



CELEBRATING DOZENS OF ACHIEVEMENTS



**EGG FARMERS
OF CANADA**
Dedicated to Quality

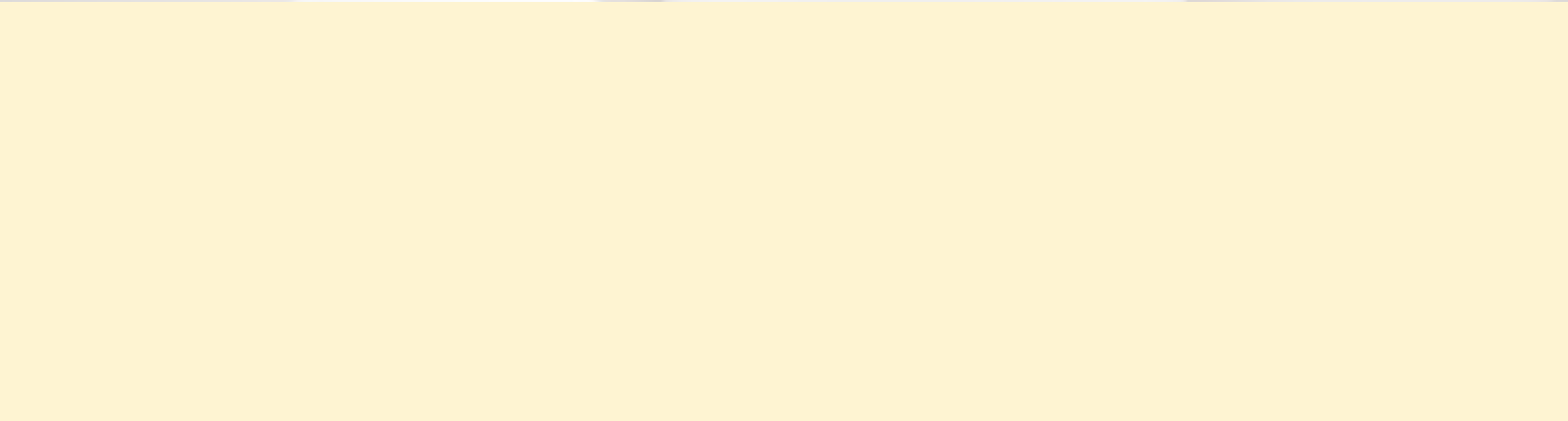


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39th Annual Report of Egg Farmers of Canada for presentation March 21, 2012 at the 39th annual meeting and to the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, and to the Farm Products Council of Canada.



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Message from the Chair



This being my inaugural annual report message as Chair, I would first like to express how honoured I am to have been elected to lead Egg Farmers of Canada (EFC). I consider it a great privilege to lead and I will continue to do my utmost in this capacity to carry out my responsibilities and maintain your confidence.

My first year on the job has been both busy and productive. Along with a steady stream of Board and Executive Committee meetings, there have been some undeniable highlights. Early in my tenure, I found it rewarding and enlightening to visit each of the provinces with our CEO, Tim Lambert, to meet with provincial egg boards, executive members and supervisory board representatives. It's something I intend to continue. In May, I proudly oversaw the formation of our new Research Chair in Poultry Welfare headed by Dr. Tina Widowski. A month later, I was standing shoulder-to-shoulder with farm leaders from around the world to sign the *Call for Coherence*. As I've been settling into my new role, I have truly appreciated all the support and expertise from staff at EFC and in the provinces. I'm also pleased with the way our Directors have dealt with some fairly significant challenges. They bring so much experience to the Board table. Moreover, they have made decisions which have brought positive change to our industry.

We owe it to all Canadians, industry stakeholders and the next generation of egg farmers to operate our businesses in a sustainable, socially responsible manner. This means striving for and achieving excellence in all that we do, especially our on-farm food safety and animal care programs. There's no question we're proud of our role as responsible stewards of our flocks, which produce a healthy, nutritious source of protein.

Likewise, we're proud of our sponsorship of the CIBC Run for the Cure, our significant investment in annual research funding, and our new national standards for hen and egg traceability. But what I find most encouraging is that we're doing a better job than ever before of talking about what we do and about our values as farmers. In my opinion, nowhere is this passion more evident than in the YouTube videos about egg farming we made this past year. I invite you to view these videos, featuring George MacLeod, Gilles Maguet and Gislain Houle, in our *Farmers and Farming* section under *How We Farm* at eggs.ca.

On hen housing, we've been keeping our fingers on the pulse of what's going on in the United States where there is a possible move toward legislation to phase out conventional cages in favour of enriched housing, and in Europe, where about half the EU member states are observing a cage ban that came into effect in January 2012.

FEBRUARY 1, 2011

**EFC approves funding for the
Canadian Livestock Transport
Training Program**



**EFC updates
Start Clean-
Stay Clean™
on-farm food
safety program**



We owe it to all Canadians, industry stakeholders and the next generation of egg farmers to operate our businesses in a sustainable, socially responsible manner.

We recognize production practices are always evolving and people are trying new ways of doing things. We also have to be mindful of consumer demand and what consumers are telling us. This past year the Board approved an *Interim Policy for Enriched Housing* and we also indicated to National Farm Animal Care Council our desire to review and update the *Code of Practice*. Going forward, our Research Chair in Poultry Welfare at the Ontario Agricultural College and our new Animal Care and Welfare Advisory Panel will continue to examine alternative housing and other pertinent matters involving animal welfare. In the meantime, I will carry on communicating directly with egg farmers so they can make decisions based on the latest information available.

One particularly bright spot this past year has been the federal government's continued public support for supply management. I want to thank our Agriculture and Agri-Food Minister, Gerry Ritz, and the Minister for International Trade and the Asia-Pacific Gateway, Ed Fast, for their strong advocacy of Canada's poultry and dairy industries. We also saw solid support from provincial agricultural ministers in Alberta and Saskatchewan, after certain media outlets called on the government to change its position on supply management when Canada signaled its intent to join the Trans-Pacific Partnership. In addition, EFC signed the *Call for Coherence* to remind countries that agriculture is a unique sector and that existing international agreements must be respected as new ones are drawn up. I was also pleased to host another successful Parliament Hill breakfast with MPs and Senators as our guests. Going forward, EFC staff will continue to monitor all trade negotiations in which Canada is a participant. Meanwhile, egg farmers should also try and meet with their elected representatives whenever possible to highlight the many benefits of supply management.

All in all, 2011 was a good year for egg farmers. Minister Ritz increased compensation maximums for farmers whose flocks are ordered destroyed by government due to disease under the *Health of Animals Act*. We rolled out the Canadian Egg Industry Reciprocal Alliance, which offers *Salmonella enteritidis* coverage to anyone in the supply chain who qualifies. We also surpassed our consumption goals with a 1.7% increase in total egg sales at retail thanks to great promotions and good press.

Looking to the future, we recognize that everything about our industry will continue to evolve, from food safety, traceability and animal care, to consumer demand and the environment. As your Chair, I will ensure the Board deals with these and other key issues in a proactive and constructive manner. I will also be making every effort to preserve the pillars of national egg supply management and ask that you do the same.

In closing, I want to recognize the people who've made my first term as Chair such a rewarding experience: Tim Lambert and everyone at EFC, Directors, provincial egg board staff and my colleagues in other supply management sectors. Not least, I thank my family and all of our families, who allow us to be away from home on a regular basis so we may continue this important work of strengthening a great Canadian industry.



Egg Farmers of Canada Chair Peter Clarke addresses MPs, Senators and egg industry representatives at EFC's annual Parliament Hill breakfast in Ottawa on September 29, 2011.

Peter Clarke
Chair

EFC increases Food Banks Canada shell egg donations to 93,000 dozen eggs



Message from the Chief Executive Officer



**Integrity.
Passion.
Innovation.**

In these three words, we have a snapshot of the people who've dedicated their lives to building a world-class industry. Indeed there is an understanding that actions must be consistent with values, beliefs and principles. We're passionate about what we do and we're passionate about our product. As we enter 2012 and celebrate the 40th anniversary of national egg supply management, we must continue to work hard today while keeping a watchful eye on tomorrow.

BOARD OF DIRECTORS

GLEN JENNINGS
Nova Scotia

PETER CLARKE
Chair

MIKE VANDERPOL
*Canadian Poultry and Egg
Processors Council - processors*

ROBERT SIXTY
*Consumers' Association
of Canada*

SCOTT BROOKSHAW
*Canadian Poultry and Egg
Processors Council - graders*

JOEY SMALLWOOD
*Newfoundland and
Labrador*

ANDREW CASSIDY
Northwest Territories

LEITH MURRAY
Prince Edward Island



FEBRUARY 4, 2011

EFC confirms **16 metric tonnes of dry powdered egg** will be shipped to developing nations through the **Canadian Food for Children** program



Our farmers, Directors and staff at the national and provincial levels work together towards common goals just as our forefathers did in establishing supply management. When I see so many people working together, I'm reminded why egg supply management is worth defending and something to be proud of. I'm reminded why we're making every effort to maintain the trust of stakeholders. It's why we're continuing to fine-tune our business planning process, enhance governance and streamline the Industrial Products Program.

I'd like to recognize the contributions Peter Clarke has made since his election as Chair in March. The transition process has been quite seamless thanks to Peter's familiarity with the responsibilities and expectations that go along with being the Chair of Egg Farmers of Canada. Peter has emphasized the need to continually enhance governance at the Board level. He has also met frequently with industry stakeholders in every province to hear about issues and concerns, which speaks to his strength as a communicator. Peter has made a positive impact in his first year as Chair, and I am confident his steady leadership will continue to produce the kinds of outcomes all stakeholders desire to see—including a resolution with the processors on the best way to share costs.

As an industry, we continue to build on our social license to operate by going above and beyond society's expectations. Egg farmers have long been active in this respect, whether through building innovative programs such as our traceability initiative, our support for food banks or our stewardship of the environment. We've had a lot of discussion internally and consulted with provincial boards to understand what social responsibility means for farmers and the entire egg industry. We've stressed the importance of citizenship and leadership, and the fact it's our responsibility to maintain our farms according to the criteria of our animal care and food safety programs. This philosophy of doing the right thing will become even more embedded in our business culture going forward. In this report, I invite you to read about three EFC Directors who are adopting newer technologies in an effort to lighten their own environmental footprints.

Looking back at 2011, there is much to reflect upon and celebrate. First, the federal government approved amendments to the Compensation for Destroyed Animals Regulations under the *Health of Animals Act*, thus ensuring farmers increased maximums for hens ordered destroyed by the federal government due to disease. We appreciate the efforts of Minister of Agriculture and Agri-Food Gerry Ritz and his staff who

Not Pictured:
ANDREW WIPF
Alberta

ERIC STEJSKAL
Canadian Poultry and
Egg Processors Council -
hatcheries

FRED KRAHN
British Columbia

TIM LAMBERT
Chief Executive Officer

STAN FEHR
Saskatchewan

SERGE LEFEBVRE
Quebec

GEORGE MACLEOD
New Brunswick

HUBERT SCHILLINGS
Ontario

KURT SIEMENS
Manitoba



FEBRUARY 24, 2011

Saskatchewan Egg
Producers introduces
**School Egg Cooker
Program** for Grade 4
students in Regina



championed this regulatory change. Another big achievement for the entire egg industry was the October launch of the Canadian Egg Industry Reciprocal Alliance (CEIRA), a new *Salmonella* enteritidis (SE) reciprocal insurance program accessible to all in the egg industry supply chain. CEIRA and the adoption of new SE sampling protocols were the direct result of strong collaboration among provincial boards, EFC staff and other key stakeholders.

