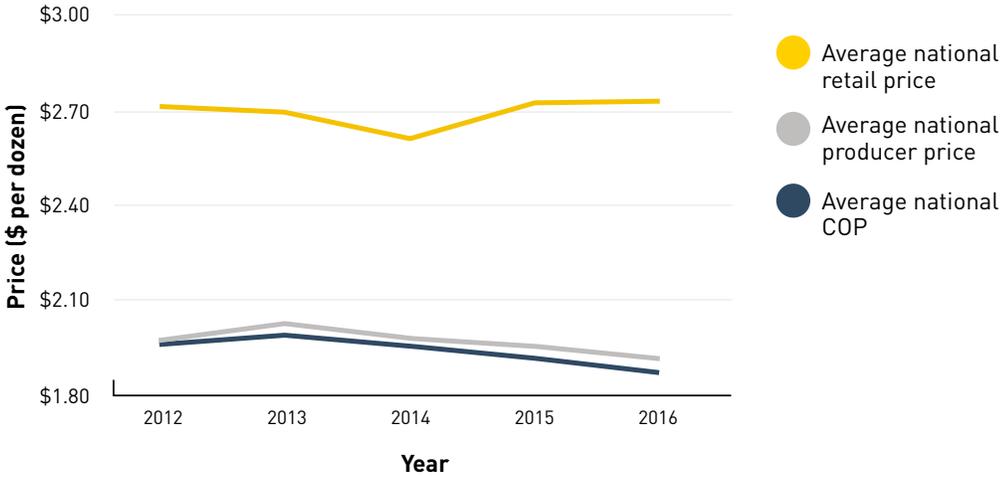


Sources: Statistics Canada — Total per capita egg disappearance

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

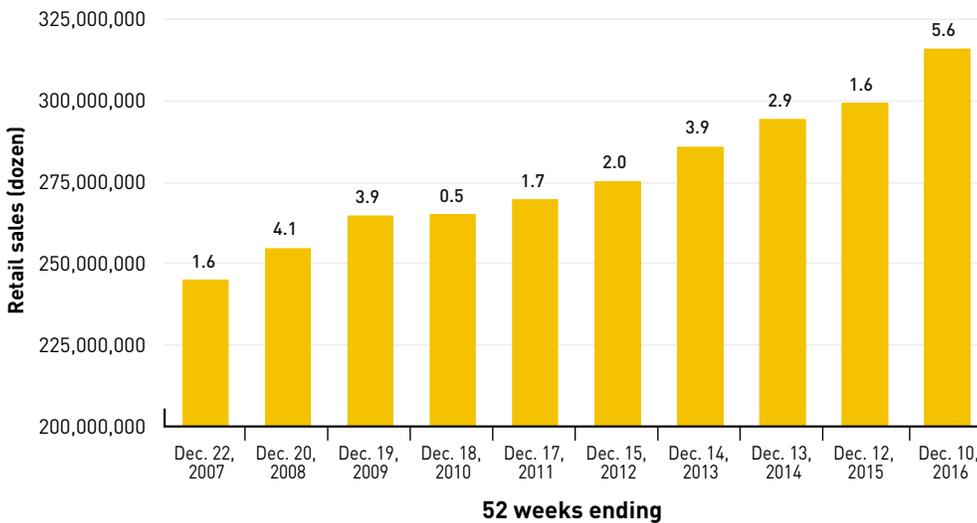
Pricing trends in the Canadian egg industry¹



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

02

Public support and social license

EFC is deeply committed to strengthening public trust and honouring its social license. All aspects of our business—from operations to policy development to governance—are 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.

This commitment is why EFC operates a national young farmer program, invests in long-term research programs and strives for continuous improvement in our on-farm programs. It underpins our partnerships with Food Banks Canada, Canadian Food for Children, Breakfast Club of Canada and Heart for Africa. And, most recently, it supports the central role EFC has taken on in developing a national Public Trust Network—the culmination of government and industry collaboration that started in October 2015 in Winnipeg when a group of industry and government leaders imagined a national dialogue on these critical topics.







Egg farmer
George MacLeod
Tower Hill, NB

Support for kids and school breakfast programs

Our partnership with Breakfast Club of Canada continues to benefit thousands of children across the country. This year, the partnership brought on a unique opportunity to raise awareness of childhood hunger in Canada. EFC worked with egg farmers

and spokespersons George MacLeod and Sarah Morris to communicate that as many as one in five kids go to school hungry and to share the benefits of starting the day with the natural goodness of eggs. The seven week campaign delivered more than 20 million impressions and engagement through a specialized online game, video ads and social media.

3 MILLION EGGS
donated each year to food banks, breakfast programs and charitable organizations

Helping more Canadians access the essential nutrition found in eggs

Our partnership with Food Banks Canada carries through our overall promise to promote healthy living in Canadian communities. EFC teamed up with Food Banks Canada this summer to remind Canadians that hunger does not take a vacation. From July 18–31, we invited Canadians and our agricultural partners to show their support for food banks on Facebook, Twitter and Instagram using the hashtag #Farmers4FoodBanks. The initiative generated a tremendous amount of interest and engagement, and our positive message successfully reached tens of thousands of Canadians.

