



ANNUAL
REPORT
2019



EGG FARMERS
OF CANADA



Board of Directors

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13. Joe Kleinsasser, *Alberta*
14. Walter Siemens, *British Columbia*
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16. Mike Vanderpol, *Canadian Poultry and Egg Processors Council (Processing)*



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CEO's message



Sustainable development
of the industry



Trust and support



Growth and innovation



Organizational excellence



Financial Statements

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



Chair's message

The future of any organization is built on the foundation of its past. The work we do in any one year builds on the accomplishments of the years before. Our industry is strong because we have shaped an environment in which all the components contribute to the big picture—from individual farming operations, to the work undertaken by egg boards and at the national Board table—and 2019 was no different.

In looking back on the year, I want to draw your attention to not only what we did, but also to how we did it. The how is equally important because it demonstrates that our way of doing things is critical to our continued success. As you will see in the pages of this report, our 2019 accomplishments are many:

- We launched the EQA™ certification program, which was met with enthusiasm across our entire supply chain.
- We navigated external pressures when volatile U.S. market conditions sent the average Urner Barry price into a downward spiral.
- We began to see the positive outcome from the new forward-looking components of our quota allocation methodology.
- We implemented the 2015 Cost of Production Study and a new pricing structure to ensure farmers with both conventional and enriched colony housing systems recover their full cost of production.
- We launched an innovative and effective ad campaign to let Canadians know that 'It's not weird' to eat eggs at any time of day.
- We continued advocating on behalf of Canada egg farmers to establish programming that mitigates the impact of recent trade agreements on our sector.

If there is one common thread to all our 2019 accomplishments, it is how we worked to achieve these results. We continued to work collaboratively to address very difficult issues and draw on our individual strengths to become more streamlined and more efficient. As a result, we have built and nurtured a strong and effective Canadian egg farming industry.

Our strength derives from the fact that everyone across our vibrant and successful industry is driven to succeed at what they do—be it challenging ourselves to better our own individual farming operations or developing and strengthening policies and programs at the national level. In every one of our 2019 accomplishments, success came from that combination of collaboration and drive. In other words, how we work has been a vital element of our ability to get things done.

This level of collaboration and shared drive to succeed goes much further than our work today—it is the key to our future. In 2019, we began charting a new path for the Canadian egg farming industry. The EFC Board of Directors embarked on a strategic planning exercise with a view to create a vision of growth to make Canada a world leader in per capita egg consumption. Vision 2020 is a shift of direction for our industry that is not just about selling more eggs; it is about changing mindsets and reinventing the way we operate. This next phase in our journey is about leveraging the strengths of our industry, from supply management to the strong structures and standards we have built over decades to push transformational growth and a bright future for generations to come.

Vision 2020 is a shift of direction for our industry that is not just about selling more eggs; it is about changing mindsets and reinventing the way we operate.

To make Vision 2020 a success, we must focus not just on what we want to achieve, but how we can do it together. We cannot fully reach our potential without advancing the foundational projects and programs that have a tremendous influence on our way of operating. This is why, as we turn our attention to 2020, we will focus on completing the work to renew the Federal-Provincial Agreement, finalize the Natural Overrun Policy, develop the systems to manage demand for eggs from different housing systems, and mitigate the impact of sustained low U.S. prices for eggs. Our drive to succeed has already led us to make progress on these projects, which brings us one step closer to being able to devote all our attention to growing our industry.

In closing, I would like to thank the EFC Board of Directors for their commitment and dedication. To the egg board chairs and general managers, EFC staff and our partners, thank you for your support and critical input throughout the year. I would also like to thank all the farmers who stepped up during the year to showcase our incredible industry at fairs and events, through farm tours, in the media and online, and during the federal election campaign last fall. It is the combination of these efforts that make our industry strong.

We face the future with a drive to succeed and a longstanding record of accomplishment to back it up. This is an exciting time to be part of Canada's egg farming industry, and I could not be more enthusiastic about embracing what is ahead with my fellow egg farmers, our stakeholders and the Canadians who rely on our products.



Roger Pelissero
Chair



CEO's message

With sustainability in food production taking on increasing importance among both producers and consumers, egg farmers are in an enviable position. Not only does our industry 'get' sustainability, our holistic approach is part of our daily operations. When we consider the long-term viability of the Canadian egg farming industry, everything matters—from how we treat the environment and our animals, to how we work with our community and the economic sustainability of farming operations. Canada's system of supply management is at the center of these efforts. It delivers stability to farmers who then reinvest in their farming operations and in our overall industry, and it is a platform for future growth.

As we enter a new decade—a decade focused on growth—I would like to draw attention to how we have demonstrated that sustainability and growth can work together. Given the ubiquity of eggs in our diet, in the food manufacturing and food service sectors, and increasingly in the non-food sector as well, we have a tremendous opportunity not only to drive additional growth, but also to lead the way towards the development of a more sustainable food system for Canadians.

Few sectors have seen the growth that we have experienced in recent years. Between 2004 and 2019, there was a 62% increase in egg production on Canadian farms. We have seen thirteen consecutive years of growth in the retail sales of eggs. In the last year alone, there was a 10.3% increase in egg servings at food service. What is even more impressive is that this growth was achieved while the industry worked to better itself, manage a range of external pressures and nurture a trusting relationship with Canadians.

Our ability to do all that shows just how strong we are. In fact, Canadian egg farmers and EFC have been leading the way for some time. Our on-farm food safety and animal welfare standards have been in place for over two decades now. While farmers have always been the original stewards of our environment, a renewed focus on sustainability in recent years across our entire industry is quickly positioning EFC as a frontrunner in this space—and we are driven to build on this.

That is why, in 2019, we undertook an extensive consultation across the egg value chain to identify and prioritize sustainability issues of greatest significance to Canadian egg farmers and our stakeholders. The project identified eight priority sustainability issues, which focused our efforts under EFC's overarching sustainability framework and established the foundation for our first-ever sustainability report. Expected to be released in 2020, it will showcase the leadership of the Canadian egg farming industry in sustainable agriculture. Hand in hand with this is the work of our network of research chairs and investment in innovation through our comprehensive research program. This program addresses gaps in our knowledge, leads to new opportunities for the

non-food use of eggs, and develops new tools to allow us to become even more efficient. With new self-assessment and benchmarking tools on the horizon, there are great things ahead when it comes to sustainability.

So when I look to the future, I see opportunity. Not just for growth in egg production and consumption, but also in identifying new ways to use eggs, new refinements to our practices and new efficiencies. The combinations of these efforts will have a deep impact and provide new opportunities to expand production on Canadian egg farms.

We are positioning ourselves as leaders in the sustainable agriculture movement—a movement that extends well beyond Canada’s borders. For example, Vision 2020 supports the United Nations Sustainable Development Goals. It showcases how our industry is already contributing to global efforts to produce more food with fewer resources while delivering our product to vulnerable populations. Vision 2020 also supports the next generation of leaders through our newly launched women in the egg industry and longstanding national young farmer programs.

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EFC is already tackling Vision 2020 in many ways. One being the work we are doing to build a more effective organization and offer our team the tools they need to succeed. We are looking to innovative technologies like machine learning and artificial intelligence to take our capabilities to the next level. We continue to be ranked as one of Canada’s most admired corporate cultures, as a top employer in the National Capital Region, and in 2019, we saw a new recognition as one of Canada’s Top Employers for Young People.

Our achievements in 2019 were due to the collective efforts of many people. I would like to thank the entire EFC Board of Directors and our many partners for their ongoing support. To the EFC team—from the staff in Ottawa and to our field inspectors across the country—your many contributions are to be commended.

The egg is a nutritious food that is inexpensive to buy and easy to prepare. It is virtually universal, used and valued in cultures and cuisines around the world. As we continue to improve the sustainability of egg production, the egg will also, increasingly, be a food of the future. That is something we can all be proud of.



Tim Lambert
Chief Executive Officer

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Sustainable development of the industry

Egg supply chain embraces the Egg Quality Assurance™ certification program

This year we launched the Egg Quality Assurance™ certification program (or EQA™ for short). This industry-wide achievement is the result of decades of work to develop, implement and strengthen standards on Canadian egg farms and create a system for audits and verification. This mark certifies eggs produced to the high standards of the national Animal Care Program and Start Clean-Stay Clean® program—and is our assurance that no matter what type of eggs you choose, they are fresh, high-quality and produced by Canadian farmers. The launch of the EQA™ certification program represented the start of a new era for egg farmers. The achievement was marked with certificates awarded to all farms that met the requirements of the two national programs, or a provincial equivalent, in February. These certificates are now proudly displayed in farms across the country, representing a commitment to excellence in animal care and food safety.

94%
of Canadians
believe egg
cartons should
have a national
certification
symbol.

It's time to celebrate the care that goes into every Canadian egg.

 **Egg Quality Assurance**

The new Egg Quality Assurance (EQA) program shows your customers, right on the carton, that their eggs are produced by Canadian farmers dedicated to delivering a top-quality product that meets national food safety and animal care standards.

Visit eggquality.ca and add the EQA symbol to your cartons today!

We also made considerable progress in promoting these standards outside our industry. Outreach efforts focused on building awareness of the program all along our supply chain through a tailored marketing program. Promotional ads were featured in retail publications and an online video raised awareness of the certification mark throughout the year. EFC attended the Retail Council of Canada's STORE Conference in May as well as the Grocery Innovations Canada conference in October to showcase the program. A particular bright spot in our outreach efforts included announcements in partnership with McDonald's Canada, Federated Co-operatives Limited and Denny's Restaurants Canada to celebrate their engagement. The first egg cartons carrying the EQA™ certification mark hit stores in February—and by the end of 2019, a total of 42 licensing agreements were signed with four retail stores, three restaurants and 35 industry representatives. EFC-led promotional efforts generated more than 5.7 million impressions over a period of 10 months.



New mark, proven quality

One of the biggest Canadian egg farming industry stories in 2019 was the launch of the EQA™ certification program. From joint announcements with major food service operators and national advertising campaigns, to the certification mark being featured on egg cartons and menus in all corners of the country—there was a great deal of buzz surrounding the EQA™ program throughout the year.