While all of this was ongoing, we attained 1.7% growth in total egg sales—surpassing our 2011 goal of 1.5%. For a mature staple like eggs, six consecutive years of growth is a great achievement. We can point to strong marketing campaigns and promotions that continue to resonate with consumers and a Physicians Education Program that is successfully delivering the message that eggs are a healthy choice for individuals with cholesterol concerns. Our first year as full Official Nutrition Partner of the Canadian Breast Cancer Foundation CIBC Run for the Cure was also a rousing success.

National hen and egg traceability is another prime example of how we are serving the public good. In early 2012, the Board of Directors approved a voluntary standard to guide egg farmers, pullet growers and hatchery operators on implementing traceability in their own businesses and throughout the supply chain. The standard was the result of many months' work and perfectly illustrates the benefits of strong collaboration across our industry.

On research and innovation, we realize that prospects for future growth will come from the investments we make today. Our expanding Research Chairs program is making it possible to target projects that address long-term risks and opportunities as identified in the 2012-15 Business Plan. This past year, we established a Research Chair on Poultry Welfare headed by Dr. Tina Widowski at the University of Guelph. Dr. Widowski also agreed to chair our Animal Care and Welfare Advisory Panel which meets regularly to advise EFC on housing and other production matters affecting welfare.

In this, our 40th year of national egg supply management, there is much to celebrate.

In this, our 40th year of national egg supply management, there is much to celebrate. We've seen unparalleled support for supply management from our elected officials and enhanced communication with government on imports. The 2009 Cost of Production survey results and updating methodologies were successfully implemented across the country. We're seeing strong collaboration across the industry continuing to play a critical role in our ability to make progress on key files: research, traceability, marketing, compensation, SE insurance and more. Of particular note, we witnessed with great pride the much-deserved induction of our past Chair, Laurent Souigny, into the Canadian Agriculture Hall of Fame—a first for an EFC Chair.

In closing, I thank Peter for his wise counsel and insight and commend EFC Directors and our national supply management colleagues for their efforts to strengthen the foundations of supply management. At the same time, I appreciate what egg farmers across Canada are doing to better their industry and their community, and I recognize the contributions EFC and provincial egg board staff are making to build upon our achievements. Here's to another 40 years of success!



Tim Lambert
Chief Executive Officer

MARCH 23, 2011

EFC sponsors the
Canadian Federation of Agriculture's
development of a **National Food Strategy**



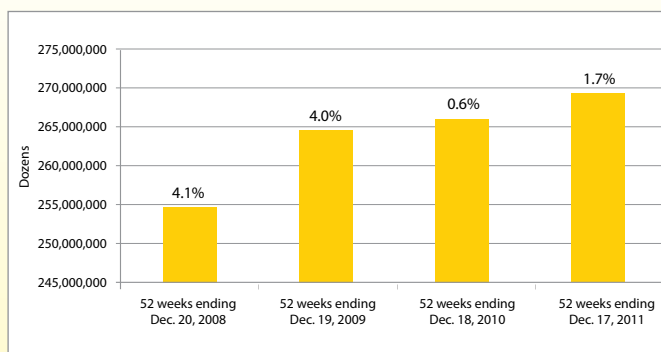
Changing Consumer Demands & Sustainability of the Industry

Egg Farmers of Canada (EFC) takes great pride in providing consumers with eggs that are local, nutritious, safe and affordable. We are also motivated by our desire to build a successful and sustainable egg industry under supply management for future generations. Overall, we did very well in 2011 promoting the benefits of eating eggs to consumers through our cholesterol-concerned and healthy energy strategies, as well as through effective sponsorships, partnerships and social media outreach. EFC also carried out a number of initiatives to enhance supply chain efficiency, reduce reliance on levy and improve forecasting—all toward the goal of ensuring the long-term sustainability of our industry.

On the marketing side, one of our big achievements this past year was the continuing increase in retail sales. Nielsen data show that we surpassed the objective of 1.5% growth in total egg sales by achieving a 1.7% increase, and this despite a jump in retail egg prices. If anything, the data indicate that budget-conscious consumers continue to regard eggs as good value for the protein, nine essential amino acids, vitamins and minerals they provide. The majority of provinces showed growth in total egg sales with total regular eggs selling at an average retail price of \$2.85 per dozen.

The most significant aspect of the 2011 marketing and nutrition plan was undoubtedly our cholesterol-concerned strategy. Across Canada, EFC's Physicians Education Program outreach team visited with general practitioners to share the latest research on eggs and cholesterol, reminding them that an egg a day is okay for their high cholesterol patients. According to our most recent data, just 38% of physicians are telling their patients to limit their egg consumption—down from 65% in 2007. In addition, physicians are now telling their patients they can eat four eggs per week on average, up from three eggs in 2007. We also learned from direct research with cholesterol-concerned consumers that four out of ten are still limiting egg consumption, down

Retail Egg Sales Increased in 2011



Source: Nielsen MarketTrack, Total Eggs - National
52-week periods ending December 17, 2011

MARCH 28, 2011

EFC presents Education Award to **three-time Postmedia Canspell Spelling Bee champion Laura Newcombe**



Federal Quota Allocation (dozens)

Province	2012 Allocation	2011 Allocation ^{1,2}	2010 Allocation ³
BC	70,463,923	71,818,998	68,577,486
AB	51,748,982	52,744,155	49,936,179
NT	3,028,098	3,086,331	2,956,504
SK	26,069,622	26,570,961	25,335,571
MB	60,918,057	62,089,558	59,530,145
ON	214,239,972	218,359,971	208,980,817
QC	107,820,033	109,893,495	103,959,899
NB	11,936,459	12,166,006	11,633,654
NS	20,899,265	21,301,174	20,426,995
PE	3,461,681	3,528,252	3,382,357
NL	9,279,196	9,457,642	9,061,041
Total	579,865,288	591,016,543	563,780,648

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

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

³ The 2010 allocation reflects the actual, total production permitted by the quota orders issued during that year.

Eggs for Processing (EFP) Quota (dozens)

Province	2012 Allocation	2011 Allocation ^{1,2}	2010 Allocation
BC	2,544,000	2,592,923	2,499,000
AB	636,000	648,231	624,750
NT			
SK	5,088,000	5,185,846	4,998,000
MB	10,176,000	10,371,692	9,996,000
ON	17,808,000	18,150,462	17,493,000
QC	2,544,000	2,592,923	2,499,000
NB			
NS			
PE			
NL			
Total	38,796,000	39,542,077	38,109,750

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

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

from 51% in 2008. To reach this demographic, we placed online ads on targeted websites and print ads in magazines such as *Zoomer* and *Best Health*.

In addition, some provinces have been using their provincial innovation funding to expand the reach of the Physicians Education Program. EFC has also recruited three health experts to support the Program and speak publicly whenever misinformation about eggs and cholesterol requires clarification. In total, EFC reached 4,000 physicians by year's end. Since 2009, we have spoken with approximately 10,500 physicians as we work toward our goal of reaching 15,000 by the end of 2012. Next year, the outreach team will be promoting the cardiovascular benefits of Omega 3 eggs to doctors as part of a pilot project in Atlantic Canada.

Television played a significant role in our healthy energy strategy in 2011. In the spring, we ran two 30-second ads as part of our *Big Tasks* campaign that scored well in research. The ads, *Balloon/Surprise* and *Abtastic*, performed as well as or even better than our previous ads with respect to aided recall, appeal and relevance. When asked, consumers had no difficulty citing energy in eggs as the main message. In the fall, we made some minor modifications designed to improve branding and returned to television for the second wave of our *Big Tasks* campaign.

The healthy energy strategy also featured several significant partnerships that helped to increase our visibility across the country. First, we proudly served as the Official Nutrition Partner of the Canadian Breast Cancer Foundation CIBC Run for the Cure at 60 sites from coast to coast. This was our first year as a national sponsor for a great cause which raises much-needed funding for breast cancer research. On the day of the event, volunteers in yellow *Get Cracking*® t-shirts led the warm-up at all sites and provincial egg board staff were also present at many of the locations. What's more, we partnered with the Running Room® for the third consecutive year. Not only were their members spreading the message of eggs for energy at many of the Run for the Cure sites, but provincial egg boards were able to staff egg information booths at

MAY 12, 2011

EFC announces new **Research Chair in Poultry Welfare** at the University of Guelph's Ontario Agricultural College



Dr. Tina Widowski
Research Chair in Poultry Welfare

Television played a significant role in our healthy energy strategy in 2011.



Running Room®-sponsored marathons in British Columbia, Ontario, Prince Edward Island and Nova Scotia. In the lead-up to the Run for the Cure, EFC ran a national promotion in the form of an online contest. To raise awareness of the promotion, we published ads in newspapers and online. In total, about 75,000 contest entries were received and retail sales grew 0.5% during this period.

Besides our involvement with Run for the Cure, we were a proud three-time sponsor of the annual Postmedia Canspell Spelling Bee. The national champ and all regional winners won Smart Egg education awards from EFC. In addition, we again supported *La dictée P.G.L.*, a French-language dictation program aimed at improving the quality of children's written French. *La dictée* is dedicated to youth education and adult literacy in developing countries and introduces participants to the world through classroom activities.

Throughout the year, we maintained and regularly updated our eggs.ca Web site, Facebook pages, YouTube channels and Twitter feed. At last count, EFC's *Get Cracking*® Facebook page had nearly 23,000 fans with the *J'craque pour toi mon coco!*® page boasting nearly 7,000. These numbers continue to grow because we post content daily and engage with our fans. We also launched an official Egg Timer App for iPhone and Android smartphones filled with useful tips, how-to videos and recipes that was downloaded more than 125,000 times. As well, EFC produced two recipe booklets and partnered with the Heart and Stroke Foundation on a calendar featuring cookbook author Anne Lindsay. Our very own Anne Lindsay recipe booklet will be available early in 2012. Next, we produced a classic dessert booklet with a digital component featuring how-to videos on our official *Get Cracking*® YouTube

channel. We also reviewed existing recipes at eggs.ca to see whether certain ingredients could be replaced with healthier choices.

Finally, as we do most years, EFC conducted a Usage and Attitude study to determine whether trends and consumer preferences are shifting. This time, 74% of respondents told us they believe eggs are a great source of energy, up from 30% in 2005. What's more, 85% of consumers feel that eggs are an excellent source of protein, and 87% responded that protein provides energy. Although it is not currently possible to advertise eggs as a source of energy in Canada due to the technical matter of a single serving of one egg not containing enough calories to make this claim, consumers are readily making the association on their own. With *Canada's Food Guide* recommending two eggs as a single serving, we will continue inquiring with Health Canada about changing the reference amount for a single serving from one to two eggs.

