



ANNUAL REPORT

2018



EGG FARMERS  
OF CANADA



## Board of Directors

1. Roger Pelissero, *Chairman*
2. John Penner, *Northwest Territories*
3. Glen Jennings, *Nova Scotia*
4. Emmanuel Destrijker, *Quebec*
5. Kurt Siemens, *Manitoba*
6. Ian Simmons, *Prince Edward Island*
7. Ted Hudson, *Canadian Poultry and Egg Processors Council (Grading)*
8. Brad Lawson, *Canadian Poultry and Egg Processors Council (Hatcheries)*
9. Regan Sloboshan, *Saskatchewan*
10. Joseph R. W. Smallwood III, *Newfoundland and Labrador*
11. Wayne Beggs, *Consumers' Association of Canada*
12. Joe Kleinsasser, *Alberta*
13. Scott Helps, *Ontario*
14. Mike Vanderpol, *Canadian Poultry and Egg Processors Council (Processing)*
15. David Coburn, *New Brunswick*
16. Walter Siemens, *British Columbia*



## Table of Contents

Chairman's message

2



CEO's message

4



Sustainable development of the industry

6



Trust and support

20



Growth and innovation

34



Organizational excellence

42



Financial Statements

51







# Chairman's message

It has been an honour to serve as Chairman of the Egg Farmers of Canada Board of Directors, representing Canadian egg farmers in 2018. While there were challenging moments throughout the year, our industry has proven it is strong, adaptable and effective. I can also say that we have been, we are and we will continue to be, vocal advocates for Canada's egg industry.

As you are all well aware, the revised Trans-Pacific Partnership, now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the revised North American free trade deal, now called Canada-United States-Mexico Agreement (CUSMA), took up a lot of our time in 2018.

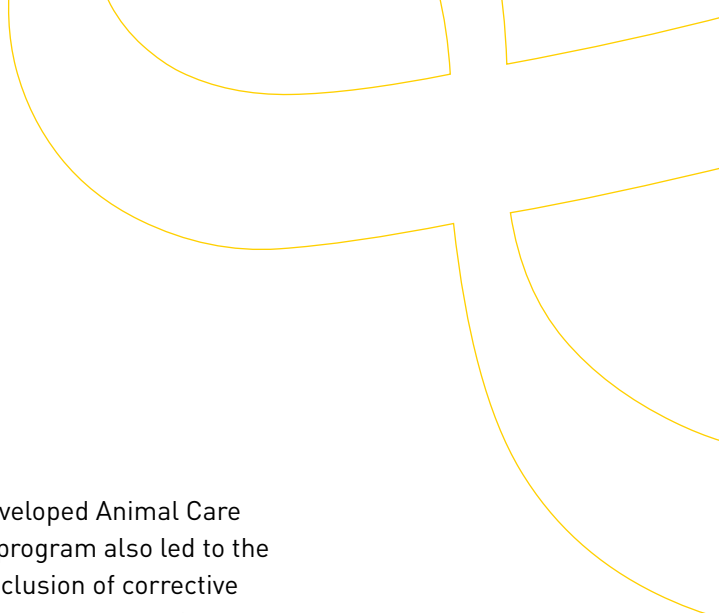
While Canada's system of supply management remains in place, both deals further opened our domestic market to egg imports. The revised trade agreements will have a lasting impact, particularly on young farmers. However, we are now able to move forward knowing what the rules are, and can focus on mitigating the impact, with the next generation of egg farmers in mind.

This work has already begun, through the creation by the federal government of two working groups—one for dairy farmers and one for poultry and egg farmers. Together with representatives from Agriculture and Agri-Food Canada and Global Affairs Canada, we are working towards strategies and programs to mitigate the negative impacts of increased access to our domestic market, and we are working with our government to ensure the right people are engaged in these discussions.

We also intend to make it clear that supply management cannot be used as a bargaining chip in future trade negotiations. It is not just the stability of our farms that is at stake, but the ability of rural communities to thrive.

In terms of industry collaboration, we also made significant progress in 2018 on the new Egg Quality Assurance (EQA) program. The project is the culmination of an industry-wide initiative to promote the animal welfare and food safety standards in place on Canadian egg farms. Much of 2018 was spent working with producers, egg boards, graders and processors to bring us one step closer to having the mark appear on egg cartons. I am very proud of what has been achieved here, and you can watch for developments in the coming months.

The third area where we made significant progress was farming practices. The redevelopment of the national Animal Care Program to include the requirements of the updated Code of Practice continued in 2018, with the launch of new training standards and interim measures that will help identify changes that we as farmers



will have to make at the farm level in preparation for the redeveloped Animal Care Program. An in-depth review of the Start Clean-Stay Clean™ program also led to the implementation of a new process to encourage the timely conclusion of corrective actions. These changes, among others, further strengthen our overall commitment to food safety.

We also continued to advance a number of projects in support of our national hen housing transition away from conventional housing. These projects, which draw in EFC, egg boards, the Canadian Poultry and Egg Processors Council and other supply chain representatives, are essential and will deliver much-needed tools to support the industry as it transitions towards alternative production methods.

### These changes, among others, further strengthen our overall commitment to food safety.

Though the hen housing transition was announced as recently as 2016, close to one-third of egg production in Canada is already being done through alternative housing systems (enriched colony, free run, free range or organic production). These are the first tangible steps towards the 2036 commitment to eliminate conventional housing from our system. This intense collaboration across jurisdictional responsibilities is vital to allow us to continue to progress against our goals in this area.

In closing, I would like to congratulate Tim Lambert on being named the Alumnus of Honour by the University of Guelph in 2018 and to thank him for 15 years of dedicated service. We rely on his leadership and we want to express our appreciation on the occasion of this anniversary.

I also want to express my gratitude to my colleagues at the national table who dedicate countless hours to advance and strengthen our industry, and to the staff and the farm families who work tirelessly to make our industry great.



**Roger Pelissero**  
Chairman



# CEO's message

I have been CEO of EFC for 15 years now. That's long enough to give me some perspective—both on the organization and on the industry.

From where I stand, what I see makes me proud. There is ample evidence of success, at many levels. As Roger has rightly pointed out, EFC is an effective advocate for egg farmers and for the industry. I want to show how the organization has made itself into an effective vehicle for supporting that advocacy work and driving continuous improvements. Success is not just about accomplishments or goals reached; it's also about building the capacity to do the work effectively and in that, we are champions.


Our industry is growing and changing quickly. We have just finished 12 successive years of growth, with 2018 seeing an additional 19 million dozen eggs produced (2.63% more than in 2017) and 6% growth in the retail sales of eggs.

We are working to find new ways to address the complexities of our growing industry. For example, we strengthened our capabilities to gather market intelligence and forecast egg supply and demand. These models strengthen EFC's ability to make data-driven projections and fine-tune our ability to predict shifts in our market. We are also looking to predictive analytics, big data and other analytical tools that will support our functional capabilities and our response to an increasingly complex business environment.

Partnerships help us work more effectively, and another area that expanded considerably in 2018 was the level of consultation and engagement across the EFC Board of Directors and industry stakeholders. Under the guidance of EFC staff, dozens of meetings of project teams, working groups and tailored workshops took place to tackle issues and priorities. A few areas that we are watching with great interest are the work of the EQA project team, the Implementation Assessment Project Team, the Conventional to Enriched Transition Producer Pricing Project and the National Specialty Supply and Demand Project. The work of these groups and others are detailed in this report under our four Key Result Areas.

We are also engaged in cross-sectoral initiatives that are shaping Canada's agriculture sector. We continue to see our young farmer program expand, and we are engaged at the global level in discussions that tackle common issues, like the revision of the World Organisation for Animal Health Laying Hen Standards.

This collaborative work extends outside the industry. Our partnerships with Food Banks Canada and Breakfast Club of Canada allow us to collectively deliver millions of eggs to vulnerable Canadians and children through community food banks and school breakfast programs. Abroad, we work in rural eSwatini (formerly Swaziland)



through Heart for Africa (Canada). We send life-saving powdered eggs to regions of the world through Canadian Food For Children, and we support the work of the International Egg Foundation in building entrepreneurial skills in new egg farmers and increasing access to nutritious eggs. These partnerships are a testament to the power of the humble egg and the strong commitment of Canadian egg farmers to give back and contribute to the well-being of others.

We have also worked to build a more effective organization—one that is able to quickly shift focus. For example, in 2018 we adjusted our EFC leadership team and restructured some departments to achieve a higher degree of collaboration across units. The shift saw long-time EFC veterans Tom Borowiecki appointed Chief Information Officer and Judi Bundrock appointed Chief Marketing and Communications Officer. Neil Newlands and Stephanie Polianski continued in their roles of Chief Operating Officer and Chief Financial Officer, respectively.

### These adjustments revitalized our structure, making our passionate and committed EFC team even more effective.

These adjustments revitalized our structure, making our passionate and committed EFC team even more effective. We have been very successful in creating a strong corporate culture—and that fact is now well recognized. EFC twice received a national award for being one of Canada's most admired corporate cultures, and we were recognized as one of the top employers in Canada's National Capital Region in 2018 for the sixth consecutive year.

