

ANNUAL REPORT
2017





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- | | | |
|---|---|---|
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<i>New Brunswick</i> |
| 3. John Penner
<i>Northwest Territories</i> | 9. Brad Lawson
<i>Canadian Poultry and
Egg Processors Council
(Hatcheries)</i> | 15. Mike Vanderpol
<i>Canadian Poultry and
Egg Processors Council
(Processing)</i> |
| 4. Emmanuel Destrijker
<i>Quebec</i> | 10. Kurt Siemens
<i>Manitoba</i> | 16. Walter Siemens
<i>British Columbia</i> |
| 5. Ted Hudson
<i>Canadian Poultry and
Egg Processors Council
(Grading)</i> | 11. Joe Kleinsasser
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| 6. Ian Simmons
<i>Prince Edward Island</i> | 12. Wayne Beggs
<i>Consumers' Association
of Canada</i> | |



Table of contents

04



CHAIRMAN'S MESSAGE



06

CEO'S MESSAGE

08



SUSTAINABLE DEVELOPMENT OF THE INDUSTRY



22

PUBLIC SUPPORT AND SOCIAL LICENSE

36



GROWTH AND INNOVATION



46

ORGANIZATIONAL EXCELLENCE

51



FINANCIAL STATEMENTS

Chairman's message



It is a great privilege to lead an industry as vibrant and dynamic as ours. Having now completed a full year as Chairman, I can report that it has allowed me to gain new perspective towards our strong and growing industry. No matter what happens with trade and the other issues that focused our attention in 2017, I am confident that Canadian egg farmers have secured their role as agricultural leaders.

In 2017, egg farmers reaffirmed their place as a leader in sustainability. While this is something farmers have always done on an individual basis, I am proud to be able to say that our work through Egg Farmers of Canada (EFC) has allowed us to build on individual efforts and refine our practices, finding new efficiencies and making sure that the next generation has the best possible start.

Like many of my fellow farmers, I know what a proud moment it is when your children decide to farm. So when I think of sustainability, I think of our sons and daughters who will carry on our proud tradition, and of the new farmers who are making a start. Our efforts today to grow our industry with sustainability at its heart will help them reach new levels of success.

Another area where we marked a significant milestone in 2017 is the issue of animal welfare, with the strengthening of our Code of Practice. I am proud of these standards and of the strong commitment across our industry to redevelop our national Animal Care Program to align with the requirements of the updated Code.

Animal welfare is a growing concern across agriculture, and with our experience, we are well positioned to contribute to the eventual creation of global animal welfare standards.

Canada's egg farmers work hard to earn the public's trust and honour the social license provided to our industry. We are also showing the way when it comes to creating a bond between producers and consumers. These strong relationships are central to the future of our industry—and we have built them by sharing what makes our industry great. We do this through our pop-up Wake Up to Yellow and Downtown Diner events in cities across Canada and by connecting with Canadians, in one-on-one conversations, through social media and online.

Our relationship is built on trust, as well as on the world-class standards we maintain on our farms and the programs that make sure Canadians know that their eggs are produced by farmers dedicated to the highest food safety and animal care standards. Soon this will be even easier to recognize thanks to the Egg Quality Assurance program.

When you think of all this, it is not much of a surprise that the vast majority of Canadians agree the eggs they buy are of the highest quality, and nine in 10 Canadians agree it is important that the eggs they purchase are produced in Canada. Make no mistake—our fellow Canadians value locally produced food and know the importance of preserving family farms. We can look to them to be our allies as we face the future.

Many moments in 2017 confirmed we are heading in the right direction on a number of files and policy issues. Naturally, there is a lot of work still to be done. We must continue to tackle our issues head on, together. More importantly, we must continue to build consensus and find creative solutions to the issues at hand.

MANY MOMENTS IN 2017 CONFIRMED WE ARE HEADING IN THE RIGHT DIRECTION ON A NUMBER OF FILES AND POLICY ISSUES.

Our achievements in 2017 were due to the leadership and efforts of many. I would like to take this opportunity to thank my fellow Directors of the EFC Board for their dedication. I would also like to express my gratitude to the staff at EFC and to egg boards across the country for their commitment to supporting Canadian farmers.

Finally, I would like to congratulate Tim Lambert, CEO of EFC, on his appointment as the Chair of the International Egg Commission. This is yet another opportunity to showcase the leadership of Canada's egg industry to our colleagues around the world and draw on their expertise for mutual benefit.

Together we face the future with confidence. There are endless possibilities for improvement and growth, for the benefit of the people all around us who want nothing more than a nutritious, affordable product and to know the people who produce it.



Roger Pelissero

Chairman



CEO's message



As we take stock on the past year, I can assure you that 2017 was another busy year.

The big issue was trade—the reopening of the North American Free Trade Agreement (NAFTA), followed by the demise of the Trans-Pacific Partnership and then its revival as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). These parallel trade negotiations demanded our attention and our challenge, in both cases, has been to defend Canada's system of supply management.

While our government continues to position itself as a supporter of supply management and Canadian farmers, we can take nothing for granted. The CPTPP, once fully implemented, will mean Canadian egg farmers have lost the right to produce close to 291 million dozen eggs, with an additional 19 million dozen eggs added each year after the 18 year implementation phase. This disappointing outcome adds even more pressure to the NAFTA negotiations.

Heading into 2018, you can count on EFC to take every occasion to advocate for the consumers who rely on Canadian-made eggs and the farms that want nothing more than to deliver them. We will continue to promote the benefits of our system and the stability it offers while delivering more than \$1.3 billion dollars to Canada's GDP and supporting over 17,000 jobs.

While international trade dominated the headlines, many other things kept us busy in 2017. We were engaged in discussions to shape Canada's food policy and we educated decision-makers on the role of eggs in Canada's Food Guide. We also shared the proactive actions of egg farmers who champion sustainability in their operations.

We continued to invest in enhancing standards on-farm, and give back through partners such as Breakfast Club of Canada, Food Banks Canada, Canadian Food For Children, Heart for Africa (Canada) and the International Egg Foundation. In so doing, we helped showcase the value of eggs, built trust in our industry and positioned EFC as a leader in the public trust and social licence arenas.

We also took part in important dialogue through a number of initiatives that bring together representatives across our value chain to discuss common issues and drive collaborative actions. These include the Public Trust Steering Committee, the Sustainability and Climate Change Working Group, the Poultry Sustainability Value Chain Roundtable and the Global Initiative for Sustainable Eggs.

We continued to watch with great interest the development of an international set of laying hen standards under the guidance of the World Animal Health Organization and highlight the work done by the National Farm Animal Care Council through the Code of Practice process.



We have seen time and time again the impact of global trends on our day-to-day operations, and we will continue to engage on these matters, sharing the latest scientific research and contributing to the discussion. Our long-time engagement with the International Egg Commission has helped us build strong relationships with partners around the world who value our system and look to us for guidance and leadership.

Here in Canada we are once again celebrating another year of growth on Canadian egg farms—and in egg sales. In fact, the year also saw a 4.1% increase in the retail sales of table eggs, marking 11 years of consecutive growth.

This growth stems from all aspects of our business: strong marketing programs, world-class programs, and engagement with the public and our stakeholders. Our efforts in 2017 brought on even more opportunities to reach new people with our messages and our product.

HERE IN CANADA WE ARE ONCE AGAIN CELEBRATING ANOTHER YEAR OF GROWTH ON CANADIAN EGG FARMS AND IN EGG SALES.

For example, EFC embarked on brand-new partnerships with Agriculture in the Classroom and the ME to WE Take Action Camp in 2017, reaching the next generation of consumers and change-makers. Both partnerships help students not only understand where the food they eat comes from, but also develop an appreciation for the people who work hard to produce it. These programs offer new opportunities to connect our own young farmer leaders with other young leaders in training.

We also worked to help Canadians learn about the benefits of supply management with our Made in Canada campaign that introduced the country to an inspiring pair of young industry leaders: egg farmers Andrew and Mélissa Vallance. The Vallances are one example of hard-working Canadians who make sure high-quality, locally produced eggs end up on our tables and contribute to their community in a meaningful way.

This is a story we have to tell, and we will continue to do so in 2018 through our ongoing work for egg farmers, for Canadians, and for the valuable, affordable and nutritious egg.

Tim Lambert
Chief Executive Officer





01

SUSTAINABLE DEVELOPMENT
OF THE INDUSTRY

Enhancing our ability to track the housing transition

One year into the hen housing transition that was announced in 2016, we have refined our ability to track progress, and have continued to push forward to meet the demands of the market and our customers. A process to collect data and report on all production methods was developed this year by working alongside egg boards and the Canadian Poultry and Egg Processing Council (CPEPC). These reports are a vital input into a number of projects and programs, and will continue to be strengthened as more data becomes available.



