# Table of Contents

Mission and Vision ................................................................. 1  
Board of Directors ............................................................. 2  
Chair’s Report ................................................................. 3  
Board Office and Support Staff ...................................... 5  
General Manager’s Report .............................................. 6  
2014 Production Data ..................................................... 8  

## Reports

- CHEP ........................................................................ 11  
- Alberta Hatchery Association ..................................... 12  
- ALMA ..................................................................... 12  
- Alberta Farm Animal Care ......................................... 13  
- Intensive Livestock Working Group .......................... 15  
- Poultry Health Services ........................................... 16  
- Alberta Poultry Research .......................................... 18  

## Board Initiatives

- Chick ‘N Chat Meetings .................................................. 20  
- Alberta SM-5 Update .................................................. 20  
- 2014 Caucus Meeting .................................................... 21  
- Canadian Hatching Egg Quality (CHEQ) .............. 21  
- Low Atmospheric Stunning System ............................. 21  
- Chick Quality Committee .......................................... 22  
- *Salmonella* Enteritidis and Poultry Insurance Exchange ...................................................... 23  

- Priorities 2015 .......................................................... 24  
- Financial Statements ................................................ 25
Mission

To ensure the availability of a high quality product by encouraging and promoting high standards and efficient practices.

To provide an economic environment for the profitable production of broiler hatching eggs.

To foster confidence in the hatching egg industry through effective communications and by building co-operative relationships with other stakeholders in the poultry industry value chain.

To provide input into the agricultural policy regulatory environment and general agricultural policies impacting broiler hatching eggs.

Vision

The Alberta hatching egg producers are committed to provide the industry with a superior quality product while fostering profitable growth.
Board of Directors

**Dennis Wickersham**
Chair
CHEP Alternate,
ACP Advisory Committee

**Ashley Rietveld**
Vice-Chair
MOU Chick Price Committee, Emergency Management,
Poultry Research Centre

**Kevin Tiemstra**
Director
CHEP Director

**Cora Scheele**
Director
Alberta Farm Animal Care, Intensive Livestock Working Group,
Chick Quality Committee

**Vern Crawford**
Director
MOU Chick Pricing Committee
Chick Quality Committee
This is my first time being Chair of the Alberta Hatching Egg Producers and I look forward to meeting with our producers and industry partners at our Annual General Meeting to get their perspectives as to how the past year has unfolded.

When I was elected to be Chair of your organization, I wasn’t quite sure what I was getting into. Given this opportunity, I thought that I should seek out what the Chairperson’s role is in an organization. I found four very structured and clear guidelines for this role which include:

- Ensure the Management Committees function properly
  - Plan and conduct meetings in accordance to our Plan & Regulations
  - Oversee and lead the committees and ensure they are operating in an efficient responsible manner (Pricing MOU Committee, Chick Quality Committee, ILWG/AFC/ARD working groups)
  - Recruitment of new directors

- Ensure the Organization is managed effectively
  - The Chairperson must coordinate the Committees to ensure that appropriate regulations, policies and procedures are in place for effective management of the organization

- Provide Support and Supervision to the Executive Director (General Manager)

- The Chairperson is the direct line manager for the General Manager
- Represent the Organization as its Figurehead
  - The Chairperson is responsible for being the Spokesperson for the organization

After being in this role for the past year, I really appreciate the sage advice that former Chairs of your organization have given me, as well as the concrete coaching that our Marketing Council has given us.

In reviewing this past year, from the AHEP’s board perspective, 2014 can be characterized as a year of having predictability, in terms of pricing as well as positive allocation growth as a result of tightening supplies of animal protein, both in the white and red meat markets. This positive growth is explained to us, by economists, as being driven by strong economies in North America (despite the recent downturn in oil prices), competition from trading nations for food product, a lowered Canadian dollar, coupled by low unemployment.