As we look to the future, we see only one certainty: change. I feel confident that we will be able to build on our 2018 accomplishments and continue to grow our industry. In so doing, we will become a world leader in egg consumption and strengthen our industry. Our well-tested resiliency will allow us to tackle whatever changes come our way, and do right by egg farmers and the Canadians we help feed.



**Tim Lambert**  
Chief Executive Officer









# Sustainable development of the industry

## Preparing to launch the Egg Quality Assurance program

New levels of collaboration were achieved across the industry in preparation for the launch of the Egg Quality Assurance program (EQA) in 2018. The program is the culmination of decades of work to set up, implement and strengthen quality assurance standards through our national animal care and Start Clean-Stay Clean™ programs. It will offer a new visual way for consumers to identify made-in-Canada eggs that are produced according to strict food safety and animal welfare standards.



**Egg  
Quality  
Assurance**

Visit our new  
**eggquality.ca**  
website.

Twelve information sessions took place across the country with farmers and industry stakeholders to introduce the EQA program and prepare for the national roll out. We engaged our supply chain partners throughout the process to provide information and gain practical guidance on the development of program material. These were the first steps to identify partners and share with them the consistent standards maintained by egg farmers from coast to coast. 2018 also saw the launch of the new eggquality.ca website, which offers additional information about the program and mark. Efforts to promote the EQA program will continue in 2019 to drive uptake of the mark by both industry partners and stakeholders.

## Continuous improvements to the Start Clean-Stay Clean™ program

An in-depth review of the Start Clean-Stay Clean™ program took place in 2017–2018. The program—which has been in place for more than 20 years—was enhanced with a new process to encourage the timely closure of corrective actions by ranking program elements as critical, major, minor or general with corresponding timelines. Because of the new process and upcoming launch of the EQA program, Canadian egg farmers continue to improve upon already high standards.

Additional revisions to the Start Clean-Stay Clean™ program included amendments to make the dry-clean *Salmonella* Enteritidis test outcome-based and to add improved biosecurity measures related to footwear. Amendments to the requirements for records from feed and feed ingredient suppliers, and for on-farm feed mixing were also added. These adjustments further strengthen our overall commitment to food safety.

**1,403**

third-party audits  
and inspections  
were conducted on  
egg farms in 2018.

## Redevelopment of the national Animal Care Program

In 2017, EFC embarked on a multi-stakeholder process to redevelop the national Animal Care Program to include the requirements of the updated Code of Practice for the Care and Handling of Pullets and Laying Hens. Guided by the National Farm Animal Council of Canada Animal Care Assessment Framework, the new program will roll out in 2020. In 2018, the EFC Board of Directors approved training standards and interim measures to identify changes that will have to be made at the farm level in preparation for the redeveloped Animal Care Program. The aim of these Interim Housing Standards is to deepen understanding of the new housing requirements that will be part of the redeveloped program. These new training standards are educational and offer immediate guidance to farmers.

## New COP for conventional and enriched production

The multi-year project to update the Cost of Production (COP)—which calculates the costs incurred to produce a dozen marketable eggs by examining the expenses necessary for its production—culminated in March 2018 with a presentation of the 2015 COP Study findings to the EFC Board of Directors and the subsequent approval of both the conventional COP and enriched COP. This outcome marked a significant milestone in the project, which included the first-ever COP for enriched production. Following the approval of the COP, egg board representatives took part in a specialized workshop to review the COP Study results and collect feedback.

The focus in the latter half of the year shifted to implementation of the COP results. The Implementation Assessment Project Team was established to further consider the implementation of two COPs for the industry, with regional considerations as well as a blended buyback and Rate of Lay (ROL) approach to account for the growing number of enriched colony farms. Recommendations to optimally implement both the conventional and enriched COP Study results, and the buyback and ROL will be put forward by the project team in the near future to the EFC Board of Directors.

## Supporting the transition towards alternative housing

We continued to fine-tune our ability to track progress against the industry-wide transition towards alternative housing in collaboration with egg boards and the Canadian Poultry and Egg Processors Council (CPEPC). This foundational project is vital in our collective approach to meet market demands and avoid shortfalls or surpluses. In just two years since the hen housing transition was announced in 2016, a third of egg production in Canada is done through alternative housing systems (enriched colony, free run, free range or organic production). These are the first tangible steps towards the 2036 commitment to eliminate conventional housing from our system.

The EFC Board of Directors endorsed a mix of projects in 2018 to deliver much needed tools and resources to support the industry as it transitions towards alternative production methods. One example is the Conventional to Enriched Transition Producer Pricing Project, which was formed in response to a request from egg boards to have a coordinated approach to implement pricing for two housing systems. The egg board-led group, which is supported by EFC and includes CPEPC as an observer, came together in May to establish parameters. As a result, a project team comprised of all 11 provincial and territorial egg boards has started the process to develop and implement a national producer pricing structure that supports the transition from

Over  
**751**  
million  
dozen eggs  
produced.





conventional to enriched housing. Following the planning phase, activities intensified in the second half of 2018 and will continue through the first half of 2019 to advance the project and begin the implementation process.

Coordination between the Conventional to Enriched Transition Producer Pricing Project, which is focused on producer pricing (egg board jurisdiction), and the Implementation Assessment Project Team, which takes into account the buyback for the Industrial Products Program (IPP), ROL and COP (EFC jurisdiction), will help achieve alignment in support of the overall hen housing transition.

### Hen issuance by production method

Production method	2018	2017	2016
Conventional housing	71%	77%	82%
Alternative housing <sup>1</sup>	29%	23%	18%

**Source:** Egg boards

<sup>1</sup> Alternative housing includes enriched colony, free run, free range and organic production.

## 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.

## Expanding egg production on Canadian farms

Our growth story continues to be strong. 2018 marked a dozen years of consecutive growth for the Canadian egg industry. A total of 25.2 million hens make up our national flock, a 700,000 increase in birds over 2017. Indicators suggest demand for eggs and egg products will continue to grow. In fact, forecasting models point to accelerated growth in 2019 due to increasingly positive consumer views on the health benefits of eating eggs, growth opportunities in the hot breakfast business and sustained promotional activity at the retail level.

The EFC Board of Directors continues to work across the industry to fill the Canadian market net of requirements from international trade agreements, reducing reliance on supplemental imports. Towards this, a forward-looking component is leveraged in quota allocation requests, accounting for growth both within the current and upcoming year. While the forward-looking component and a push by egg boards to place birds more rapidly has alleviated some market shortfalls, gaps in domestic production and demand continue during peak periods due to the realities of getting birds into production. In light of this, the EFC Board of Directors approved a new market and population growth component for all future quota allocation requests that aims to address and fill these gaps. The forecasting tools estimate market growth one year in advance and changes in the population two years in advance, which will help meet the growth in demand at the start of the year.

**25.2**  
**million**  
**hens in production**  
**in 2018.**

As a result, the EFC Board of Directors was pleased the following quota allocation requests were prior approved by Farm Products Council of Canada (FPCC) in 2018:

Date	Allocation	Effective
December	STMRQ layers at nil (to remain in the Quota Regulations, allowing for a quick activation)	Week 1 of 2019
December	Increase of 1,443,475 regulated quota layers	Week 1 of 2019
December	Increase of 67,452 Eggs For Processing quota layers	Week 1 of 2019

## Ongoing management of the IPP

The sustainability of the IPP is a long-standing priority and an area that draws in a great deal of collaboration through a range of interlaced projects and protocols. One initiative aimed at sustaining the IPP is the Service Fee Program. In 2018, market conditions triggered a contribution from the program to the Pooled Income Fund (PIF). This contribution offset normal incremental expenses in the PIF, helping to maintain the fund within its trigger points through farmer contributions.

Achieving alignment across the industry on the principles and guidelines of the IPP is also a vital part of the sustainability of the IPP. In 2018, we continued to advance our work to achieve a shared understanding of natural overrun (the production required to meet the needs of the table market) through the Integrated Solutions Project. The outcome saw an amended Natural Overrun Policy approved by the EFC Board of Directors in July. The second phase of the project looks to establish an overarching sustainability policy that incorporates evidence-based principles for the PIF's revenues and expenses.

Additionally, the updated Industrial Products Pricing Structure and Protocol was implemented in June. Work continues in this area to include specialty egg types in the IPP structure. These measures, which will be coordinated with the broader National Specialty Supply and Demand Project, allow us to better respond to the needs of the processing market as our industry grows and evolves.



## Responding to the market with the National Specialty Supply and Demand Project

The National Specialty Supply and Demand Project aims to develop a system to coordinate all supply requirements of the specialty market in Canada, while respecting the jurisdictional responsibilities of EFC, egg boards, graders and processors. In light of changing consumer preferences and a shift towards alternative methods of production, the project team will assess the requirements of both the table and processing market. 2018 was a preparatory year to establish parameters and lay the groundwork for the project implementation in 2019, which will focus on developing a common approach that meets the needs of the end customer as the industry transitions towards alternative methods of production while upholding the pillars of supply management.