Hen issuance by production method

Production method	2017	2016
Conventional housing	77%	84%
Alternative housing ¹	23%	16%

¹ Alternative housing includes enriched, free-run, free-range and organic production.

Responding to changes in the marketplace with the National Specialty Project

The aim of the National Specialty Project is to develop a system in Canada that matches the demand for specialty eggs and egg products with the supply. The project team, comprised of a cross section of EFC Directors, industry representatives and staff, met to review the situation and discuss both short and long-term solutions. The EFC Board approved interim solutions in November that allow the industry to meet some of the incremental demand for specialty eggs and products during the early phases of the hen housing transition. This is part of a vision to meet changing market demands while maintaining a nimble and responsive industry.

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

The objects of an agency are:

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

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

New science-informed, consensus-based Code of Practice

A milestone was achieved in March with the release of the updated Code of Practice for the Care and Handling of Pullets and Laying Hens after four years of rigorous debate and discussion. EFC actively participated in the Code development as part of a 17 person Code Committee comprised of farmers, animal welfare experts, transporters, processors, veterinarians, and retail and government representatives. The updated Code serves as a national understanding of animal care requirements and recommended practices, and marks the first time standards for enriched housing systems are defined in Canada. This critical outcome gives farmers guidance and supports the transition towards alternative production methods.

Redevelopment of the national Animal Care Program

On the heels of the release of the updated Code of Practice, the Production Management Committee of the EFC Board initiated the redevelopment of the national Animal Care Program with the goal of aligning the Program with the standards and requirements of the updated Code. The redevelopment process, guided by the National Farm Animal Care Council's (NFACC) Animal Care Assessment Framework, draws in a diverse group including farmers, animal welfare auditors, researchers and a mix of supply chain partners.

90%
OF CANADIANS
TRUST THE QUALITY
STANDARDS ON
CANADIAN FARMS.

Given the redevelopment of the Animal Care Program is expected to take close to two years, the Production Management Committee worked to fast-track the implementation of the Code's new housing requirements. Interim housing standards as well as new measurement methods for alternative housing systems were identified as priority areas. These new elements will offer immediate guidance to farmers and ensure alignment with the standards in the Animal Care Program following the redevelopment process.

New umbrella certification program



OVER
732
MILLION
DOZEN EGGS
PRODUCED.

The new Egg Quality Assurance (EQA) program, which encompasses the standards in our existing Start Clean-Stay Clean™ and Animal Care Program under one easy to identify mark, will begin to roll out in 2018. Canadians want to know where their food comes from, and the EQA mark will tell them, right on the egg carton; their eggs are produced by farmers dedicated to producing a top-quality product that meets the highest food safety and animal care standards. The project was realized thanks to extensive collaboration across our industry, drawing in farmers, egg board, grader and processor representatives throughout the process.

Boosting egg production on Canadian farms

2017 was another strong year. In fact, this year marked our 11th consecutive year of growth. A total of 24.5 million hens were in production in 2017, which was a 1.3 million increase over 2016. Indicators suggest demand for eggs and egg products will continue to grow in 2018 due to positive consumer views on the health benefits of eating eggs and growth opportunities in the hot breakfast business, particularly at quick service restaurants.

EFC continues to work diligently alongside Farm Products Council of Canada (FPCC) and egg boards to meet current market demands and plan for future growth. As a result, the EFC Board was pleased the following quota allocation requests were prior approved by FPCC in 2017:

Date	Allocation	Effective
March	Decrease of 500,000 Export Market Development quota layers	Week 13 of 2017
September	Removal of the Export Market Development Quota category from the Quota Regulations	Week 38 of 2017
December	Increase of 869,934 regulated quota layers	Week 1 of 2018

24.5
MILLION HENS
IN PRODUCTION
IN 2017.

Management of the Pooled Income Fund

Market conditions improved throughout 2017 due to an unexpected rise in the Urner Barry price for breaking eggs. Given the Urner Barry price is the main component of EFC’s processor price, the increase impacted the Pooled Income Fund (PIF) by increasing the fund’s balance. As a result, FPCC has prior approved a decrease of \$0.02 per dozen to EFC’s national levy rate. The decrease will take effect on February 25, 2018 (week 9 of 2018), with plans to implement additional levy decreases in 2018. These phased-in levy rate decreases will help maintain the stability of the PIF within the upper and lower trigger points, and support industry stakeholders with pricing changes. Both suggest an ongoing commitment to manage the PIF responsibly by keeping the consumer levy as low as possible.



Investing in the long-term sustainability of the Industrial Products Program

A number of projects were executed this year to support the sustainability of the Industrial Products Program (IPP). One of these projects included a comprehensive review of the Service Fee Program and the principles underlying the Service Fee's contribution to the PIF. As a result, several measures that strengthen the Service Fee Program and enhance transparency were implemented.

Another significant outcome of 2017 is the updated Industrial Products Pricing Structure and Protocol. After steady progress throughout the year, the EFC Board and egg processors reached a mutually satisfactory solution. The updated Industrial Products Pricing Structure and Protocol took effect in early December, it supports and maintains both a strong processing sector as well as a vibrant Canadian egg industry.

An important factor when it comes to the sustainability of the IPP is our ability to achieve alignment on the principles and guidelines across the industry. Part of these efforts are driven through the Integrated Solutions project, a multi-year and holistic approach to incorporate evidence-based principles and guidelines for all of the PIF's expenses and revenues. Our work in this area in 2017 focused on developing a Natural Overrun Policy that calculates the production required to meet the needs of the table market. This new approach takes into consideration a range of factors such as seasonality, customer demand preferences, the location of supply, and enhances our ability to understand changes in the market.

EFC's mandate as outlined in the Federal-Provincial Agreement

The Canadian Egg Marketing Agency agrees to carry out said practices:

- (f) to be responsible for the cost of removing from the shell egg market all eggs in excess of the demand that are produced within the provincial allocation of the province, provided the province is in compliance with this Agreement;

Cost of Production Study update

The Cost of Production (COP) Study, which calculates the costs incurred to produce a dozen marketable eggs by examining the expenses necessary for its production (e.g. feed, birds, labour, operating costs and capital investments), is in the final stage of the first phase of the Study. The project's consultant conducted fieldwork in early 2017, and the analysis of survey data and preliminary results were reviewed by the COP Committee of the EFC Board during the second half of 2017.

Final results and the proposed updating methodology will be reviewed in early 2018 and the COP Committee will make recommendations on the conventional COP and enriched COP to the EFC Board. The planning of the second phase of the project (Feed and Rate of Lay Rebase) will start in late 2018.

Renewal of the Federal-Provincial Agreement

Efforts to renew the Federal-Provincial Agreement (FPA) continued in 2017. The FPA Committee members, which include representatives from all egg boards, agreed on a two-phased approach for the FPA renewal. The first phase focused on an amendment to the FPA on priority issues. A draft of the amendment was circulated to egg boards to garner support in late November. The Committee will pursue a comprehensive review of the FPA as the second phase of the renewal once signatories have signed off on the first phase amendment.

Market analysis and industry information

This year saw 1.3 million hens added into the system in light of quota allocations in recent years, expanding egg production on Canadian farms. In fact, 48 new farms were added to the system between 2015 and 2017. These efforts helped boost egg production by 4.49% in 2017, with an additional 31.5 million dozen eggs produced over 2016.

Egg sales trends continued to be strong. A 4.1% growth in Nielsen retail sales of table eggs was achieved in 2017, which is the second highest growth rate we have seen in the past 10 years. While classic Canada Grade A white and brown eggs continued to be the most popular eggs, representing 86.5% of eggs sold in Canada in 2017, this growth trend also applied to the vast majority of egg types in Canada. Pricing trends in 2017 saw an increase in the average national COP and producer price, and a decrease in the national retail price of eggs at \$2.48 per dozen eggs.

VISIT EGGFARMERS.CA FOR THE LATEST REPORTS AND DATA ON EGG PRICES, PRODUCTION, IMPORTS AND INDUSTRIAL PRODUCTS.

Farmers and average flock size per province and territory

Province or territory	Number of farmers ¹	Average number of layers per farmer ²
BC	131	22,709
AB	164	13,854
NT	4	29,085
SK	67	16,668
MB	151	16,303
ON	369	24,329
QC	120	40,625
NB	16	29,631
NS	24	34,669
PE	7	18,918
NL	6	60,351
Canada	1,059	23,225

Source: Egg Farmers of Canada

¹ Reported data for 2017.

² Reported data for 2017. Excludes inventory for eggs for processing and special permits.