Looking toward the future of the broiler hatching egg industry, I believe that we have to ask ourselves; What have we accomplished to date, what are our outstanding opportunities and challenges and what is needed for continued success of our industry? In 2014, through producer discussions, the AHEP board identified four priorities, namely:

- Health of Animals Act (SE)
- SM-5
- Saleable Chick Pricing MOU
- Animal Welfare

The foregoing priorities, for the broiler hatching egg industry, bring changes that respond to factors that affect the way we view competition, social licence and consumer demand.

Priority one, Health of Animals Act, references the impact *Salmonella* Enteritidis has on the poultry industry. Our industry has been courted for several years to address this reportable disease issue, and we have responded with the conclusion of becoming full subscribers of the Poultry Insurance Exchange. This was no simple feat and required a lot of hard work and dedication on our producers’ part by adopting and implementing a Biosecurity program on all breeder farms; as well as achieving...
negative environmental samples on our farms. Some farms continue to be engaged in corrective actions; however I believe we will all be in compliance in the near future.

Development of a Government Relations Strategy is a process the SM-5 organizations in Alberta have worked on over the past many years in order to communicate with our elected MLAs and MPs on matters affecting supply management. In 2014 the Strategy focused on maintaining our relationships with Alberta Rural Department and key MLAs involved in shaping our agriculture future. With the major changes in the complexion of the Alberta Government, through the resignation of Past Premier, Allison Redford, the election of Premier Jim Prentice and the crossing of the Legislative floor by nine members of the Wildrose party, many of the priorities were not exercised. Perhaps 2015 will have more political stability than 2014.

A fair return – one of our supply management philosophies – translates to a price paid for product that provides for a sustainable industry sector. For our industry, this discussion continued this past year with positive success. With the cooperative efforts of our hatchery, producer committee members and broiler grower sector, we have reached consensus on the agreement to survey our broiler breeder industry. Once concluded, we will have a Cost of Production model that will reflect Alberta’s costs as well as productivity. The productivity component will involve both producer and hatchery contributions. Once this is completed, we will be in a position to conclude saleable chick pricing.

As I spoke to the notion of social licence, comes forth our last priority referencing Animal Welfare. The Alberta hatching egg producers have supported this important topic and have engaged and concluded the initial phase of the Low Atmospheric Pressure Stunning (LAPS) program. The unit has finally arrived in Alberta and we have initialized testing under Alberta conditions. This project is the first for Canada and will provide benefit to disposal of all long lived poultry. We continue to participate in the development and conclusion of the National Animal Welfare Program being developed at CHEP.

Through the contribution of producers and past directors, the Alberta Hatching Egg Producers’ Board has developed many tools to produce positive accomplishments for our members in developing an industry that aspires to prosperity. I believe that we as an industry will continue to move forward and build on our strengths.

I would like to thank our producers, Board of Directors, employees and industry partners who have been instrumental in supporting the AHEP’s Vision and Priorities in helping develop a strong foundation for our Chicken Industry.

Dennis Wickersham
Chair

---

Dennis Wickersham
Chair
Board Office Staff

Bob Smook  
General Manager

Nancy Robinson  
Assistant Manager

Chelsea Kamprath  
Office Coordinator

Support Staff

Wendy Telcs  
Accountant

Lorrie Kadylo  
OFFSAP Delivery Agent

Boyd Bresnahan  
OFFSAP Auditor
When we look at agriculture, year by year, we note the events that have the greatest impact to our sector. For the red meat sector, the greatest impact was felt through changing crop conditions over the past two years, where we’ve gone from record crops with excellent quality in 2013, to reasonable crops with poor quality in 2014. Hence the crops and oilseed sector producers are experiencing reduced and break-even returns. This change in crop dynamics over the past two years, fuelled the cattle and hog feeding industries, in terms of increasing demand for calves and feeder hog volumes. Good for the cow calf and farrow to wean producer. In supply management, we mitigate these drastic changes and swings in inputs through negotiations in our cost of production models, thus avoiding the boom bust cycles that occur in other Agriculture sectors in North America and the world.