## Management of the Pooled Income Fund

Market conditions remained relatively stable for the majority of 2018. The average Urner Barry price was around \$0.70 per dozen eggs, which is in line with long-term averages. A higher Urner Barry price and contribution from the Service Fee Program helped stabilize the PIF and allowed for a planned decrease in the PIF levy rate. A decrease of a total of \$0.07 per dozen eggs was executed in three phases throughout the year—\$0.02 (week 9 of 2018), \$0.02 (week 17 of 2018) and \$0.03 (week 33 of 2018). The phased-in levy rate helped reduce market disruption and provided notice to graders and other supply chain partners who were able to adjust accordingly. This also provided EFC with an opportunity to reassess the financial situation of the PIF as the year progressed.



**91%**  
of Canadians  
feel good about  
buying food from  
Canadian farmers.

## Renewal of the Federal-Provincial Agreement

Efforts to renew the Federal-Provincial Agreement (FPA) continued in 2018. The FPA Committee, which includes representatives from all egg boards, met in April to further review and discuss mutually acceptable wording to modernize the agreement. The two-phased approach focuses on an amendment to the FPA on priority issues, and will be followed by a comprehensive review of the FPA as the second phase once signatories have signed off on the first phase amendment. Efforts to renew the FPA will continue in 2019.



# Market analysis and industry information

Production increased by 2.63% since 2017 to keep step with growing demand, adding an additional 19,261,740 dozens eggs in 2018. This increase was triggered by many factors including new allocation, a forward-looking component in quota allocation requests and a push by egg boards to place birds more rapidly. Pricing trends in 2018 saw a slight increase in the average national COP, producer price and retail price of eggs. Egg sales trends continued to be strong. A 6% growth in Nielsen retail sales of table eggs was achieved in 2018, which is the highest growth rate we have seen in more than a decade.

Visit [eggfarmers.ca](http://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 <sup>1</sup>	Average number of layers per farmer <sup>2</sup>
BC	138	22,758
AB	164	15,404
NT	4	28,208
SK	69	17,082
MB	154	16,410
ON	404	22,489
QC	157	33,368
NB	16	33,601
NS	24	35,938
PE	7	20,697
NL	6	56,352
<b>Total</b>	<b>1,143</b>	<b>22,479</b>

**Source:** Egg Farmers of Canada

<sup>1</sup> Reported data for 2018.

<sup>2</sup> Reported data for 2018. Excludes inventory for eggs for processing and special permits.



### Limits to Federal Quotas (dozen)<sup>1</sup>

Province or territory	2019	2018	2017
BC	88,653,981	83,512,303	80,737,155
AB	74,728,934	69,639,255	66,264,435
NT	3,417,279	3,325,695	3,267,514
SK	33,184,044	31,436,062	30,348,553
MB	68,485,059	66,700,748	65,570,093
ON	260,720,939	248,140,477	240,535,774
QC	148,201,377	139,488,202	133,627,666
NB	14,107,483	13,519,208	13,190,142
NS	23,470,969	22,866,769	22,482,091
PE	3,891,490	3,790,442	3,726,206
NL	10,465,972	10,186,361	10,009,019
<b>Total</b>	<b>729,327,527</b>	<b>692,605,522</b>	<b>669,758,648</b>

**Source:** Egg Farmers of Canada

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

### Limits to Special Temporary Market Requirement Quotas (dozen)<sup>1</sup>

Province	2019	2018	2017
BC	0	0	0
AB	0	0	0
SK	0	0	0
MB	0	0	0
ON	0	0	0
QC	0	0	0
NB	0	0	0
NS	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Source:** Egg Farmers of Canada

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





### Limits to Eggs for Processing Quotas (dozen)<sup>1</sup>

Province	2019	2018	2017
BC	2,544,000	2,544,000	2,544,000
AB	636,000	636,000	636,000
SK	3,180,000	3,180,000	3,180,000
MB	5,088,000	5,088,000	5,088,000
ON	19,523,979	17,808,000	17,808,000
QC	7,632,000	7,632,000	7,632,000
<b>Total</b>	<b>38,603,979</b>	<b>36,888,000</b>	<b>36,888,000</b>

**Source:** Egg Farmers of Canada

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

### Limits to Vaccine Quotas (dozen)<sup>1</sup>

Province	2019	2018	2017
ON	2,661,750	2,661,750	2,661,750
QC	10,674,090	10,674,090	10,674,090
<b>Total</b>	<b>13,335,840</b>	<b>13,335,840</b>	<b>13,335,840</b>

**Source:** Egg Farmers of Canada

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





### Eggs from vaccine production going into the IPP (dozen)<sup>1</sup>

Province	2018	2017	2016
ON	1,661,400	1,126,920	1,650,495
QC	3,808,245	3,500,250	3,660,060
<b>Total</b>	<b>5,469,645</b>	<b>4,627,170</b>	<b>5,310,555</b>

**Source:** La Fédération des producteurs d'œufs du Québec

<sup>1</sup> Table reports actual shipments to the IPP.

### Federal Quota utilization<sup>1</sup>

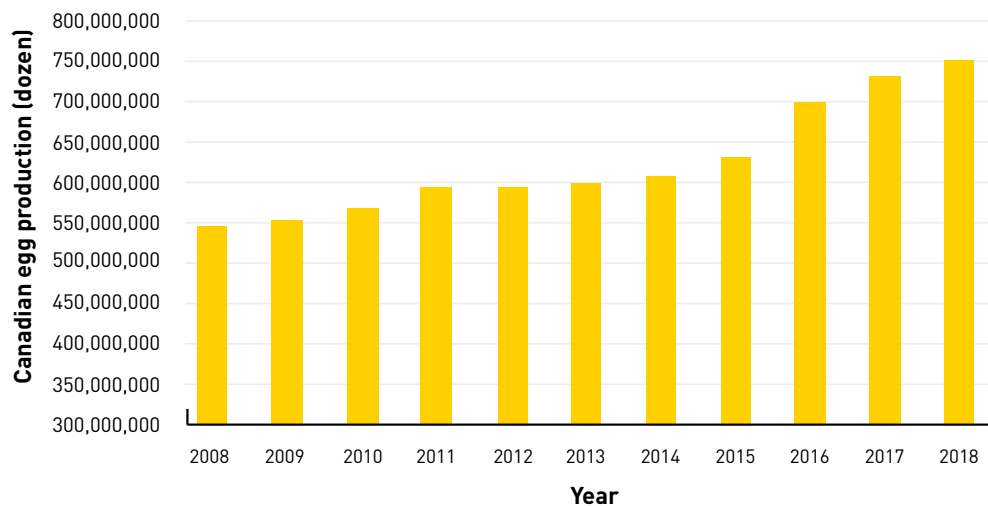
Province or territory	Week 8 – 2018	Week 8 – 2017	Week 8 – 2016
BC	96.29%	95.37%	92.42%
AB	91.26%	89.93%	89.72%
NT	90.14%	89.38%	89.69%
SK	98.25%	97.64%	93.38%
MB	98.90%	97.21%	94.51%
ON	99.36%	98.64%	94.59%
QC	97.82%	94.73%	91.14%
NB	93.83%	94.30%	94.39%
NS	97.56%	95.72%	92.05%
PE	93.80%	95.03%	94.93%
NL	95.96%	94.33%	89.11%
<b>Total</b>	<b>97.49%</b>	<b>96.12%</b>	<b>92.93%</b>

**Source:** Egg Farmers of Canada

<sup>1</sup> 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.



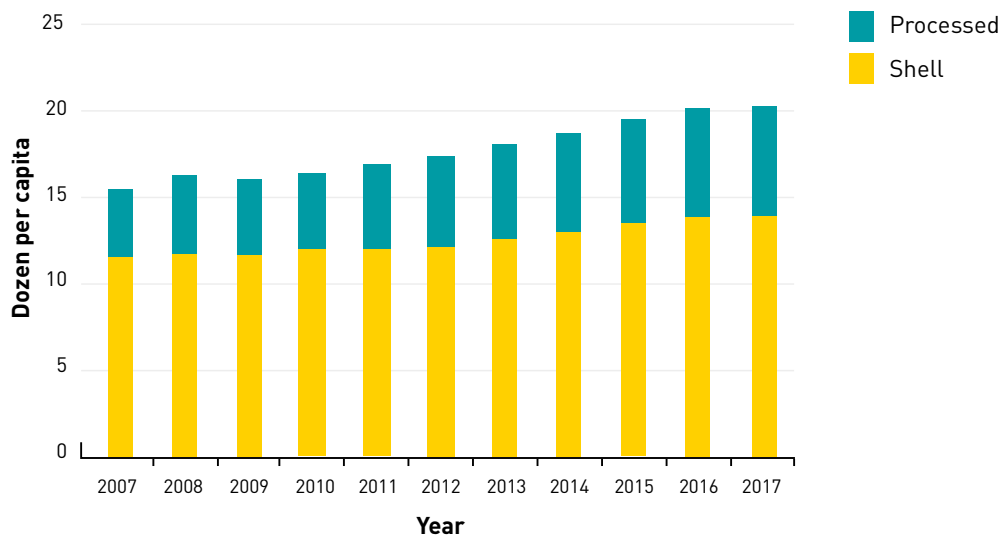
## Canadian egg production<sup>1</sup>



**Source:** Egg boards

<sup>1</sup> Production numbers are final except for 2018. 2011 and 2016 data represent 53 weeks of production.