These efforts shared the reasons why consumers and our supply chain partners value the certification program, and represented the first time most Canadians saw the EQA™ mark. This story was prominently featured in Canadian Poultry, Grocery Business, Canadian Retailer, Real Agriculture, Strategy Magazine, Food in Canada and Ontario Farmer, among other publications and channels.

The EQA™ certification program was embraced with great energy and excitement. No wonder why: it keeps up with consumer demand for transparency, promotes made-in-Canada products, and showcases world-class food safety and animal care standards.

42
signed EQA™
licensing
agreements
in 2019.

Strong progress in our on-farm programs

Year after year, we have improved our on-farm operations and 2019 was no different. We continued work on redeveloping the national Animal Care Program, while also strengthening the existing program. Meanwhile, a review of our Start Clean-Stay Clean® program led to the implementation of updates that strengthen our overall commitment to food safety.

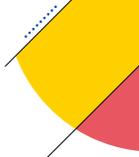
We also made progress in adding efficiencies to our process. In May, the EFC Board of Directors approved a streamlined approach for the implementation of future program changes. Moving forward, changes to the Animal Care Program and Start Clean-Stay Clean® program will come into effect on January 1 of the following year. This approach supports a drive for continuous improvement, and aims to increase the efficiency of our overall approach.

1,612
third-party
audits and
inspections
conducted
in 2019.



Updates to the national Animal Care Program

Under the guidance of the National Farm Animal Care Council's Animal Care Assessment Framework, the Animal Care Program Redevelopment Project Team continued their work in 2019 to update the Animal Care Program to include the requirements of the 2017 Code of Practice. An implementation plan for the redeveloped program was approved by the EFC Board of Directors in August, which includes an 18 month transition period to allow for time to make changes at the farm level. The redevelopment process will continue in 2020, with the new program expected to roll out in late 2021 or early 2022.



As part of the annual process to review the Animal Care Program, the EFC Board of Directors approved a preliminary Animal Care Program audit of new entrants at the start of production. The aim is to leverage this audit as a tool to ensure farmers are fully aware of the necessary records and requirements of the program. This measure ensures farmers making a start in the industry have the systems and practices in place to meet the program specifications.

Changes to the national Start Clean-Stay Clean® food safety program

To ensure alignment with the latest scientific information, technical advancements, government regulations and best practices, the Start Clean-Stay Clean® program was enhanced in 2019 through its semi-annual review process. The program was strengthened to better support the National *Salmonella* Enteritidis (SE) Protocol, making the requirement for twice per flock environmental sampling and testing for SE a Critical Control Element. Additional revisions to the Start Clean-Stay Clean® program as a result of the review included amendments to technical training, range and litter management, disposal of mortalities and pest control requirements.

In July, a hardcopy version of the Start Clean-Stay Clean® Farmer Guidelines was distributed, offering a new resource for farmers to draw on. Additionally, an in-depth review of the National SE Protocol was conducted throughout 2019. This proactive approach to mitigating the risk of SE on our farms is a core part of the excellent food safety standards in place on egg farms. An updated National SE Protocol will be presented to the EFC Board of Directors in 2020.



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.

Progress in our national, coordinated hen housing transition

Significant progress has been made in phasing out conventional hen housing systems and diversifying production methods. In the four years since the hen housing transition plan was announced, there has been a steady decline in the conventional methods of production, while alternative systems have increased. As such, conventional production has dropped to approximately 66% of total egg production in 2019. Enriched colony housing has seen the most new growth, representing about 18% of total egg production in Canada. Aviary/free run systems represent approximately 11% of total egg production, and organic and free range egg production make up the remainder of the market.

Hen issuance by production method¹

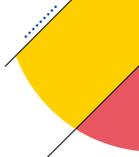
Production method	2019	2018	2017	2016
Conventional housing	66%	71%	77%	82%
Enriched colony	18%	14%	11%	8%
Aviary/free run	11%	9%	8%	6%
Organic	4%	4%	3%	3%
Free range	1%	1%	1%	1%

Source: Egg boards

¹Reported year represents December, end of year value

A number of projects continued in 2019 offering the necessary tools to support the industry as it transitions towards alternative production methods by 2036. Under the Conventional to Enriched Transition and Producer Prices Project, representatives from egg boards, Canadian Poultry and Egg Processors Council (CPEPC) and EFC held several meetings throughout the year to implement a new pricing structure. This foundational achievement required a tremendous amount of coordination with the Implementation Assessment Project Team to ensure a consistent, continuity-based approach across the Canadian egg industry.

The Implementation Assessment Project Team was tasked with developing a method to optimally implement the conventional and enriched Cost of Production (COP) Study results, Industrial Product Buyback and Rate of Lay (ROL). Together, the outcome of the Conventional to Enriched Transition and Producer Prices Project and the recommendations of the Implementation and Assessment Project Team ensure farmers with both conventional and enriched colony housing systems recover their full COP. The new pricing structure as well as the conventional and enriched COPs were implemented in September.



A new COP Study for conventional, enriched colony and free run production

Planning has started for the next COP Study. The goal will be to calculate the average cost to produce a dozen conventional, enriched colony and free run marketable eggs, plus a fair rate of return on labour and investment. This approach marked a new milestone for us, further reflecting the direction we are headed in as an industry as we shift to alternative methods of production. The new COP Study will add to our knowledge and understanding of the changes in our industry, and support farmers as they prepare for the future. Under the guidance of the COP Committee, the fieldwork phase of the study is expected to take place in mid-2021, based on 2020 financial and production data. A representative sample of farmers will be contacted to participate in a third-party survey in the coming months.

Identifying new ways to respond to market demands

Work continued on the National Supply and Demand Project, which is moving towards developing a system to coordinate the supply of all types of egg production in Canada. The project is driven by changing consumer preferences as well as a move towards new methods of production. The project team, comprised of EFC Directors and representatives from the grading and processing sectors, met in January and October to review preliminary information and assess next steps. The project will continue in 2020.

Nest Run to Table Project expands nationally

A new pilot under the Nest Run to Table Project launched in September 2019. The aim of the pilot is to maximize the use of Canadian production to meet the table demand by diverting nest run eggs that would normally end up at processing stations to grading stations. The project builds on initial tests conducted in Nova Scotia in 2018 and has now been expanded to include all provinces and the Northwest Territories. The Nest Run to Table Project will continue in 2020, helping meet Canadian table egg demand with Canadian production.

Over
774
million
dozen eggs
produced
in 2019.

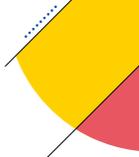


Materiality assessment identifies sustainability priority issues

An intensive assessment conducted by one of Canada's top management consultancies specializing in sustainability took place in 2019. The assessment identified and prioritized sustainability issues of greatest significance to Canadian egg farmers and our network of stakeholders. It included a comprehensive review of industry standards and practices within our supply chain, interviews with stakeholders and a survey to capture the financial, operational and reputational impacts of each item on the egg farming industry. As a result, eight priority sustainability issues were identified:

- Product quality and safety
- Animal care and welfare
- Supply management
- Nutrition
- Health and safety
- Energy and GHG emissions
- Labour practices
- Stakeholder relations

These priority issues have been integrated into EFC's overarching sustainability framework and established the foundation for EFC's first-ever Sustainability Report. The comprehensive report is expected to be released sometime in 2020, showcasing the leadership of the Canadian egg farming industry.



Ongoing efforts to renew the Federal-Provincial Agreement

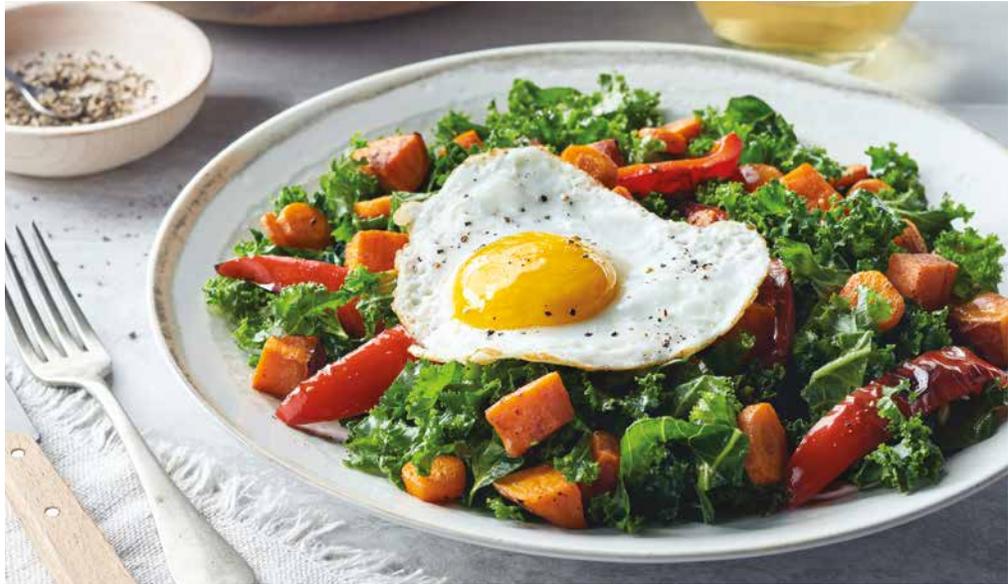
Work continued in 2019 to renew the Federal-Provincial Agreement (FPA), with the aim of modernizing the agreement for the benefit of the egg farming industry. The FPA Committee, which includes representatives from all egg boards, met in March, May, June, July, August and December to further discuss the principles-based concept paper. Efforts to renew the FPA will continue in 2020, working towards an agreement that contains additional flexibility for policy changes and growth, and acts as a foundational document for future generations. The FPA was created in 1976 and revised in 1984.

Strengthening the long-term stability of the Pooled Income Fund

This year saw volatile market conditions in the U.S., with the average Urner Barry price (a major component of EFC's price for eggs sold to the processing industry) falling to record lows. The drop in price was largely attributed to an oversupply of eggs in the U.S. as production from cage-free facilities increased without reducing conventional production. These market challenges pushed the Urner Barry price down to \$0.18 per dozen eggs in May—and an average price of \$0.42 per dozen eggs was maintained in the latter half of the year. The difference was particularly staggering when you compared this trend to the average Urner Barry price of 2018, which was \$0.70 per dozen eggs. These drastic price shifts had a direct impact on the average Canadian processor price and the Pooled Income Fund (PIF).