Limits to Federal Quotas (dozen)¹

Province or territory	2018	2017	2016
BC	83,512,303	80,737,155	79,697,622
AB	69,639,255	66,264,435	64,089,749
NT	3,325,695	3,267,514	3,273,410
SK	31,436,062	30,348,553	29,885,676
MB	66,700,748	65,570,093	65,724,318
ON	248,140,477	240,535,774	238,236,050
QC	139,488,202	133,627,666	130,314,579
NB	13,519,208	13,190,142	13,131,377
NS	22,866,769	22,482,091	22,537,894
PE	3,790,442	3,726,206	3,734,985
NL	10,186,361	10,009,019	10,027,904
Total	692,605,522	669,758,648	660,653,564

Source: Egg Farmers of Canada

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

Limits to Special Temporary Market Requirement Quotas (dozen)¹

Province	2018	2017	2016
BC	0	0	1,800,370
AB	0	0	250,486
SK	0	0	673,182
MB	0	0	829,735
ON	0	0	6,418,708
QC	0	0	2,348,308
NB	0	0	516,628
NS	0	0	1,252,430
Total	0	0	14,089,847

Source: Egg Farmers of Canada

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

Limits to Eggs for Processing Quotas (dozen)¹

Province	2018	2017	2016
BC	2,544,000	2,544,000	2,592,923
AB	636,000	636,000	648,231
SK	3,180,000	3,180,000	5,185,846
MB	5,088,000	5,088,000	10,371,692
ON	17,808,000	17,808,000	18,150,462
QC	7,632,000	7,632,000	5,430,462
Total	36,888,000	36,888,000	42,379,616

Source: Egg Farmers of Canada

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

Limits to Vaccine Quotas (dozen)

Province	2018	2017	2016
ON	2,661,750	2,661,750	2,661,750
QC	10,674,090	10,674,090	10,674,090
Total	13,335,840	13,335,840	13,335,840

Source: Egg Farmers of Canada

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

Province	2017	2016	2015
ON	1,126,920	1,650,495	2,076,765
QC	3,500,250	3,660,060	5,316,720
Total	4,627,170	5,310,555	7,393,485

Source: La Fédération des producteurs d'œufs du Québec

¹ Table reports actual shipments to the Industrial Products Program.

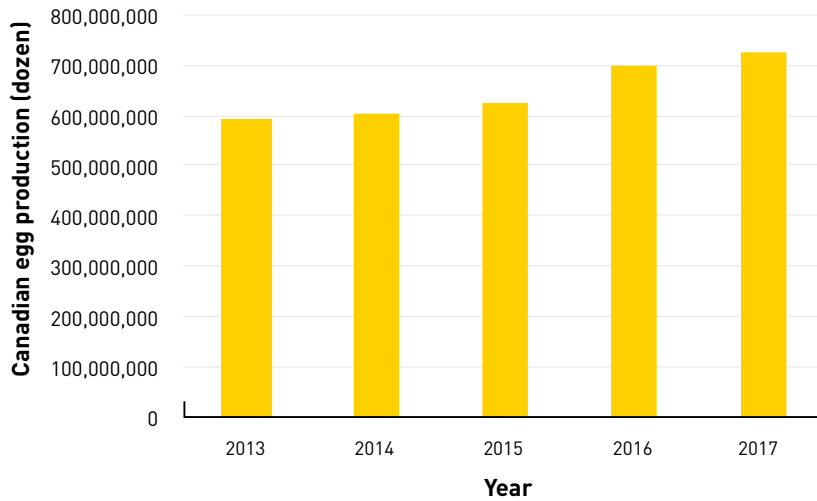
Federal quota utilization¹

Province or territory	Week 8 – 2017	Week 8 – 2016	Week 8 – 2015
BC	95.37%	92.42%	92.10%
AB	89.93%	89.72%	92.03%
NT	89.38%	89.69%	92.78%
SK	97.64%	93.38%	92.77%
MB	97.21%	94.51%	93.91%
ON	98.64%	94.59%	93.95%
QC	94.73%	91.14%	93.64%
NB	94.30%	94.39%	93.29%
NS	95.72%	92.05%	92.95%
PE	95.03%	94.93%	94.26%
NL	94.33%	89.11%	93.74%
Total	96.11%	92.93%	93.38%

Source: Egg Farmers of Canada

¹ Utilization is calculated using inventory over allocation for a 52 week period. The period starts on week 9 and continues to week 8 of the following year. Excludes inventory for EFP and Special Permit.

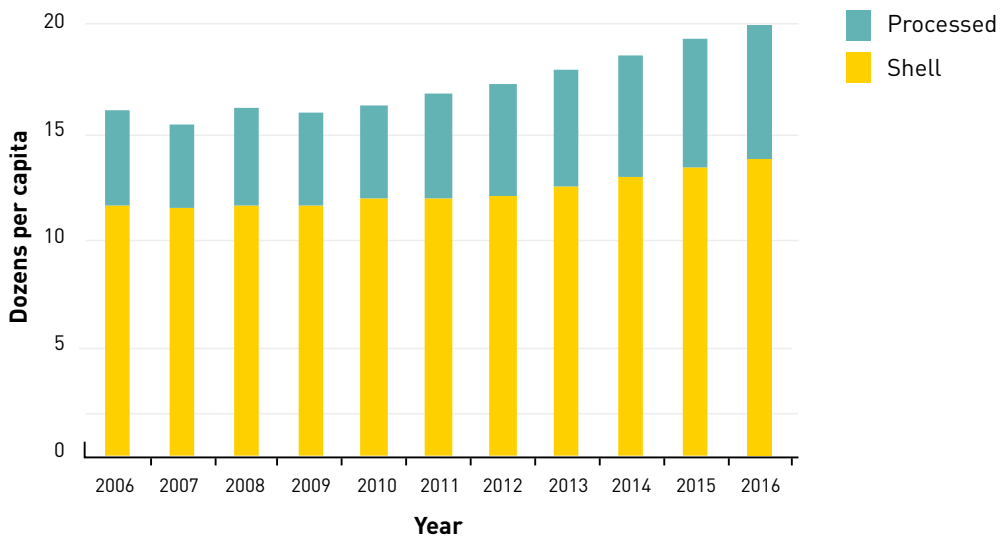
Canadian egg production¹



Source: Egg boards

¹ Production numbers are final except for 2017. 2016 data represents 53 weeks of production.

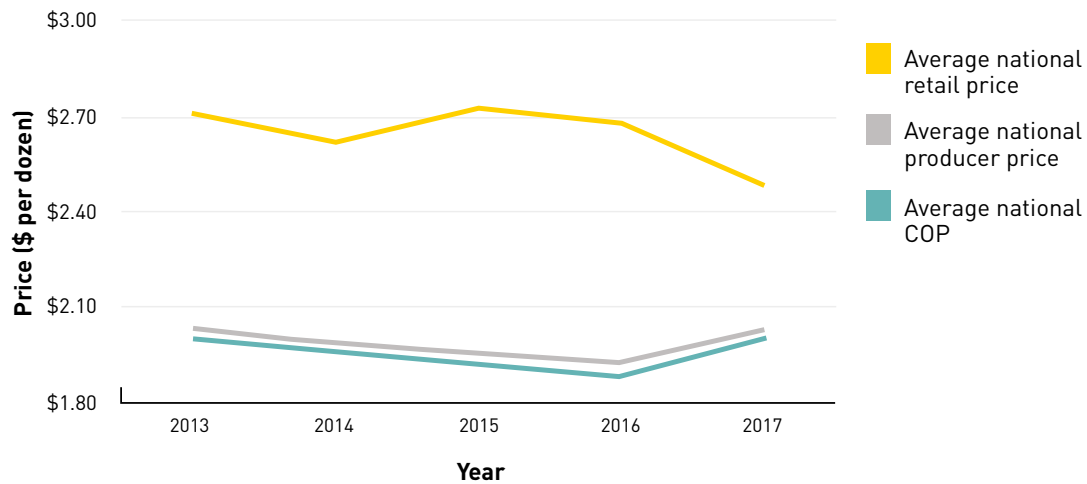
Canadian apparent per capita disappearance of eggs and egg products