The Balloon/Surprise television ad performed as well as or better than our previous ads with respect to aided recall, appeal and relevance. Consumers had no difficulty citing energy in eggs as the main message.

Egg Farmers of Canada congratulates the winners of the La dictée P.G.L. Grande Finale internationale 2011 dictation competition: French immersion category, Mame Bousso Diop (far left); French school category Victoria Lefebvre-Labrosse (fourth from right).



JUNE 20, 2011

EFC Chair Peter Clarke signs the **Call for Coherence** in Brussels alongside agriculture leaders representing millions of farmers in 66 countries





While the marketing and promotion of eggs remains a key focus, another equally important function is our management of the Industrial Products Program (IPP). It is through the IPP that EFC manages egg sales to processors, which have been rising steadily over the years. Roughly 27% of all domestic production is absorbed by the Canadian processing industry. As we continue to work toward a long-term resolution with the processors, there is an understanding that we are all beneficiaries of the current system and that its costs need to be shared. Besides these ongoing negotiations, EFC began work on an IP framework to document free run, free range and other specialty eggs bound for the processor market. Owing to an investment in new computing tools, EFC can now use data gathered by its Field Operations team to better identify the flow of production nationally.

Meanwhile, efforts to further streamline the IP verification process have led to new developments for our Industrial Product Release Tracking (IPRT) system. This real-time inventory and tracking tool gathers valuable data to support business processes, communications and product security. Working in tandem with EFC's Web-based report server, the IPRT system has enabled us to expand reporting services to industry partners. Both of these components have added value to our investment in third-party verification resources.

Canadian Apparent Per Capita Disappearance of Eggs and Egg Products

Year	Dozens per capita		
	Total	Shell	Processed
2001	15.9	12.2	3.7
2002 ¹	15.7	11.6	4.0
2003 ¹	15.9	12.1	3.9
2004	15.3	11.8	3.5
2005	15.7	11.7	4.0
2006	16.2	11.8	4.4
2007	15.5	11.7	3.8
2008 ¹	16.2	12.1	4.2
2009	16.1	12.2	3.9
2010	16.3	11.9	4.4

Sources: Statistics Canada - Total per capita egg disappearance. Shell / Processed split estimated by EFC based on Statistics Canada and AAFC data.

Notes: ¹Discrepancy due to rounding.

EFC also moved forward with a third and final regional transport study this past year in order to realize additional efficiencies in the IP supply chain and reduce reliance on levy. This time, our focus was in Central Canada, specifically the shipping routes in Ontario and Quebec. At the time of writing this report, bidding on contracts by third-party carriers was fully underway with an implementation schedule on track for the first quarter of 2012. We anticipate a mix of grader and third-party carriers to handle IP transport in this region. EFC has also worked to introduce humidity-controlled vehicles to help mitigate the risk of mould where applicable.

In 2011, EFC purchased new software to strengthen our general supply and demand forecasting capabilities. This will be of particular value in placing production to meet demand. While we have been able to forecast egg supply and demand with varying degrees of success for some time now, these additional business intelligence tools improve our ability to filter information more efficiently. For example, it is now possible to make flock reports available as spreadsheets through Internet-based Web browsing. These innovations were particularly useful in preparing the Semi-Annual Review of Egg Supply and Demand, which was presented to the Board of Directors in July.



(Top) EFC's Anne Lindsay recipe booklet will be available in early 2012; (middle) our Celebrate with Eggs dessert booklet; (left) the official Egg Timer App that was downloaded more than 125,000 times.

JULY 4, 2011

Manitoba Egg Farmers donates to **Agape Table**, a community nutrition centre serving free hot meals to people in Winnipeg



Owing to an investment in new computing tools, EFC can now use data gathered by its Field Operations team to better identify the flow of production nationally.

On producer pricing, a key pillar of supply management, the 2009 Cost of Production (COP) survey results and updating methodologies were implemented in January 2011 after being approved by the Board in late 2010. Provincial administration and EFC levies were updated that same month as well. In addition, the COP Committee approved changes to the Northwest Territories COP updating methodology to align it with that used by the provinces. These actions were taken to continue to ensure a fair return for all farmers.

At a glance, our approach to maximizing consumption and reinforcing sustainability is serving the industry well as we position egg supply management for the future. Looking forward, EFC will continue to combine effective growth strategies, promotions and partnerships with activities that make the most effective use of available resources to the benefit of all stakeholders.

Glen Jennings



"I always knew turbines would work here—you lose your hat when you go outside," says Glen Jennings, EFC

Director and a fourth generation egg farmer in Masstown, Nova Scotia. Glen is taking full advantage of the windy conditions on the Bay of Fundy to reduce his impact on the environment, producing a niche product in the process. He uses three wind turbines at Bayview Poultry Farms to power his laying barn, pullet barn, egg grading station and cooler. On a good windy day, the turbines generate enough energy to allow Glen to sell excess electricity back into the grid. If the weather is calm, he can use banked credits to offset his hydro costs.

"The provincial government offered grants for renewable energy, and the return on investment is pretty good," Glen explains. "Since we put up our first turbine in 2007, ten more have sprung up on other farms in the region. I'm working with a local grader and retailer to market *Eco Friendly* eggs produced with wind power. Consumers are happy to know they're helping to reduce their own carbon footprint, and I'm happy to be able to look into my kid's eyes and tell him what I've done to make this spot a better place."



JULY 5, 2011

EFC approves vaccine egg quota
allocation of 635,040 hens
(13,335,840 dozen eggs)
for annual flu vaccine production

Social Responsibility

Egg farmers have always placed a high premium on contributing to Canadian society. From the moment we decided to work collectively under national egg supply management in the early 1970s, we have been striving continuously to improve on every aspect of what we do, whether in food safety, caring for our flocks, protecting the environment or giving back to the communities in which we live. We understand how important it is to be good at what we do. We have also come to recognize the need to speak passionately about what we do in a way that resonates with Canadians. Egg farmers take these responsibilities seriously not because it is fashionable or expected, but because it is the right thing to do.

We concentrated this past year on further defining our own values, ensuring regional nuances were captured in our national activities, and improving our own understanding of the philosophical and cultural principles of social responsibility. As part of our annual strategic planning session, we reviewed EFC's mission, vision and values, and learned that egg farmers and the staff who support them appreciate family, integrity and honesty—ideals that align with mainstream Canadian society. We also identified a few guiding principles, namely that we care about Canadians, we want to continue honouring our social license, we want to improve lives in our communities and we want to continue taking action to protect human health and the environment. This exercise was instrumental in helping develop a framework from which we can identify initiatives to support now and in

the future. Directors also participated in annual governance training to better understand their roles and responsibilities as members of the EFC Board.

Egg Farmers of Canada prides itself on being a great place to work. In a national survey this past year, our employees ranked EFC in the top 7% of Canadian companies. 87% of our staff pursued professional development while 81% of our Ottawa-based employees were engaged in French training. Further, we developed charitable contribution guidelines and corporate sponsorship and promotional item guidelines to provide direction on eligibility criteria and approvals. We continue to make great strides in fostering a culture of caring that is producing positive results. For instance, employees taking part in EFC's annual Staff Day donated time, food, snowsuits and monetary gifts to a diverse range of charitable organizations throughout the Ottawa area.

This past year, we served as Official Nutrition Partner of the CIBC Run for the Cure to help raise money for the Canadian Breast Cancer Foundation. We were also proud to promote excellence in education by supporting the Postmedia Canspell Spelling Bee and *La dictée P.G.L.* We worked with our provincial egg board partners to supply Food Banks Canada with more than one million fresh shell eggs and provided Canadian Food for Children with 16 metric tonnes of dry powdered egg for shipment to developing countries. Further, EFC provided funding over three years

JULY 12, 2011

EFC convenes inaugural meeting of **Animal Care and Welfare Advisory Panel**



We have been striving continuously to improve on every aspect of what we do, whether in food safety, caring for our flocks, protecting the environment or giving back to the communities in which we live.

to the Forum for Young Canadians, a program that fosters leadership skills in young people by immersing them for a week in federal politics.

Besides these activities in our communities and abroad, our commitment to doing the right thing in the Canadian egg industry extends to national traceability, research into alternative housing and human nutrition, and enhancing food safety. On egg and hen traceability, EFC's Board of Directors approved voluntary standards following the completion of four concept trials to gather data at grading stations in Atlantic and Western Canada. In 2009, national and provincial ministers of agriculture made livestock traceability a priority. The Canadian egg industry is going a step further to ensure we can trace eggs as well as hens up and down the supply chain in the unlikely event of a human health or animal health concern. To arrive here, EFC staff joined working groups featuring representation from provincial egg boards, hatcheries, graders and processors to study premises identification, risk management, quality management, egg track and trace, hen track and trace, and communications. With the voluntary standard complete, EFC is well ahead in meeting federal and provincial traceability performance targets. In the meantime, we will continue working closely with Agriculture and Agri-Food Canada (AAFC) as we approach the implementation phase.

Another key initiative this past year was our completion of national *Salmonella* enteritidis (SE) sampling protocols. These were adopted in November following a thorough analysis by EFC's Production Management Committee and various stakeholders. In brief, the protocols are guidelines for SE testing which address when, where, why and how often a laying and pullet-rearing facility should be tested. They also describe procedures



to be followed in the event of a positive SE finding, and include guidelines for post-positive and further surveillance. The protocol procedures are now part of EFC's Start Clean-Stay Clean™ pullet and layer on-farm food safety programs as well as the Canadian Egg Industry Reciprocal Alliance (CEIRA). Our new national SE reciprocal insurance is accessible to all in the supply chain from breeders to egg farmers. Finally, we began consultations with AAFC and the Canadian Food Inspection Agency on SE testing procedures for supply flocks after asking to join a government-industry working group.

A number of EFC staff members, their family and friends proudly took part in the Canadian Breast Cancer Foundation CIBC Run for the Cure event in Ottawa on October 2, 2011.

EFC is a proud member of the International Egg Commission (IEC), an organization which speaks as one voice on behalf of egg industries in about 55 countries. Serving on the IEC executive and as chair of the Animal Welfare Working Group on behalf of EFC, CEO Tim Lambert has been instrumental in refining the IEC's awards

JULY 30, 2011

EFC sponsors the **2011 Food Day Canada Award** to honour the chef who makes the **Best Brunch in Canada** featuring Canada Grade A fresh shell eggs

Paul Stewart, Executive Chef
Harbour House Hotel, Restaurant & Organic Farm
Salt Spring Island, British Columbia



program to recognize excellence in the realm of social responsibility. EFC has also been supporting IEC Scientific Advisor Dr. Vincent Guyonnet's involvement in carbon footprint research at the United Nations' Food and Agriculture Organization. In addition, Mr. Lambert participated in the Consumer Goods Forum Global Summit in Barcelona, an event attended by many chief executives of the world's major food-producing companies where presenters shared the view that social responsibility and sustainable practices are driving change throughout product supply chains worldwide.