The EFC Board of Directors remained committed to address these external pressures and tackled the issue head-on.

The EFC Board of Directors remained committed to address these external pressures and tackled the issue head-on. A levy increase of \$0.10 was implemented on July 14 (week 29 of 2019) alongside an extensive mitigating strategy to avoid future levy rate increases and to ensure the PIF remained financially sustainable. The EFC Board of Directors also redeveloped the High-Low Price Agreement to become the Low-High Price Program, and approved a temporary transfer of funds from the Restricted Service Fee and Restricted Risk Management Funds to the PIF. In November, the EFC Board of Directors established new minimum and maximum trigger points of \$35 million and \$75 million, respectively, to improve the overall stability of the fund. The adjusted trigger points provide new flexibility to manage changes in the market environment with fewer levy increases.

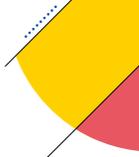


Matching demand for eggs with Canadian production

Recent collaboration and coordination across the Canadian egg industry has helped stabilize our market and increased our capacity to respond to growing domestic demand. For example, new measures integrated into our allocation methodology in 2018 strengthened our ability to plan for the future through a market and population growth component in quota allocation requests. This allows us to account for market growth one year in advance and changes in the population two years in advance.

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These new measures along with a strong push from egg boards in recent years to place birds more rapidly has positively impacted the overall domestic egg supply. That is, by allocating birds in advance of the demand, we are accounting for the realities of our business and farmers are able to ensure eggs are available when needed. Efforts across the industry saw an additional 753,318 birds enter into the system in 2019, bringing our national flock to 25.89 million hens.



While 2019 saw conservative growth in the retail sales of eggs, preliminary numbers indicate a strong trend in increased egg servings in the food service sector, with all-day breakfast menu items driving sales. As a result, EFC is anticipating further growth in egg consumption in 2020 due to the health benefits of eating eggs and opportunities in the food service sector. In light of this, the EFC Board of Directors was pleased that Farm Products Council of Canada prior approved the following quota allocation requests in 2019:

Allocation	Effective
Increase of 105,965 regulated quota layers	Week 1 of 2020
STMRQ layers at nil (to remain in the Quota Regulations, allowing for a quick activation)	Week 1 of 2020
Eggs for processing quota layers unchanged	Week 1 of 2020
Eggs for vaccine production unchanged	Week 1 of 2020

25.89
million
hens in
production
in 2019.

Ongoing sustainability of the Industrial Products Program

Much has been done in recent years to pursue additional cost savings and efficiencies within EFC's Industrial Products Program (IPP). For example, the Service Fee Program, which applies a fee to all newly allocated birds, continued to help offset expenses for the PIF and maintain the fund within its trigger points through farmer contributions. Also in 2019, the Natural Overrun Project Team was established to investigate how the EFC National Natural Overrun Policy can be used to complement levy in order to maintain the sustainability of the IPP. The Natural Overrun Project Team will continue its project work in 2020.





Market analysis and industry information

This year saw 753,318 hens added into the system in light of recent quota allocations, bringing the national flock to 25.89 million birds and representing a 3% increase in hens over 2018. These efforts brought on an increase in egg production of 2.91% in 2019, with an additional 21.9 million dozen eggs produced.

On the heels of some of the highest growth rates in the last decade, a 1.2% growth in Nielsen retail sales of table eggs was achieved in 2019. While Classic Canada Grade A white and brown eggs continued to be the most popular eggs sold in Canada, representing 86% of eggs sold in 2019, this growth trend also applied to the majority of egg types in Canada. New NPD Group/CREST® data indicate a 10.3% increase in egg servings at food service in 2019, with quick service restaurants leading the growth.

Per capita egg consumption continues to rise, with Canadians enjoying an average of 253 eggs annually (2018). Pricing trends in 2019 saw an increase in the average national COP and producer price, as well as an increase in the national retail price of eggs at \$2.61 per dozen eggs.

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



Farmers and average flock size per province and territory

Province or territory	Number of farmers ¹	Average number of layers per farmer ²
BC	143	22,193
AB	164	15,897
NT	4	28,957
SK	70	17,174
MB	157	16,123
ON	418	22,262
QC	162	32,318
NB	16	28,267
NS	25	33,589
PE	7	19,685
NL	6	61,603
Total	1,172	22,159

Source: EFC

¹ Reported data for 2019.

² Reported data for 2019. Excludes inventory for eggs for processing and special permits.

Limits to Federal Quotas (dozen)¹

Province or territory	2020	2019	2018
BC	92,701,732	92,305,861	83,512,303
AB	78,185,096	77,797,028	69,639,255
NT	3,572,072	3,565,039	3,325,695
SK	34,686,465	34,552,597	31,436,062
MB	71,500,420	71,363,580	66,700,748
ON	272,455,410	271,474,492	248,140,477
QC	154,981,792	154,330,500	139,488,202
NB	14,740,208	14,697,319	13,519,208
NS	24,492,045	24,445,706	22,866,769
PE	4,062,298	4,054,548	3,790,442
NL	10,938,469	10,917,025	10,186,361
Total	762,316,007	759,503,695	692,605,522

Source: EFC

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



Limits to Eggs for Processing Quotas (dozen)¹

Province	2020	2019	2018
BC	2,654,000	2,544,000	2,544,000
AB	663,500	636,000	636,000
SK	3,317,500	3,180,000	3,180,000
MB	5,308,000	5,088,000	5,088,000
ON	20,368,176	19,523,979	17,808,000
QC	7,962,000	7,632,000	7,632,000
Total	40,273,176	38,603,979	36,888,000

Source: EFC

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

Limits to Vaccine Quotas (dozen)¹

Province	2020	2019	2018
ON	2,661,750	2,661,750	2,661,750
QC	10,674,090	10,674,090	10,674,090
Total	13,335,840	13,335,840	13,335,840

Source: EFC

¹ 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)¹

Province	2019	2018	2017
ON	1,537,560	1,661,400	1,126,920
QC	3,911,115	3,808,245	3,500,250
Total	5,448,675	5,469,645	4,627,170

Source: Fédération des producteurs d'œufs du Québec

¹ Table reports actual shipments to the IPP.

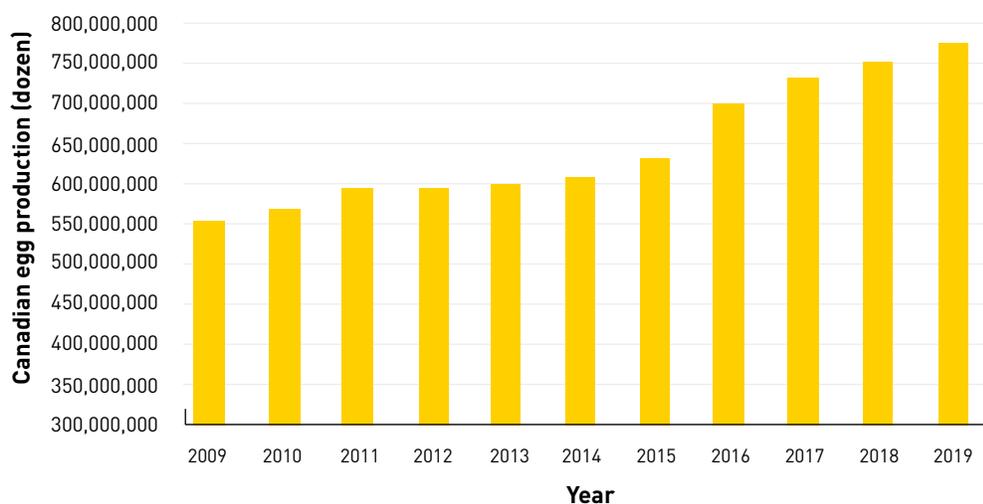
Federal quota utilization¹

Province or territory	Week 8 – 2019	Week 8 – 2018	Week 8 – 2017
BC	94.68%	96.29%	95.37%
AB	93.09%	91.26%	89.93%
NT	85.61%	90.14%	89.38%
SK	97.07%	98.25%	97.64%
MB	98.10%	98.90%	97.21%
ON	97.15%	99.36%	98.64%
QC	96.88%	97.82%	94.73%
NB	93.50%	93.83%	94.30%
NS	97.02%	97.56%	95.72%
PE	92.94%	93.80%	95.03%
NL	95.80%	95.96%	94.33%
Total	96.30%	97.49%	96.12%

Source: EFC

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

Canadian egg production¹

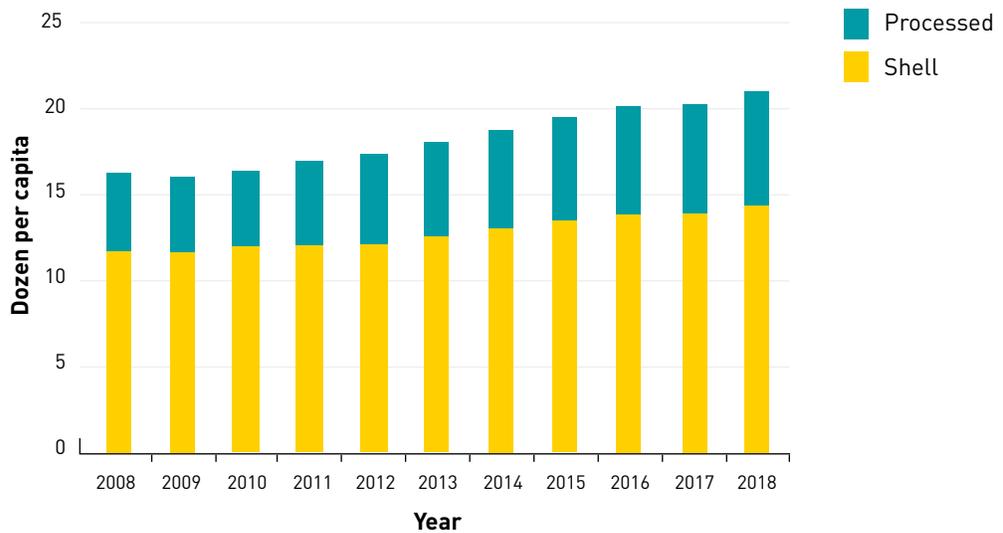


Source: Egg boards

¹ Production numbers are final except for 2019. 2011 and 2016 data represent 53 weeks of production.