Sources: Statistics Canada — Total per capita egg disappearance

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

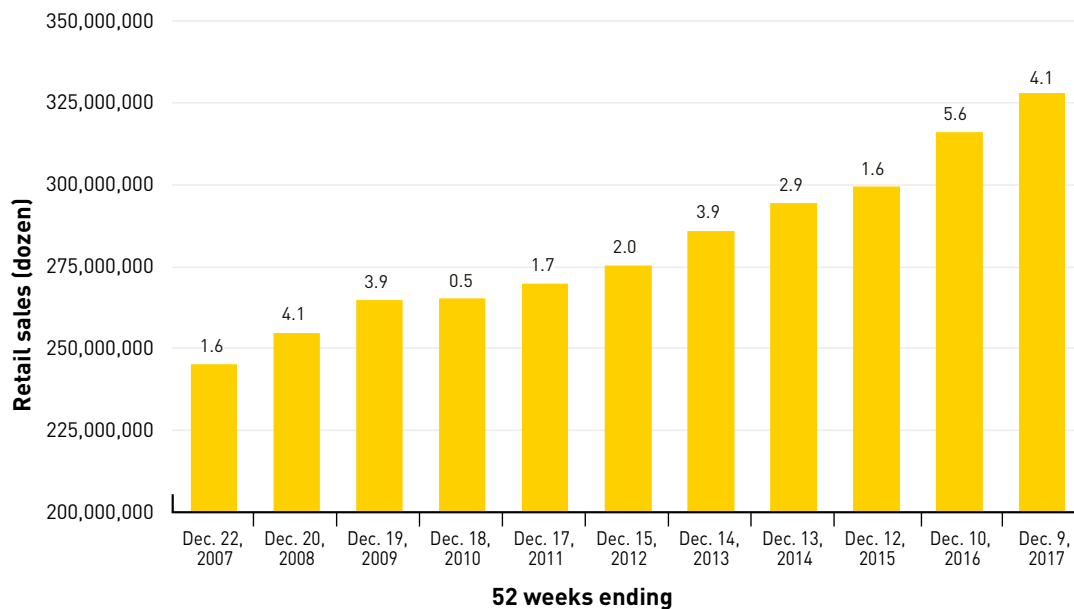
Pricing trends in the Canadian egg industry¹



Sources: COP: Egg Farmers of Canada; producer price: egg boards; retail price: Agriculture and Agri-Food Canada

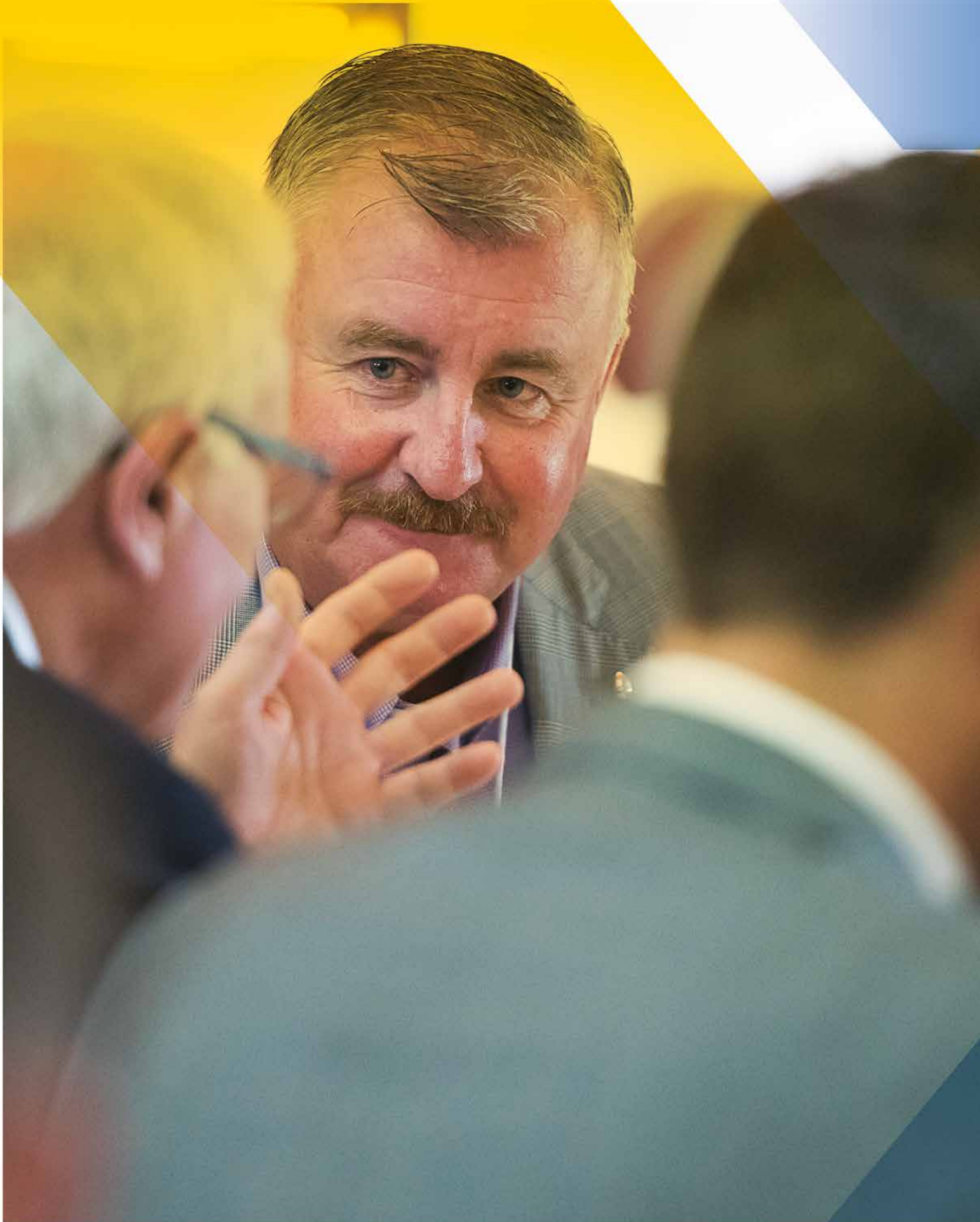
¹ COP and producer price for Grade A, large eggs; retail price for large, regular, white eggs; weighted averages

Retail egg sales¹



Source: Nielsen MarketTrack, Total Eggs — National

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





02

PUBLIC SUPPORT AND SOCIAL LICENSE

EFC's approach to build public support in our industry is rooted in trust—trust in our people and products. These efforts are driven by a deep commitment to the millions of Canadians who enjoy and depend upon our products every day. These actions include the ability to act responsibly towards animals, the land and the environment. It is part of the work we do to deliver safe and nutritious eggs, to give back to our communities and to continuously improve our products and processes.

Embracing sustainability across our industry

Egg farmers have long embraced sustainability as a vital part of the future of the industry. Our leadership in this area has earned EFC a part in the national Sustainability and Climate Change Working Group as well as a role in the Global Initiative for Sustainable Eggs. Our engagement extends to a mix of partnerships and to the unique Poultry Sustainability Value Chain Roundtable, which brings together key poultry sector representatives, value chain partners and government representatives to discuss common issues and drive collaborative actions.

Our Sustainability Story

2017 brought the unique opportunity to take a step back and bring together all the programs and policies which make our industry sustainable. These wide-reaching activities are now explained in a comprehensive Sustainability Story and structured around five pillars that guide EFC's actions:

- › Protect the health and welfare of our hens
- › Deliver safe, high-quality eggs to Canadians
- › Find new ways to make egg production more environmentally sound
- › Enhance the well-being of others
- › Empower our people

EFC's Sustainability Story is a way to celebrate how far the industry has come and establishes a foundation to report progress over time.



Reaching even more influencers and decision-makers

It was a busy and ambitious year for the federal government. The Liberals reached the midway point of their first term and pushed forward on a number of files. EFC embraced many opportunities that underscored the importance of the industry, our products and the system of supply management at numerous meetings and events with elected officials throughout the year. These activities strengthened relationships with Ministers, Senators, MPs and their senior staff as well as connected our farmers with decision-makers.

THIS WAS AN OPPORTUNITY TO SPEAK TO THE HUGE STRIDES EGG FARMERS HAVE MADE IN GREENING OUR INDUSTRY THANKS TO A PROACTIVE INVESTMENT IN RESEARCH.

We responded to a variety of opportunities to assist the government with policy development and offered input on key issues. For example, Chairman Roger Pelissero and CEO Tim Lambert appeared before the Standing Senate Committee on Agriculture and Forestry in May as part of their study on the potential impact of the effects of climate change on the agriculture, agri-food and forestry sectors. This was an opportunity to speak to the huge strides egg farmers have made in greening our industry thanks to a proactive investment in research.

EFC was also invited to speak to the House of Commons Standing Committee on Agriculture and Agri-Food in September as part of their consultations on A Food Policy for Canada. Our comments offered critical input in the areas of public trust, support for young farmers and the vital role supply management takes in delivering food security in communities across the country. We also embraced a special opportunity to meet with the National Liberal Rural Caucus and delivered a technical briefing on trade to MPs in October. This was an important chance to thank the government for its ongoing support and to provide a first-hand look at the impact of trade agreements on our industry.

A successful series of advocacy days took place at the end of November. EFC representatives met with parliamentarians to grow relationships and discuss topics and issues. Thoughtful and constructive conversations with MPs and their staff covered topics such as the role of eggs in Canada's Food Guide, international trade, proposed tax changes, and research and innovation. Representatives were able to meet with key players on our files such as the Minister of Agriculture and Agri-Food and the Minister of Health.