Major milestone achieved in partnership with Heart for Africa

With the support of Canadian egg farmers, Heart for Africa welcomed its first flock of pullets in January 2016. This partnership helps feed orphaned children and has enhanced Heart for Africa's existing feeding program which delivers 74,000 hand-packed meals each month to rural communities through a network of churches. EFC volunteers returned to Swaziland throughout the year to support farm employee training and to help establish a long-term strategy to sustain the egg operation over time.

EFC honoured for leadership in corporate and social responsibility



EFC was the recipient of the 2016 Crystal Egg Award for outstanding commitment to corporate and social responsibility, an international award presented by the International Egg Commission (IEC). The announcement was made at the IEC's Global Leadership Conference in Kuala Lumpur where egg industry leaders from around the world came together to discuss global trends and emerging opportunities in the international egg industry.

The award recognizes EFC's deep commitment to Canadian communities and global initiatives like the International Egg Foundation, and its leadership in fostering a sustainable egg industry through research, world-class animal care and food safety programs and youth engagement. This is the second time EFC has received the Crystal Egg Award. The prestigious award was also awarded to Canadian egg farmers in 2014.

Engaging influencers and decision-makers

The change in government following the October 2015 federal election brought a shift in strategic priorities and offered an opportunity to introduce our industry to a new group of elected officials. EFC highlighted 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 Joint Annual Reception with our poultry colleagues. These activities helped us strengthen relationships with Ministers, Senators, MPs and senior staff while raising the profile of egg farming in Canada.

These activities helped us strengthen relationships with Ministers, Senators, MPs and senior staff while raising the profile of egg farming in Canada.

We also responded to opportunities to assist government with policy development in 2016 and to connect our farmers and decision-makers for mutual benefit. For example, Chairman Peter Clarke and CEO Tim Lambert presented to the Standing Senate Committee on Agriculture and Forestry as part of their continued study of international market access priorities. This was an opportunity to thank the government for its support during the Trans-Pacific Partnership (TPP) negotiations and to explain how our industry is preparing its domestic production to meet the growing needs of Canadians, knowing the volume of imported eggs will increase with the ratification of the trade agreement.

Most recently, EFC was also invited to appear before the House of Commons Standing Committee on Agriculture and Agri-Food as part of their consultations on the next Agricultural Policy Framework. Third generation egg farmer and EFC Director Kurt Siemens represented EFC, providing critical input in the areas of public trust, science and innovation, environment and business development, adding grassroots examples to the Canadian Federation of Agriculture's comprehensive assessment of the policy framework.





Young farmers Lydia DeWeerd, Michael Nanne, Stephanie Nanne, Isaac Pelissero, Harley Siemens and Mark Siemens with Parliamentary Secretary to the Prime Minister (Youth) Peter Schiefke, Agriculture and Agri-Food Minister Lawrence MacAulay and EFC Chairman Peter Clarke at EFC's annual breakfast on Parliament Hill

Annual breakfast on Parliament Hill

Our annual Hill Breakfast in April featured six young leaders alongside our Board of Directors and industry representatives, who discussed the importance of the Canadian egg farming industry and supply management with the many MPs and Senators in attendance. The Honourable Lawrence MacAulay, Minister of Agriculture and Agri-Food, addressed guests and spoke to the government's support for supply management and the essential role of Canadian farmers.

Connecting with municipal leaders at FCM 2016

For the fourth consecutive year EFC sponsored the Federation of Canadian Municipalities' annual conference in Winnipeg, Manitoba. Our delegation was joined by representatives from Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers. Together we showcased how Canada's supply-managed farmers contribute to the fabric of the country to the 1,600 mayors, reeves and city councillors in attendance. Our involvement in the conference was extended through a study tour of a chicken farm in the region and on social media, which offered yet another opportunity to engage with key decision-makers and conference attendees.

Canada's
supply-managed
farmers contribute
to the fabric of
the country.



Young farmers David Lefebvre, Andrew Vallance, Eric Dyck, David Newcombe, Stephanie Simmons, Laura Buys, Conrad Vanessen and Glen Coburn with Agriculture and Agri-Food Minister Lawrence MacAulay at the Joint Annual Reception

National young farmer program ups its game on leadership

The 2016 cycle of the national young farmer program brought together an incredible group of dedicated, hard-working young people. The program is part of EFC's long-term vision to support young people in the industry and build a network of young agricultural leaders. Nominated by their egg board, participants took part in meetings, events and tailored sessions where they developed their understanding of key industry areas.

Close to **30%** of egg farmers are under the age of 45

Twenty-five young leaders took part in a weekend-long workshop in Mont-Tremblant, Quebec in July. This event was particularly special since it brought together current participants and our growing alumni network. The workshop's activities focused on building relationships, discussing issues that impact young egg farmers and advancing leadership skills.