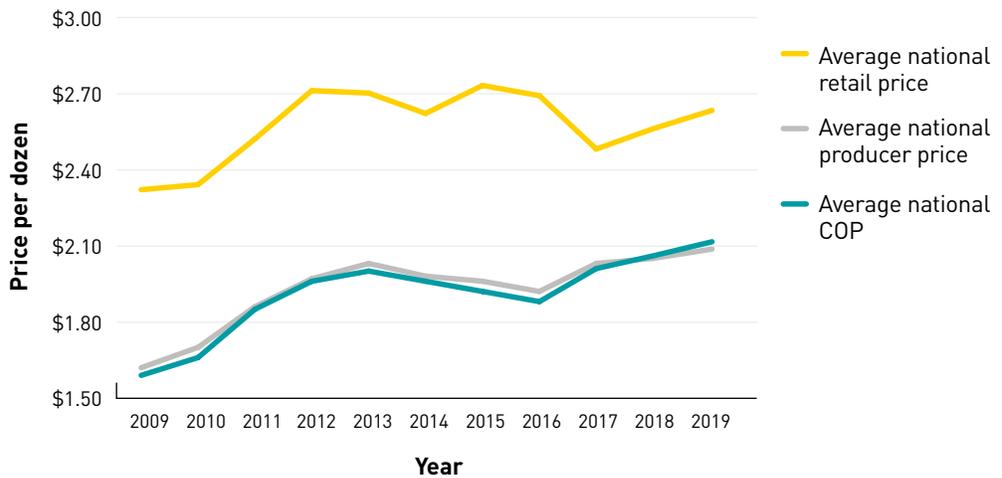


Canadian apparent per capita disappearance of eggs and egg products



Sources: Statistics Canada—Total per capita egg disappearance; Shell/processed split estimated by EFC based on Statistics Canada and Agriculture and Agri-Food Canada data.

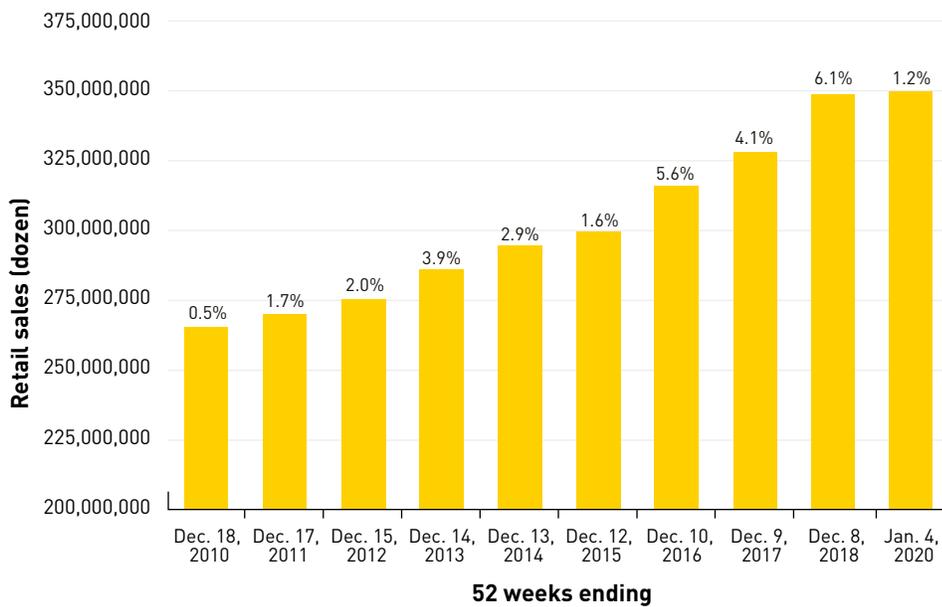
Pricing trends in the Canadian egg industry¹



Sources: COP: EFC; producer price: egg boards; retail price: Agriculture and Agri-Food Canada

¹ COP and producer price for Grade A large eggs. Retail price for large, regular, white eggs. Simple averages.

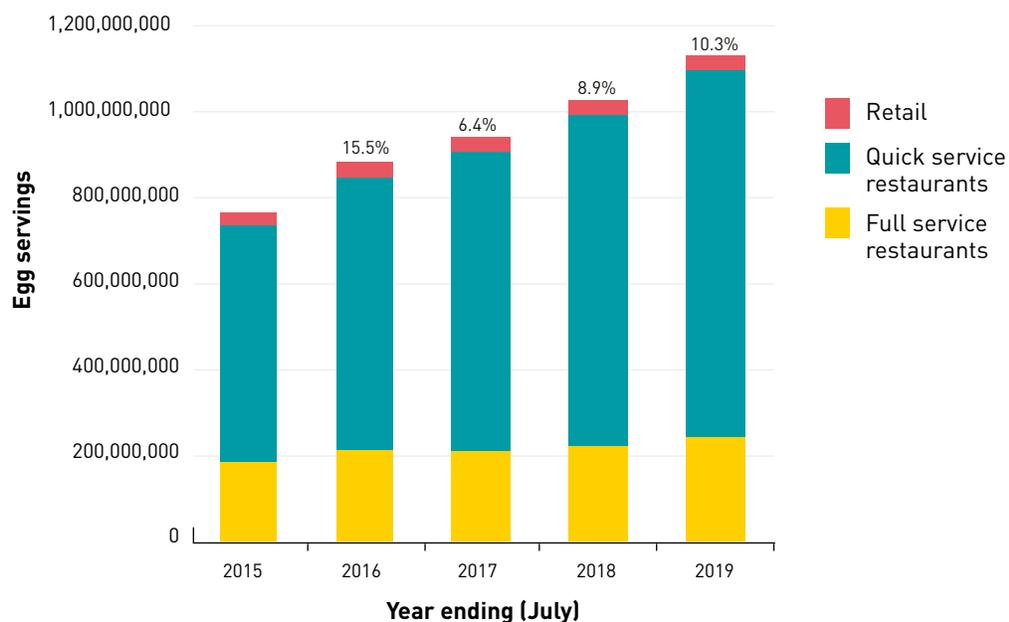
Retail egg sales¹



Source: Nielsen MarketTrack, Total Eggs—National

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

Total egg servings at commercial food service by segment



Source: The NPD Group/CREST®

02





Trust and support

Building support in a federal election year

Parliament was dissolved in early September, launching the highly anticipated federal election. EFC, egg boards and farmers across Canada engaged with their local MPs and candidates to discuss the importance of supply management, egg farming and the many social and economic contributions of the industry with candidates and other representatives during the campaign. From farm tours to candidate debates to social media—our voice was heard. Nowhere was this more evident than in the election platforms of all four major parties, with each one pledging support for supply management and the agricultural sector as a whole.

Canadians took to the polls in October and elected the Liberal Party of Canada, led by Prime Minister Justin Trudeau, to form a minority government with 157 seats out of the required 170 needed to form a majority. The Conservative Party returned as the Official Opposition and the Bloc Québécois emerged as the third party. With nearly 100 new members taking their seat



Young farmers Manjot Sarkaria, Carline Schuring, Richard Boer, Tylor Van Kessel, Marc Norleen, Cheryl Norleen and David Michiels joined Parliamentarians at our Joint Annual Reception with our poultry colleagues.

in the House of Commons, the new Parliament will provide many occasions to introduce the Canadian egg farming industry and its strengths to new and returning MPs. We have been working hard in that context to advocate on behalf of farmers, our way of producing eggs and the system that makes this possible.

Advocating for egg farmers, the Canadian egg industry and supply management

EFC embraced a number of opportunities to take our messages to all political parties, highlight the value of our sector and discuss key issues with Cabinet Ministers, MPs, Senators and senior officials in 2019. Dozens of meetings took place over the course of the year and connected EFC with key decision-makers. For example, Chair Roger Pelissero and CEO Tim Lambert met with then-International Trade Diversification Minister Jim Carr to discuss tariff rate quotas (TRQ) allocation. On the heels of her appointment as Agriculture and Agri-Food Minister, EFC met with The Honourable Marie-Claude Bibeau to brief her on our files. Representatives from EFC engaged in dialogue with then-Rural Economic Development Minister Bernadette Jordan during the Federation of Canadian Municipalities (FCM) conference. EFC also increased its contact with the Senate throughout the year, raising our profile and building new relationships with Senators and their staff.

EFC was invited to offer expert opinion and present to both House of Commons and Senate committees on agriculture-related matters. This included appearances at the House of Commons Standing Committee on Agriculture and Agri-Food as part of

their study on Perception of and Public Trust in the Canadian Agricultural Sector; the House of Commons Standing Committee on International Trade as part of their study on Bill C-100, An Act to Implement the Agreement Between Canada, the United States of America and the United Mexican States (known as CUSMA); and the Standing Senate Committee on Agriculture and Forestry on their study on Support and Compensation for Supply-Managed Agricultural Sectors in Relation to the CUSMA and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Trade Agreements. These comments as well as our participation in a number of government-led initiatives allowed us to offer critical input in the areas of public trust, the long-term sustainability of our sector, the impact of trade agreements, the administration of TRQs, the National Food Policy, carbon pricing, the Rural Economic Development Strategy, the Healthy Eating Strategy and food labelling.



Egg farmers John Penner and Kurt Siemens served scrambled eggs at our annual breakfast event for Parliamentarians.

Annual breakfast with MPs and Senators champions Canadian eggs

The tradition of our annual breakfast event for Parliamentarians continued in 2019. The event offered an opportunity for MPs and Senators to meet with the EFC Board of Directors, egg farmers, young farmers and industry representatives from across the country. Attendees enjoyed a nutritious breakfast featuring regional dishes with fresh, high-quality eggs while discussing the vibrancy of Canada's egg industry. During his remarks, then-Agriculture and Agri-Food Minister Lawrence MacAulay congratulated egg farmers for their leadership, positive growth and support for young farmers. Throughout the event, attendees and EFC shared photos, extending the event online with the #HillBreakfast and #DélicieufeufsDéjeuner hashtags.