2.1
MILLION EGGS
DONATED EACH
YEAR TO FOOD
BANKS, BREAKFAST
PROGRAMS AND
CHARITABLE
ORGANIZATIONS.

A Food Policy for Canada



The Honourable Lawrence MacAulay launched consultations to support the development of A Food Policy for Canada in early June with the goal of developing a comprehensive approach to agriculture and food issues. EFC, egg board representatives and a diverse range of stakeholders took part in sessions across the country that explored four core themes:

- › Increasing access to affordable food
- › Improving health and food safety
- › Conserving our soil, water and air
- › Growing more high-quality food

In late 2017, EFC joined a broad alliance of more than 50 farming groups, food industry representatives and academic experts to call on the government to create a National Food Policy Council. The Council would bring together stakeholders to provide monitoring, guidance and support for A Food Policy for Canada. The highly anticipated food policy is expected in 2018.



Young farmers Mark Siemens, Tonya Haverkamp, Tyler Coburn and Jacob Pelissero with Agriculture and Agri-Food Minister Lawrence MacAulay at our annual breakfast on Parliament Hill.

Annual breakfast on Parliament Hill

In May, we welcomed more than 40 MPs and Senators at our breakfast on Parliament Hill which featured young farm leaders alongside our Board of Directors and industry representatives. The annual tradition offered an opportunity for both urban and rural elected officials to meet local egg farmers and discuss the importance of the egg farming industry and supply management. The Honourable Lawrence MacAulay, Minister of Agriculture and Agri-Food, addressed guests and reaffirmed the government's support for supply management.

Engaging in dialogue with municipal leaders at FCM

A delegation made up of representatives from EFC, Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers joined municipal leaders at the Federation of Canadian Municipalities (FCM) conference in Ottawa. 2017 marked our fifth year sponsoring the annual conference which provided opportunities to discuss the vital contribution of supply-managed farmers with the more than 2,000 mayors, reeves and city councillors in attendance. Our involvement in the conference was extended through social media, and over 50 delegates took part in a study tour of an Ottawa-area turkey farm to discuss the critical role of agriculture to the fabric of Canada.

96%
OF CANADIANS
PREFER TO BUY
FOOD PRODUCED
BY CANADIAN
FARMERS.



Another successful Downtown Diner event

Canada's egg, dairy, chicken and turkey farmers teamed up in June to host the popular Downtown Diner event in Ottawa. MPs, Senators and local commuters stopped by to meet some of the dedicated farmers who produce fresh, local, high-quality food. It was an excellent moment to share how supply management strengthens Canadian farms with the many guests in attendance, which included the Minister of Agriculture and Agri-Food, the leader of the Conservative Party of Canada, and members of the Standing Committee on Agriculture and Agri-Food.



Young farmers Andrew Packham, Will McFall, Cory Cox and Justin Dunphy with Agriculture and Agri-Food Minister Lawrence MacAulay at our Joint Annual Reception with our poultry colleagues.

Expanding our network of young leaders and champions

The next generation will undoubtedly have a profound impact on the future of Canada's agricultural industry. This is precisely why EFC and egg boards are preparing young leaders with the knowledge and skills necessary to navigate a complex environment through the national young farmer program. This year, ten participants attended a mix of industry events and took part in tailored workshops in Ottawa and Toronto to develop an understanding of key industry areas and advance their leadership skills.

Keeping the *eh* in eggs

In late August, we launched a unique campaign to spread the word about why Canada benefits from the system of supply management. This campaign is part of ongoing efforts to maintain a positive presence during a time when aspects of supply management are pulled into focus.

We introduced the country to an inspiring pair of young industry leaders: egg farmers Andrew and Mélissa Vallance. The Vallances are one example of hard-working Canadians that make sure high-quality eggs end up on our tables! Andrew and Mélissa are thriving and contributing to their community in a meaningful way thanks to supply management—and their story is just one of many. As a result, thousands of people visited eggfarmers.ca to learn more about our industry, supply management and EFC.



International trade

With the newly renamed Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) trade negotiations occurring in parallel with the renegotiation of the North American Free Trade Agreement (NAFTA)—2017 was yet another busy year. EFC diligently monitored these negotiations as well as exploratory talks with the Pacific Alliance bloc, China and Mercosur to advocate for the interests of Canadian egg farmers within the context of the Government of Canada's trade agenda.

81%
OF CANADIANS
SUPPORT
THE SYSTEM
OF SUPPLY
MANAGEMENT.



Comprehensive and Progressive Agreement for Trans-Pacific Partnership

In November our attention quickly turned to CPTPP when the 11 remaining countries initiated unexpected talks to revive it. Ministers met on the margins of the APEC meeting in Vietnam, and agreed to the core elements of the newly renamed agreement. While representatives from EFC and the supply-managed sector urged our government to suspend market access provisions, we were disappointed to learn the concessions made in the original 2015 deal—in response to the U.S. demands who are no longer part of CPTPP—were not reopened. This is a serious issue that EFC will continue to raise with officials in 2018.

North American Free Trade Agreement

The reopening of NAFTA made 2017 a challenging year. By mid-December, negotiators had run through five of the anticipated seven rounds of talks. While agriculture representatives on all sides of the discussion have been focused on modernizing a well-functioning agreement, U.S. negotiators pushed forward with aggressive demands across a range of sectors.

AGRICULTURE REPRESENTATIVES ON ALL SIDES OF THE DISCUSSION HAVE BEEN FOCUSED ON MODERNIZING A WELL-FUNCTIONING AGREEMENT.

As the fourth round of talks concluded, Canada's supply-managed sector was pulled into focus when U.S. negotiators tabled a proposal requesting a complete end to the system of supply management within a 10 year period. Canadian officials rightfully described the proposal as a non-starter, underlining their continued support for the system. EFC will remain vigilant as the talks progress in 2018, and will focus our efforts on making sure our government understands the ramifications on our industry and the impact on Canadians.

World Trade Organization

World Trade Organization (WTO) members completed the 11th Ministerial Conference—known as MC11—in Buenos Aires, Argentina in early December. Despite reporting on progress on a number of ministerial decisions, there is little evidence any real headway was made on agriculture issues. WTO members failed to deliver a permanent solution on the issue of Public Stockholding for Food Security Purposes as mandated by Ministers in Nairobi in 2015. While some efforts were made in the past few months to come to a solution, it proved to be impossible to agree to a work plan.

There was a clear sense of disappointment in the lack of substantive progress as MC11 concluded. The WTO talks are to continue in Geneva. EFC will watch the negotiations as they move forward, while considering the broader implications on our industry.

Global leadership and engagement



A number of moments throughout 2017 showcased Canada's egg industry and a commitment to excellence on the global stage. For instance, Chairman Roger Pelissero joined global leaders in roundtable discussions to champion collaboration through the Global Initiative for Sustainable Eggs. EFC Director Joey Smallwood joined global peers in the International Egg Commission's (IEC) Young Egg Leaders program. CEO Tim Lambert took on the role of IEC Chairman in September at the Global Leadership Conference in Bruges. This appointment expands opportunities to build relationships with the World Health Organization, World Organisation for Animal Health and decision-makers from over 85 egg producing countries.

We have also been increasingly successful at sharing our message with our global counterparts and colleagues. Presentations covering topics such as animal welfare standards, sustainability and public trust were made this year at the 85th General Session of the World Organisation for Animal Health, the World Farmers Organisation General Assembly and the 38th North American and European Union Agriculture Conference. EFC also continued its participation with the Consumer Goods Forum, networking with global food manufacturers and retailers at conferences in Berlin and Stockholm.



Celebrity chef and EFC ambassador Lynn Crawford hosted a special holiday meal for food bank volunteers.

Celebrating our partnership with Food Banks Canada with the #RecipesThatGive movement

In the spirit of the holiday season, we joined forces with long-time partner Food Banks Canada and renowned chef Lynn Crawford to ask our fellow Canadians to set aside time for friends and neighbours who need them. During the month of December, we invited Canadians to bring joy to someone's life by sharing a cherished recipe or a meal on Facebook, Twitter or Instagram using the hashtag #RecipesThatGive and #FêtesUnDon, or by supporting their local food bank.

THE CAMPAIGN ACHIEVED AN ASTOUNDING 115 MILLION IMPRESSIONS, MAKING IT ONE OF OUR MOST SUCCESSFUL CAMPAIGNS TO DATE.

The initiative generated an incredible amount of interest and interaction, with features on CP24 Breakfast and CHCH Hamilton, and in the Toronto Star and Reader's Digest. Reach and visibility were extended online and through social media, and the campaign achieved an astounding 115 million impressions, making it one of our most successful campaigns to date.