The Alberta Broiler Hatching Egg sector, this past year, experienced continued discussions on competitiveness within the Canadian chicken industry. Chicken processors operating in Alberta indicate to us that chicken pricing is driven by central Canada and pricing of chicken product is dictated by Ontario. This philosophy may work in some sectors of our supply chain but has significant challenges for the hatching egg sector. The broiler hatching egg producers recognize these challenges and are actively engaged in discussions with our industry partners to develop a “made in Alberta pricing formula”. This “Saleable Chick Pricing MOU Working Group” consists of representation from the hatchery/processor sector, the broiler producers and the Alberta broiler hatching egg producers.

To highlight a few challenges, we see that significant discrepancies exist regionally in Canadian feed and labour costs. Eastern Canada, this past year experienced falling feed pricing being driven by record corn crops, while the west experienced lower volumes, poorer quality and hence higher feed prices from a year ago. The price spread on quality of wheat in the west causes the western Canadian poultry producer to pay more for feed. These jurisdictional differences occur East vs. West from pricing period to pricing period. Alberta’s COP model has responded well to address these changing Alberta input fluctuations and has demonstrated its reliability by falling within the pricing agreement ceiling and floor. With time comes the need to update models and this year, with the support of our industry partners, we have reached consensus to launch a Cost of Production Update. This model will serve to develop a pricing MOU agreement between the AHEP and the AHA.

Statistics Canada reported that livestock revenue in 2014 posted their biggest year to year gain in history as well as new records during 2014. Livestock revenues this year are estimated at 22.8 billion, an increase of 10.2% over 2013 which totalled $21.56 billion in cash receipts. The biggest increases in the livestock sector occurred in beef and pork, while supply managed commodities saw small relative increases. Comparably, the crops sector reported very similar receipts in 2014, as those posted in 2013 estimated at $29.34 billion, despite falling prices and quality. The increased yields and carryover of crops helped avoid a predicted steep decline in returns in the crops. The outlook for 2015 is a sizable drop in farm cash receipts. Revenue in the crop sector is predicted to decrease because of a smaller harvest in 2014 and therefore less carryover. On the livestock front, especially cattle (Cow/Calf), this is predicted to see high revenues and profitability at least until late 2016. This attributed to the long-time record low cattle population in North America. As well, the weak Canadian dollar will improve returns in beef. There is less positive speculation on the hog front, as US herds continue to increase, despite the PED (Porcine General Managers Report)
Epidemic Diarrhea) issues. As mentioned earlier these challenges in the supply management sectors provide optimism for growth in the livestock protein market.

On the trade front, the Harper government continues to work on CETA (Comprehensive Economic & Trade Agreement and TPP (Trans Pacific Partnership). This action by the Federal Government appears to be prompted by the failed WTO Doha round and “Bali package” of negotiations, where India had withdrawn its support to work toward trade facilitation and concessions as they relate to Agriculture. Harper and the European Commission President announced that a complete text on the Canada-EU Trade Agreement had been finalized. In September of this year, the Canadian government and European delegation met in Ottawa to celebrate the official conclusion of the negotiations of the CETA agreement. In terms of the TPP, challenges exists in the areas of cooperation in concessions as they relate to Intellectual Property, Environment, State Owned Enterprises, Investment Rules of Origin, Financial Services and Legal issues within the group. Other delaying factors lie between Japan and the US as they relate to rice, wheat, barley, beef, and pork, dairy, and sugar and starch products. It is reported that while the bilateral talks continue between countries, there remains too many unresolved issues for trade ministers to reach an agreement during the Sydney meetings.

Our Alberta Broiler Hatching Egg sector, we plan to continue the advancement in matters pertaining to having all breeder producers to be covered by the PIE Salmonella Insurance Program, completing an updated Cost of Production study, which is endorsed by our chicken industry and building on the Saleable Chick Pricing MOU, to be finalized in August/September of this year.