As regulated egg farmers, we are proud of our role as responsible stewards of our flocks. Each and every day, we check on our hens to ensure they have access to nutritious feed and fresh water in a well-ventilated laying environment. Regardless of the type of hen housing a farmer chooses, sound management is essential. That said, we are aware that production practices are in a constant state of evolution. Consequently, we monitor global trends and developments and fund domestic research to increase our knowledge of animal welfare. In fact, this past year EFC was pleased to support the work of the scientific community by funding a new Research Chair in Poultry Welfare at the University of Guelph to study hen housing and husbandry.

At the same time, we convened an Animal Care and Welfare Advisory Panel comprised of five scientific experts and two farmer representatives tasked with making recommendations on technical questions submitted by EFC's Production Management Committee. This is significant in light of recent events abroad, specifically the European Union cage ban that came into effect on January 1, 2012 and an agreement this past July between United Egg Producers and the Humane Society of the United States to lobby U.S. Congress for legislation phasing out conventional housing in favour of enriched cages. We are also members of the U.S.-based Coalition for a Sustainable Egg Supply, through which we keep abreast of welfare research in the United States and policy development within the U.S. government.

In a related matter, EFC adopted an interim policy on enriched housing in consultation with provincial and territorial egg boards which adopts the European specification of 116.25 square inches of floor space per hen with a minimum of 93 square inches of usable space, excluding the nest box. Further, we indicated to the National Farm Animal Care Council our interest to review and update the *Recommended Code of Practice for the Care and Handling of Pullets, Layers and Spent Fowl* alongside the Canadian Federation of Humane Society, government, scientists and other poultry industry stakeholders. Toward the end of the year, EFC Chair Peter Clarke sent a letter to egg farmers describing these developments in order to help them make informed hen housing choices.

Meanwhile, EFC has been working with our livestock industry partners and the four provincial Farm Animal Councils in Ontario, Saskatchewan, Alberta and British Columbia to develop a coordinated national animal welfare strategy. Following a number of meetings that included retailers and foodservice operators, participants agreed to fund an animal care issues centre on a pilot project basis. In addition, EFC partnered with the Canadian Poultry and Egg Processors Council and other national poultry groups to support the creation of a Canadian Livestock Transport Certification Program for handlers and catchers. Our farmers and EFC staff also participated in a series of Animal Welfare Foundation of Canada workshops to provide a forum for egg farmers—regulated and unregulated—to explore the merits of alternative housing. Equally important, we conducted an online forum with consumers to better understand their welfare concerns.

EFC is dedicated to the continuous improvement of on-farm practices and is working to ensure animal care certification for all egg farmers. In 2011, all farmers who achieved a passing score on the Animal Care Program (ACP) received a signed certificate. We strengthened the ACP by including guidelines for ammonia levels, litter pH testing and cage modifications that will come into effect in May 2012. Further, a corrective

AUGUST 12, 2011

EFC begins review of **Industrial Products Program** transport routes in Ontario and Quebec to streamline fuel consumption and reduce reliance on levy

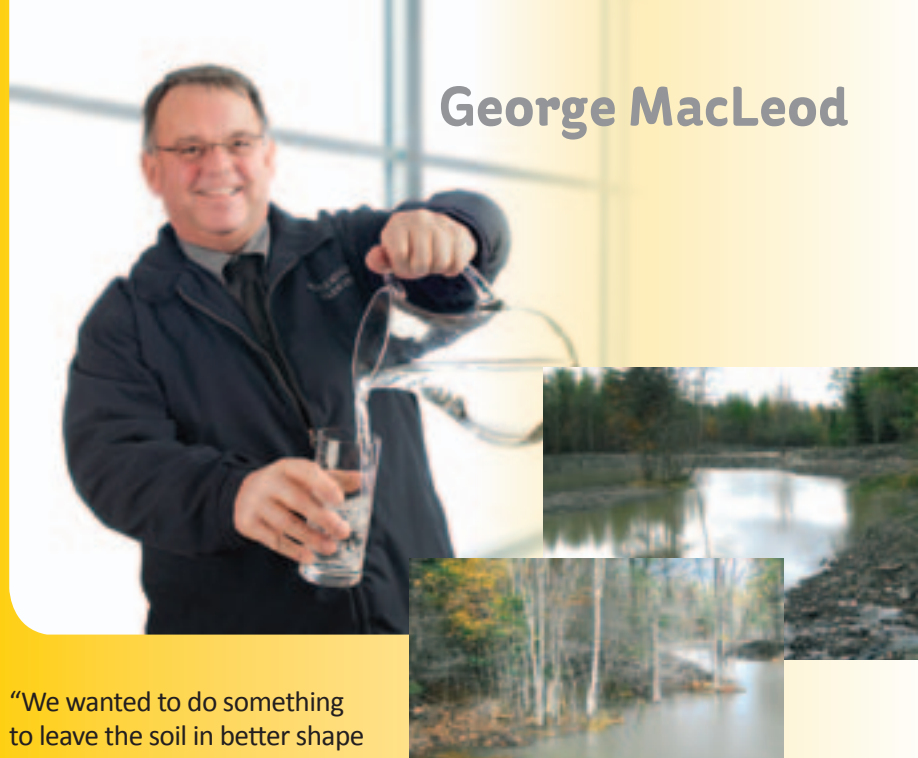


George MacLeod

action requirement (CAR) system was developed that helps farmers correct procedural gaps. With regard to the Start Clean-Stay Clean™ pullet and layer on-farm food safety program, the Board of Directors approved amendments on egg storage, gathering and washing, feed certification, building and cooler materials, property signage and SE compensation. Of note, we introduced new routing and scheduling software to streamline on-farm visits and procedures for EFC field inspectors.

Many Canadians are interested in where their food comes from and egg farmers are responding to address this need for information. This past year, we produced three YouTube videos of our farmers welcoming visitors to their farms, showing them around, and answering their questions. We also used Twitter to provide our followers with timely information on a wide variety of egg-related topics. Furthermore, the content of our eggs.ca Web site was renewed with a focus on farms and farming, recipes, nutrition, promotions and media resources. EFC also began work on a national farmer profile campaign to strengthen trust with Canadians. Following consultations on this topic with the provincial egg boards, consumer research began in several markets toward the goal of producing a 30-second television commercial to be aired in the first half of 2012.

Egg farmers want Canadians to know we value their confidence in us to operate our businesses in a socially responsible manner while providing a steady supply of nutritious, high-quality eggs at affordable prices. We also want Canadians to know that our commitment to excellence extends beyond traceability, food safety and animal care. It is reflected in our continuing proud support for organizations that do exemplary work in our communities, and we anticipate many more years of positive cooperation. Looking ahead, we will be striving to ensure that our values as farmers, as staff and as a national industry are found not just in our business plans and reports, but in each and every action we take, big or small, that contribute to the betterment of our communities.



“We wanted to do something to leave the soil in better shape than we found it,” says George MacLeod, an EFC Director and fourth generation egg farmer whose family runs Maple Meadow Farm near St. Stephen, New Brunswick. A long-time member of the New Brunswick Soil and Crop Improvement Association, the farm partnered eight years ago with Ducks Unlimited and Shell Oil on a unique watershed management project. Today, a series of ponds located in low-lying areas of his farm form wetlands that serve both as a habitat for waterfowl and a catch basin for any excess nutrients from the hen manure he spreads on his pastures to nourish his beef cattle.

“When water passes through the wetland onto my neighbour’s property, it’s carrying fewer phosphates and nitrates because of the cattails and long grasses we’ve planted. The federal government has been taking water samples showing nutrients are at normal levels downstream. So it’s working the way it should.” Besides this project, the MacLeod family established a riparian zone on the farm to collect spring runoff. “Our property slopes to the south, so we’ve planted trees on both sides of the brook for erosion control.” The MacLeods also placed a laneway in the middle of the zone to keep the cattle from drinking there. “People have been very positive about the watershed project. It doesn’t take up valuable land and it’s our way of being good stewards of the environment.”

SEPTEMBER 29, 2011

EFC indicates interest to the **National Farm Animal Care Council** in updating the **Recommended Code of Practice for the Care and Handling of Pullets, Layers and Spent Fowl**



Stakeholder Collaboration

Egg Farmers of Canada continues to make important strides toward our vision of building a fully-integrated, sustainable and socially responsible egg industry under supply management for all stakeholders. This past year, we worked in concert with egg farmers, provincial egg boards and government to better understand common objectives and challenges within our industry. We carried out an annual strategic planning session, prioritized regional consultations and met on a regular basis with supervisory boards and other government officials. We feel our commitment to open communication is fostering an environment of trust and mutual respect. It is helping to improve business efficiency, grow our markets, implement socially responsible policies, and speak with one voice on key issues like trade. Moreover, it has been critical to the successful launch of the Canadian egg industry's new *Salmonella* enteritidis (SE) insurance reciprocal, and in achieving increased government compensation maximums for farmers in the rare event flocks are ordered destroyed due to disease.

To achieve success, the Canadian egg industry leverages national and provincial strengths to meet consumer demand, encourage growth and ensure sustainability. Our approach to strategy development is a process that spans many months of consultation with EFC Directors, Provincial Chairs and Provincial General Managers. In 2011, we began with a two-day strategic planning session in May to determine common objectives. This was followed by interviews with Directors, the drafting of the

2012-15 Business Plan, and full Board approval of the Plan and budget in November. Of note, many socially responsible principles and values were woven throughout the Plan. This marks a departure from previous years where social responsibility had been treated as a standalone key result area (KRA). The 2011-14 Business Plan and its 5 KRAs serve as the basis of this annual report along with EFC's operational functions and ongoing programs.

In 2011, EFC enjoyed a positive working relationship with stakeholders thanks in part to the efforts of its executive members. Following his election in March as EFC Chair, Peter Clarke made it a point to travel with CEO Tim Lambert to all provinces for meetings with provincial egg board executive members, provincial egg boards and members of supervisory bodies. These meetings were useful for many reasons, in particular the opportunity for stakeholders to discuss major policy items such as the development of the Canadian Egg Industry Reciprocal Alliance (CEIRA) as well as the status of the agreement between EFC and the processing sector.

Following extensive consultation with the provinces, the Northwest Territories, the Canadian Hatchery Federation, Pullet Growers of Canada and Aon Canada, CEIRA was officially launched as an independent entity in October for all eligible subscribers in the supply chain, including egg farmers, pullet growers, layer breeders, pullet breeders and hatcheries.

SEPTEMBER 29, 2011

EFC provides funding to the **Forum for Young Canadians**, a program that fosters leadership skills in young people by immersing them in federal politics for a week



This past year, we worked in concert with egg farmers, provincial egg boards and government to better understand common objectives and challenges within our industry.

The reciprocal offers insurance to owners not only in the unlikely event a commercial egg flock environment tests positive for SE, but also if a positive finding is detected further up the supply chain. For instance, if a hatchery were to test positive, eligible pullet growers and egg farmers would be insured. Prior to implementation, the EFC Board of Directors adopted a *Recommended Interim Policy on SE Sampling Protocols in Leghorn Pullets and Egg Layer Barns*—a document outlining procedures which enhance EFC's 2003 *National Microbiological Sampling Protocol*. In addition, the interim CEIRA Board incorporated into its policy procedures for post-SE positive findings and further surveillance.