Downtown Diner celebrates food made by Canadians, for all Canadians

Canadian chicken, turkey, hatching egg and egg farmers joined forces once again at the Downtown Diner in May. The annual pop-up event celebrated Canadian farming families and the system that provides year-round access to fresh, local, high-quality ingredients from coast to coast to coast. It provided a helpful opportunity for Parliamentarians and the public to meet farmers and discuss where their food comes from. Thousands of guests enjoyed a fresh breakfast or lunch treat, all while learning how the system of supply management helps build sustainable farms for generations to come.

A number of high-profile guests stopped by the annual event in Ottawa, including NDP leader Jagmeet Singh, then-Conservative agriculture critic Luc Berthold, NDP agriculture critic Alistair MacGregor, members of the Standing Committee on Agriculture and Agri-Food, and Senators. A live CTV broadcast from the event and a tailored media relations plan provided additional touchpoints to talk about made-in-Canada food. The #OttawaDiner and #CantineOttawa hashtags added excitement to the event and a total of 3.5 million impressions were achieved in just one week.



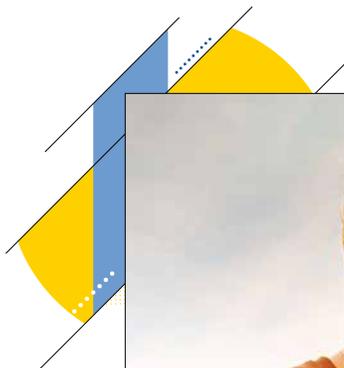


Egg farmer Emmanuel Destrijker, chicken farmer Luce Bélanger, hatching egg producer Gyslain Loyer and dairy farmer Richard Bouchard discussed sustainable food systems at the Farm Hub during the FCM annual conference.

Promoting innovation and supply management to municipal leaders

Industry leaders from EFC, Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers joined municipal officials at the FCM annual conference in Québec City in June. The event is the largest gathering of municipal leaders who come together to discuss approaches to build vibrant communities and a stronger Canada. Hundreds of mayors, reeves, city councillors and officials representing both Canada’s largest cities and rural communities, as well as Cabinet Ministers, MPs and party leaders, connected with farmers and visited our tradeshow booth.

This year saw the launch of our unique innovation space: the Farm Hub. Throughout the conference, a range of credible supply management and agriculture experts took to the stage delivering keynotes, fireside chats and panel discussions on the issues facing our farmers. The curated agenda included speakers from across the country, offering commentary and engaging debate on topics such as how farmers contribute to sustainable food systems and how the supply-managed sector punches above its weight in bringing economic benefits to rural communities.

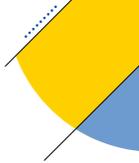


'It's worth it' national advocacy campaign

Being an egg farmer is more than a job. It's a way of life. Waking up with the sun in the early hours of the morning. Working 24/7. Learning traditions passed down from generations of family farming, all while managing a business. But it's worth it for the result: fresh, nutritious eggs for Canadians to enjoy.

Our unique 'It's worth it' initiative launched last fall, showcasing the commitment of young leaders—like Valérie Deschamps from Quebec, Blake Jennings from Nova Scotia and Kate Van Deynze-Fleming from Manitoba—and the system that makes their work possible. The campaign was featured on national news sites like The Globe and Mail, iPolitics, The Hill Times and Huffington Post and across social media platforms. We continued to promote our #EhInEggs and #Avantagoeufs hashtags to share articles, photos and additional information in support of the campaign. The overall initiative generated more than 6.7 million impressions and thousands of clicks to our eggfarmers.ca website in just a few short weeks.





International trade

We continued to watch the international trade file with interest as discussions at the World Trade Organization (WTO) increased, and the CUSMA agreement advanced through its ratification process. EFC also actively monitored talks with the South American block of countries known as Mercosur as well as trade discussions with the Pacific Alliance. While we worked diligently to advocate for egg farmers in the context of the government's trade agenda, an emerging focus in 2019 included working with the government to ensure we have the tools we need to manage our industry in the context of new trade agreements.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

2019 marked the second year of the 18 year implementation period for eggs for the Trans-Pacific Partnership, known as the CPTPP. While we were disappointed with the outcome of the agreement, we were pleased to see the government recognize the significant challenges farmers face as a result of the agreements in this year's federal budget. As such, our focus remained on our participation in the Poultry Working Group, which included representatives from EFC, Chicken Farmers of Canada, Turkey Farmers of Canada and the Canadian Hatching Egg Producers, as well as federal representatives. The group was created in December 2018 to work alongside government officials to establish a strategy to mitigate the impact of the trade agreement on our sector. A series of recommendations were put forward in the spring, and we learned at the end of the summer that no new programming would be announced in the days leading up to the federal election. While this news was yet again disappointing, we look forward to hearing the details of the programming in 2020.

Canada-United States-Mexico Agreement

This year saw a flurry of activity in November as Canada, the United States and Mexico agreed to changes to the CUSMA agreement to address labour enforceability, stronger wording in the environmental chapters, intellectual property protections for biologic and prescription drugs, and steel and aluminum. The three countries signed the revised deal on December 10 in Mexico City, clearing the way for each country to ratify the agreement. Mexico was the first country to ratify the agreement in December, followed by the United States in January 2020. It is expected that Canada will ratify the agreement in the first part of 2020. The agreement will enter into force 90 days after the third country ratifies the agreement. We continue to follow the file closely and are pleased to see a commitment from the government to address market access concerns through mitigation measures.

World Trade Organization

While an ambitious schedule was established to guide WTO activities in 2019, little progress was made by member countries and negotiators. The first agriculture session took place in September in Geneva, focusing on the three pillars of the agriculture negotiations: domestic support, market access and export competition. The outcome helped to narrow priorities, and led to a more focused debate; however, polarizing views emerged on whether or not it is realistic to address market access issues given their complexity.

Subsequent meetings were hosted in October and November where talks explored possible outcomes of the 12th Ministerial Conference (known as MC12) in Kazakhstan in June 2020, as well as a work plan for January 2020. The aim is to leverage a step-by-step process to build consensus on an incremental package for presentation at the MC12. The challenge remains that given the volume and intricacy of items that must be addressed, there is a possibility that sensitive issues like market access for agriculture commodities could be left to the very end where there is limited room for negotiation. We continue to track the negotiations and prepare for the MC12 where EFC will observe the proceedings and raise our concerns.

Mercosur

Negotiations continued for the Canada-Mercosur Free Trade Agreement, which includes Canada, Argentina, Brazil, Paraguay and Uruguay. While an initial exchange of offers in late 2018 included all tariff lines for dairy, poultry and eggs, specific details have not been released. The most recent round of talks took place in July in Ottawa. It was understood that the key objective of Canadian negotiators was to agree on the modalities that will guide the preparation of revised offers. At that time, there were no plans to discuss market access of sensitive sectors. We will continue to follow the talks closely with our supply-managed colleagues and assess the potential impact on our sector.

\$1.3
billion
contributed to
Canada's GDP.

Shaping a new generation of egg industry leaders and champions

Every year EFC welcomes a new crop of participants in our national young farmer program. These extraordinary farmers are the future leaders of our industry—and the 2019 cycle of the program brought together another incredible group of young people at workshops in Toronto, Ottawa and Yellowknife. We supported their development by giving them a deep dive into the industry they love, fostering their leadership skills and sharing best practices from across the country.



Young egg leaders from across Canada came together at the Future Egg Leaders' Summit.

Since 2014, more than 55 young leaders from across Canada have taken part in this program—and to celebrate the milestone, the entire alumni network was invited to take part in our Future Egg Leaders' Summit in Ottawa in March. The Summit's activities included talks from keynote speakers MP Francis Drouin, Chris Koch and CEO Tim Lambert. Roundtable discussions on issues facing young people in the Canadian egg industry, among other networking activities, also took place during the Summit.

Launch of women in the egg industry leadership program

2019 saw the launch of the first-ever women in the egg industry leadership program. The program was inspired by a study conducted by Dr. Jodey Nurse from the University of Waterloo that explored the past and present roles of women in the egg farming industry. Seventeen women took part in the inaugural meeting in May. Throughout the remainder of the year, delegates participated in a mentorship program, online discussions and webinars as well as in a moderated discussion to shape learning outcomes and the overall structure of the program. We'll be watching with great interest as this program grows and evolves in 2020!

4.8
million
eggs donated
to food banks,
breakfast
programs and
charitable
organizations
in 2019.

Upholding our commitment to our communities

Our philanthropic work is driven by a vision of a world where everyone can enjoy the immeasurable benefits of the humble egg. We are proud to enhance the health of Canadians by supporting the work of Food Banks Canada and Breakfast Club of Canada. Around the world, our work with Heart for Africa (Canada), Canadian Food For Children and the International Egg Foundation reaches over 25 countries and thousands of people. These partnerships are a testament to the power of the egg and a strong drive to contribute to the well-being of others.

In 2019, the EFC Board of Directors initiated a program to increase egg donations in Canada's northern communities. The three-year program has already enhanced northern diets—which are particularly susceptible to deficiencies in vitamins A and D, folate and iron—through increased access to nutrient-rich eggs. Additional food bank distribution points were added in 2019 expanding our outreach in the Northwest Territories, Yukon and Nunavut. Through our partnership with Breakfast Club of Canada, we reached schools in the Northwest Territories and Yukon, and implemented a credit system at the Northern Store in Arviat, Nunavut to ease access to eggs for use in school programs. Work is already underway to expand our outreach in northern communities in 2020.

A recipe for giving back

We partnered with Food Banks Canada once again this holiday season to launch the #RecipesThatGive (#FêtesUnDon) initiative. Together, we encouraged Canadians to give food, funds or time to their local food bank and leveraged our network to raise awareness of hunger in Canada.

To mark the occasion, EFC joined forces with prominent chefs Lynn Crawford, Craig Flinn and Dale Mackay to help Canadians save time in the kitchen, making more time to get back to what matters most: sharing delicious meals with loved ones and supporting those in need. The heartwarming initiative generated a great deal of interest, with features on CTV Morning Live, CP24, CHCH Morning Live and Global Morning Live in Halifax, Saskatoon, Calgary, Ottawa, Toronto, Hamilton and Atlantic Canada. The campaign was also picked up by the Toronto Sun, MSN.com, The Loop, Sirius XM and House & Home who shared our messages as well as tips and suggestions to include eggs in holiday entertaining. A partnership with Food Bloggers of Canada, tailored social media program and collaboration with egg boards were key drivers in extending the initiative online. The four week outreach campaign achieved 17 million impressions and raised over \$83,000 in support of Food Banks Canada's mission.