## Canadian apparent per capita disappearance of eggs and egg products



**Sources:** Statistics Canada—Total per capita egg disappearance

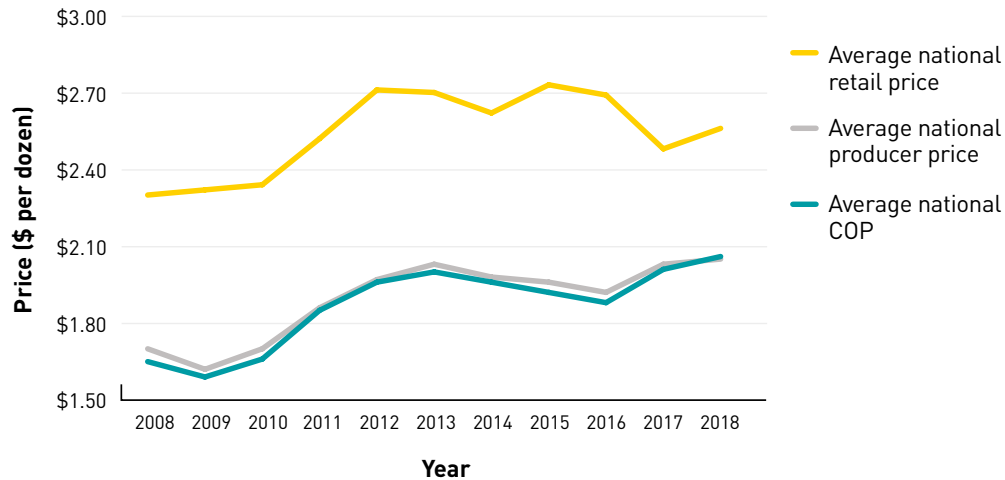
Shell/processed split estimated by Egg Farmers of Canada based on Statistics Canada and Agriculture and Agri-Food Canada data.





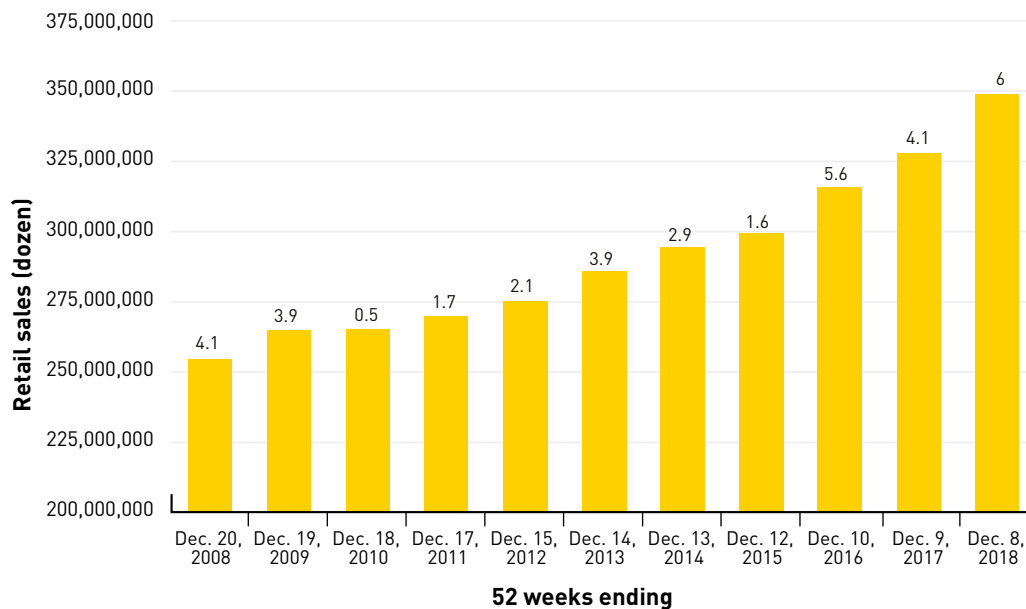


## Pricing trends in the Canadian egg industry<sup>1</sup>



**Sources:** COP: Egg Farmers of Canada; producer price: egg boards; retail price: Agriculture and Agri-Food Canada  
<sup>1</sup> COP and producer price for Grade A large eggs. Retail price for large, regular, white eggs. Simple averages.

## Retail egg sales<sup>1</sup>



**Source:** Nielsen MarketTrack, Total Eggs—National

<sup>1</sup> 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.





# Trust and support

## International trade

Trade was the big story of the year. The outcome of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) early in 2018 placed greater pressure on the North American Free Trade Agreement (NAFTA) negotiations, which also concluded in 2018. Following the announcement of these agreements, our focus shifted to working with the federal government to ensure we have the tools we need to manage our industry in the context of these new trade agreements and mitigate the impact. EFC also monitored talks with the South American block of countries known as Mercosur and efforts to reform the World Trade

Organization (WTO)—both of which gained momentum in December and are expected to be a focus in 2019—as well as trade discussions with the Pacific Alliance and ongoing exploratory discussions with China.

EFC representatives took part in a range of critical events, meetings, working groups and consultations throughout 2018 to advocate for the interests of egg farmers as the federal government advanced its ambitious and progressive trade agenda.

## Comprehensive and Progressive Agreement for Trans-Pacific Partnership

In January, the 11 remaining signatory countries reached an agreement under the CPTPP. While the new trade agreement brings tremendous opportunity to Canada, EFC was disappointed to learn the market access concessions agreed to for eggs in the original agreement, mainly in response to U.S. demands, were not suspended—even though the U.S. was not part of the revived agreement. As a result, Canada will be required to increase access to its domestic market by 19 million dozen eggs per year by the end of an 18 year implementation period.

The 60 day countdown to entry into force was triggered in late fall when Canada and Australia become the fifth and sixth countries to complete their domestic process to ratify the agreement. The CPTPP entered into force on December 30, making 2018 the first year of the 18 year implementation period for eggs.

## Canada-United States-Mexico Agreement

This year saw the intense NAFTA negotiations conclude with the signing of the Canada-United States-Mexico Agreement (CUSMA) in November. Throughout the talks, leaders and technical experts from EFC and the supply-managed sector travelled to Ottawa, Mexico City and Washington, D.C., participating in meetings and discussions to ensure the interests of our farmers were understood.

As the talks progressed, it became obvious that while the Canadian government intended to defend supply management, this did not mean there would be no additional access by foreign producers to our sector. When the deal finally emerged, our colleagues in the dairy sector were hit the hardest, with impacts across the poultry sector as well. In the case of eggs, Canada will be required to increase access to its domestic market for U.S. egg producers by roughly 11.05 million dozen eggs per year at the end of a 16 year implementation period.

**92%**  
of Canadians say  
it is important  
that the eggs  
they purchase  
come from  
Canada.



## Egg supply management in the context of new trade agreements



Tariff Rate Quotas (TRQs) manage the volume of eggs imported into Canada by limiting imports to a predetermined volume. Knowing the volume of eggs imported into Canada because of trade agreements is critical to the system of supply management. Based on what we presently know, market access for foreign eggs into Canada includes:

Trade agreement	Market access
WTO	21.37 million dozen eggs per year
CPTPP	19.00 million dozen eggs after an 18 year implementation period
CUSMA	11.05 million dozen eggs after a 16 year implementation period
<b>Total</b>	<b>51.4 million eggs (or 7% of our current domestic production)</b>

## World Trade Organization

While a mix of issues challenge the global organization dealing with trade rules between countries, a meeting of like-minded countries in Ottawa in October provided a platform to address some concerns with the WTO. The outcome of the meeting strengthened WTO members' commitment to engage in reforming its systems to make it more efficient. As a result, it is anticipated that member countries and negotiating groups will intensify their activities in 2019 in order to reach agreement on a number of issues at the 12th Ministerial Conference (known as MC12) in Kazakhstan in

June 2020. In fact, more than 16 meetings are scheduled for the first quarter of 2019 and discussions will touch on all three pillars of the agriculture negotiations, including domestic support, market access and export competition.

While history has demonstrated that WTO discussions could stall at any moment, there is the possibility that talks could affect our supply-managed sector, and sensitive issues like market access for agriculture commodities could be left to the end, leaving limited room for negotiation. EFC will continue to track the negotiations while considering the broader implications on our industry.

## Mercosur

The first four rounds of negotiations took place in 2018 for the Canada-Mercosur Free Trade Agreement, which includes Canada, Argentina, Brazil, Paraguay and Uruguay. Member countries indicated a strong willingness to negotiate during the fourth round of talks in December in Brazil, and an initial exchange of offers in December included all tariff lines for dairy, poultry and eggs. While we initially hoped the scope of this Free Trade Agreement might exclude supply-managed products, the outcome of the talks to date have indicated otherwise. While details are sparse at this time, it is understood that Canadian negotiators will respond and more discussions will take place in 2019. We will continue to follow the talks closely, assessing both the short- and long-term impacts on our sector.