Thank you to our producers, the AHEP directors, our industry partners and staff for their commitment to this industry.

Regards,

Bob Smook
General Manager
2014 Production Data

Imports as a % of Total Sets
(Egg & Chick Equivalent)

Imports as a % of Total Sets 2004 - 2014
(Egg & Chick Equivalent)
Canadian Hatching Egg Producers (CHEP)

The Canadian Hatching Egg Producers’ Board of Directors worked through a number of critical issues over the year, however, none was more significant for the poultry industry than the discovery of a highly-pathogenic H5N2 avian influenza virus in British Columbia on December 1, 2014.

The British Columbia poultry industry and the Canadian Food Inspection Agency took immediate action to stamp out the virus as effectively as possible. On December 18, when the last case was reported, 12 positive cases were confirmed, seven of which were broiler breeder operations. The process of cleaning and disinfecting began by year’s end. The poultry industries also continued to work with government to review the poultry models, which includes the broiler breeder model, to ensure fair compensation for producers.

A review of the broiler hatching egg allocation system, which included interprovincial movement discussions, brought the Board of Directors, producers and hatcheries together from across the country. The dialogue continues in an effort to find a resolution.

The continued goal to have representation at the national table from across Canada was confirmed in the new Strategic Plan. Meetings were held with producers in Nova Scotia and New Brunswick throughout the year.

Negotiations towards a Trans-Pacific Partnership agreement advanced little in 2014 and are heavily dependent on the outcome of the bilateral talks being held between Japan and the United States. As a result of India’s change in position at the beginning of the year, work to implement the World Trade Organization’s agreement on trade facilitation and food security did not move forward until well into 2014.

As part of the poultry industry’s approach to responsible antibiotic use, the preventive use of Category I antibiotics is no longer allowed on the farm or in the hatchery for commercial meat birds (chicken and turkey), layers and breeders effective May 15, 2014, while preventive use of Category I antibiotics will no longer be allowed for use in parent breeder chicks and poults as of May 15, 2015.

The National Strategy for the Control of Poultry-Related Human *Salmonella* Enteritidis Illness in Canada was completed. In addition, the fourth draft of Canadian Hatchery Supply Flock Policy and Program was released and is being reviewed.

The National Farm Animal Care Council renewed efforts in the revision of the Code of Practice for poultry. Changes to the Health of Animals Regulations Part XII – Transportation of Animals, is pending.

The poultry industry remains active in providing guidelines and resources to producers to address animal welfare issues, including those related to transport and euthanasia.
**Alberta Hatchery Association**

The Alberta Hatchery Association is a non-profit organization which represents the interests of all active hatchery operators in the Province of Alberta. The Association is an active member in the national body, “The Canadian Egg and Poultry Processors Council”. Through this umbrella group, CPEPC, we work on AI protocols, salmonella reduction and control measures, and many other regulatory and supply concerns that affect poultry production and the marketing of poultry in Canada.

Profitability and competitiveness for our shippers can be continuously improved through efficiency gains and we help to support those production efficiencies to help keep fertile egg costs competitive with other provinces. In this way, Alberta can strive to become one of the most cost effective provinces in Canada to produce hatching eggs.

The Alberta Hatchery Association’s members contribute significantly to the success of the Alberta Poultry Industry. Our members attempt to work closely with hatching egg suppliers, chicken, egg and turkey producers of Alberta, toward balancing the supply and demand cycles in an effort to maximize the benefits to all concerns and produce top quality food products for the consumers of Alberta and other marketing areas.

We are working with AHEP and other industry partners on the saleable chick price MOU and are confident that we are on target in reaching a Saleable Chick pricing MOU in 2015 that will be endorsed by the Alberta Poultry Industry.