During the fall, EFC staff travelled the country to discuss CEIRA at a series of subscriber information sessions. Most provincial egg boards and the Northwest Territories are now full participants. CEIRA received an \$8 million start-up contribution from EFC's Risk Management Fund for which part was used to fund reinsurance premiums for coverage up to \$28 million in claims. Much credit for CEIRA is due to the Salmonella Enteritidis Transition Team whose EFC, provincial board, egg farmer, pullet and hatchery sector members worked for many months to develop a comprehensive national SE insurance reciprocal for the entire Canadian egg industry.

This past year, EFC worked to foster positive relations with Farm Products Council of Canada (FPCC), the federal government body that oversees Canada's national supply management boards. At our Annual General Meeting in March, FPCC Chair Laurent Pellerin noted the implementation of the 2009 Cost of Production survey results and outlined two major challenges facing the egg industry, namely the growing costs of operating the Industrial Products Program

(IPP) and the prospect of renewing the Federal-Provincial Agreement (FPA). Although the FPA Committee did not convene in 2011, the Board of Directors approved a motion that affirmed its commitment to the underlying purposes of the existing FPA. The motion referenced certain principles and practices we have adopted over the years, including those of the Quota Allocation Committee and the 2009 agreement between EFC and Saskatchewan Egg Producers. It also recognized our use of indicators to guide the consideration of over-base factors, as well as operational tools like managing hen inventory, the IPP, and levy and service fee arrangements.

The 2012 quota allocation breakdown by

province remains unchanged from 2011 at 21,440,465 layers after FPCC rejected the Board's request to prior approve a 214,683 layer increase. Council also did not prior approve the Board's call for a 2.5 cent per dozen increase to the overall EFC levy. At the time of writing this report, the Budget Committee was expected to review levy rate options early in 2012 and provide a recommendation to the Board on the best way forward. The current 32.75 cent per dozen levy order with its 28.50 cent Pooled Income Fund portion will be in effect until March 30, 2012 but could change sooner if a new levy order is approved.



Prior to the launch of the Canadian Egg Industry Reciprocal Alliance, the Board of Directors adopted a Recommended Interim Policy on SE Sampling Protocols in Leghorn Pullets and Egg Layer Barns to enhance existing procedures and protocols.

OCTOBER 1, 2011

EFC establishes the Canadian Egg Industry Reciprocal Alliance, a Salmonella enteritidis insurance reciprocal for the entire Canadian egg industry



Minister of Agriculture and Agri-Food, Gerry Ritz (left), shakes hands with former EFC Chair Laurent Souigny, following the Minister's announcement on March 23, 2011 of increased compensation maximums for egg farmers whose laying hens are ordered destroyed by the federal government due to disease.

In 2011, EFC Chair Peter Clarke and CEO Tim Lambert met on a regular basis with federal government officials, including the Minister of Agriculture and Agri-Food, Gerry Ritz. Meetings such as these were instrumental in the Minister's gazetting of increased maximums for laying hens under the Compensation for Destroyed Animals Regulations in the *Health of Animals Act*. The Minister's decision to revise maximums from \$8 to \$30 for hens ordered destroyed due to disease was a welcome development and

followed an extended period of consultation with the Minister's staff and representatives from the Canadian Food Inspection Agency (CFIA). Besides compensation, EFC began consultations with CFIA on the policies for testing supply flocks for SE. As well, Mr. Clarke and Mr. Lambert met with key Members of Parliament to discuss animal welfare, traceability, trade, nutrition labelling and other issues.

Also on the topic of government relations, we worked with the office of the Chief Veterinary Officer (CVO) for Canada to review World Organisation for Animal Health (OIE) documents, specifically those dealing with *Salmonellosis* and biosecurity. Owing to a solid working relationship, the CVO is open to reviewing our input into these documents before they are submitted to OIE. In a recent government submission to OIE, the CVO included our concerns over poultry access to waterways and co-mingling of poultry and wild birds.

For all of us at EFC, strengthening relationships with our valued stakeholders is a top priority and a process of continuous improvement. We remain committed not only to building trust through open communication, but also to determining common objectives we can achieve together in a sustainable and socially responsible way. Ultimately, this approach to positive working relationships is positioning our industry to meet consumer demand, embrace new opportunities for growth, and tackle future challenges.

2011 Interprovincial Movement of Eggs

Buyers:	YT	BC	AB	NT	SK	MB	NU	ON	QC	NB	NS	PE	NL	
Sellers:														Total Sales
YT		0	0	0	0	0	0	0	0	0	0	0	0	-
BC	0		0	0	0	0	0	0	0	0	0	0	0	-
AB	10,032	189,613		30,068	51,522	19,528	220	1,740	0	0	0	0	0	302,723
NT	0	0	0		0	0	0	0	0	0	0	0	0	-
SK	0	0	478,237	0		3,876	0	0	0	0	0	0	0	482,113
MB	0	158,302	487,632	0	376,972		20	148,145	304	0	0	0	0	1,171,375
NU	0	0	0	0	0	0		0	0	0	0	0	0	-
ON	0	0	0	0	0	44,820	0		509,540	0	0	0	0	554,360
QC	0	0	193	0	0	0	0	338,591		31,725	6,365	0	2,133	379,007
NB	0	0	0	0	0	0	0	0	511		12,150	1,575	5,638	19,874
NS	0	0	0	0	0	0	0	0	0	209,758		4,156	3,264	217,178
PE	0	0	0	0	0	0	0	0	0	0	0		0	-
NL	0	0	0	0	0	0	0	0	0	0	0	0		-
Total Purchases	10,032	347,915	966,062	30,068	428,494	68,224	240	488,476	510,355	241,483	18,515	5,731	11,035	3,126,630

Data in boxes of 15 dozen. EFC table movement included. Subject to revision.

OCTOBER 2, 2011

EFC supports the **Canadian Breast Cancer Foundation**
CIBC Run for the Cure as
Official Nutrition Partner

Average Number of Layers per Producer

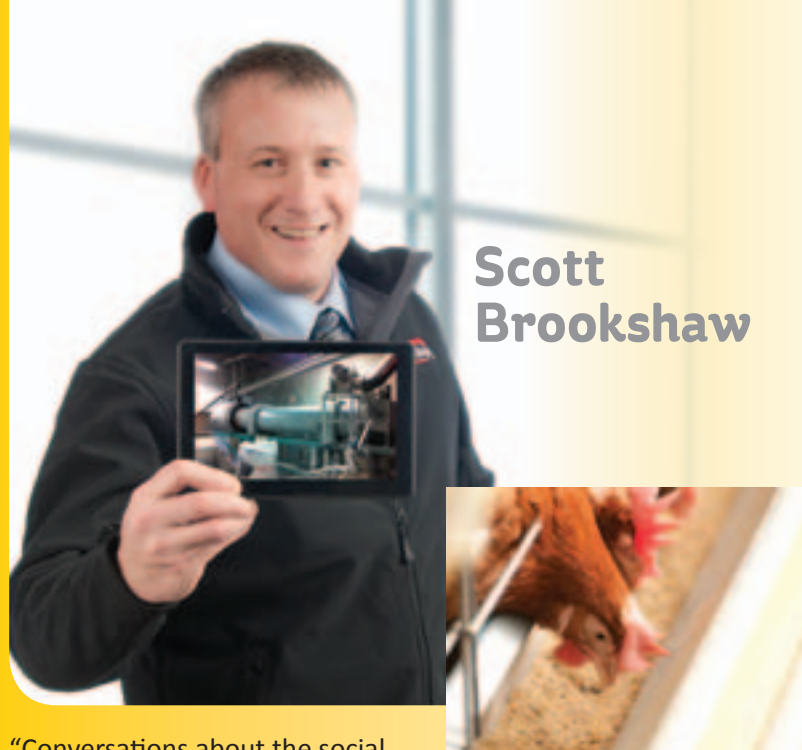
PROVINCE	2011	2010	2009
BC	19,912	18,772	18,223
AB	11,597	11,049	10,482
SK	12,035	12,151	13,974
MB	13,638	13,399	13,496
ON	22,778	22,103	21,430
QC	34,648	32,541	31,835
NB	24,789	24,761	25,854
NS	31,924	33,073	33,113
PE	15,999	15,668	14,870
NL	49,877	49,082	48,460
NT	23,036	19,782	10,490
CANADA	20,088	19,446	19,287

Audited data for 2009 and 2010. Reported data for 2011.
Excludes inventory for Eggs For Processing, Stand Down, Special Permits and Early Fowl Removal.

Number of Registered Producers per Province

PROVINCE	2011	2010	2009
BC	126	127	130
AB	154	157	159
SK	75	73	62
MB	160	161	159
ON	330	339	344
QC	106	110	107
NB	17	17	15
NS	23	22	21
PE	8	8	10
NL	7	7	7
NT	4	4	1
CANADA	1,010	1,025	1,015

Audited data for 2009 and 2010. Reported data for 2011.



Scott Brookshaw

“Conversations about the social, economic and environmental impacts of food production and food security are happening everywhere today,” says Scott Brookshaw, EFC Director and Vice-President for Processing and Farm Operations at L.H. Gray & Son in Strathroy, Ontario. “In our business, the concept of sustainability has become a core consideration and a key element in strategic planning at Canadian Poultry and Egg Processors Council (CPEPC)-member egg grading stations across the country.”

At grading stations operated by L.H. Gray & Son, Scott has helped install high-efficiency boilers and re-insulated refrigerated coolers to reduce energy consumption. He has also championed investment in technologies making it possible to transform shell egg waste into high-quality ingredients for hen feed. As a result, over 4,000 tonnes of waste per year are diverted away from Ontario landfills. “These initiatives make good business sense because they bring value to our employees, customers and communities. It’s also the right thing to do for the environment.”



Innovation and Research

Egg farmers are big believers in research. In fact, sound science is the foundation upon which our industry is built. With our restricted research fund, EFC is in a position to support numerous research projects in a variety of disciplines from production management to human nutrition. This past year, we used these funds to expand our Research Chairs program and broaden research activities in support of our commitment to social responsibility. In addition, EFC carried out various types of market research to better understand the Canadian consumer and trends in the marketplace.

Naturally, welfare is a very important issue for our industry and we are working continually to improve production standards. In 2011, Egg Farmers of Canada was proud to partner with the Ontario Agricultural College at the University of Guelph on the Canadian egg industry's first Research Chair in Poultry Welfare. The Chair is headed by Dr. Tina Widowski, a Professor of Animal and Poultry Science who also serves as Director of the Campbell Centre for the Study of Animal Welfare. Dr. Widowski is a great fit for this role because she understands the egg industry's challenges and possesses a wealth of experience on welfare matters. She also maintains close contact with poultry researchers across North America and around the world. Dr. Widowski and her Research Chair team members are currently investigating the effects of rearing, production and housing environments on bone health, egg production, hen behaviour and hen welfare in conventional and colony housing systems.