Young leaders take part in a team building challenge in Mont-Tremblant, QC

International trade

A number of trade agreements were closely monitored in 2016 and EFC representatives attended a range of critical events and meetings to represent the interests of our farmers within the context of the Government of Canada's trade agenda.

Trans-Pacific Partnership

The most notable trade outcome in recent years was the conclusion of the 12-country TPP after more than five years of negotiations. Despite being positive overall for Canada, TPP is not without impact for the egg industry. A range of consultations took place during 2016, allowing EFC to discuss the impact of the TPP on our industry, further investigate the compensation programs announced in conjunction with the agreement and make recommendations that align with our industry's interests.

At the time of writing, the new U.S. government signed an executive action withdrawing from the TPP. This action has left much uncertainty on the state of the agreement given ratification by at least six countries that represent 85% of the total group's GDP is required for the agreement to come into force. This means the TPP in its current form cannot take effect without U.S. ratification. EFC continues to carefully monitor these developments and the intense U.S. trade debate to understand the ramifications on our industry and the future of the TPP agreement.

Canada-European Union Comprehensive Economic and Trade Agreement

In October 2016 Prime Minister Trudeau and Members of the European Union signed the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) in Brussels. Canada and the European Union are now undertaking their respective ratification processes and about 90% of the agreement is expected to provisionally enter into force in 2017. The rest of the agreement will come into force once each of the European Union member states have ratified the agreement through their domestic processes.



World Trade Organization

World Trade Organization (WTO) members are preparing for the eleventh WTO Ministerial Conference (MC11) set to take place in Argentina in late 2017. A new approach to negotiations was introduced in 2016 with the aim of gradually addressing issues over time, pushing members to look at issues in incremental steps rather than in a single undertaking. As a result of the new process there is a risk that sensitive issues like market access for agriculture commodities are left to the end, leaving limited room for negotiation. We continue to watch with caution as the negotiations move forward.

Nurturing global support and leadership

EFC plays a critical role in a range of activities that nurture support for our industry both in Canada and globally. Our goal is to showcase the leadership of Canadian farmers and represent their interests in the context of a global market on a number of issues and topics. As such, we are able to take part in discussions that shape the future of the egg industry, monitor issues and trends and share our expertise with partners around the world.

This year, EFC Director Emmanuel Destrijker joined a group of international peers in the IEC Young Leaders Program. The program brought a unique opportunity to collaborate with and learn from delegates from around the world. EFC also joined food manufacturers and retailers at the Consumer Goods Forum in London, England. Our involvement in the conference offered the chance to engage with major international brands, setting the groundwork for further discussions on sustainability. As part of these efforts, EFC also monitors a range of programs including the World Organisation for Animal Health's work on global standards and recommended practices for the care of layers, adding to the dialogue through our partnership with the IEC.





Celebrity Chef and EFC spokesperson Lynn Crawford in her Toronto-based restaurant Ruby Watchco

Shining a light on egg farmers, egg farming and eggs

We continue to activate a robust public relations plan, with the aim of enhancing trust and building awareness of EFC and our entire industry. Farmers, spokespeople, chefs and partners supported our efforts at key moments during the year—Easter, summer, World Egg Day and the holiday season—allowing us to better reach more Canadians.

For example, the #SimpleCheer campaign highlighted fresh, local, high-quality eggs during the holiday season. Renowned chef Lynn Crawford developed three recipes inspiring Canadians to bring simple cheer into their homes over the holiday season. She appeared on CP24 Breakfast, Global Morning Toronto and Hamilton Life, and her recipes were featured in The Toronto Star and Canadian Living. Thanks to the support of egg boards and influential bloggers, reach and visibility were extended online, and the campaign achieved 36 million impressions.



Deepening the relationship between culinary influencers and egg farmers



In 2016 we launched an exciting education program with the goal of exploring new culinary trends and introducing Canada's culinary community to the people who produce their eggs. The program links chefs, food influencers and tastemakers to enable collaboration, inspire new ways to enjoy eggs and share the story of egg farming in Canada.

EFC hosted a special evening on August 15 that included five simultaneous events across the country where the culinary community and our network of chef ambassadors celebrated eggs. Vibrant and innovative egg-inspired recipes were prominently featured at events in Vancouver, Toronto, Ottawa, Montreal and Halifax. More than 100 guests including media, food writers, bloggers and local chefs took part from the likes of Chatelaine, The Huffington Post, Yummy Mummy Club, and Food Bloggers of Canada. The event generated much interest and showcased the egg farming industry's important role in Canadian food culture.

Joining the global shout out for eggs on World Egg Day

EFC's amazing partners were central to our 2016 World Egg Day celebration. This initiative brought together our supporters and champions in a unique egg pass video that saw an egg travel across Canada and around the globe.

By coordinating our efforts with egg boards, the IEC and egg lovers around the world we extended our visibility and reach online. The #WorldEggDay hashtag was used around the world and generated over 200 million impressions, making it a truly global accomplishment and one of our most successful campaigns to date.