Canadian egg farmers continue to bring hope to Swaziland

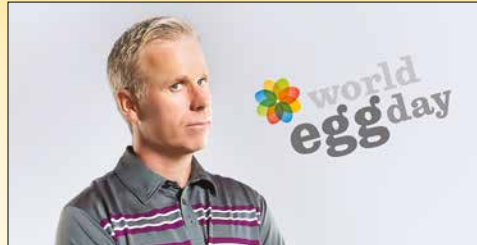
The progress made in Swaziland in partnership with Heart for Africa (Canada) is thanks to the dedication of volunteers and supporters. Today Project Canaan produces 4,000 fresh eggs each day for the community and supplements 880,000 meals each year to rural parts of Swaziland.

EACH MEAL INCLUDES A LOCALLY PRODUCED EGG, WHICH PROVIDES NUTRIENTS NEEDED TO FIGHT DISEASE.

Each meal includes a locally produced egg, which provides nutrients needed to fight disease, bolstering the immune system and thus enhancing the efficacy of vaccines. We continue to rally around this cause by offering support to sustain the egg operation while it works towards becoming self-sufficient.

A Dee-lightful World Egg Day with Breakfast Club of Canada

We joined egg lovers across the globe to celebrate one of the greatest and most versatile foods around on World Egg Day. EFC teamed up with Breakfast Club of Canada and comedian Gerry Dee to mark the day and remind Canadians that skipping breakfast is no yolk—especially for school age children.



Our festivities involved inviting Canadians to show their support for school breakfast programs on Facebook, Twitter and Instagram by sharing their favorite egg puns using the hashtag #CrackAYoke and #CraquerDeRire. Gerry Dee appeared on Breakfast Television Toronto and CP24 Breakfast, and spoke with radio shows Mix97, and The Ward and AI Show about the initiative. Canadians stepped up in a big way: the hashtag was used nearly 5,000 times, and the campaign generated more than 40.5 million impressions.

Inspiring young Canadians to think about their food and the people who produce it

EFC embarked on brand-new partnerships with Agriculture in the Classroom and the ME to WE Take Action Camp this year, reaching the next generation of consumers and change-makers. Both partnerships are designed to help students not only understand where the food they eat comes from, but also to develop an appreciation for the people who work hard to produce it. These partnerships further complement our sponsorship of the Forum for Young Canadians, a program that fosters leadership skills in young people by immersing them in federal politics. Our engagement in these partnerships offered new opportunities to share our story by connecting our farmers with students and young leaders in training.





03

GROWTH AND INNOVATION

Eleven straight years of sales growth

We achieved an increase of 4.1% in the retail sales of table eggs in 2017, marking 11 continuous years of growth. This remarkable accomplishment brings the egg industry to 34.3% growth over 11 years. We continued to see strong growth across all egg varieties, with classic Canada Grade A white and brown eggs representing the vast majority (86.5%) of eggs sold in Canada. This success is the result of many factors including strong consumer demand for affordable, natural, locally produced food items.

Little can compare to the nutritional power of the egg and we are telling consumers this story through our marketing programs that share the natural goodness of eggs, educate on egg nutrition and connect consumers with the farm families dedicated to producing eggs. Waves of advertising throughout the year carried these messages and reminded Canadians that the food at their family's table comes from a family like theirs.

4.1%
INCREASE IN
THE RETAIL
SALES OF
EGGS IN 2017.



We invited Canadians to wake up to yellow and the natural goodness of eggs for the second year in a row. Egg farmer volunteers greeted commuters and distributed thousands of breakfast sandwiches in Montreal, Halifax and Calgary.

Reaching more Canadians with our message of natural goodness



Following a successful pilot program in 2016 targeting Canada's growing Chinese community, EFC launched a new program reaching Canada's South Asian community in 2017. The campaign featured a design inspired by Bollywood, with messaging that spoke to the natural goodness of eggs in Punjabi, Hinglish and English. The television ads and digital media ran from September to November across Canada.

The campaign reached 200,000 households nationally and garnered 15,000 unique visits to a custom website dedicated to the campaign. With 7.6 million Canadians speaking a language other than English or French at home, this campaign is part of a long-term strategy to reach Canada's diverse population to grow egg consumption.

Introducing *new* weekday eggs



Break
Faster.



NEW
Weekday Eggs®

QUICK FOR QUICK MOR'NINGS.



80%
OF CANADIANS
ARE AWARE
OF THE GET
CRACKING
BRAND.

This year marked the beginning of a new marketing campaign that reminded Canadians that eggs are a great breakfast choice—every day of the week! The upbeat and humorous ads prompted consumers to try *new* weekday eggs and featured the adored Get Cracking logo. A four week in-store promotion ran in over 2,055 stores across the country in conjunction with digital media from October to December.

A unique Get Cracking branded food truck created buzz around the campaign in Toronto and Montreal, and influencers extended efforts online. The campaign delivered 26 million impressions and plenty of smiles.



Engaging with Canadians and consumers online

With more and more people turning online for information and inspiration, we continued to strengthen a number of marketing and communications channels that enhanced our interaction with Canadians and consumers online. In 2017, we achieved more than 4.9 million visits to our newly relaunched eggs.ca (geared towards consumers) and eggfarmers.ca (geared towards all audiences) websites. This accomplishment is driven by sophisticated promotional strategies, dynamic content and an investment in visual storytelling.

With over 284 videos currently available, it's little wonder that EggcentricTV had thousands of hits in 2017. This one-of-a-kind streaming network is filled with fresh content, original recipes, top chefs and much more—all accessible with the click of a button on iOS and Android devices. It is quickly becoming a global phenomenon, with new partnerships extending reach to audiences around the world!

Social media continued to be a significant part of our online engagement with consumers and the public. Our community includes close to 110,000 fans, followers and egg champions, and thousands more Canadians are reached through amplification efforts. Our investment in Facebook, Twitter, LinkedIn, Pinterest and Instagram offered a suite of touchpoints to interact with those who champion our product and our industry, have questions or are looking to find even more ways to enjoy eggs!

4.9
MILLION
VISITS TO OUR
WEBSITES
IN 2017.

New online Q&A section on eggs.ca enhances transparency

In an effort to educate consumers and the public, EFC launched a new Q&A section on eggs.ca in July. The section addresses common questions and misconceptions about eggs, and offers a backstage pass to life on the farm. More than 25 questions have been answered through a combination of text, videos and photos, with plans to expand in 2018. Questions on the website range from the amount of eggs a hen lays per day to why eggs are refrigerated in Canada. Efforts were amplified through social media and a six week digital media campaign generated over 26.5 million impressions. This program is one of many initiatives that helps consumers learn more about our products.



Changes to nutrition labelling regulations and the impact on eggs

Health Canada announced changes to nutrition labelling regulations in July. The new regulations are based on current nutritional science and aim to help Canadians make better food choices. The changes include a new format for the Nutrition Facts Table, adjustments to serving sizes to reflect what Canadians typically eat in one sitting, and updates to the amount of a nutrient Health Canada determines is required for a person to consume each day (% DV).

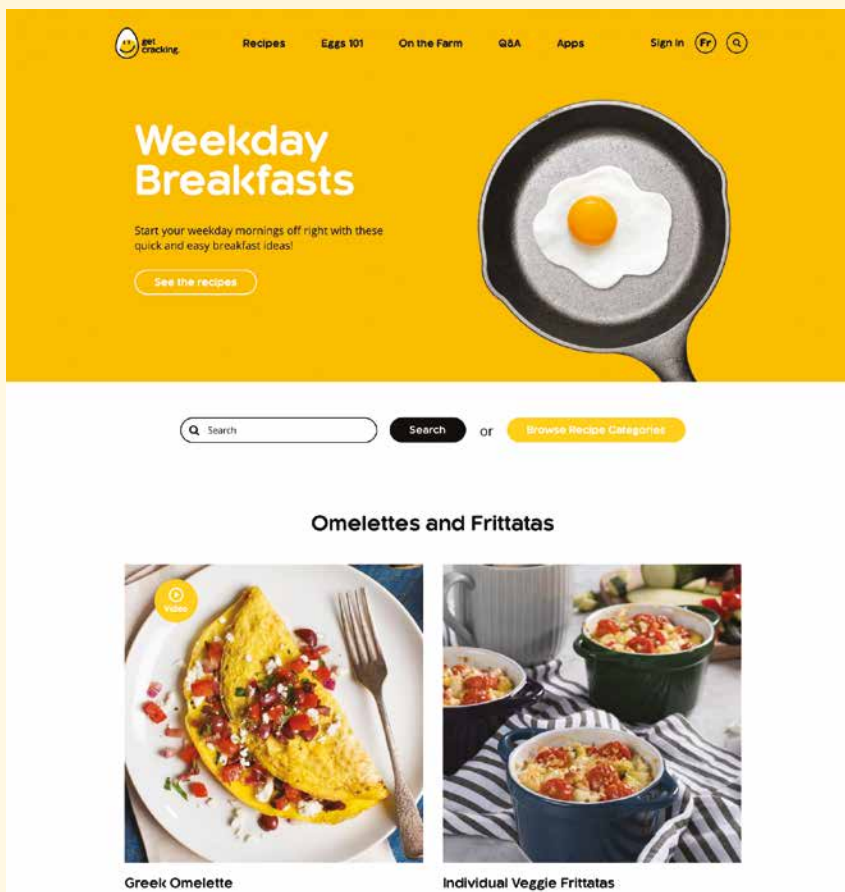
When it comes to eggs, the serving size has changed from one to two eggs, doubling the nutrients declared on the Nutrition Facts Table. All egg cartons are required to reflect this new information by December 2022.