## Promoting the value of Canada's egg industry

EFC embraced many opportunities that allowed us to highlight the importance of the egg industry, our products and the system of supply management with Ministers, MPs, Senators and senior government officials. Efforts focused on strengthening relationships, sharing industry information and contributing to consultations to advocate for the issues that affect our farmers and broader sector.

Dozens of meetings took place over the course of the year connecting EFC with decision-makers. For example, Chairman Roger Pelissero and CEO Tim Lambert met with Agriculture and Agri-Food Minister Lawrence MacAulay on the heels of the CUSMA announcement in October. EFC leadership and representatives from other supply-managed groups met with then-International Trade Minister François-Philippe Champagne following the announcement of the CPTPP agreement. CEO Tim Lambert and COO Neil Newlands met with Canada's Chief Veterinary Officer Dr. Jaspinder Komal in May and November to discuss national and international priorities for hen welfare and management practices. Additionally, a number of farmers welcomed MPs to their farms, offering a first-hand look at egg production.

88%  
of Canadians  
believe it is  
important that  
the government  
supports the  
country's egg,  
turkey, chicken  
and dairy farmers.

Our annual advocacy days took place in November. EFC representatives met with Parliamentarians to discuss topics and issues including the impact of trade agreements on egg farmers, sustainability, research and EFC's position on Canada's Food Guide. This year also saw a record number of events that connected our farmers with political decision-makers and provided opportunities to underscore the pride that goes into producing eggs. Our annual breakfast event on Parliament Hill, Joint Annual Reception, Downtown Diner and participation at the Federation of Canadian Municipalities conference, among other opportunities, placed our industry in the spotlight and provided important moments to celebrate the contributions of egg farmers to our communities and to Canada.

This year also saw a record number of events that connected our farmers with political decision-makers and provided opportunities to underscore the pride that goes into producing eggs.



*Chairman Roger Pelissero, future egg farmer Noah, MP Chris Bittle, MP Vance Badawey and Minister MacAulay celebrated investment in research and the innovative Hypereye technology.*



## Prime Minister Justin Trudeau attends Downtown Diner

Canadian dairy, chicken, turkey and egg farmers once again teamed up to host the Downtown Diner in June. The event is a unique opportunity for MPs, Senators, staffers and the public to meet farmers and learn how supply management delivers fresh, local, high-quality food. A number of high profile guests stopped by the annual pop-up event in Ottawa, including Prime Minister Trudeau, Minister MacAulay, NDP leader Jagmeet Singh, Conservative and NDP agriculture critics, and members of the Standing Senate Committee on Agriculture and Forestry.

Prime Minister Trudeau's attendance and ongoing trade negotiations generated a great deal of media interest in the event, earning more than 53 million traditional and social media impressions. The event and far-reaching media coverage provided an important opportunity to share the potential impact of the NAFTA negotiations on the supply-managed sector.



## Annual breakfast on Parliament Hill celebrates sustainability

Our annual event in the Parliamentary Dining Room took place in May. The event highlighted Canada's egg industry to the many MPs and Senators in attendance. More than 25 MPs and Senators joined industry representatives and special guests. Minister MacAulay congratulated egg farmers for their commitment to building a sustainable industry during his remarks. A tailored social media program extended the event online, sharing key information leading up to and during the breakfast. The #HillBreakfast and #DelicioeuxDejeuner hashtags earned over 1 million impressions, with many MPs adding their support online.



*Young farmers Harley Siemens, Jacob Pelissero, Matt Vane and Marie-Pier Lefebvre with Minister MacAulay at our annual breakfast on Parliament Hill.*

## Championing supply management with municipal leaders

Joint sponsorship of the Federation of Canadian Municipalities' annual conference saw delegates from EFC, Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers join municipal leaders in June. Hundreds of delegates representing Canada's largest cities and rural communities as well as high-profile speakers visited our tradeshow booth—including Conservative leader Andrew Scheer, NDP leader Jagmeet Singh, Calgary Mayor Naheed Nenshi and Halifax Mayor Mike Savage—to meet with farmers. More than 40 delegates took part in a study tour of a Halifax-area egg and broiler farm, and engagement was extended thanks to a comprehensive social media strategy.



## Canada and supply management are Better Together



Stephanie Nanne is a quintessential Canadian egg farmer. Her family has been farming the same land in Eastern Ontario for seven generations. It was her grandfather who started selling products off the farm, and her father who built the operation it is today. She plans on taking over the farm when her parents retire, which is a dream come true for Stephanie and her husband Michael.

In late September, we introduced the country to this inspiring farm family through our Better Together campaign. Throughout the fall, the campaign was featured on national news sites like The Globe and Mail, Radio-Canada, CBC, iPolitics and Huffington Post as well as on social media, in print in The Hill Times and on transit shelters in downtown Ottawa across from Parliament Hill. This sustained presence reached thousands of Canadians and worked in parallel with grassroots efforts that included a letter writing campaign to MPs, MPPs and MLAs. The #EhInEggs and #Avantageufs hashtags were used hundreds of times on social media throughout the year, and the overall initiative generated more than 18 million impressions.

## Strengthening our industry with the national young farmer program

The national young farmer program looks to empower and foster the next generation of industry leaders. The 2018 program cycle brought together a dynamic group of young people who were nominated by their egg boards. Delegates took part in a range of workshops, advocacy activities and networking opportunities in Saskatoon, Ottawa and Calgary to share knowledge, promote their industry and extend their understanding of key areas. The 2018 group of delegates completed the program in November and joined our network of program alumni, which now includes 45 program graduates and young leaders in training.



*Young farmers Daniel Schuring, Ian Laver, Megan Veldman, Charles-Éric Bouchard, Trevor Pickard, Kate Van Deynze-Fleming and Wayne Johnson attended a special reception with MP Alistair MacGregor, Minister MacAulay and MP Francis Drouin.*

## Partnerships deliver much-needed nutrition in Canada and around the world

Bringing the goodness of eggs to vulnerable people is a key thrust of EFC's philanthropic work. We support Food Banks Canada and Breakfast Club of Canada, collectively delivering millions of eggs to vulnerable Canadians and children through community food banks and school breakfast programs. Abroad, we work in rural eSwatini (formerly Swaziland) through Heart for Africa (Canada) and send life-saving powdered eggs to regions of the world where it is most needed through Canadian Food For Children. EFC also supports the work of the International Egg Foundation in building entrepreneurial skills in burgeoning egg farmers in Mozambique and increasing access to nutritious eggs in rural Uganda through the Trustlines Development Network. These partnerships are a testament to the power of the humble egg and the strong commitment of Canadian egg farmers to give back and contribute to the well-being of others.

## New research study reaffirms public support for supply management



An online survey of 1,501 Canadians conducted by one of Canada's top polling firms confirmed support for supply management is strong and steady. In fact, only 2% of those surveyed expressed strong disagreement when asked whether the system of supply management is good for Canadians. The survey was conducted by Leger and jointly commissioned by EFC, Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to keep abreast of Canadians' attitudes towards supply management. The research study confirmed:

- 80% of Canadians think the supply management system for dairy, poultry and eggs is important and valuable—with more than one-third noting it as “very important”.
- The most popular reasons for supporting supply management are its ability to guarantee quality, deliver Canadian or local food products and ensure a decent living to farmers.
- 88% of Canadians believe it is important the government supports the country's egg, turkey, chicken and dairy farmers.

## Partnership with Food Banks Canada challenges Canadians to pay it forward

More than 860,000 Canadians turn to their local food banks for help each month, struggling to access safe, quality and nutritious food. This is why EFC and Food Banks Canada joined forces with prominent chefs including Lynn Crawford, Matt Basile, Trevor Bird and Craig Flinn to encourage Canadians to pay it forward by sharing a holiday meal with someone they love and by supporting their local food bank. The initiative generated an incredible amount of interest and interaction throughout the month of December, with features on Global Calgary, Calgary Guardian, 660 News Calgary, CP24 Breakfast, CHCH Hamilton, Breakfast Television Toronto, Toronto Guardian, CTV Ottawa, Global Morning Halifax, CBC Radio One Maritime Noon and CTV Atlantic Morning.

Reach and visibility were extended online through social media with a call to action for Canadians to share their favourite holiday recipe using the hashtag #RecipesThatGive and #FêtesUnDon. In just a few weeks, the initiative achieved 15.4 million impressions and raised over \$80,000 in support of Food Banks Canada's mission.

## Reaching thousands of kids every day through school breakfast programs

Nearly 1 million Canadian children are at risk of getting nothing to eat before they go to school—that's more than 20,000 busloads of kids starting their day without breakfast. Making sure kids have the brain food they need to succeed is Breakfast Club of Canada's mission and it is one that EFC is proud to support. With plans to grow the partnership, close to 30,000 children at 450 schools across the country started their day with a meal that included nutritious eggs during the 2017/2018 school year.