Trevor Bird
Fable Kitchen - Vancouver, BC



Calgary Food Bank
Calgary, AB



Graeme Cunningham
Bullfrog Power - Ottawa, ON



Fehr Family
Egg Farmers - Hague, SK

03

Growth and innovation

Ten straight years of sales growth

In 2016 we achieved a 5.6% increase in the retail sales of table eggs, marking a decade of continuous growth. This tremendous accomplishment brings the egg industry to 27.8% growth over ten years. While classic Canada Grade A white and brown eggs continue to be the most popular eggs, representing 84% of eggs sold

5.6% increase in the retail sales of eggs in 2016

in Canada in 2016, this growth trend applies to all egg types including Omega-3,

organic, free run and free range. This success is the result of a number of factors including strong consumer demand for natural and whole foods; appreciation of the nutritional value and protein found in eggs; and the demand for Canadian products.





J'craque pour
toi mon coco®

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toi mon coco®
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lesoeufs.ca

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toi mon coco®

#UnSoleil
lesoeufs.ca



Far left: Farmer volunteers and egg industry representatives at the #WakeUpToYellow event in Montreal



Below: A brand ambassador offers daffodils to a passerby in Vancouver

Toronto commuter stops by the #WakeUpToYellow event in Toronto



New marketing program invites Canadians to wake up to yellow

This year marked the beginning of a new marketing campaign that reminds Canadians some of the best things in life are yellow. The uplifting television ad and campaign assets, launched on July 25, highlight the natural goodness of eggs and feature the tagline “Brought to you by your local egg farmers,” in addition to the familiar Get Cracking logo.

EFC kicked off the integrated campaign with a special event in February that surprised morning commuters in Toronto, Montreal and Vancouver with unique pop-up gardens featuring potted daffodils and egg breakfast sandwiches. Beginning at 7:30 a.m. local time, egg farmers were on-hand to distribute thousands of egg breakfast sandwiches to morning commuters. Visitors were also encouraged to post a photo of their favourite egg-based breakfasts via social media using the hashtag #WakeUpToYellow. The event was a tremendous success and generated a great deal of interest on social media.

Strengthening the Get Cracking brand

This year the familiar Get Cracking brand was enhanced with the introduction of a new brand umbrella—the colour yellow. Prominently featured in all of EFC’s 2016 marketing efforts, the colour yellow unifies and connects EFC’s marketing and nutrition strategies through a common link and aims to build an emotional connection with consumers:

Yellow is at the heart of every Canadian egg. It represents everything that is naturally good about eggs, but takes it a step beyond to a more emotional place. Yellow is something we can own and hang our hat on to inspire Canadians at every turn. When people see, hear or experience yellow and the natural goodness of eggs, we’re going to make them smile.

Promoting the health benefits of eating eggs

Much of EFC’s nutrition and health communications in 2016 focused on promoting eggs as an iron-rich protein source for babies. Efforts concentrated on reaching new or expecting mothers with the message that feeding your baby whole eggs at six months could help prevent an egg allergy. Waves of advertising reminded mothers that eggs are an excellent source of nutrition for babies and offered a range of recipes and preparation techniques. EFC worked with a mix of spokespeople and influencers, including Yummy Mummy Club, Today’s Parent and the Baby Gang, to communicate the benefits of eggs as a first food.

88% of Canadians agree
that eggs are a natural
way to start your day





This recipe for Scallop and Egg Fried Rice is one of 20 new egg-inspired dishes featured in EFC's advertising campaign geared towards Chinese Canadians

Spreading the good news about eggs to new audiences

For the first-time ever EFC piloted an advertising campaign geared towards Canada's growing Chinese community—an expanding ethnic group that is expected to reach close to 2 million Canadians by 2017. The campaign's tailored messaging conveyed the health

1 IN 5 Canadians speaks a foreign language

benefits of eating eggs to encourage increased consumption, especially for breakfast. A national in-store promotion ran in 18 T&T Supermarkets in British Columbia and Ontario in conjunction with digital media in September and October. The campaign generated 8 million impressions and 15,000 unique visitors to the website. Efforts will be expanded in 2017, potentially targeting new ethnic groups and responding to the changing demographics of the Canadian population.

Promoting our national on-farm programs to consumers

EFC expanded efforts in 2016 to educate consumers about the world-class standards in place on Canadian egg farms. The digital campaign featured two Nova Scotia-based egg farmers and young farmer program alumni, David Newcombe and Thomas DeLong. In the ads Newcombe and DeLong explain key aspects of EFC’s national Animal Care Program and Start Clean-Stay Clean™ program, helping Canadians learn about the comprehensive and rigorous standards farmers follow to care for their hens and to ensure eggs are safe and healthy. In addition to the video ads, the campaign included digital banners and a custom landing page on eggs.ca. The campaign delivered strong results: the videos were watched 1.4 million times and the overall campaign generated 14.5 million impressions.