On May 12, 2011, EFC launched a Research Chair in Poultry Welfare at the University of Guelph. The Research Chair is headed by Dr. Tina Widowski (pictured), who has also agreed to chair EFC's new Animal Care and Welfare Advisory Panel.

To mark this new seven-year partnership, University of Guelph President Alastair Summerlee invited EFC Chair Peter Clarke and CEO Tim Lambert to dedicate a special tile on behalf of EFC to the university's *BetterPlanet Project* donor wall in September. EFC chose an egg image and accompanying message about the importance of our collaboration, which was placed alongside tiles from other members of the Canadian business and education community. The *BetterPlanet Project* is central to the university's vision of enhancing human knowledge by establishing research chairs in multiple disciplines—in much the same spirit as EFC's own Research Chairs program. Both parties are excited about this opportunity to work together and we look forward to a successful and mutually beneficial relationship.

It should be noted that the Research Chair in Poultry Welfare is the second such partnership entered into with a major post-secondary institution. Last year we established the first-ever Economic Research Chair on the Egg Industry, headed by Dr. Maurice Doyon of Université Laval. Meanwhile, efforts are being made to establish a Research Chair in human health and nutrition. The idea behind the Research Chair program is to provide graduate students an opportunity to pursue meaningful research in Canada—students who will become the homegrown experts and poultry specialists of the future. We are also working to create a critical mass of knowledge

OCTOBER 11, 2011

Nova Scotia Egg Producers supports **Breakfast for Learning** by donating a portion of September egg sales



and expertise that improves the likelihood of funding from granting agencies. Over the next few years, our goal is further to consolidate our existing Research Chairs program and encourage even closer collaboration among the researchers.

In addition to her duties as head of the Research Chair in Poultry Welfare, Dr. Widowski has also agreed to chair EFC's new Animal Care and Welfare Advisory Panel which consists of a cross section of research scientists, poultry specialists and farmer representatives. The Panel's primary function is to provide science-based insight into animal care and welfare issues via EFC staff to the Production Management Committee. Panel members will also offer advice on industry research priorities pertaining to production. In 2011, the panel met four times and will meet on an as-needed basis going forward.

Besides our work with Research Chairs and the new Advisory Panel this past year, EFC funded a variety of production-related projects with various researchers across the country. First, we partnered with Dr. Michelle Jendral at the Nova Scotia Agricultural College to compare the physiological effects of conventional versus furnished colony cages on three strains of laying hens. Dr. Jendral is also performing an economic evaluation comparing the estimated costs and production criteria of egg production in conventional and alternative housing systems. Next, we split funding costs with the Canadian Poultry Research Council on a poultry genetics preservation project led by Dr. Fred Silversides of Agriculture and Agri-Food Canada. EFC also approached Dr. Gary Johnson at the University of Manitoba to perform an economic and production analysis of enriched housing systems.

On the human health and nutrition side, we partnered with another researcher from the University of Manitoba, Dr. James House, on research to establish egg consumption guidelines for patients with peripheral arterial disease. Dr. House has also conducted additional research on the hen's ability to transfer the folic acid from feed directly into the egg. Further west, at the

Vaccine Data for 2011

Vaccine Quota Allocation (Layers)

Province	2012 Allocation	2011 Allocation	2010 Allocation
ON	175,655	175,655	127,000
QC	459,385	459,385	349,200
Total	635,040	635,040	476,200

Number of Vaccine Producers per Province*

Province	2011	2010	2009
ON	2	2	2
QC	5	5	5
Total	7	7	7

*1 US producer in 2009 and 2010.

Vaccine eggs to IP Pool

Province	2011	2010	2009
ON	147,519	107,081	80,955
QC	338,154	258,028	210,040
Total	485,673	365,109	290,995

Data in boxes of 15 dozen.

University of Alberta, Dr. Jianping Wu is carrying out a four-year project partially funded by AAFC to determine whether certain properties in eggs may be beneficial in lowering the risk of cardiovascular disease—a major health concern in North America. In November, every EFC research project was thoroughly outlined in a report to the Board of Directors.

In order to better communicate information about these projects to valued stakeholders and to strengthen ties with our Research Chairs and the scientific community in general, EFC hired a Research and Innovation Specialist within the Corporate and Public Affairs Unit. We drafted a presentation on innovation and research in the egg industry for Peter Clarke, who spoke before

NOVEMBER 8, 2011

EFC approves revisions to the **Salmonella enteritidis sampling protocol**, increasing sampling frequency and adding measures for post-positive surveillance



Dedicating a special tile on the University of Guelph's BetterPlanet Project donor wall: (from left to right) Tye Burt, Chair, The BetterPlanet Project; EFC CEO Tim Lambert; EFC Chair Peter Clarke; University of Guelph President and Vice-Chancellor, Alastair J.S. Summerlee.



Motivated by our desire to do the right thing, EFC will continue to invest in research over the long-term and make decisions based on sound science.

the Senate Standing Committee on Agriculture and Forestry in December. We also prepared summaries of current and past research projects which are expected to be published at eggs.ca early in 2012.

Equally noteworthy, EFC's Marketing and Nutrition Unit conducts regular research in a number of key areas to gauge the success of its programs and gather insights from consumers. We review Nielsen sales data to track egg sales nationally and carry out advertising tracking research with a sample of Canadians in our target demographic of women aged 25 and over to evaluate recall, awareness, relevance and message registration. To measure our Physicians Education Program, we survey doctors as well as consumers diagnosed with high cholesterol to assess attitudes toward cholesterol and eggs. In addition, we carry out creative and concept research prior to the launch of any new ad campaign or new product. Finally, EFC conducts a Usage and Attitude Study once annually to get a sense of changing consumer behaviour and attitudes about eggs and egg farming.

EFC has made research into human health and production practices a priority—an approach that fits well with our commitment to provide Canadians healthy, affordable food in a socially responsible manner. Over the longer term, we recognize that a great opportunity lies in developing our network of Research Chairs and graduate students. This is why we have been striving to establish a culture of innovation today that will benefit our industry and society well into tomorrow. Ultimately, our goal is to establish solid relationships with the research community to enhance our knowledge in the areas of alternative housing, egg nutrition, economics, new technologies and our impact on the environment. We also recognize the need to support research into other uses for eggs, be it in value-added food, or in nutraceutical and pharmaceutical products. Motivated by our desire to do the right thing, EFC will continue to invest in research over the long-term and make decisions based on sound science.

NOVEMBER 28, 2011

Manitoba Egg Farmers makes a donation to **Siloam Mission**, a homeless shelter in Winnipeg



Trade

The Canadian egg industry's unique approach to agriculture under supply management provides a fair return to farmers on their labour and investment, a steady supply of domestic product to graders and processors, and stability for rural communities across the land. At Egg Farmers of Canada, we are dedicated to providing consumers with eggs that are local, nutritious and affordable while ensuring the continued sustainability of our industry over the long term. To achieve this goal in 2011, we supported the Government of Canada's international trade position of zero increase in minimum market access and zero reduction in Over-Quota Tariffs for egg and egg products, chicken, turkey, broiler hatching eggs and dairy products. We also communicated the benefits of orderly marketing in agriculture to a variety of domestic and international audiences to strengthen understanding of supply management and its three pillars—import controls, producer pricing and production discipline.

This past year, the federal government came out more strongly than ever in its public support for our sector and the Canadian trade position outlined in the preceding paragraph. Minister of Agriculture and Agri-Food, Gerry Ritz, and Minister of International Trade and Minister for the Asia-Pacific Gateway, Ed Fast, both spoke up in response to calls in the media for the government to change its position on supply management after Canada indicated interest in joining the Trans-Pacific Partnership (TPP). Speaking in November, the Ministers clearly assured farmers that participation in a new multilateral trade deal involving the United States, Australia, New Zealand, Chile, Singapore

EFC 2nd Vice Chair, George MacLeod, (back row, second from right) representing Canada's national supply management organizations at the World Trade Organization Public Forum in Geneva.



DECEMBER 2, 2011

EFC staff members make donations and volunteer at a variety of charities and community organizations throughout Ottawa



and other countries would not result in Canada abandoning its poultry, egg and dairy supply management systems.

Meanwhile, as Canada and the European Union inch closer to a bilateral deal in the Comprehensive Economic and Trade Agreement (CETA) negotiations, we were repeatedly assured by the government that its negotiating strategy with regard to supply management has not changed. We thank the government for its continued strong support for our industry in the negotiations as well as for the regular briefings its officials provided throughout the year.

Aside from the TPP and CETA, we also monitored developments in Geneva at the World Trade Organization (WTO) over a new international trade deal for agriculture. Early in the year, political pressure arose to achieve modalities by July. In other words, the objective was to finalize a trade deal in six months—something the 157 member countries have not been able to achieve since the Doha Round began in 2001. With members entrenched in their positions in an atmosphere that could only be described as pessimistic, the chairs of the negotiations instead issued reports indicating that the most recent modalities—which present major concerns for our industry—would form the basis of any negotiations going forward, whenever that might be. In December, EFC Chair Peter Clarke, CEO Tim Lambert and International Trade Policy Manager Judi Bundrock travelled to Geneva for the 8th WTO Ministerial Conference. It became clear

after several days that negotiations had entered a stalemate that could last for up to two years.

While in Geneva, EFC representatives together with other colleagues from the poultry and dairy industries met the new Chair of the Agriculture Negotiations, John Adank, and reiterated the Canadian position on sensitive products. In return, Mr. Adank indicated his intention to conduct thorough consultations early in 2012 with all countries involved in the agriculture talks. In addition, we met Canada's chief agriculture negotiator, Gilles Gauthier, and exchanged information with official delegations from the United States, France, Switzerland and Mauritius. Earlier in the year, we also met formally with WTO Director-General Pascal Lamy alongside other national and provincial supply management leaders.

In September, EFC International Trade Manager Judi Bundrock and 2nd Vice Chair George MacLeod attended the WTO's Public Forum. This annual gathering always provides valuable opportunities to engage with an audience unfamiliar with Canada's supply management approach to food production, and this year was no exception. The *Seeking answers to global trade challenges* theme offered participants an opportunity to learn about trade challenges and identify potential solutions. Sub-themes at this year's gathering included food security, trade in natural resources, international production chains and value-added trade, and what the future holds for the world's trading system.

When EFC representatives are present in Geneva or attending other international meetings, we often like to meet with our counterparts from like-minded agriculture groups. In 2011, we met representatives from Japan, Norway, Switzerland, the US, Ireland, France and the European Union. We do this to raise awareness of supply management but also to compare information we have learned at the various briefings and meetings we attend. Naturally, we feel there is

World Trade Organization Director-General Pascal Lamy (third from left) meets with national supply management representatives, including EFC's Trade Policy Manager Judi Bundrock (second from left) and EFC Executive Member Serge Lefebvre (second from right).



DECEMBER 6, 2011

La Fédération des producteurs d'œufs de consommation du Québec donates **200,000 eggs** to **breakfast club programs** across the province of Quebec



At Egg Farmers of Canada, we are dedicated to providing consumers with eggs that are local, nutritious and affordable while ensuring the continued sustainability of our industry over the long term.

value in building alliances with groups that share some of our legitimate concerns about the future of agriculture.