Celebrating five years of cracking hunger

Five years ago, EFC embarked on a journey with Heart for Africa (Canada) to build an egg farm that would bring the humble egg to a place that needs more protein. Five years later, an estimated 5 million eggs have been delivered through the partnership and a network of over 30 local church partners and feeding stations across rural Eswatini (formerly Swaziland).

The project milestone was recognized at a small reception where Heart for Africa (Canada) co-founders, Janine and Ian Maxwell, thanked egg farmers for their generous support, which has helped reduce child hunger and adult unemployment in Eswatini. In November, a delegation of the EFC Executive Committee and young leaders travelled to Eswatini to visit the development project, volunteering at the farm and seeing the impact first-hand.



Showcasing the Canadian egg industry to the world

We continue to engage in activities that allow us to stay on top of emerging trends in the global egg industry and participate in dialogue that shapes the future of farming. This offers valuable opportunities to draw on the experience of others and share our point of view. Dozens of meetings, events and interactions took place over the course of the year and connected EFC representatives with a diverse global network. For example, Chair Roger Pelissero, CEO Tim Lambert and Director of International Trade Policy Judi Bundrock attended the World Farmers' Organisation General Assembly in Luxembourg. EFC representatives took part in the International Egg Commission's (IEC) Business Conference in Monaco and Global Leadership Conference in Denmark, presented case studies at the Conbrasul Egg conference in Brazil and shared perspective at World Poultry Science Association meetings in Germany. Delegates also attended the Consumer Goods Forum's Sustainable Retail Summit in Vancouver and the Future Leader Conference in Boston, as well as United Egg Producers meetings. These opportunities allowed us to showcase Canada's leadership in the areas of sustainability, our way of producing eggs and investment in the future.

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CEO Tim Lambert completed his two-year term as IEC Chair in 2019, and began his tenure as IEC President. Under his guidance, the IEC made substantial progress in supporting the United Nations Sustainable Development Goals, developing global standards in biosecurity protocols and taking action against forced labour in the global egg supply chain. This engagement not only provided new opportunities to share Canadian expertise abroad, it also increased EFC's access with influential groups like the World Health Organization, Food and Agriculture Organization of the United Nations, World Organisation for Animal Health and the International Labour Organization.



Chef Lynn Crawford



Mainville Family



Ricard Family



Darren Jansen and Jen Laughlin

Canadian egg farmers at the heart of our World Egg Day celebration

We celebrated World Egg Day this year with the release of a special video to introduce Canadians to the farmers who produce the eggs they know and love. The video featured farm families from all ten provinces and the Northwest Territories, like the Coburn Family in New Brunswick and the Hayes Family in Ontario.

Our spokespeople appeared on CTV News Kitchener, CP24 and Global News Vancouver and Halifax. The campaign was featured by the Toronto Sun, Parents Canada, Toronto Guardian and The Chronicle Herald. Our program generated over 10 million impressions and nearly 60,000 video views in just one week. Coordinated efforts with egg boards and a partnership with Food Bloggers of Canada delivered our messages across social media, adding our voice to the global celebration. The #WorldEggDay and #Journémondialedeleuf hashtags were used around the world and garnered over 111 million impressions.

03





Growth and innovation

New Eggs Anytime marketing platform promotes eggs beyond breakfast

True egg lovers know it's not weird to enjoy eggs anytime, whether for breakfast, lunch or dinner—and we are sharing this message with consumers far and wide with our new marketing platform. The bold and funny ads are already captivating Canadians with their witty 'It's not weird' tagline. The sophisticated strategy targets a newly-identified segment of consumers known as light buyers of eggs, who enjoy fewer than a dozen eggs per month and represent close to 40% of Canadian households. Extensive market research found eggs are not top of mind during the week for this group, presenting a significant opportunity to change mindsets and drive egg consumption.

The campaign emphasized that eggs can be the main feature of dishes any time of the day, on any day of the week. It draws on multiple touchpoints such as TV, online, social media, sampling events and media relations. Digital out-of-home billboards in

13
continuous
years of growth
in the retail
sales of eggs.



Share your favourite 'It's not weird' meal ideas using the #EggsAnytime hashtag.

high-traffic urban centers implemented a dayparting strategy to show different quick and easy meal ideas throughout the day. And a roster of nine online influencers—with diverse interests—partnered with our Get Cracking® brand to inspire their followers to try eggs in new meals.

The response has been tremendous, with Canadians from all parts of the country (and a few well-known sports reporters) taking to social media to share what they love most about the memorable ads and their favourite way to enjoy eggs, anytime. Between August and December, the campaign delivered over 100 million impressions and reached millions of consumers. Ad tracking results for the first wave of the campaign already show strong ratings and further confirm the campaign resonates across the light buyer target. Levels of recall are particularly high, with respondents showing a deep appreciation for the humor and likeability of the ads. These initial results are already helping to refine the overall strategy and identify new ways to deliver our Eggs Anytime message in unexpected and impactful places.



A unique travelling food truck made its way across Vancouver from October 3 to 6. Over 2,500 people visited the truck to sample quick and easy lunch and dinner items made with eggs, like our flavour-packed Shakshuka.

Inspired by Canada's multicultural heritage

This fall saw the launch of a campaign targeting second generation Chinese and South Asian consumers. The campaign's tailored messaging hooked onto the nostalgia of popular dishes associated with family traditions in both Chinese and South Asian households and demonstrated how to use egg-based recipes to achieve the same flavours. The quirky digital and social media advertisements promoted a mix of recipes and led back to our eggs.ca website. Entrepreneur and Indian cooking expert Preena Chauhan supported the campaign by creating egg-based fusion recipes and offering cooking demonstrations at Sobeys stores in downtown Toronto. Feedback from the initiative was positive, with many attendees noting the recipes were both delicious and innovative. In total, the 12 week campaign generated over 24 million impressions and further reinforced the overall Eggs Anytime marketing platform.

A fresh spin on egg nutrition outreach

A new program rolled out this year targeting medium buyers of eggs who enjoy between 12 to 28 eggs per month and represent close to 39% of Canadian households. The program included a variety of sponsored articles with MSN, Narcity, Daily Hive and Notable Life. The articles shared recipe ideas that can be whipped up in a hurry and dietitian-approved meal planning advice, among other topics. Partnerships with five well-known Canadian bloggers—who acted as egg nutrition ambassadors throughout the year—boosted the program, offering monthly tips and meal inspiration to their followers and fans. With over 30 million impressions in 12 months, the program has strengthened EFC's marketing mix with a new approach to promoting balanced meals that energize your day.



Deepening our understanding of consumer trends in egg consumption and purchasing

An online survey of 5,565 Canadians conducted by Nielsen offered new insights in egg consumption patterns and behaviours. The survey was commissioned by EFC to keep up-to-date on factors and trends impacting the purchase and consumption of eggs across light, medium and heavy egg consumers. The research study confirmed:

- Eggs remain a top protein choice for Canadian consumers, with the vast majority listing eggs as their preferred protein source after meat (e.g. beef, chicken or pork).
- Consumers are looking for meal options that are innovative, quick and simple. This is especially true for the light egg consumer segment (40% of Canadian households) who are trying new meals at home.
- How consumers are purchasing food is changing, with 35% of Canadians leveraging meal delivery services, 18% purchasing groceries online and 12% using meal kits at home.
- Affordability and a good source of protein are the most popular reasons for increased egg consumption across all three consumer segments.



Dishing out the goodness of eggs in communities across Canada

A sea of yellow descended on Fredericton, Charlottetown and St. John's this summer as our host cities of the #WakeUpToYellow event, completing our cross country tour. The special pop-up event saw farmer volunteers greet morning commuters with breakfast sandwiches and potted daffodils in urban centers, continuing the tradition of the past four years. Consumers, municipal officials and local business owners welcomed the 2019 events with enthusiasm and warmth, much like previous events in Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montréal and Halifax. The overall program was a fantastic success, spurring thousands of one-on-one conversations with visitors to answer their questions about eggs and egg farming in Canada.



Forty-three farm families helped morning commuters in Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montréal, Halifax, Fredericton, Charlottetown and St. John's #WakeUpToYellow during the four year program.

Get Cracking® wins six marketing awards

Our Get Cracking® brand is making waves in consumer marketing, winning half a dozen awards in 2019. The recognitions celebrate innovative and results-driven marketing campaigns that change behaviour. Our light-hearted 2018 New Weekday Eggs campaign took home three gold and a silver recognition at Strategy Magazine's Shopper Innovation + Activation Awards. The same campaign also won bronze at the prestigious Canadian Marketing Association Awards Gala in the food and beverage category. Lastly, our 2018 multicultural campaign targeting Chinese-Canadians was awarded bronze at the Marketing Awards by Strategy Magazine in the category of online film. We are very proud of these achievements and are honoured in being among the ranks of leaders in consumer marketing programs in Canada.

A powerhouse of online channels and platforms

How we interact with consumers and Canadians is evolving, with digital and social media channels taking on an even bigger role in our overall communications and marketing programs. In fact, our eggs.ca, lesoeufs.ca, eggfarmers.ca, producteursdoeufs.ca, eggquality.ca and qualitedesoeufs.ca websites had a record year in 2019 with more than 10 million combined sessions—a remarkable 47% increase over the previous year. These websites are hubs for all things eggs and egg farming, and are constantly updated to reflect best practices in digital communications, content development and brand management. An intensive content audit saw the relaunch of the nutrition section of eggs.ca and lesoeufs.ca this year. This new area for nutrition content allows us to better reflect the overall pillars of the marketing strategy and offered website visitors quick access to egg nutrition information. The change was inspired by renewed consumer interest in nutrition focused information and provided greater visibility to in-demand content.