90% of Canadians trust the quality standards on Canadian farms

Expanding our engagement with Canadians and consumers online

We realized substantial gains in our reach and levels of engagement with Canadians this year on eggs.ca (geared toward consumers) and the newly relaunched eggfarmers.ca (geared toward all audiences featuring industry news and information). In 2016 we had more than 5.4 million visits to our websites, which represents a 26% increase in web traffic from 2015. We also continued to build and invest in a number of effective communications channels that give farmers, supply chain partners and Canadians from coast to coast access to the latest information about eggs and egg production in Canada.

5.4 MILLION visits to our websites in 2016



Young farmer
Thomas DeLong
Barss Corner, NS

This year alone more than 220 videos were published on EFC's innovative **EggcentricTV network**, achieving nearly 1 million video views. This wide-reaching tool leverages the latest trends in online streaming and is already gaining national and international attention. The channel was prominently featured on CTV Morning Live Atlantic, Global Morning News Maritimes, CTV Morning Live Regina, CTV Morning Live Vancouver, Global Morning Regina, CP24 Breakfast and Global Morning Toronto, and at the IEC's Global Leadership Conference in Kuala Lumpur.

EggcentricTV reached 1 MILLION VIDEO VIEWS

Our engagement with consumers and the public through social media continues to be a big part of our marketing and communications programs. Our community now exceeds 100,000 fans, followers and egg lovers, which represents a 44% increase in community size. These enhanced channels, as well as our suite of newsletters, allow us to reach a range of audiences, cultivate new supporters and create even more opportunities to interact with those who champion our product and industry.

eggcentricTV FRANÇAIS [SIGN-UP FOR EMAILS!](#)

We love eggs so much, we gave them their own network. Check out egg recipes and stories from around the world – all in one place. Brought to you by Egg Farmers of Canada.

RECIPES **GREAT CHEFS** **MEET THE FARMERS**

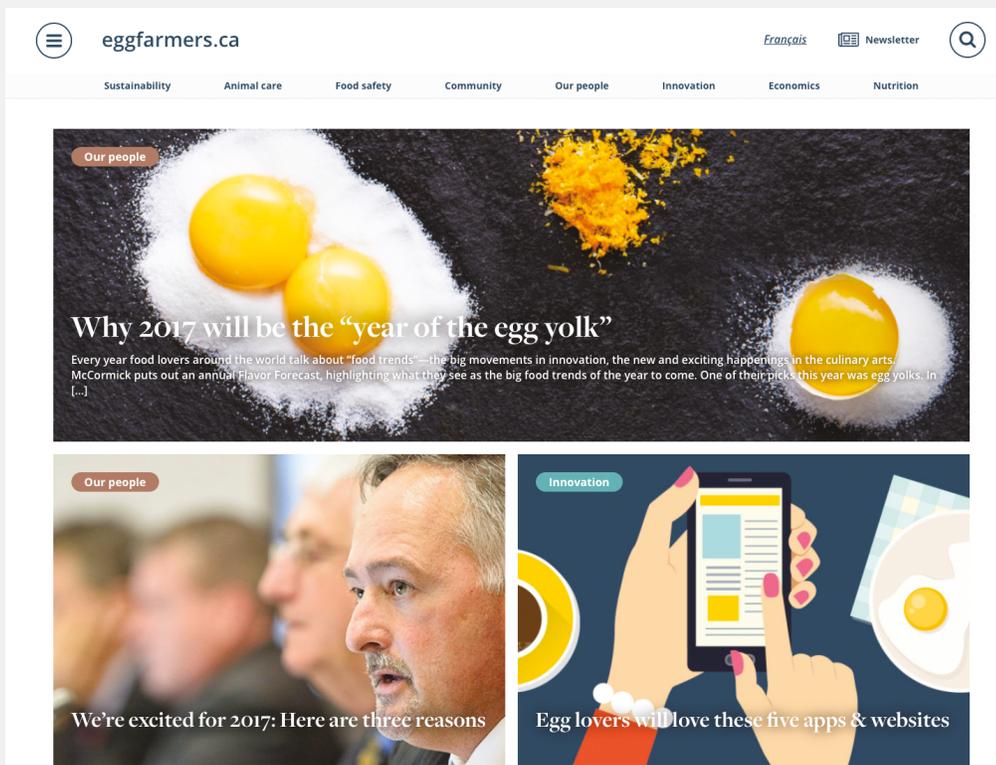
GIVING BACK **LE CANAL EN FRANÇAIS** **THE BENEDICTS**

Relaunch of eggfarmers.ca

Eggfarmers.ca, a website dedicated entirely to the breadth of industry news and topics, relaunched in September 2016. The modern design and easy to navigate structure supports new levels of storytelling, transparency and engagement with our audiences. New articles are published each week to discuss issues, insights and programs that are important to the farmers we represent. Enhanced features make it easier to share stories and view them on mobile devices. Our goal is that eggfarmers.ca becomes a branded and reputable news website—a powerhouse of information and knowledge that will support our business and industry realities.