We thank the Alberta Hatching Egg Producers for the opportunity to contribute to your annual report and wish the Board and producers well in your meetings; the AGM and throughout the year.

*Rick Weiss  
Chair  
Alberta Hatchery Association*

---

**ALMA**

**Alberta Livestock and Meat Agency Ltd.**

The Alberta Livestock and Meat Agency Ltd. (ALMA), a Government of Alberta agency, is nearing the end of its fourth year of operation as a catalyst in the Alberta livestock and meat industry.

Our meat and livestock industry is very dynamic, often unpredictable and always exciting. We’ve seen many industry changes over the last four years – both positive and negative – but one thing remains constant: the passion and commitment demonstrated throughout the value change towards building a stronger, more competitive and profitable Alberta meat and livestock industry. ALMA is proud to partner with industry offering ideas, information and investment while delivering on the priorities of the Alberta Livestock and Meat Strategy: increasing market access, enhancing industry engagement, increasing demand for Alberta/Canada livestock and meat products, and enhancing competitiveness and profitability.

ALMA delivers three grant programs focused on research and development, industry and market development, and Growing Forward. Growing Forward is a federal-provincial-territorial initiative. In partnership with Growing Forward, ALMA administers the Agri-Business Automation and Lean Manufacturing, and Agri-Business and Product Development programs.

Since January 2009, ALMA has approved more than $121 million for projects that enhance and support Alberta’s livestock industry, with a total projected value of $434 million. ALMA grants help improve efficiencies; reduce operational costs; expand production; increase food safety; improve animal welfare; and increase value-added processing.့

---

**ALBERTA HATCHING EGG PRODUCERS**
Alberta Farm Animal Care (AFAC) is an organization, formed in 1993 by the Alberta livestock industry, with a long and rich history of helping farmers and connecting with consumers. Membership in AFAC demonstrates and ongoing commitment to continuous improvement in animal care and welfare within Alberta’s livestock industry.

AFAC’s Mission:
- AFAC promotes best practices in farm animal care and handling
- AFAC is a forum that connects animal agriculture organizations, providing leadership for the advancement of responsible farm animal care
- AFAC proactively communicates in an honest and transparent manner to enhance public confidence in farm animal care
- AFAC influences public policy and legislation as it impacts farm animal care.

Here are some of the key activities we’ve been working on to serve the Alberta livestock and poultry industry in 2014:

Consumer research on animal care and welfare
- Exploring perceptions of animal welfare within Alberta to understand how best to approach the public on this topic
- Working with Intensions, a marketing group, AFAC conducted in-depth interviews with consumers across Alberta representing a wide demographic
- Results from this work will be made available to AFAC members to help direct communications and programs around animal care and welfare in the province

Leadership in communications
- Fostering animal care leadership in Alberta
- AFAC’s social media is exploding! We design our strategy around engaging in conversation with both consumers and producers. We also use our channels to distribute information on behalf of our members.
- AFAC is committed to ongoing support and sponsorship of NewStream Farm Animal Care - a bi-weekly email service that provides objective, “need-to-know” information around developments in animal care. Sign up at www.meristem.com
- We continue to work at maintaining social license by telling the good story of animal agriculture through video, infographics, and other visual communications

Developing a cohesive and sustainable AFAC
- Strategic planning and organizational improvements to secure AFAC’s future
- The AFAC board participated in a Strategic Planning session and significantly re-focused the vision, mission, and goals of the organization
- Conversations with AFAC members in the Fall of 2014 identified a number of areas and gaps that AFAC can fill – the direction and activities of AFAC are being re-focused accordingly
- Increased effort around communications to keep members connected with AFAC and new information around animal care – Sign-up for the AFAC e-newsletter, follow AFAC on our blog, Twitter, and Facebook, and watch for new AFAC videos on YouTube!