This year also brought opportunities to further expand our social media presence, while also refining the EFC, Get Cracking® and EQA™ brand voices. 2019 saw the launch of an EFC Facebook page (in addition to the existing Get Cracking® Facebook page), creating a dedicated channel for news and information about egg farming in Canada. Our Get Cracking® Instagram presence doubled with major growth in followers as well as a significant boost in overall reach. Additional attention was placed on our Get Cracking® YouTube channel to streamline videos, improve search abilities and invest in on-trend content. The relaunched video channel is already delivering impressive results, with total video views exceeding 8 million in 2019. Thanks to the combined impact of our social media work, daily engagement on all our platforms is at an all-time high.

More than
10
million
visits to our
websites
in 2019.



Partnership with Diabetes Canada shares the benefits of eating eggs

The key to diabetes management is keeping blood sugar levels in your target range. Studies have consistently shown that protein-rich foods like eggs can help regulate those levels and improve blood sugar control. That's the message we are bringing to Canadians through a partnership with Diabetes Canada designed to offer resources and tips to help people living with type 2 diabetes integrate eggs into their diet. The partnership launched in 2019 and provides new opportunities to collaborate with Diabetes Canada to highlight egg nutrition and share a variety of high-protein recipes featuring eggs.

Sharing nutrition science with healthcare professionals

Much of EFC's nutrition and health communications in 2019 focused on promoting an extensive body of nutrition science information to healthcare professionals across the country. Efforts concentrated on discussing the role of eggs in heart health, cholesterol, fitness, diabetes and infant feeding at various events throughout the year. Our engagement in this area also promoted eggs as a protein-rich food item in the context of the newly released Canada's Food Guide.

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Our participation in some of the largest medical conferences in Canada, including Pri-Med, Family Medicine Forum, Congrès de la médecine and Dietitians of Canada's annual conference, allowed us to discuss findings with healthcare professionals and distribute thousands of patient-focused tools and resources. Partnerships with the mdBriefCase.com network and the Physicians Online Portal further extended our reach, adding new channels to deliver our messages under the comprehensive strategy. An increase in demand for nutrition information and a positive response from healthcare professionals saw a new Eggs and Babies fact sheet and Healthy You Cholesterol booklet added to the collection of resources available.

Looking ahead to tomorrow's agriculture advancements

In 2019, our robust research program continued to deliver tangible outcomes to support advancements, innovation and leadership in our sector. The program, comprised of a grant program, our network of research chairs and a range of partnerships, delivered a number of exciting developments and new opportunities to grow our industry, identify environmental efficiencies, strengthen hen welfare and help Canadians live healthier lives, among other outcomes.

39
research
projects
supported by
our Research
Grant Program.

Research Grant Program delivers exciting new findings

Under the guidance of the Research Committee of the EFC Board of Directors, a total of 39 projects are supported at universities across Canada through our Research Grant Program. These projects were selected based on their alignment with priority areas—ranging from animal care science to environmental sustainability and human nutrition—which address gaps in knowledge or present other new opportunities. The Research Grant Program has built a strong reputation within the academic community and our latest call for research letters of intent attracted dozens of submissions. In fact, 2019 saw a record number of researchers apply to our program. Following an in-depth evaluation of proposals and peer reviews, 12 projects were awarded funding in 2019. Some of the projects we are following with great interest include the impact of alternative housing systems on hen health and egg production from Dr. Martine Boulianne at Université de Montréal and the role of eggs as a nutrient-rich protein for aging populations from Dr. Stuart Phillips at McMaster University.

Expanding our access to evidence-based research through partnerships

Our overall commitment to evidence-based research is further supported through ongoing partnerships with the Canadian Poultry Research Council, Egg Nutrition Center (ENC), Poultry Innovation Partnership (formerly the Poultry Research Centre) and Egg Industry Center. These partnerships allow for collaboration with like-minded groups and EFC benefits from their findings. Take our partnership with the ENC, for example. Working with ENC means having access to a team of health experts with professional experience in nutrition science. Their rigorous scientific research examines the nutritional benefits of eggs, debunks nutrition myths and offers education resources to healthcare professionals.



New video series complements efforts to mobilize research findings

A video series highlighting new findings generated by EFC's research investments launched this year. Three two-minute videos were produced in 2019, offering a snapshot of key projects. The videos included interviews with the researchers and an inside look at their research facilities. The video series has been met with a fantastic response and the videos are quickly becoming some of our most popular content pieces. These multimedia tools complement our large suite of research summaries, presentations and articles that capture the latest findings and are available on eggfarmers.ca.

As part of our efforts to mobilize the latest evidence-based research and transfer knowledge to our farmers and stakeholders, a number of research projects were profiled this year and promoted through our communications channels. Some examples include:

- A study assessing ways to mitigate feather cover damage in laying hens
Dr. Alexandra Harlander, University of Guelph
- An evaluation of the effect of eating cooked whole eggs on blood cholesterol absorption
Dr. Wayne Campbell, Dr. Jung Eun Kim and Purdue University
- A summary of the historical role women have played in the egg farming industry and the contemporary challenges
Dr. Jodey Nurse, University of Waterloo
- An evaluation of supply-managed industries' contribution to the stability of rural economies
Dr. Maurice Doyon, Université Laval

Looking to the future with our Research Chair Network

Our Research Chair Network continued their pursuit of big picture thinking that supports improvements in the Canadian egg farming industry. Dr. Nathan Pelletier, Research Chair in Sustainability at the University of British Columbia's Okanagan Campus, advanced the National Environmental Sustainability Tool (NEST), which will aid farmers in measuring their own farm's environmental performance and benchmarking against regional indicators. Dr. Maurice Doyon, Egg Industry Economic Chair at Université Laval, has been developing a decision-making tool for egg farmers to improve the circularity level of their farms.

Our Research Chair Network continued their pursuit of big picture thinking that supports improvements in the Canadian egg farming industry.

Dr. Tina Widowski, Poultry Welfare Research Chair at the University of Guelph, continued to advance research that enhances hen welfare and production practices, including a study evaluating different styles of aviary perches. Dr. Bruce Muirhead, Public Policy Research Chair at the University of Waterloo, conducted primary research in Australia and New Zealand, capturing consequences of deregulation in these countries. He also collaborated with Dr. Doyon on a project assessing Canadian perceptions of U.S. and Canadian prices.

With the goal of supporting cross-disciplinary research across the network, a working session between the chair holders was hosted in February. In May, the four research chairs, along with nine of their masters and PhD students, met in Ottawa for a joint session. The group shared their current research, explored collaborations and took part in a farm tour.



How eggshells could one day help regenerate human bone

An exciting study from the University of Ottawa's Department of Cellular and Molecular Medicine evaluated eggshells for their application in human bone regeneration procedures. Conducted by Dr. Maxwell Hincke, the project tested two types of eggshell particles for their suitability as bone regenerative material—and found both have the capacity for growing new bone cells and repairing damaged bones.

These research findings present new opportunities for eggshells in the human health industries, potentially offering an alternative way to treat bone defects through eggshells. Dr. Hincke and his team are continuing to explore these findings through another EFC-supported project that tests the initial conclusions on a broader scale. This project is one of the unique ways egg-based research is helping Canadians lead healthier lives, while also identifying growth potential for our industry.

04





Organizational excellence

Annual strategic planning process yields new direction

Last spring, the EFC Board of Directors embarked on a strategic planning exercise with a view to create a vision of growth that would make Canada a world leader in per capita egg consumption in ten years. Central to this year's process was a facilitated session to explore opportunities for the Canadian egg industry, discuss key issues and review foundational projects to set a framework for exponential growth. Building on previous workshops with egg board leadership and EFC's management team, the outcome of the process is an exciting shift of direction for our industry set out in the Vision 2020 Business Plan. The plan outlines a shared vision for the future of Canada's egg industry using EFC's ongoing efforts to be a successful, fully integrated

supply-managed organization. To achieve this, the EFC Board of Directors has identified seven strategic pillars that are the core of our approach:

- Research and innovation
- Sustainability
- Social license and public trust
- International trade
- Product marketing
- Resource and risk management
- Partnerships and collaboration

This bold, new plan was first revealed at the Canadian Egg Farmers' Conference in Yellowknife in August where Chair Roger Pelissero and CEO Tim Lambert introduced attendees to the concept. The EFC Board of Directors approved the Vision 2020 Business Plan in November and implementation will begin in January 2020.





EFC named one of Canada's Top Employers for Young People

EFC was named one of Canada's Top Employers for Young People for the first time in 2019. The award recognizes the best workplaces across Canada for young people starting their careers. A custom approach to onboarding staff, personalized training plans, a leadership development program and volunteer opportunities are among the reasons why EFC received the award. This latest award complements our standing as a National Capital Region's Top Employer (seven consecutive years) and being recognized by Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures since 2014.

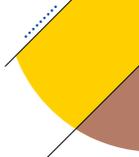
A strong, successful team

Our team of almost 60 employees is a driving force in our success. Their passion and commitment is inspired by the leadership of the EFC Board of Directors and the more than 1,000 hardworking egg farmers and families from coast to coast to coast. This dedication stems from a belief that every member of the EFC team is an integral part of helping us achieve our mission to be a leader in Canada's agricultural future.

A number of initiatives were launched in 2019 to further meet the needs of our staff and offer them the tools to succeed in a complex business environment. New wellness activities, unit-led lunch and learn sessions, in-house training and internal communications tools were introduced this year. Our Employee Engagement Group continued to meet on a regular basis and nearly two thirds of our staff have taken part in our leadership development program offered in partnership with York University. Our always popular Staff Conference Day where the Executive Management Team shared their perspective on the year ahead took place in November. Staff took part in cross-unit breakout discussions and team building activities which were followed by a volunteer activity. This approach to employee engagement is reflected across the organization and deeply rooted in our corporate culture.

Recognized as a
NCR Top
Employer
for the
7th consecutive
year.





Adding to the strength and vibrancy of our sector through collaboration

We operate in an interconnected world and we depend on the input and participation of our core partners to tackle issues and opportunities, and strengthen our programs. In 2019, a number of workshops were facilitated together with egg boards to address operational matters, emerging communications challenges and marketing programs. Dozens of meetings were held by committees, working groups and project teams consisting of EFC Directors, egg board representatives, grader and processor representatives and other stakeholders. These groups convened to address changes in our external environment, advance issues that are national in scope, and consult on items that impact the industry. We were active in and around the following key committees, working groups and project teams during the course of the year:

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 and Producer Prices 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

Liquidated Damages Assessment Review Team

National Supply and Demand Project

National SE Protocol Review Project Team

National Vaccine Committee

Natural Overrun Project Team

Uniform Levy Project Team



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

And Independent Auditors' Report thereon
Fifty-two weeks ended December 28, 2019





INDEPENDENT AUDITORS' REPORT

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

The Minister of Agriculture and Agri-Food, 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 28, 2019;
- 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 28, 2019, 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.