Must read articles on eggfarmers.ca:

- Meet the farmers thriving through five generations of change
- Why 20 years? The realities of transitioning an agriculture supply chain
- The 5 things you find in enriched housing
- Building Canada through the Egg Economy
- Hen housing: What we learned from Europe and America



Shaping an industry through research and development

In 2016 we announced a new partnership with the University of British Columbia, establishing Dr. Nathan Pelletier as the industry's Research Chair in Sustainability. In his role, Dr. Pelletier is responsible for directing and managing a research program that relates to the sustainability of the Canadian egg industry. His work will include exploring best practices for sustainability measurement and management, life-cycle thinking and resource efficiencies for the egg industry.

Dr. Pelletier joins 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, in their pursuit of proactive research that promotes innovation within the industry based on the latest scientific research.

Research Chairs Network Day takes place in Ottawa

EFC's multidisciplinary group of Research Chairs, their students and colleagues gathered in Ottawa with members of EFC's Research Committee in November for EFC's inaugural Research Chairs Network Day. The event provided a unique opportunity to share the latest research findings and brainstorm new ideas for collaboration across disciplines to benefit the entire industry. This was an important opportunity for all participants to learn, engage and expand the scope of innovative, applicable research that can benefit the entire industry.



Dr. Bruce Muirhead
Public Policy Research
Chair at the University
of Waterloo

Dr. Nathan Pelletier
Research Chair in
Sustainability at
the University of
British Columbia

Dr. Tina Widowski
Poultry Welfare
Research Chair at the
University of Guelph

Dr. Maurice Doyon
Egg Industry Economic
Research Chair at
Université Laval

Research program contributes to long-term industry advancements

Each year EFC issues two calls for research funding applications, and a total of 23 letters of intent for funding were received in 2016. As a result, the Research Committee of the EFC Board of Directors awarded funding to 18 new research projects that align with priority themes, bringing the total amount of active research projects funded by EFC at universities across Canada to 29.

These projects cover a range of priority areas including animal care, human and hen health and nutrition, food safety, environment and sustainability, and non-food uses of eggs. Some of the projects that we are following along with great interest include the role egg whites can play in boosting heart health; rapid diagnostic tools for avian influenza detection; and the use of eggshell scaffolds for bone regeneration. This robust research program supports the discovery of science-based information that will shape the future of egg farming in Canada.

29 active research projects
funded by EFC

50 years growing, 50 years greening



A landmark study conducted by Global Ecologic Environmental Consulting and Management Services found that the environmental footprint of Canada's egg production supply chain declined by almost 50% during the period from 1962 to 2012, while egg production increased by 50%. The comprehensive study examined the Canadian egg supply chain's environmental footprint over the last 50 years. It found that the cradle-to-farm gate impacts for eggs produced in conventional housing systems were, on average, one-third of the estimated impacts of the industry in 1962.

The study revealed that environmental efficiencies are the results of a range of factors, including improved feed composition, improved animal health, better disease control and higher productivity in pullet and egg production. These results further our understanding of the link between environmental sustainability and egg production, helping the industry develop processes and technologies with sustainability in mind.

04

Organizational excellence

Comprehensive strategic planning process

The EFC Board of Directors discusses challenges within our industry and sets objectives during an annual strategic planning process. The process builds on a comprehensive environmental scan generated by egg board leadership and includes a detailed review of progress on a range of issues. This year the EFC Directors were joined by speakers who shared their perspective on the topic *Making sustainability real*. The outcome of the process was a comprehensive list of strategies under four Key Result Areas (KRA) that are central to EFC's mission and make up EFC's Business Plan.





Deepening our connection with our team

The EFC Board of Directors has championed a culture of continuous improvement and organizational excellence. Some notable accomplishments in 2016 included being one of the National Capital Region's Top Employers for the fourth consecutive year and being recognized by Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures.

Named a National Capital Region's Top Employers **4TH CONSECUTIVE YEAR**

A number of initiatives were launched in 2016 to further meet the needs of our staff including a comprehensive evaluation of job descriptions, specialized training opportunities and a new Employee Assistance Program. A cross-departmental and staff-led working group was also established to deliver recommendations for senior management to further engage our team in our mission and liaise with their colleagues moving forward. This engagement has helped build EFC's reputation as an employer of choice that maintains a progressive and forward-thinking culture. As a result, EFC benefits from a highly motivated and skilled team.





Fostering transparent, two-way communications

Transparency emerged as a significant theme in 2016 with a particular focus on open, two-way communications. Discussions and consultations throughout the year triggered a review of EFC's processes for sharing and distributing information. A number of practices were fine-tuned for greater levels of efficiency and new projects were launched to communicate more effectively with each other. This included a new hardcopy newsletter to farmers, a range of trainings and orientation sessions with egg board leadership and industry stakeholders, and online tools that centralize information and provide new ways to receive information from EFC.



Vision

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

Mission

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

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.