Annual Livestock Care Conference
- Sharing ideas and showcasing advances in the ever-changing world of animal care
- The 2014 conference was a resounding success. We brought in an excellent suite of speakers to talk about connecting with consumers and telling the true story of agriculture.
- 2015 agenda and registration are now available: lcc.afac.ab.ca. We look forward to seeing you March 26 & 27 in Calgary!
- Nominate a producer or organization for AFAC’s Awards of Distinction for their contribution to advancing responsible animal care. More info on the Livestock Care Conference website (above).
ALERT Line

- Livestock Care Response Line - Producers helping producers
- Continues to support the credibility of a livestock and poultry industry that makes responsible animal care a priority.
- The AFAC 2014 Annual Report will highlight the main challenges addressed by the ALERT Line this year. Watch for the report in early 2015!

Focused engagement with students and youth

- AFAC has renewed its commitment to agricultural education in Alberta
- Speaking engagements with Lethbridge College, Olds College, Lakeland College, Grand Prairie Regional College, the University of Calgary Veterinary Medicine faculty, and the University of Alberta Agricultural, Life, and Environmental Sciences faculty
- Re-established a relationship with 4-H and Ag Societies across Alberta
- AFAC speaks proactively on general animal care and welfare, involvement in the agricultural industry, and welcomes ongoing interaction with youth expressing an interest in farming

What are we doing for you?

- Industry resources that help producers to discover and implement best practices
- AFAC has created illustrated Humane Handling Guidelines (beef, dairy, swine, sheep, and equine) for the industry. These booklets include information and sketches on health conditions, Codes of Practice, transportation concerns, relevant legislation/regulations, and euthanasia guidelines. Poultry Guidelines are currently underway.
- Our “How To” series for implementation of the Codes of Practice is a new initiative that AFAC has undertaken. Using a variety of communications and tools, AFAC will help to break down the Codes of Practice into easy-to-understand pieces, ready for implementation by producers on their farms.
- The Emergency Livestock Handling Equipment Trailers and Training Program is a program that was implemented in 2012 with the purpose of keeping both livestock and the public safe in emergencies (ex. truck rollovers, barn collapse, etc.)
- The AFAC NewsLines are a series of audio bytes, accompanied by a written article, designed to reach all areas of the livestock industry. These provide information on winter preparedness, new research, upcoming events, and more.
- Our new Research Series will be focused on breaking research into usable information for farmers, providing advice on implementation on-farm, and attaching economic value to new information or technology

Facilitating Discussion and Training

- AFAC has, and continues to, create, fund, and facilitate multi-commodity projects that examine issues relevant to more than one group, identify options for consideration, and drive change in the industry
- AFAC provides a forum for discussion of industry issues affecting more than one commodity (i.e. euthanasia, transportation, biosecurity). By acting as a central coordinator, we get the right players in the room to facilitate useful discussion
- AFAC also has the capability to coordinate/manage training workshops for our members (media training, handling, condition scoring)

For more information on these and other initiatives at AFAC, please visit www.afac.ab.ca.

Farmers, commodity organizations, agribusinesses, and other members of the agri-food value chain invest in AFAC each year. They do so because they believe in a community-based approach to building public trust in farming and continuous improvement in farm animal care. Working together, we can demonstrate strength in numbers and it’s through the dedication and commitment of board members and their home organizations that we can accomplish our goal of promoting responsible animal care. Thanks to the AFAC member groups and individuals for their continued support and participation!

Angela Greter
Acting Executive Director
Alberta Farm Animal Care
www.afac.ab.ca
Intensive Livestock Working Group
Priority And Activity Overview (2014)

The Intensive Livestock Working Group (ILWG) is a strategic alliance of eight of Alberta’s mainstream livestock and poultry organizations with a mandate to collaborate on overarching issues to maximize the industry’s influence on policy development and get the most value out of scarce resources.