**4.6**  
**million**  
eggs donated  
this year to food  
banks, breakfast  
programs and  
charitable  
organizations.



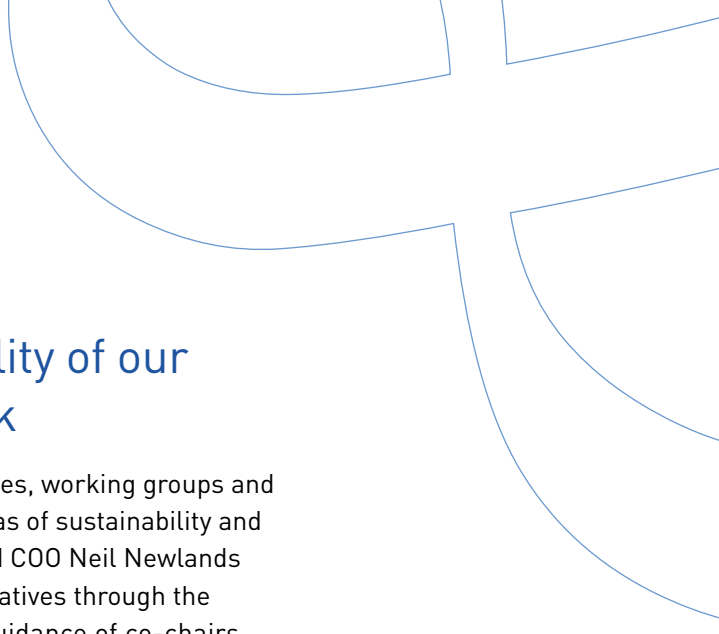
## EFC recognized for leadership in giving back



*Volunteers and staff at Feed Nova Scotia thank Canadian egg farmers for their ongoing support.*

EFC was the recipient of the 2018 Award of Excellence for outstanding commitment to Food Banks Canada and their network of community food banks. This prestigious award recognizes EFC's positive impact on the issue of hunger in Canada. Millions of eggs have been donated through this longstanding partnership that spans more than two decades, ensuring more vulnerable Canadians of all ages have increased access to the essential protein and nutrients found in eggs. Food Banks Canada CEO Chris Hatch presented Chairman Roger Pelissero and CEO Tim Lambert with the award at the EFC Board of Directors meeting in September. This is the first time EFC received the award. Past winners include Kellogg's and Kraft Canada.





## Ensuring the long-term sustainability of our industry through collaborative work

Over 2018, our engagement continued in a range of roundtables, working groups and steering committees that strengthen our approach in the areas of sustainability and trust in the agri-food system. EFC Director Glen Jennings and COO Neil Newlands worked side-by-side with industry and government representatives through the Poultry Sustainability Value Chain Roundtable. Under the guidance of co-chairs Roger Pelissero and Marco Valicenti of Agriculture and Agri-Food Canada, the roundtable offered a significant opportunity to collaborate on common issues including antimicrobial use and resistance, food safety and animal care.

CEO Tim Lambert participated in the Public Trust Steering Committee, another forum bringing together a range of players in Canada's agri-food system to advance matters that impact public perception of the sector through collaborative action. Both the Poultry Sustainability Value Chain Roundtable and Public Trust Steering Committee are important venues to share best practices, learn from each other and tackle a range of issues that cannot be addressed by one group.

## Promoting the Canadian egg industry on a global stage

A number of opportunities throughout 2018 highlighted Canada's egg industry and our commitment to excellence to our global peers. Chairman Roger Pelissero continued in his role as a member of the Global Initiative for Sustainable Eggs. The group, comprised of global egg leaders, scientists and NGOs, drives discussions around sustainable egg production. Representatives from EFC took part in the International Egg Commission's (IEC) Business Conference in England in April and Global Leadership Conference in Japan in September, as well as the Consumer Goods Forum's Global Summit and Sustainable Retail Summit.

EFC Director Joey Smallwood joined global peers in the 2017/2018 IEC Young Egg Leaders Programme. CEO Tim Lambert continued in his role as IEC Chairman, which increased our access to decision-makers with the World Health Organization, Food and Agriculture Organization of the United Nations and World Organisation for Animal Health. Our participation in these activities allows us to monitor trends and issues affecting the global egg industry, gain a first-hand look at new research that can advance our domestic industry and network on a global scale.





# Growth and innovation

## A dozen straight years of growth in the retail sales of eggs

In 2018 alone, the retail sales of table eggs increased by 6%, marking a new milestone with 12 continuous years of growth. More and more Canadians are eating and enjoying the nutritional benefits of eggs, and this remarkable accomplishment brings the egg industry to 42.2% growth in egg sales over 12 years. While this growth trend applies to a range of egg varieties, the vast majority of eggs purchased in Canada continue to be classic white and brown eggs (86.5%). We are proud to celebrate this good news story, which is the result of many factors including consumer demand for affordable, protein-dense food items and strong marketing programs.

**6%**  
increase in the  
retail sales of  
eggs in 2018.



## Canadian egg farmers celebrate World Egg Day



Did you celebrate World Egg Day on October 12? We sure did! This annual celebration of the humble egg saw Canadian egg farmers fan out from coast to coast at local grocery stores, answering questions about eggs and egg farming. Farmers and shoppers took part in the festivities at 60 grocery stores in every province and the Northwest Territories.

Our egg champions took to television, social media and their blogs to share some of their favourite egg recipes and facts about egg farming in the lead up to World Egg Day. Egg farmers Harley Siemens, David Newcombe and Alex Smallwood joined Global News Morning Winnipeg, Global News Morning Halifax and Newfoundland and Labrador's The Telegram, respectively, to talk about the celebration. And, in partnership with Food Bloggers of Canada, 23 food bloggers encouraged their followers to eat eggs on World Egg Day by sharing their favourite egg dish. These contributions helped extend reach on social media, allowing us to share our positive messages with more Canadians. The campaign generated more than 6.8 million impressions, and the global #WorldEggDay and #Journémondialedeleuf hashtags generated over 230 million impressions.

## Reaching more Canadians with our weekday eggs campaign

Given how our 2017 *new* weekday eggs campaign resonated with Canadians, we expanded the campaign in 2018. The 30 second upbeat and humorous ads aired from January 29 to April 15 on television to remind Canadians that eggs are a good choice for breakfast on weekdays, and preliminary campaign research points to strong results. Over one-third of consumers recall seeing the ads, noting they found them both unique and informative. The research also identified a strong correlation with exposure to the *new* weekday eggs ads and an increased likelihood to serve or consume eggs on weekdays.



## Real-time engagement with Canadians and consumers online

The story of our growth goes beyond the retail sales of eggs and production on our farms. The channels we use to talk with Canadians are growing as well. Visits to our [eggs.ca](http://eggs.ca), [lesoeufs.ca](http://lesoeufs.ca), [eggfarmers.ca](http://eggfarmers.ca) and [producteursdoeufs.ca](http://producteursdoeufs.ca) websites increased by a remarkable 43% in 2018, helping us tap into new audiences. In fact, our [eggs.ca](http://eggs.ca) and [lesoeufs.ca](http://lesoeufs.ca) websites had a record year with millions of Canadians accessing egg-based recipes and inspiration by visiting the websites!





**7**  
million  
visits to  
our websites  
in 2018.

We are also spreading the word about the incredible egg through our social media channels by sharing the most scrumptious egg-based recipes and the latest industry news. Our investment in Facebook, Twitter, LinkedIn, Pinterest and Instagram continues to help us build relationships and increase positive conversations about eggs and egg farming online. Our social media community now exceeds 125,000 amazing fans, followers and egg champions, representing a 14% increase in community size over 2017. This presence allows for real-time conversations with our network about eggs and the issues that are important to our farmers.

Consumers can also find plenty of tips and tricks for how to cook the perfect eggs on our one-of-a-kind streaming network, EggcentricTV. We announced collaborations with four prominent Canadian bloggers who became ambassadors for the network and created new, seasonal content for their individual audiences and EggcentricTV app users. New partnerships were secured in 2018 with the Associação Gaúcha de Avicultura/Ovos RS in Brazil in February and the American Egg Board in June, expanding our reach to a global audience. This platform has earned EFC a reputation as a true innovator within the global egg community and we cannot wait to see what is in store for 2019!



## Promoting the benefits of eating eggs to health professionals

EFC's nutrition and health communications focused on promoting eggs as an iron-rich protein source for babies. Efforts concentrated on reaching health professionals with the message that feeding babies whole eggs at six months can help prevent an egg allergy. EFC worked with the mdBriefCase.com network to develop an accredited education program for physicians focused on this topic. The program is now available to 40,000 mdBriefCase.com members and over 1,400 Canadian medical students, residents and nurse practitioners have completed the program, significantly exceeding our original objective.

Our participation in some of the largest medical conferences in Canada in 2018, including Pri-Med, Family Medicine Forum and Congrès de la médecine, allowed us to reach doctors with accurate information and the most recent infant feeding guidelines. These efforts are critical to raising awareness of the recent changes to the guidelines within the medical community, and have been received with great interest and enthusiasm.

## Investing in research and innovation

In 2018, EFC's research grant program continued to fund a range of research projects across Canada under the guidance of the Research Committee of the EFC Board of Directors. With 34 active projects underway this year, EFC reached an all-time high on current projects funded. Additionally, EFC received a record-breaking number of Letters of Intent during the 2018 call for proposals, with 33 research proposals submitted for consideration. The diversity and strength of the funded projects continues to result in forward-thinking, applicable research that can inform on-farm practices.