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

Fifty-three weeks ended December 31, 2016



**EGG FARMERS
OF CANADA**
Dedicated to Quality



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 31, 2016, the statements of operations, changes in fund balances and cash flows for the fifty-three 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 31, 2016 and its results of operations, changes in fund balances and its cash flows for the fifty-three weeks then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants
February 24, 2017
Ottawa, Canada

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

Statement of Financial Position

December 31, 2016, with comparative information for December 26, 2015

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2016 Total	2015 Total
Assets				
Current assets:				
Cash	\$ 8,940	\$ 1,411	\$ 10,351	\$ 15,159
Accounts receivable (note 3)	32,229	1,629	33,858	30,257
Inventory	560	–	560	352
Prepaid expenses	–	279	279	272
Investments (note 4)	19,515	5,350	24,865	39,155
	61,244	8,669	69,913	85,195
Capital assets (note 5)	58	4,557	4,615	4,837
	\$ 61,302	\$ 13,226	\$ 74,528	\$ 90,032
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities liabilities (note 6)	\$ 15,862	\$ 3,905	\$ 19,767	\$ 23,429
Current portion of long-term loan (note 7)	–	2,319	2,319	87
	15,862	6,224	22,086	23,516
Long-term loan (note 7)	–	–	–	2,319
Fund balances (note 8):				
Unrestricted	20,963	2,943	23,906	44,306
Internally restricted	24,477	4,059	28,536	19,891
	45,440	7,002	52,442	64,197
Commitments (note 9)				
	\$ 61,302	\$ 13,226	\$ 74,528	\$ 90,032

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-three weeks ended December 31, 2016, with comparative information for the fifty-two weeks ended December 26, 2015

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2016 Total	2015 Total
Revenue				
Egg sales	\$ 143,929	\$ -	\$ 143,929	\$ 128,804
Levy and service fees – unrestricted	116,649	18,869	135,518	150,546
Levy and service fees – internally restricted	12,375	1,543	13,918	6,786
PIF requirement	2,700	-	2,700	-
Interest and other – unrestricted	412	97	509	921
Interest and other – internally restricted	199	106	305	238
	276,264	20,615	296,879	287,295
Expenses				
Trade operations:				
Cost of eggs sold	271,964	-	271,964	259,822
Transportation and handling	7,396	-	7,396	6,196
Third party verification	1,252	-	1,252	1,390
	280,612	-	280,612	267,408
Advertising and promotion	-	8,244	8,244	8,465
Marketing and nutrition research	-	23	23	146
Donations	283	54	337	412
Interest on long-term loan	-	134	134	139
Meetings and travel	-	1,982	1,982	1,961
Office and other administrative	-	1,453	1,453	1,361
Per diems	-	613	613	609
Restricted (note 8)	2,931	2,647	5,578	2,066
Professional fees and consulting	188	1,129	1,317	901
Public affairs and communications	-	2,096	2,096	2,016
Salaries and benefits	-	5,812	5,812	5,656
Amortization of capital assets	82	351	433	481
Allocation of administration expenses (note 10)	3,212	(3,212)	-	-
	6,696	21,326	28,022	24,213
Total expenses	287,308	21,326	308,634	291,621
Deficiency of revenue over expenses	\$ (11,044)	\$ (711)	\$ (11,755)	\$ (4,326)

See accompanying notes to financial statements.

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

Statement of Changes in Fund Balances

Fifty-three weeks ended December 31, 2016, with comparative information for the fifty-two weeks ended December 26, 2015

(In thousands of dollars)

	Internally restricted				2016 Total
	Unrestricted	Risk Management	Service Fee	Research	
	(note 8)	(note 8)	(note 8)	(note 8)	
Pooled Income Fund					
Balance, beginning of period	\$ 41,650	\$ 9,344	\$ 5,490	\$ –	\$ 56,484
Excess (deficiency) of revenue over expenses	(20,687)	545	9,098	–	(11,044)
Balance, end of period	20,963	9,889	14,588	–	45,440
Administration Fund					
Balance, beginning of period	2,656	–	–	5,057	7,713
Excess (deficiency) of revenue over expenses	287	–	–	(998)	(711)
Balance, end of period	2,943	–	–	4,059	7,002
	\$ 23,906	\$ 9,889	\$ 14,588	\$ 4,059	\$ 52,442

	Internally restricted				2015 Total
	Unrestricted	Risk Management	Service Fee	Research	
	(note 8)	(note 8)	(note 8)	(note 8)	
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)
Balance, end of period	41,650	9,344	5,490	–	56,484
Administration Fund					
Balance, beginning of period	3,711	–	–	5,583	9,294
Deficiency of revenue over expenses	(1,055)	–	–	(526)	(1,581)
Balance, end of period	2,656	–	–	5,057	7,713
	\$ 44,306	\$ 9,344	\$ 5,490	\$ 5,057	\$ 64,197

See accompanying notes to financial statements.