This unity of purpose was clearly evident on June 20, when EFC Chair Peter Clarke signed the *Call for Coherence* in Brussels alongside agriculture leaders representing millions of farmers in 66 countries. The *Call for Coherence* is a declaration calling on countries to recognize agriculture as a unique commodity because food is needed for survival, unlike non-agricultural products traded on global markets. It also calls on countries to ensure consistency—or coherence—in the international agreements they sign. By supporting the declaration, signatories sent the message that trade liberalization may not be the sole answer to the raft of problems facing our increasingly complex and interconnected world. Signatories were also adamant that trade rules must allow for policy measures, including supply management, which promotes price stability and food supply sustainability.

To generate public and media interest in the *Call of Coherence* and keep this momentum going, Canada's national supply management (SM-5) leaders took part in conference calls with domestic and international media on the day of the signing. We also used the social media channels YouTube and Facebook to distribute videos, photos and news releases. In addition, we sent copies of the declaration to heads of international bodies including the WTO, the United Nations and the International Monetary Fund. Closer to home, the SM-5 distributed a *Call for Coherence* information kit to every Canadian MP and Senator. As well, some provincial egg boards distributed this information to politicians in their respective provinces.

EFC often works with its national SM-5 partners on trade issues to share resources, address areas of mutual concern, and maintain government support for support for supply management. In 2011, SM-5 general managers and trade managers took part in weekly conference calls to determine strategy on trade-related matters. SM-5 chairs also met on several occasions, most notably on November 25, to discuss way of dealing with the increased negative media attention on supply management that came following the Prime Minister's announcement that Canada was interested in joining the Trans-Pacific Partnership negotiations. To keep the Board of Directors and provincial egg boards aware of these meetings and other developments on the trade file, we worked with our full-time SM-5 staff member based in Geneva to publish regular *Geneva Watch* updates at eggs.ca. In addition, EFC's Corporate and Public Affairs Manager Bernadette Cox chaired the SM-5 Communications Committee again this year and EFC staff spearheaded efforts to run a series of colour advertisements in *Embassy* magazine, a publication aimed at politicians and government officials in Ottawa.

Meanwhile, our staff worked closely with the SM-5 Technical Committee's poultry group members to hire a third-party firm to conduct an updated economic contribution study of our industries. In the case of eggs, estimated direct farm sales of \$656 million are expected to generate \$1.2 billion in processing revenue and contribute \$1.4 billion annually to

EFC Chair Peter Clarke (back row, left) joins with agriculture leaders representing millions of farmers in 66 countries to sign the *Call for Coherence*.



Members of the Université de Sherbrooke's Vert & Or football team serve up eggs at a breakfast club event in Sherbrooke.



EFC Chair Peter Clarke greets Minister of Agriculture and Agri-Food, Gerry Ritz, at EFC's Parliament Hill Breakfast held on September 29, 2011.

Canada's gross domestic product (GDP). Total estimated employment, including direct, indirect and induced impacts, is estimated at approximately 16,800 jobs. In addition, the egg industry will positively impact government revenues to the amount of \$165 million. When all four poultry industries are combined, it is estimated that supply-managed production adds almost \$9.3 billion to GDP on net farm sales of \$3.2 billion, generates more than 33,500 direct jobs and 86,000 jobs economy-wide and positively impacts government revenues by \$1.8 billion.

Also in September, EFC took part in a Cairns Group Farm Leaders meeting in Saskatoon alongside a small SM-5 delegation and members of the Canadian Federation of Agriculture (CFA). The objective was to produce a communiqué for Cairns Group ministers that reflected the interests of all Canadian farmers. Despite everyone's best efforts, however, the CFA was unable to endorse the final communiqué as it did not reflect the position of all Canadian agriculture groups it represents. Following the

Cairns Group Ministerial meeting, EFC issued a joint SM-5 news release commending Minister Ritz for representing all of Canadian agriculture at the meeting, for his continuing support for trade firmly based on rules and sound science, and for remaining committed to an ambitious and balanced outcome in WTO agriculture negotiations.

One of the highlights of the year took place in Ottawa on September 29, when Peter Clarke hosted EFC's annual Parliament Hill Breakfast. The Parliamentary Dining Room of Centre Block served as the venue for egg industry leaders to mingle with MPs and Senators. Guests enjoyed made-to-order omelettes prepared with fresh Canada Grade A eggs in a relaxed, friendly, non-partisan atmosphere.

Another key achievement was the formation of the Border Measures Consultative Committee (BMCC), a joint body comprised of egg, poultry and dairy industry representatives and government officials from various departments.

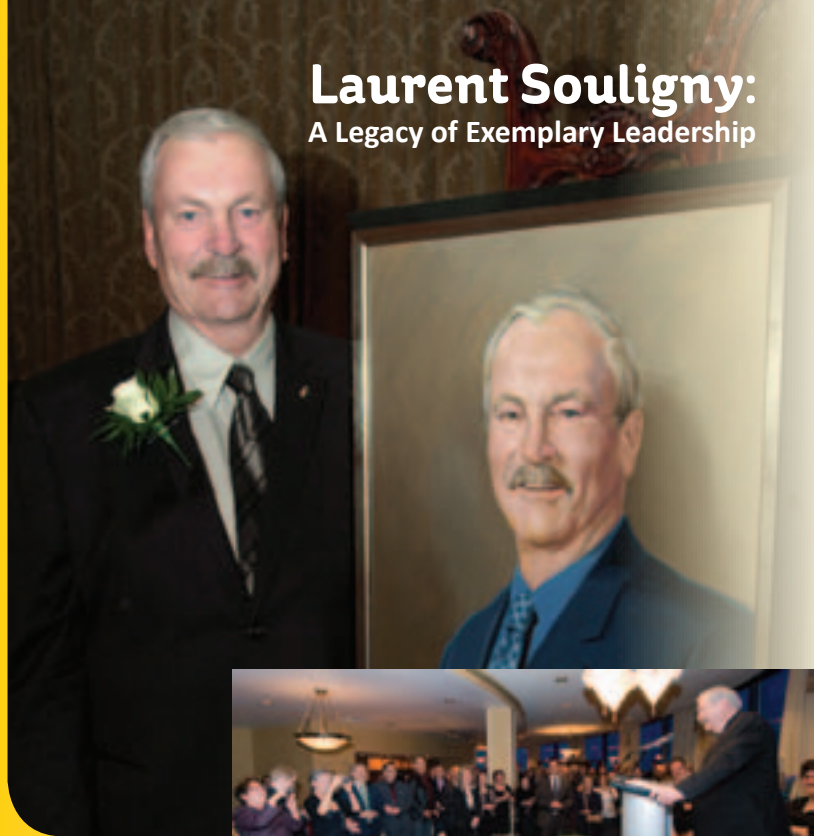
We will continue to deliver a consistent and strong message to domestic and international audiences on the importance of maintaining a viable and effective supply management system in Canada for future generations.

The BMCC meets to discuss issues related to import controls, and specifically to ensure that imports of egg, poultry and dairy products are not occurring above and beyond the amount we are required to import under international trade law unless additional supplementary imports are required.

To sum up, 2011 was another busy and productive year for all involved in international trade at Egg Farmers of Canada. As we look to the future, we will continue to collaborate with our partners to keep them informed of all developments on the trade file, whether in bilateral, plurilateral or multilateral negotiations. Most important, we will continue to deliver a consistent and strong message to domestic and international audiences on the importance of maintaining a viable and effective supply management system in Canada for future generations.

Laurent Souigny:

A Legacy of Exemplary Leadership



On March 22, 2011, Canadian egg industry

leaders and staff gathered in Ottawa for a reception to celebrate the legacy of Laurent Souigny, EFC's longest-serving Chair. Also on hand to toast his eleven years of exemplary leadership were federal Minister of Agriculture and Agri-Food, Gerry Ritz, Farm Products Council of Canada Chair, Laurent Pellerin, President of the Canadian Federation of Agriculture, Ron Bonnett, Chairs and General Managers from Canada's national supply management organizations, and members of Laurent's own family.

A little more than six months later, on November 6, 2011, Laurent was inducted into the Canadian Agriculture Hall of Fame at a special awards banquet ceremony attended by family, friends and Canadian agriculture leaders at the Royal Agriculture Winter Fair in Toronto. Laurent was recognized for a lifetime of involvement in agriculture and his strong advocacy for the egg sector. In total, he served on the EFC Board of Directors for 17 years and as an Egg Farmers of Ontario Board Director for 24 years. Laurent and his family continue to run an egg farm in Eastern Ontario where they also produce cash crops including corn, wheat and soy beans.

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February 24, 2012

Independent Auditor's Report

To the Members of

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

We have audited the accompanying financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada (EFC), which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in fund balances and cash flows for the fifty-three weeks then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of EFC as at December 31, 2011 and its results of operations and cash flows for the fifty-three weeks then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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

	December 31, 2011		December 25, 2010
	Pooled Income Fund \$	Administration Fund \$	Total \$
Assets			
Current assets			
Cash	26,763	6,438	33,201
Accounts receivable (note 4)	14,207	1,619	15,826
Inventory	402	—	402
Prepaid expenses	—	217	217
Investments (note 5)	13,258	2,000	15,258
	54,630	10,274	64,904
Investments (note 5)	—	—	—
Capital assets (note 6)	90	5,185	5,275
Intangible asset (note 7)	—	218	218
	54,720	15,677	70,397
Liabilities and Fund Balances			
Current liabilities			
Accounts payable and accrued liabilities	12,731	2,242	14,973
Current portion of long-term loan (note 8)	—	70	70
	12,731	2,312	15,043
Long-term loan (note 8)	—	2,640	2,640
	12,731	4,952	17,683
Fund balances			
Internally restricted (note 9)	17,498	4,657	22,155
Unrestricted	24,491	6,068	30,559
	41,989	10,725	52,714
	54,720	15,677	70,397

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

Approved by the Board of Directors



Chair of the Board of Directors



Chair of the Audit Committee

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

			Fifty-three weeks ended December 31, 2011	Fifty-two weeks ended December 25, 2010
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Revenue				
Egg sales	81,588	–	81,588	64,838
Levy and service fees	160,783	17,953	178,736	152,954
Interest and other	2,225	332	2,557	1,100
	244,596	18,285	262,881	218,892
Expense				
Trade operations:				
Egg purchases	228,979	–	228,979	192,570
Transportation and handling	5,942	–	5,942	5,068
Third-party verification	1,345	–	1,345	1,332
	236,266	–	236,266	198,970
Advertising and promotion	–	7,439	7,439	7,589
Donations	233	8	241	330
Interest on long-term loan	–	156	156	160
Marketing and nutrition research	–	–	–	159
Meetings and travel	–	1,653	1,653	1,379
Office and other administrative	–	1,114	1,114	1,020
Other	–	–	–	1,086
Per diems	–	556	556	518
Professional fees and consulting	478	1,138	1,616	1,148
Public affairs and communications	–	793	793	457
Restricted (note 9)	8,151	1,434	9,585	1,161
Salaries and benefits (note 11)	–	4,804	4,804	4,341
Amortization of capital assets	47	360	407	392
Amortization of intangible asset	–	36	36	36
Allocation of administration expenses (note 10)	2,425	(2,425)	–	–
	11,334	17,066	28,400	19,776
Total expense	247,600	17,066	264,666	218,746
Net revenue (expense) for the period	(3,004)	1,219	(1,785)	146