Other Information

Management is responsible for other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 21, 2020

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

Statement of Financial Position

December 28, 2019, with comparative information for December 29, 2018

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2019 Total	2018 Total
Assets				
Current assets:				
Cash	\$ 13,977	\$ 3,884	\$ 17,861	\$ 13,414
Accounts receivable (note 3)	46,266	3,606	49,872	33,986
Inventory	765	–	765	671
Prepaid expenses	–	180	180	286
Investments (note 4)	15,669	3,400	19,069	40,206
	76,677	11,070	87,747	88,563
Capital assets (note 5)	–	4,185	4,185	4,403
	\$ 76,677	\$ 15,255	\$ 91,932	\$ 92,966
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 24,145	\$ 8,506	\$ 32,651	\$ 25,156
Current portion of long-term loan (note 7)	–	122	122	118
	24,145	8,628	32,773	25,274
Long-term loan (note 7)	–	381	381	503
Fund balances (note 8):				
Unrestricted	28,314	2,865	31,179	41,230
Internally restricted	24,218	3,381	27,599	25,959
	52,532	6,246	58,778	67,189
Commitments (note 9)				
	\$ 76,677	\$ 15,255	\$ 91,932	\$ 92,966

See accompanying notes to financial statements.

Approved by the Board of Directors



Chair of the Board of Directors



Chair of the Audit Committee

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

Statement of Operations

Fifty-two weeks ended December 28, 2019, with comparative information for the fifty-two weeks ended December 29, 2018

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2019 Total	2018 Total
Revenue				
Egg sales	\$ 162,877	\$ -	\$ 162,877	\$ 166,249
Levy and service fees – unrestricted	191,635	20,470	212,105	193,214
Levy and service fees – internally restricted	22,974	3,069	26,043	12,320
PIF requirement	6,990	-	6,990	8,707
Interest and other – unrestricted	277	135	412	742
Interest and other – internally restricted	443	65	508	401
Total revenue	385,196	23,739	408,935	381,633
Expenses				
Trade operations:				
Cost of eggs sold	369,330	-	369,330	327,492
Transportation and handling	11,649	-	11,649	8,680
Third party verification	1,350	-	1,350	1,217
	382,329	-	382,329	337,389
Advertising and promotion	-	8,952	8,952	6,658
Donations	485	66	551	464
Interest on long-term loan	-	20	20	24
Meetings and travel	-	2,431	2,431	2,444
Office and other administrative	-	1,755	1,755	1,635
Per diems	-	778	778	768
Restricted (note 8)	7,669	2,246	9,915	11,974
Professional fees and consulting	85	691	776	1,278
Public affairs and communications	-	3,467	3,467	4,052
Salaries and benefits	-	6,100	6,100	5,966
Amortization of capital assets	-	272	272	177
Allocation of administration expenses (note 10)	3,323	(3,323)	-	-
	11,562	23,455	35,017	35,440
Total expenses	393,891	23,455	417,346	372,829
Excess (deficiency) of revenue over expenses	\$ (8,695)	\$ 284	\$ (8,411)	\$ 8,804

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 28, 2019, with comparative information for the fifty-two weeks ended December 29, 2018

(In thousands of dollars)

	Internally restricted				2019 Total
	Unrestricted	Risk Management	Service Fee	Research	
	(note 8)	(note 8)	(note 8)	(note 8)	
Pooled Income Fund					
Balance, beginning of period	\$ 37,757	\$ 10,390	\$ 13,080	\$ -	\$ 61,227
Excess (deficiency) of revenue over expenses	(24,443)	181	15,567	-	(8,695)
Interfund transfers	15,000	(2,000)	(13,000)	-	-
Balance, end of period	28,314	8,571	15,647	-	52,532
Administration Fund					
Balance, beginning of period	3,473	-	-	2,489	5,962
Excess (deficiency) of revenue over expenses	(608)	-	-	892	284
Balance, end of period	2,865	-	-	3,381	6,246
	\$ 31,179	\$ 8,571	\$ 15,647	\$ 3,381	\$ 58,778

	Internally restricted				2018 Total
	Unrestricted	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

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 28, 2019, with comparative information for the fifty-two weeks ended December 29, 2018

(In thousands of dollars)

	Pooled Income Fund	Administration Fund	2019 Total	2018 Total
Cash provided by (used in)				
Operating activities:				
Excess (deficiency) of revenue over expenses	\$ (8,695)	\$ 284	\$ (8,411)	\$ 8,804
Item not involving cash:				
Amortization of capital assets	–	272	272	177
Change in non-cash operating working capital items	(10,309)	1,930	(8,379)	5,585
	(19,004)	2,486	(16,518)	14,566
Investing activities:				
Purchase of investments	(24,162)	(2,159)	(26,321)	(27,581)
Proceeds on disposal of investments	45,345	2,113	47,458	13,353
Purchase of capital assets	–	(54)	(54)	(200)
	21,183	(100)	21,083	(14,428)
Financing activities:				
Repayment of long-term loan	–	(118)	(118)	(114)
Increase in cash	2,179	2,268	4,447	24
Cash, beginning of period	11,798	1,616	13,414	13,390
Cash, end of period	\$ 13,977	\$ 3,884	\$ 17,861	\$ 13,414

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 28, 2019

(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* (the 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 28, 2019

(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 28, 2019

(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 28, 2019	December 29, 2018
Levy and service fees	\$ 30,468	\$ 19,867
Egg sales	16,735	13,084
Other	2,669	1,035
	\$ 49,872	\$ 33,986

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 28, 2019

(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 97% (December 29, 2018 — 96%) of eggs sales revenue; 33% (December 29, 2018 — 37%) of accounts receivable are owing from these customers.

4. Investments

	December 28, 2019	December 29, 2018
Guaranteed investment certificates	\$ 19,069	\$ 40,206

Guaranteed investment certificates bear interest at fixed rates ranging from 2.18% to 3.14% and mature between 2020 and 2021 (December 29, 2018 — 1.25% to 3.14%, maturing between 2019 and 2021).

5. Capital assets

	December 28, 2019		December 29, 2018	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 416	\$ -	\$ 416	\$ 416
Buildings	4,737	1,325	3,412	3,530
Office equipment	280	273	7	10
Computer hardware and software	1,924	1,574	350	447
Leasehold improvements	134	134	-	-
Corporate identity	345	345	-	-
	\$ 7,836	\$ 3,651	\$ 4,185	\$ 4,403

Cost and accumulated amortization are presented net of fully amortized capital assets of \$1,587. Cost and accumulated amortization as at December 29, 2018 amounted to \$7,782 and \$3,379, respectively.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 28, 2019

(Amounts in thousands of dollars unless otherwise noted)

6. Accounts payable and accrued liabilities

Government remittances (sales and payroll withholding taxes) of \$941 (December 29, 2018 — \$883) 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 \$2,844 (December 29, 2018 — \$3,103 for the Florence Street property). All owners of the property are jointly and severally liable for the total amount outstanding of the loan, \$1,170 as at December 28, 2019 (December 29, 2018 — \$1,444 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 26, 2020	\$ 122	\$ 15	\$ 137
December 25, 2021	126	11	137
December 31, 2022	131	6	137
December 30, 2023	124	-	124
	503	32	535
Less: current portion	122	15	137
	\$ 381	\$ 17	\$ 398

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 28, 2019, loans under this facility were \$Nil (December 29, 2018 — \$Nil).

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 28, 2019

(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 26.95 cents effective August 12, 2018 until July 13, 2019. Effective July 14, 2019, the levy rate per dozen eggs marketed was set at 36.95 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. Effective Fiscal Year 2020, the lower and upper thresholds of the Unrestricted Pooled Income Fund will be \$35,000 and \$75,000, 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 28, 2019 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, \$679 (2018 — \$745) 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, \$6,990 (2018 — \$8,707) 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 28, 2019

(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, \$2,246 (2018 — \$2,522) was expended from the Fund.

9. Commitments

EFC is committed under contract for the purchase of advertising and other services in fiscal 2020 for an amount of \$4,716 (December 29, 2018 — \$4,802).

\$1,590 (December 29, 2018 — \$2,125) has been committed over the next six years to support the University Research Chairs at Université Laval, University of Guelph, University of British Columbia (Okanagan Campus) and University of Waterloo.

10. Allocation of administration expenses

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

	December 28, 2019	December 29, 2018
Building costs	\$ 124	\$ 104
Insurance	43	44
Meetings and travel	485	492
Office and other administrative	437	442
Per diems	112	99
Professional fees and consulting	26	36
Salaries and benefits	2,017	1,943
Amortization of capital assets	79	50
	\$ 3,323	\$ 3,210

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 28, 2019

(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 2018.

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

Notes to Financial Statements (continued)

Fifty-two weeks ended December 28, 2019

(Amounts in thousands of dollars unless otherwise noted)

12. Low-High Price (LHP) Program

Due to volatility of the base component for processor pricing during the period, the pricing calculation on eggs sold to processors was amended. Beginning in June 2019, the price per the LHP program was used for eggs sold to processors by EFC instead of the processor protocol calculation. The difference between the price per the processor protocol and the price per the LHP program is the Total Differential Balance (TDB). Additions to the TDB are to be reduced on future egg sales when the price per the LHP program is lower than the price per the processor protocol. As of December 28, 2019, the TDB is \$3,465.

13. Adoption of new accounting policies

EFC has early adopted the following Canadian Not-for-Profit Accounting Standards effective on December 30, 2018:

- Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations;
- Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations;
- Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations.

EFC has adopted these standards on a prospective basis and will apply the componentization approach of significant tangible capital assets (and related amortization) acquired in future years.

EFC does not have assets that meet the intangible asset or collections definition set out by the revised standards and as such there is no impact to the prior period or current period financial statements.

The adoption of these standards did not result in any adjustments to the financial statements as at December 30, 2018.



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