Connections with our research partners were also strengthened. Our investment in evidence-based research through the Canadian Poultry Research Council, Egg Nutrition Center, Poultry Research Centre and Egg Industry Center continued in 2018.

Alongside the new insights gleaned from individual research projects, EFC's Research Chair Network continued to explore new and important research. Dr. Maurice Doyon, Egg Industry Economic Chair at Université Laval, concluded a study on the role of supply-managed commodities in building strong rural economies. He found supply-managed farms punched above their weight when it came to investing in communities, creating jobs and contributing to GDP. Dr. Tina Widowski, Poultry Welfare Research Chair at the University of Guelph, Dr. Bruce Muirhead, Public Policy Research Chair at the University of Waterloo, and Dr. Nathan Pelletier, Research Chair in Sustainability at the University of British Columbia, also contributed important research and insights for the industry.

Research summaries, presentations and blog posts captured the highlights of a variety of funded projects and were made available on [eggfarmers.ca](http://eggfarmers.ca) and [producteursdoeufs.ca](http://producteursdoeufs.ca) for our farmers, partners and the general public.

**34**  
active research  
projects funded  
by EFC.



## Multi-disciplinary research collaboration



This year, EFC's Research Chair Network collaborated across disciplines to write a joint paper spanning the range of their expertise. The first of its kind in agricultural research, the paper covers sustainability, welfare, economics and public policy issues relating to the past, present and future of the egg industry.

The paper first sets out the shifts in management, technology and resource use, as well as regulatory changes, shifting social preferences and changes in approaches to animal welfare over the decades. Building on this history, the joint paper then articulates the challenges and opportunities that have since emerged. This includes shifting consumer and stakeholder preferences, new international trade deals and the rise of increased competition—all of which are linked to each other.

From these challenges, opportunities arise. There are significant opportunities in implementing green technologies as well as building on the strengths of the system of supply management. Changes to production systems also provide an opening to apply multi-disciplinary thinking, as farmers install new housing systems while also seeking new ways to reduce their environmental footprint.

By capturing the history, challenges and opportunities of these topics in one paper, the complexities of the industry become very clear. Each topic is connected to the other, signalling the continued need to consider how a decision in one area will impact the broader industry. As this joint paper shows, continued research collaboration provides a rich, in-depth contribution toward building a sustainable industry.







# Organizational excellence

## Annual strategic planning process and governance workshop

The EFC Board of Directors carried out their annual strategic planning process in May to discuss progress on a number of key industry areas and establish strategic priorities for the year ahead. Central to this year's process was a team building activity and interactive Myers-Briggs Type Indicator workshop, which created an appreciation for the various ways individuals make decisions, communicate and receive information. EFC Directors also took part in a governance training session, building alignment on the various types of roles and responsibilities

assumed by EFC Directors through committees and project teamwork. The outcomes of this process were the core strategies that make up the Key Result Areas (KRAs) in the 2019-2021 EFC Business Plan.

## Upholding our reputation as a top employer

With almost 60 employees, our hard-working team is committed to continuous improvement. The passion and leadership of the EFC Board of Directors inspires our staff to build an even stronger and more sustainable Canadian egg industry. This dedication stems from a belief that every member of the EFC team can make a difference and from the care that goes into helping our team see how their work connects to EFC's vision and mission. This employee-centric culture helps drive much of our success and keeps our team engaged.

In 2018, we hosted a range of training opportunities, staff appreciation events and volunteer activities. Department-led lunch and learn sessions provided new opportunities for our team to share their work with their colleagues. A number of new initiatives also launched this year to better support our team, including an employee wellness program with on-site yoga, additional one-on-one retirement planning support, and expanded employee assistance benefits with access to counseling services. Our annual Staff Conference Day offered an important moment to strengthen connections across the organization. The day focused on establishing a common understanding of the core priorities for 2019, and small cross-departmental groups discussed challenges and opportunities on the horizon. It was an insightful and enjoyable day, which wrapped up with a volunteer activity facilitated through Volunteer Ottawa.

Recognized as a  
**NCR Top  
Employer**  
for the 6th  
consecutive year.



## Collaborative efforts to advance major projects and issues

Collaboration and engagement continue to be core themes at EFC. Workshops were facilitated together with egg boards on matters linked to operational issues, communications challenges and marketing programs. A variety of committees, working groups and project teams consisting of EFC Directors, egg board representatives, grader and processor representatives and other stakeholders met throughout the year. These groups convened to gather feedback and input, advance issues that are national in scope, and prepare recommendations for the EFC Board of Directors and counterparts. In 2018, we were active in and around the following key committees, working groups and project teams:

### Standing Committees

Executive Committee

Audit Committee

Budget Committee

Cost of Production Committee

Marketing and Nutrition Committee

Production Management Committee

Research Committee

### Ad Hoc Project Teams

Animal Care Program Redevelopment Project Team

Canadian Egg Operational Advisory Group

Conventional to Enriched Transition Producer Pricing Working Group

Egg Quality Assurance Project Team

EFC-Processor Technical Team

Federal-Provincial Agreement Committee

Hazard Analysis and Critical Control Points Review Team

Hen Housing Transition Team

Implementation Assessment Project Team

Integrated Solutions Project Team

Liquidated Damages Assessment Review Team

Market Outlook Group

National Specialty Supply and Demand Project

National SE Protocol Review Project Team

Service Fee Working Group

98%

of our staff would  
recommend EFC  
to a friend as  
a great place  
to work.



## Understanding what drives our team to succeed

An employee engagement survey conducted in 2018 by TalentMap, a leading organization in the area of workplace intelligence and measurement, confirmed strong and growing employee engagement across EFC. In fact, employee engagement is at an all-time high with a 90% overall engagement rate, positioning EFC in the top quartile when benchmarked against industry standards. The survey was commissioned by EFC to gather feedback from our team, learn what drives our employees to succeed and identify opportunities for improvement. The research study confirmed:

- 98% of our staff are proud to tell others they work for EFC and just as many would recommend EFC to a friend as a great place to work.
- Top drivers of employee engagement include a clear vision communicated across EFC by management, opportunity for professional growth and performance feedback.
- 98% of our staff believe there is a strong team spirit and high degree of collaboration across the organization.





## Strengthening our leadership team

After a lengthy assessment and much consideration, adjustments to EFC's organizational structure and leadership team rolled out in 2018. The leadership team reports to CEO Tim Lambert and the changes best position EFC to continue to respond to an increasingly complex business environment, meet the needs of our stakeholders and support sustained growth. Tom Borowiecki was appointed Chief Information Officer and Judi Bundrock was appointed Chief Marketing and Communications Officer. Neil Newlands and Stephanie Polianski continued in their roles of Chief Operating Officer and Chief Financial Officer, respectively. The new structure allows for a higher degree of collaboration across units and has already led to new efficiencies.

## Enhancing our functional competencies and market expertise

EFC staff made significant progress in strengthening our capabilities to forecast egg supply and demand and gather market intelligence in 2018. This ongoing work was led by a team of economists and market research analysts who prepared recommendations for the EFC Board of Directors as inputs into a range of decisions. Part of this process involved working closely with researchers at the Egg Industry Center to develop our own proprietary forecasting models. This investment will strengthen EFC's ability to make data-driven projections and fine-tune our capabilities to predict shifts in our market, attaining greater levels of efficiency and accuracy.

## 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 trust the Canadian public provides 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 29, 2018



**EGG FARMERS  
OF CANADA**



## 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

Farm Products Council of Canada

### Opinion

We have audited the financial statements of the Canadian Egg Marketing Agency c.o.b. Egg Farmers of Canada ("EFC"), which comprise:

- the statement of financial position as at December 29, 2018;
- the statement of operations for the fifty-two weeks then ended;
- the statement of changes in fund balances for the fifty-two weeks then ended;
- the statement of cash flows for the fifty-two weeks then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of EFC as at December 29, 2018, and its results of operations and its cash flows for the fifty-two weeks then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of EFC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing EFC's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate EFC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing EFC's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 EFC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on EFC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause EFC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Ottawa, Canada  
February 27, 2019

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

## Statement of Financial Position

December 29, 2018, with comparative information for December 30, 2017

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2018 Total	2017 Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash	\$ 11,798	\$ 1,616	\$ 13,414	\$ 13,390
Accounts receivable (note 3)	32,040	1,946	33,986	37,078
Inventory	671	–	671	558
Prepaid expenses	–	286	286	329
Investments (note 4)	36,852	3,354	40,206	25,978
	81,361	7,202	88,563	77,333
<b>Capital assets (note 5)</b>	–	4,403	4,403	4,380
	\$ 81,361	\$ 11,605	\$ 92,966	\$ 81,713
<b>Liabilities and Fund Balances</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities (note 6)	\$ 20,134	\$ 5,022	\$ 25,156	\$ 22,593
Current portion of long-term loan (note 7)	–	118	118	114
	20,134	5,140	25,274	22,707
<b>Long-term loan (note 7)</b>	–	503	503	621
<b>Fund balances (note 8):</b>				
Unrestricted	37,757	3,473	41,230	33,172
Internally restricted	23,470	2,489	25,959	25,213
	61,227	5,962	67,189	58,385
<b>Commitments (note 9)</b>				
	\$ 81,361	\$ 11,605	\$ 92,966	\$ 81,713