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

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

							Fifty-three weeks ended December 31, 2011	Fifty-two weeks ended December 25, 2010
	Pooled Income Fund			Administration Fund				
	Internally restricted – Risk Management (note 9) \$	Unrestricted \$	Total \$	Internally restricted – Research (note 9) \$	Unrestricted \$	Total \$	Total \$	Total \$
Balance – Beginning of period	18,303	26,690	44,993	4,678	4,828	9,506	54,499	54,353
Net revenue (expense) for the period	(805)	(2,199)	(3,004)	(21)	1,240	1,219	(1,785)	146
Balance – End of period	17,498	24,491	41,989	4,657	6,068	10,725	52,714	54,499

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

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

			Fifty-three weeks ended December 31, 2011	Fifty-two weeks ended December 25, 2010
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Cash flows from (used in)				
Operating activities				
Net revenue (expense) for the period	(3,004)	1,219	(1,785)	146
Items not affecting cash –				
Amortization of discount / premium on investments	50	–	50	149
Amortization of capital assets	47	360	407	392
Loss on disposal of capital assets	–	–	–	55
Amortization of intangible asset	–	36	36	36
	(2,907)	1,615	(1,292)	778
Net change in non-cash working capital items	1,476	(1,032)	444	(3,986)
	(1,431)	583	(848)	(3,208)
Investing activities				
Purchase of investments	(11,656)	(2,000)	(13,656)	(15,496)
Proceeds on disposal of investments	16,729	–	16,729	36,688
Purchase of capital assets	(17)	(210)	(227)	(418)
	5,056	(2,210)	2,846	20,774
Financing activity				
Repayment of long-term loan	–	(65)	(65)	(63)
Net change in cash for the period	3,625	(1,692)	1,933	17,503
Cash – Beginning of period	23,138	8,130	31,268	13,765
Cash – End of period	26,763	6,438	33,201	31,268

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

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

December 31, 2011

(in thousands of dollars)

1 Activities of EFC

Objective of EFC

In 1972, Parliament enacted the Farm Products Marketing Agencies Act, which was renamed the Farm Products Agencies Act in 1993. The Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada (EFC), a Statutory Corporation, was then established by proclamation and incorporated pursuant to the Act. The Act, along with a Federal-Provincial Agreement, identifies EFC's responsibilities, including: to effectively manage the production, pricing, distribution and disposition of eggs in Canada and to promote the sale of eggs. EFC is exempt from income taxes under subsection 149(1)(e) of the Income Tax Act.

Levy and service fees

The provincial and territorial egg marketing 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 Farm Products Council of Canada. Further amounts are paid to EFC by the provincial boards to finance the national industrial product removal system pursuant to the supplementary Federal-Provincial Agreement and, in the cases of Quebec and Alberta, through service fees payable pursuant to a commercial contract.

Removal activities

EFC purchases, at specified buy-back prices, all eggs that meet EFC specifications that have been declared as excess to provincial table market requirements. These eggs are then sold to domestic processors and grading stations.

2 Significant accounting policies

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

Fund accounting

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

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

Inventory

Inventory consists of eggs which are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

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

December 31, 2011

(in thousands of dollars)

Investments

Government guaranteed investments are classified as held-to-maturity and are recorded at amortized cost. Interest on interest-bearing investments is calculated using the effective interest rate method.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the straight-line method over their anticipated useful lives once placed in service as follows:

Buildings	40 years
Office equipment	10 years
Computer hardware and software	3 – 5 years
Leasehold improvements	over remaining term of lease

Intangible asset

The intangible asset, which includes the design and related expenses of EFC's corporate identity, is recorded at cost and amortized over its estimated useful life, which is ten years.

Revenue recognition

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

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

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

Allocation of expenses

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

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the periods in which they become known.

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

December 31, 2011

(in thousands of dollars)

3 Capital management

EFC's objectives when managing capital are to safeguard EFC's ability to continue operating while keeping levy rates at a minimum. EFC's capital consists of a long-term loan and fund balances. EFC sets the levy rates to meet its projected cash flow requirements for restricted and unrestricted funds, which are reviewed monthly by management and the Board of Directors. The levy rates per dozen eggs marketed were set at 30.00 cents effective January 24, 2010 and 32.75 cents effective January 23, 2011.

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

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

EFC is not subject to externally imposed capital requirements.

4 Accounts receivable

			December 31, 2011	December 25, 2010
	Pooled Income Fund \$	Administration Fund \$	Total \$	Total \$
Levy and service fees	9,232	1,140	10,372	8,594
Egg sales	5,250	—	5,250	3,506
Other	69	135	204	201
Interfund receivable	(344)	344	—	—
	14,207	1,619	15,826	12,301

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
December 31, 2011
(in thousands of dollars)

5 Investments

	December 31, 2011		December 25, 2010	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Short-term government guaranteed investments	15,258	15,331	10,132	10,138
Long-term government guaranteed investments	—	—	8,249	8,226
	15,258	15,331	18,381	18,364

Investments bear interest at fixed rates ranging from 1.27% to 2.00% (December 25, 2010 – 1.25% to 2.00%).

EFC invests only in securities guaranteed by the Government of Canada.

6 Capital assets

	December 31, 2011		December 25, 2010
	Cost \$	Accumulated amortization \$	Net \$
Land	416	—	416
Buildings	4,513	382	4,131
Office equipment	468	282	186
Computer hardware and software	1,993	1,485	508
Leasehold improvements	94	60	34
	7,484	2,209	5,275

As at December 25, 2010, cost and accumulated amortization amounted to \$7,279 and \$1,824 respectively.

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

December 31, 2011

(in thousands of dollars)

7 Intangible asset

			December 31, 2011	December 25, 2010
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Corporate identity	345	127	218	254

As at December 25, 2010, cost and accumulated amortization amounted to \$345 and \$91, respectively.

8 Long-term loan

The loan amount at inception was \$2,956. The loan bears interest at an annual rate of 5.68% and is payable in monthly installments of capital and interest of \$18.5. The loan is amortized over a 25-year period and is due in 2017. The loan is secured by the Florence Street and James Street buildings. All owners of the buildings are jointly and severally liable for the total amount outstanding of the loan, \$6,004 as at December 31, 2011 (December 25, 2010 – \$6,150) should an owner default on payment.

Future payments of the loan are as follows:

	Capital \$	Interest \$	Total \$
Period ended 2012	70	152	222
2013	74	148	222
2014	78	144	222
2015	82	140	222
2016	87	135	222
Thereafter	2,319	1,209	3,528
	2,710	1,928	4,638
Less: current portion	70	152	222
	2,640	1,776	4,416

EFC also has a revolving demand loan facility with a total approved limit of \$5,000 at an interest rate of prime. The facility is secured by a general assignment of book debts and a demand debenture agreement. As at December 31, 2011, loans under this facility were \$Nil (December 25, 2010 – \$Nil).

Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada
December 31, 2011
(in thousands of dollars)

9 Fund balances

Internally restricted fund balances – Pooled Income Fund

EFC has been directed by the Board of Directors to restrict the use of certain funds in the Pooled Income Fund. The use of the funds is at the discretion of the Board of Directors. In 2001, a Risk Management Fund was set up to self-finance potential costs related to its risk management activities. In July 2011, the Board of Directors approved a contribution of \$8,000 to capitalize the Canadian Egg Industry Reciprocal Alliance (CEIRA). A majority of the interim CEIRA Board is made up of individuals who are also provincial or industry representatives on EFC's Board of Directors. The election of a successor Board is expected to occur at the first meeting of the subscribers of CEIRA, subsequent to the end of EFC's fiscal period.

The related transactions in the Fund are as follows:

	Fifty-three weeks ended December 31, 2011		Fifty-two weeks ended December 25, 2010	
	\$	\$	\$	\$
Balance – Beginning of period		18,303		12,910
Levy	5,504		5,402	
Interest	1,842		106	
Restricted expenses	(8,151)		(115)	
		(805)		5,393
Balance – End of period		17,498		18,303

Internally restricted fund balance – Administration Fund

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

The related transactions in the Fund are as follows:

	Fifty-three weeks ended December 31, 2011		Fifty-two weeks ended December 25, 2010	
	\$	\$	\$	\$
Balance – Beginning of period		4,678		4,478
Levy	1,351		1,208	
Interest	62		38	
Restricted expenses	(1,434)		(1,046)	
		(21)		200
Balance – End of period		4,657		4,678

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

December 31, 2011

(in thousands of dollars)

10 Allocation of administration expenses

During the period, EFC made an allocation of administrative expenses of \$2,425 (period ended December 25, 2010 – \$2,156) from the Administration Fund to the Pooled Income Fund. This transfer provides for the full cost, including administration and overhead, of operating EFC's Industrial Products Program. The breakdown of costs is as follows:

	Fifty-three weeks ended December 31, 2011	Fifty-two weeks ended December 25, 2010
	\$	\$
Building costs	102	52
Insurance	45	43
Meetings and travel	366	309
Office and other administrative	213	149
Per diems	111	95
Professional fees and consulting	21	23
Salaries and benefits	1,465	1,385
Amortization of capital assets	102	100
	2,425	2,156

11 Pension plan

EFC sponsors and administers The Pension Plan for the Employees of EFC ("the Plan"), which is a defined contribution plan registered under the Ontario Pension Benefits Act.

EFC contributes an amount equal to each employee's required contribution under the Plan. During the period, EFC contributed \$175 (2010 – \$157) to the Plan, which is included in the salaries and benefits expense in the statement of operations.

12 Financial instruments and risk management

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

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

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

December 31, 2011

(in thousands of dollars)

Fair value

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

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

The fair value of the long-term loan is determined using the present value of future cash flows under current financing agreements, based on EFC's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term loan is \$3,048 at December 31, 2011 (December 25, 2010 – \$2,975).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Investments and the long-term loan bear interest at fixed rates and are exposed to changes in fair values.

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. EFC's maximum exposure to risk represents the total amount of accounts receivable, investments and the long-term loan (note 8). EFC mitigates credit risk through credit evaluations and monitoring of the outstanding balances and the financial conditions of EFC's customers.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. EFC monitors the financial health of customers and its investments on an ongoing basis with the assistance of its investment advisors. EFC only invests in securities guaranteed by the Government of Canada.

Egg sales are dependent upon two groups of related companies. During the period, these customers represented 65% (52 weeks ended December 25, 2010 – 66%) of egg sales revenue. 14% (December 25, 2010 – 16%) of accounts receivable is owing from these customers.

13 Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2012 for an amount of \$3,884. In addition, \$1,100 has been committed over the next several years to support the University Research Chairs at Université Laval and University of Guelph.