Relaunch of eggs.ca

In May, we relaunched eggs.ca, a website dedicated entirely to consumers. The modern design leverages the latest digital trends and wows consumers with creative ways to enjoy eggs. This one-stop shop with everything an egg lover wants to know—whether it's scrumptious breakfast recipes, nutritional facts or information about where your eggs come from—is now better than ever! Eggs.ca is well positioned to support our marketing programs and help consumers learn about eggs and egg farming.

Top articles on eggs.ca:

- › How to make the perfect hard-cooked egg
- › Basic microwaved eggs
- › Egg storage, freshness and food safety
- › How to make a meringue
- › How to fry the perfect egg



Multidisciplinary collaboration across our research chair network

Our current research chairs, Dr. Nathan Pelletier, Research Chair in Sustainability at the University of British Columbia, Dr. Bruce Muirhead, Public Policy Research Chair at the University of Waterloo, Dr. Tina Widowski, Poultry Welfare Research Chair at the University of Guelph, and Dr. Maurice Doyon, Egg Industry Economic Research Chair at Université Laval, continued in their efforts to drive research that will shape the future of egg farming. A working session between the chairholders was hosted in July to support the pursuit of cross-disciplinary research initiatives. We also continued to engage the research chairs in other initiatives including our national young farmer program, at our annual breakfast on Parliament Hill and as speakers at events.

Sustainability research receives support from NSERC

The Natural Sciences and Engineering Research Council of Canada (NSERC) awarded the prestigious Industrial Research Chair to Dr. Nathan Pelletier in March. The multi-year recognition will help advance forward-thinking research activities in the areas of sustainability measurement and management, life-cycle analysis and resource efficiency, with a focus on the egg industry.

NSERC's support allows Dr. Pelletier to expand his research program and strengthens the link between environmental sustainability and egg production, while developing tools and technologies with environmental and social impacts in mind.





Advancing our industry through evidence-based research

EFC continued to support a wide array of research projects under the guidance of the Research Committee of the EFC Board. In 2017, 33 active research projects were underway across Canada, covering a range of priority areas including animal health and welfare, food safety, nutrition and health, non-food uses of eggs and environment and sustainability. This commitment to support evidence-based research is extended through partnerships with the Canadian Poultry Research Council, Egg Nutrition Center, Poultry Research Centre and Egg Industry Center.

We are following a number of research projects with great interest. These include studies that explore feather cover in pullets and laying hens; the role eggs can take to help type 2 diabetes patients manage glucose; and the development of an in-ovo vaccine against Salmonella. Research summaries that highlight findings generated through EFC's investment are developed annually and online webinars were facilitated this year. These tools are available to farmers, partners and the public via our eggfarmers.ca website.

33
ACTIVE
RESEARCH
PROJECTS
FUNDED
BY EFC.





04

ORGANIZATIONAL EXCELLENCE

Comprehensive strategic planning and governance workshop

The EFC Board reviewed progress made on a range of strategies and priorities and undertook a comprehensive environmental scan during the annual strategic planning process. The session built on an environmental scan generated by egg board leadership, and was enhanced by a guest speaker who spoke about change in the face of adversity and a workshop on governance. The day culminated with a detailed discussion of priorities for the coming year, which identified a list of strategies under four Key Result Areas (KRA) that make up the 2018–2020 Business Plan.



A strong, connected team

It is the passion and dedication of the EFC Board that inspire our 58 employees to do their best. This stems from the care that goes into helping every member of the EFC team see how their work connects to EFC's vision and mission, and The EFC Way. For example, our annual Staff Conference Day offered a moment to take a step back and review the core priorities of the year ahead. The day was anchored with a town hall style forum to answer questions and enriched with small cross-unit breakout discussions followed by a volunteer activity.

While we continued to refine the programs that give our staff tools they need to thrive, a number of new initiatives were launched this year. A pilot program to help cultivate leadership skills among our staff was initiated, and a month-long program that encouraged volunteerism in our community was facilitated by Human Resources.

58

**TALENTED,
DEDICATED AND
PASSIONATE
STAFF MEMBERS.**

Award-winning corporate culture



EFC looks to foster a culture built on collaboration and integrity, with opportunities for our staff to learn and grow in their careers, and where community engagement is a priority. It is for these reasons EFC was named one of Canada's Most Admired Corporate Cultures for the second time by Waterstone Human Capital and was recognized as a National Capital Region's Top Employer for the fifth consecutive year.

Enhancing dialogue and collaboration to achieve new levels of success

Constructive, transparent dialogue is a high-priority for EFC. We continued to issue regular mailings to maintain an informed farmer base, and leveraged our suite of digital newsletters to share updates across our network. Chairman Roger Pelissero and CEO Tim Lambert attended egg board annual meetings, travelling across the country to offer updates and meet with representatives.

Workshops were facilitated together with egg boards on matters linked to operational issues, communications challenges and marketing programs. EFC continued to fine-tune practices and tools to attain greater levels of efficiency and to support the ongoing collaboration required in an industry as dynamic as ours.

Vision



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

Mission

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

The Egg Farmers of Canada Way

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

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

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

Fifty-two weeks ended December 30, 2017





INDEPENDENT AUDITORS' REPORT

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

The Minister
Agriculture and Agri-Food Canada, and

The Farm Products Council of Canada

We have audited the accompanying financial statements of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada, which comprise the statement of financial position as at December 30, 2017, the statements of operations, changes in fund balances and cash flows for the fifty-two weeks then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada as at December 30, 2017 and its results of operations, changes in fund balances and its cash flows for the fifty-two weeks then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Canada
February 23, 2018

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

Statement of Financial Position

December 30, 2017, with comparative information for December 31, 2016

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2017 Total	2016 Total
Assets				
Current assets:				
Cash	\$ 11,969	\$ 1,421	\$ 13,390	\$ 10,351
Accounts receivable (note 3)	35,180	1,898	37,078	33,858
Inventory	558	-	558	560
Prepaid expenses	-	329	329	279
Investments (note 4)	22,668	3,310	25,978	24,865
	70,375	6,958	77,333	69,913
Capital assets (note 5)	-	4,380	4,380	4,615
	\$ 70,375	\$ 11,338	\$ 81,713	\$ 74,528
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 17,874	\$ 4,719	\$ 22,593	\$ 19,767
Current portion of long-term loan (note 7)	-	114	114	2,319
	17,874	4,833	22,707	22,086
Long-term loan (note 7)	-	621	621	-
Fund balances (note 8):				
Unrestricted	30,103	3,069	33,172	23,906
Internally restricted	22,398	2,815	25,213	28,536
	52,501	5,884	58,385	52,442
Commitments (note 9)				
	\$ 70,375	\$ 11,338	\$ 81,713	\$ 74,528

See accompanying notes to financial statements.

Approved by the Board of Directors



Chairman of the Board of Directors



Chairman of the Audit Committee

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

Statement of Operations

Fifty-two weeks ended December 30, 2017, with comparative information for the fifty-three weeks ended December 31, 2016

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2017 Total	2016 Total
Revenue				
Egg sales	\$ 140,918	\$ -	\$ 140,918	\$ 143,929
Levy and service fees – unrestricted	190,451	19,287	209,738	135,518
Levy and service fees – internally restricted	9,733	1,576	11,309	13,918
PIF requirement	11,708	-	11,708	2,700
Interest and other – unrestricted	185	118	303	509
Interest and other – internally restricted	273	74	347	305
	353,268	21,055	374,323	296,879
Expenses				
Trade operations:				
Cost of eggs sold	320,591	-	320,591	271,964
Transportation and handling	8,569	-	8,569	7,396
Third party verification	1,158	-	1,158	1,252
	330,318	-	330,318	280,612
Advertising and promotion	-	6,847	6,847	8,244
Marketing and nutrition research	-	292	292	23
Donations	343	5	348	337
Interest on long-term loan	-	126	126	134
Meetings and travel	-	2,175	2,175	1,982
Office and other administrative	-	1,392	1,392	1,453
Per diems	-	572	572	613
Restricted (note 8)	12,085	2,894	14,979	5,578
Professional fees and consulting	276	1,466	1,742	1,317
Public affairs and communications	-	3,581	3,581	2,096
Salaries and benefits	-	5,609	5,609	5,812
Amortization of capital assets	62	337	399	433
Allocation of administration expenses (note 10)	3,123	(3,123)	-	-
	15,889	22,173	38,062	28,022
Total expenses	346,207	22,173	368,380	308,634
Excess (deficiency) of revenue over expenses	\$ 7,061	\$ (1,118)	\$ 5,943	\$ (11,755)

See accompanying notes to financial statements.