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

Statement of Cash Flows

Fifty-three weeks ended December 31, 2016, with comparative information for the fifty-two weeks ended December 26, 2015

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2016 Total	2015 Total
Cash provided by (used in)				
Operating activities:				
Deficiency of revenue over expenses	\$ (11,044)	\$ (711)	\$ (11,755)	\$ (4,326)
Item not involving cash:				
Amortization of capital assets	82	351	433	481
Changes in non-cash operating working capital items	(6,915)	(563)	(7,478)	(6,927)
	(17,877)	(923)	(18,800)	(10,772)
Investing activities:				
Purchase of investments	(32,497)	(2,114)	(34,611)	(18,718)
Proceeds on disposal of investments	46,886	2,015	48,901	29,516
Purchase of capital assets	(19)	(192)	(211)	(191)
	14,370	(291)	14,079	10,607
Finance activities:				
Repayment of long-term loan	-	(87)	(87)	(82)
Decrease in cash	(3,507)	(1,301)	(4,808)	(247)
Cash, beginning of period	12,447	2,712	15,159	15,406
Cash, end of period	\$ 8,940	\$ 1,411	\$ 10,351	\$ 15,159

See accompanying notes to financial statements.

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

Notes to Financial Statements

Fifty-three weeks ended December 31, 2016

(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-three weeks ended December 31, 2016

(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 to 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-three weeks ended December 31, 2016

(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 period. 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 31, 2016	December 26, 2015
Levy and service fees	\$ 19,947	\$ 14,254
Egg sales	13,524	15,327
Other	387	676
	\$ 33,858	\$ 30,257

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

Notes to Financial Statements (continued)

Fifty-three weeks ended December 31, 2016

(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 73% (December 26, 2015 – 64%) of eggs sales revenue; 30% (December 26, 2015 – 29%) of accounts receivable are owing from these customers.

4. Investments

	December 31, 2016	December 26, 2015
Cash	\$ 119	\$ 89
Guaranteed investment certificates	24,746	39,066
	\$ 24,865	\$ 39,155

Guaranteed investment certificates bear interest at fixed rates ranging from 1.35% to 2.11% and mature between 2017 and 2018 (December 26, 2015 – 1.25% to 2.11%; maturing between 2016 and 2018).

5. Capital assets

	December 31, 2016		December 26, 2015	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 416	\$ –	\$ 416	\$ 416
Buildings	4,736	970	3,766	3,883
Office equipment	446	408	38	63
Computer hardware and software	2,940	2,582	358	402
Leasehold improvements	134	134	–	–
Corporate identity	345	308	37	73
	\$ 9,017	\$ 4,402	\$ 4,615	\$ 4,837

Cost and accumulated amortization at December 26, 2015 amounted to \$8,806 and \$3,969, respectively.

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

Notes to Financial Statements (continued)

Fifty-three weeks ended December 31, 2016

(Amounts in thousands of dollars unless otherwise noted)

6. Accounts payable and accrued liabilities

Government remittances (sales and payroll withholding taxes) of \$1,130 (December 26, 2015 – \$863) 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 \$4,182 (December 26, 2015 – \$4,299). All owners of the properties are jointly and severally liable for the total amount outstanding of the loan, \$5,138 as at December 31, 2016 (December 26, 2015 – \$5,331), should an owner default on payment.

Future payments of the loan are as follows:

	Principal	Interest	Total
Period ending:			
December 30, 2017	\$ 2,319	\$ 1,209	\$ 3,528
Less: current portion	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 31, 2016, loans under this facility were \$Nil (December 26, 2015 – \$Nil).

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

Notes to Financial Statements (continued)

Fifty-three weeks ended December 31, 2016

(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 25.75 cents effective May 17, 2015 until January 23, 2016. Effective January 24, 2016, the levy rate per dozen eggs marketed was set at 18.75 cents until August 13, 2016. Effective August 14, 2016, the levy rate per dozen eggs marketed was set at 25.75 cents. In fiscal year 2017, effective January 30, 2017, the levy rate per dozen eggs marketed was set at 33.75 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.

Should balances fall outside these ranges, EFC could adjust the levy rate on a prospective basis. The fund balances at December 31, 2016 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-three weeks ended December 31, 2016

(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 2017 for an amount of \$5,805 (December 26, 2015 – \$6,681).

\$2,180 (December 26, 2015 – \$2,680) 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 31, 2016	December 26, 2015
Building costs	\$ 91	\$ 91
Insurance	44	41
Meetings and travel	402	386
Office and other administrative	623	380
Per diems	80	94
Professional fees and consulting	36	38
Salaries and benefits	1,831	1,733
Amortization of capital assets	105	104
	\$ 3,212	\$ 2,867

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-three weeks ended December 31, 2016

(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 period-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 2015.

12. High Low Price (HLP) Agreement

Due to volatility of the base component for processor pricing during the period, the pricing calculation on eggs sold to processors was amended. Beginning in May 2015, 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 31, 2016, the TDB is \$4,202 (December 26, 2015 – \$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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