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 29, 2018, with comparative information for the fifty-two weeks ended December 30, 2017

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2018 Total	2017 Total
<b>Revenue</b>				
Egg sales	\$ 166,249	\$ –	\$ 166,249	\$ 140,918
Levy and service fees – unrestricted	173,334	19,880	193,214	209,738
Levy and service fees – internally restricted	10,174	2,146	12,320	11,309
PIF requirement	8,707	–	8,707	11,708
Interest and other – unrestricted	637	105	742	303
Interest and other – internally restricted	351	50	401	347
Total revenue	359,452	22,181	381,633	374,323
<b>Expenses</b>				
Trade operations:				
Cost of eggs sold	327,492	–	327,492	320,591
Transportation and handling	8,680	–	8,680	8,569
Third party verification	1,217	–	1,217	1,158
	337,389	–	337,389	330,318
Advertising and promotion	–	6,658	6,658	6,847
Marketing and nutrition research	–	–	–	292
Donations	448	16	464	348
Interest on long-term loan	–	24	24	126
Meetings and travel	–	2,444	2,444	2,175
Office and other administrative	–	1,635	1,635	1,392
Per diems	–	768	768	572
Restricted (note 8)	9,452	2,522	11,974	14,979
Professional fees and consulting	227	1,051	1,278	1,742
Public affairs and communications	–	4,052	4,052	3,581
Salaries and benefits	–	5,966	5,966	5,609
Amortization of capital assets	–	177	177	399
Allocation of administration expenses (note 10)	3,210	(3,210)	–	–
	13,337	22,103	35,440	38,062
Total expenses	350,726	22,103	372,829	368,380
Excess of revenue over expenses	\$ 8,726	\$ 78	\$ 8,804	\$ 5,943

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 29, 2018, with comparative information for the fifty-two weeks ended December 30, 2017

(In thousands of dollars)

	Unrestricted	Internally restricted			2018 Total
		Risk Management	Service Fee	Research	
	(note 8)	(note 8)	(note 8)	(note 8)	

#### Pooled Income Fund

Balance, beginning of period	\$ 30,103	\$ 10,290	\$ 12,108	\$ –	\$ 52,501
Excess of revenue over expenses	7,654	100	972	–	8,726
Balance, end of period	37,757	10,390	13,080	–	61,227

#### Administration Fund

Balance, beginning of period	3,069	–	–	2,815	5,884
Excess (deficiency) of revenue over expenses	404	–	–	(326)	78
Balance, end of period	3,473	–	–	2,489	5,962
	\$ 41,230	\$ 10,390	\$ 13,080	\$ 2,489	\$ 67,189

	Unrestricted	Internally restricted			2017 Total
		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

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 29, 2018, with comparative information for the fifty-two weeks ended December 30, 2017

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2018 Total	2017 Total
<b>Cash provided by (used in)</b>				
<b>Operating activities:</b>				
Excess of revenue over expenses	\$ 8,726	\$ 78	\$ 8,804	\$ 5,943
Item not involving cash:				
Amortization of capital assets	–	177	177	399
Change in non-cash operating working capital items	5,287	298	5,585	(442)
	14,013	553	14,566	5,900
<b>Investing activities:</b>				
Purchase of investments	(25,453)	(2,128)	(27,581)	(14,541)
Proceeds on disposal of investments	11,269	2,084	13,353	13,428
Purchase of capital assets	–	(200)	(200)	(164)
	(14,184)	(244)	(14,428)	(1,277)
<b>Financing activities:</b>				
Repayment of long-term loan	–	(114)	(114)	(1,584)
<b>Increase (decrease) in cash</b>	(171)	195	24	3,039
<b>Cash, beginning of period</b>	11,969	1,421	13,390	10,351
<b>Cash, end of period</b>	\$ 11,798	\$ 1,616	\$ 13,414	\$ 13,390

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 29, 2018

(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 buyback 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 29, 2018

(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 29, 2018

(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 29, 2018	December 30, 2017
Levy and service fees	\$ 19,867	\$ 22,038
Egg sales	13,084	14,276
Other	1,035	764
	\$ 33,986	\$ 37,078

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

### Notes to Financial Statements (continued)

Fifty-two weeks ended December 29, 2018

(Amounts in thousands of dollars unless otherwise noted)

#### 3. Accounts receivable (continued)

Egg sales are dependent upon three groups of related companies. During the period, these customers represented 96% (December 30, 2017 – 99%) of eggs sales revenue; 37% (December 30, 2017 – 37%) of accounts receivable are owing from these customers.

#### 4. Investments

	December 29, 2018	December 30, 2017
Guaranteed investment certificates	\$ 40,206	\$ 25,978

Guaranteed investment certificates bear interest at fixed rates ranging from 1.25% to 3.14% and mature between 2019 and 2021 (December 30, 2017 – 1.25% to 2.70%, maturing between 2018 and 2019).

#### 5. Capital assets

	December 29, 2018		December 30, 2017	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 416	\$ –	\$ 416	\$ 416
Buildings	4,737	1,207	3,530	3,648
Office equipment	280	270	10	14
Computer hardware and software	1,870	1,423	447	302
Leasehold improvements	134	134	–	–
Corporate identity	345	345	–	–
	\$ 7,782	\$ 3,379	\$ 4,403	\$ 4,380

Cost and accumulated amortization are presented net of fully amortized capital assets of \$1,587. Cost and accumulated amortization as at December 30, 2017 amounted to \$9,169 and \$4,789, respectively.

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

### Notes to Financial Statements (continued)

Fifty-two weeks ended December 29, 2018

(Amounts in thousands of dollars unless otherwise noted)

#### 6. Accounts payable and accrued liabilities

Government remittances (sales and payroll withholding taxes) of \$883 (December 30, 2017 – \$1,258) 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. 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 \$3,103 (December 30, 2017 – \$3,197 for the Florence Street property). All owners of the property are jointly and severally liable for the total amount outstanding of the loan, \$1,444 as at December 29, 2018 (December 30, 2017 – \$1,708 for the Florence Street property), should an owner default on payment.

Future payments of the loan are as follows:

	Principal	Interest	Total
Period ending:			
December 28, 2019	\$ 118	\$ 20	\$ 138
December 26, 2020	122	15	137
December 25, 2021	126	11	137
December 31, 2022	131	6	137
December 30, 2023	124	2	126
	621	54	675
Less: current portion	118	20	138
	\$ 503	\$ 34	\$ 537

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 29, 2018, loans under this facility were \$Nil (December 30, 2017 – \$Nil).

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

### Notes to Financial Statements (continued)

Fifty-two weeks ended December 29, 2018

(Amounts in thousands of dollars unless otherwise noted)

#### 8. Fund balances

EFC's objectives with respect to its fund balances are to safeguard its ability to continue operations 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 until February 24, 2018. Effective February 25, 2018, the levy rate per dozen eggs marketed was set at 31.75 cents until April 21, 2018. Effective April 22, 2018, the levy rate per dozen eggs marketed was set at 29.75 cents until August 11, 2018. Effective August 12, 2018, the levy rate per dozen eggs marketed was set at 26.95 cents.

##### (a) Fund thresholds:

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 29, 2018 compared to the established thresholds are considered appropriate.

##### (b) Internally restricted funds:

###### (i) 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.

In the period, \$745 (2017 – \$377) was expended from the Fund.

###### (ii) 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.

In the period, \$8,707 (2017 – \$11,708) was expended from the Fund.

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

### Notes to Financial Statements (continued)

Fifty-two weeks ended December 29, 2018

(Amounts in thousands of dollars unless otherwise noted)

#### 8. Fund balances (continued)

##### (iii) Research fund:

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

In the period, \$2,522 (2017 – \$2,894) was expended from the Fund.

#### 9. Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2019 for an amount of \$4,802 (December 30, 2017 – \$4,886).

\$2,125 (December 30, 2017 – \$2,660) has been committed over the next seven 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 29, 2018	December 30, 2017
Building costs	\$ 104	\$ 110
Insurance	44	44
Meetings and travel	492	458
Office and other administrative	442	410
Per diems	99	75
Professional fees and consulting	36	50
Salaries and benefits	1,943	1,888
Amortization of capital assets	50	88
	\$ 3,210	\$ 3,123



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

## Notes to Financial Statements (continued)

Fifty-two weeks ended December 29, 2018

(Amounts in thousands of dollars unless otherwise noted)

### 11. Financial risks

#### (a) Liquidity risk:

Liquidity risk is the risk that EFC will be unable to fulfill its obligations associated with financial liabilities 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.

#### (b) Credit risk:

Credit risk refers to the risk that a counterparty to a financial instrument 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:

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in interest rate.

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:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

EFC is not exposed to significant other price risk on its investments.

There have been no changes to the risk exposures from 2017.

## Notes



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