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

Statement of Changes in Fund Balances

Fifty-two weeks ended December 30, 2017, with comparative information for the fifty-three weeks ended December 31, 2016

(In thousands of dollars)

	Internally restricted				2017 Total
	Unrestricted	Risk Management	Service Fee	Research	
	(note 8)	(note 8)	(note 8)	(note 8)	
Pooled Income Fund					
Balance, beginning of period	\$ 20,963	\$ 9,889	\$ 14,588	\$ -	\$ 45,440
Excess (deficiency) of revenue over expenses	9,140	401	(2,480)	-	7,061
Balance, end of period	30,103	10,290	12,108	-	52,501
Administration Fund					
Balance, beginning of period	2,943	-	-	4,059	7,002
Excess (deficiency) of revenue over expenses	126	-	-	(1,244)	(1,118)
Balance, end of period	3,069	-	-	2,815	5,884
	\$ 33,172	\$ 10,290	\$ 12,108	\$ 2,815	\$ 58,385

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

See accompanying notes to financial statements.

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

Statement of Cash Flows

Fifty-two weeks ended December 30, 2017, with comparative information for the fifty-three weeks ended December 31, 2016

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2017 Total	2016 Total
Cash provided by (used in)				
Operating activities:				
Excess (deficiency) of revenue over expenses	\$ 7,061	\$ (1,118)	\$ 5,943	\$ (11,755)
Item not involving cash:				
Amortization of capital assets	62	337	399	433
Changes in non-cash operating working capital items	(937)	495	(442)	(7,478)
	6,186	(286)	5,900	(18,800)
Investing activities:				
Purchase of investments	(13,481)	(1,060)	(14,541)	(34,611)
Proceeds on disposal of investments	10,328	3,100	13,428	48,901
Purchase of capital assets	(4)	(160)	(164)	(211)
	(3,157)	1,880	(1,277)	14,079
Financing activities:				
Repayment of long-term loan	-	(1,584)	(1,584)	(87)
Increase (decrease) in cash	3,029	10	3,039	(4,808)
Cash, beginning of period	8,940	1,411	10,351	15,159
Cash, end of period	\$ 11,969	\$ 1,421	\$ 13,390	\$ 10,351

See accompanying notes to financial statements.

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

Notes to Financial Statements

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

1. Description

Objective of EFC

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

Levy and service fees

Egg boards have agreed to act as agents of EFC for the collection, control and remittance of the levy, as recommended by EFC and prior approved by the Farm Products Council of Canada. Further amounts are paid to EFC by the egg boards to finance the Industrial Products Program pursuant to the supplementary Federal-Provincial Agreement and, in the cases of Québec, Ontario and Alberta, through service fees payable pursuant to a commercial contract.

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

Industrial Products Program

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

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

The Pooled Income Fund consists of the Industrial Products Program levy and service fees and related expenses. All transactions involving the buying and selling of eggs are recorded in this Fund.

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

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(b) Inventory:

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

(c) Financial instruments:

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

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

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

(d) Capital assets:

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

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

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(e) Revenue recognition:

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

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

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

(f) Employee future benefits:

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

(g) Allocation of expenses:

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

(h) Use of estimates:

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

3. Accounts receivable

	December 30, 2017	December 31, 2016
Levy and service fees	\$ 22,038	\$ 19,947
Egg sales	14,276	13,524
Other	764	387
	\$ 37,078	\$ 33,858

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

3. Accounts receivable (continued)

Egg sales are dependent upon two groups of related companies. During the period, these customers represented 88% (December 31, 2016 – 73%) of eggs sales revenue; 32% (December 31, 2016 – 30%) of accounts receivable are owing from these customers.

4. Investments

	December 30, 2017	December 31, 2016
Cash	\$ -	\$ 119
Guaranteed investment certificates	25,978	24,746
	\$ 25,978	\$ 24,865

Guaranteed investment certificates bear interest at fixed rates ranging from 1.25% to 2.70% and mature between 2018 and 2019 (December 31, 2016 – 1.35% to 2.11%; maturing between 2017 and 2018).

5. Capital assets

			December 30, 2017	December 31, 2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 416	\$ -	\$ 416	\$ 416
Buildings	4,737	1,089	3,648	3,766
Office equipment	446	432	14	38
Computer hardware and software	3,091	2,789	302	358
Leasehold improvements	134	134	-	-
Corporate identity	345	345	-	37
	\$ 9,169	\$ 4,789	\$ 4,380	\$ 4,615

Cost and accumulated amortization are presented net of disposals of \$12. Cost and accumulated amortization as at December 31, 2016 amounted to \$9,017 and \$4,402, respectively.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

6. Accounts payable and accrued liabilities

Government remittances (sales and payroll withholding taxes) of \$1,258 (December 31, 2016 – \$1,130) are included in accounts payable and accrued liabilities.

7. Long-term loan

The loan amount at renewal on November 30, 2017 was \$745 for the Florence Street property and \$Nil for the James Street property. The loan for the Florence Street property bears interest at 3.46% and is payable in monthly instalments of principal and interest of \$11. The loan is amortized over a 6-year period and is due November 30, 2022. The loan is secured by the Florence Street property. The property has a carrying value of \$3,197 (December 31, 2016 – \$4,182 for Florence Street and James Street properties). All owners of the property are jointly and severally liable for the total amount outstanding of the loan, \$1,708 as at December 30, 2017 (December 31, 2016 – \$5,138 for Florence Street and James Street properties), should an owner default on payment.

Payment details of the loan are as follows:

	Principal	Interest	Total
Period ending:			
December 30, 2017	\$ 735	\$ 79	\$ 814
Less: current portion	114	24	138
	\$ 621	\$ 55	\$ 676

EFC also has a revolving demand loan facility with a total approved limit of \$5,000 at an interest rate of prime. The facility is secured by an assignment of book debts as part of a general security agreement.

As at December 30, 2017, loans under this facility were \$Nil (December 31, 2016 – \$Nil).

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

8. Fund balances

EFC's objectives are to safeguard the ability to continue while keeping levy rates at a minimum. EFC sets the levy rates to meet its projected cash flow requirements for restricted and unrestricted funds, which are reviewed monthly by management and the Board of Directors. The levy rate per dozen eggs marketed was set at 33.75 cents effective January 30, 2017. In fiscal year 2018, effective February 25, 2018, the levy rate per dozen eggs marketed will be set at 31.75 cents.

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

The Unrestricted Administration Fund is to maintain a balance of at least \$1,000. The lower and upper thresholds of the Internally Restricted Research Fund are \$2,000 and \$5,000, respectively. The lower and upper thresholds of the Unrestricted Pooled Income Fund are \$20,000 and \$40,000, respectively. The Internally Restricted Risk Management Fund is to maintain a balance of at least \$8,000.

Should balances fall outside these ranges, EFC could adjust the levy rate on a prospective basis. The fund balances at December 30, 2017 compared to the established thresholds are considered appropriate.

(a) Risk management fund:

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

(b) Service fee fund:

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

(c) Research fund:

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

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

9. Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2018 for an amount of \$4,886 (December 31, 2016 – \$5,805).

\$2,660 (December 31, 2016 – \$2,180) has been committed over the next eight years to support the University Research Chairs at Université Laval, University of Guelph, University of British Columbia (Okanagan Campus) and University of Waterloo.

10. Allocation of administration expenses

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

	December 30, 2017	December 31, 2016
Building costs	\$ 110	\$ 91
Insurance	44	44
Meetings and travel	458	402
Office and other administrative	410	623
Per diems	75	80
Professional fees and consulting	50	36
Salaries and benefits	1,888	1,831
Amortization of capital assets	88	105
	\$ 3,123	\$ 3,212

11. Financial risks

(a) Liquidity risk:

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

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 30, 2017

(Amounts in thousands of dollars unless otherwise noted)

11. Financial risks (continued)

(b) Credit risk:

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

(c) Interest rate risk:

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

(d) Currency risk:

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

(e) Market risk:

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

There have been no changes to the risk exposures from 2016.



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