Current Activities/Projects

Sub Basin “Phosphorus” Pilot Project
This project is a long-term, research initiative between Alberta Agriculture (ARD) and the ILWG to develop and test a tool that can both assess risk and recommend practice changes that will reduce the potential of manure applied to any land base from migrating to and impacting on the quality of nearby water bodies. The project is being piloted with producers in the Acme and Tindastoll Creek sub watersheds.

Bow River Phosphorus Management Plan
The ILWG is working with Environment & Sustainable Resource Development (ESRD) and other stakeholders on this project with a goal to identify strategies and actions to improve water quality by reducing phosphorus loading into the Bow River. These strategies will subsequently be incorporated into all water quality management frameworks and that will be adopted in all seven regional plans across Alberta. Implementation strategies include a number of actions that have been assigned responsibility of the livestock/poultry industry to implement over the next several years. The two strategies are:

- Facilitate the adoption of livestock manure Best Management Practices to reduce build up and runoff loss potential
- Maintain and improve riparian area function

Farm Assessment and Taxation
The Government of Alberta (GOA) is comprehensively reviewing the Municipal Government Act and two potential recommendations have been identified in the review with potential to impact livestock/poultry operations.

- Assess farm buildings used for intensive livestock operations at their agricultural use value in rural and urban areas.
- Assess all farm buildings at their agricultural use value in rural and urban areas

The ILWG has stated that “the livestock and poultry industry will oppose any change away from the status quo on these two proposals until more detail is provided on assessment and taxation processes that will accurately model economic impacts of any proposed policy change.” Consultation sessions with the GOA have been initiated and will continue through the first half of 2015.

Farm Safety
Farm safety has quickly become a priority issue for the agricultural industry as other interests put increasing pressure on the government to take affirmative action. The ILWG in collaboration with various commodity organizations and government departments are investigating various policy change options that could address stakeholder concerns without imposing the burdens associated with legislative or regulatory solutions.

Social License
The ILWG experience dealing with other overarching issues suggests a collaboration would indeed facilitate all of the ILWG member organizations addressing social license in a faster more efficient manner. The issues of environment, food safety, animal care, farm safety, antimicrobials, responding to activists, and emerging issues present an opportunity to be addressed in this overarching manner. Such a collaboration may also lend itself to addressing the public awareness piece of this complex puzzle and it does make sense to continue discussing the issue of social license through the ILWG forum with the intent that policy and delivery be the sole responsibility of member organizations, as is currently the case.
In 2014 we saw some improvements in hatching egg production and health along with some ongoing and new diseases. By the end of 2014 many of the high early mortality challenges seen by hatching egg producers were resolved. It will be important to prepare for the implementation of the CHEP voluntary use change of antimicrobials which is happening at the National level for all hatching egg producers. This voluntary removal of class 1 antimicrobial use (Excenel and Baytril) at the hatchery and preventative farm level will increase first week mortalities and put additional pressure on perfecting hatchery, transport and barn conditions.

Significant new and ongoing challenges for the industry and veterinary team at the Poultry Health Centre of Excellence (PHCE) for 2014 included: REO virus infections, coccidiosis control, implementation of Salmonella control and insurance program and our first documented case of White Chick Syndrome (Chicken Astrovirus).

Before describing some of the challenges and success I wanted to recognize the collaborative and cooperative nature of the work at the PHCE as the product of four feather boards and industry working closely with Alberta Agriculture and Rural Development along with our other provincial, national and international partners. The PHCE is a unique model of collaboration across private, public and shareholder groups which at times can be difficult to balance. Having participated in the efforts to control an Avian Influenza outbreak in BC at the end of 2014 it became crystal clear how important this type of collaboration and investment in functional teams is. The only chance to minimize losses in the face of a serious disease challenge is to be ready for the challenges and work across agencies and company lines. While disease issues are of course the primary focus of the daily work, the diagnostic and research group is also now working on humane transport, DOA investigations, humane euthanasia (individual bird and flock euthanasia) along with food safety initiatives around Salmonella, Campylobacter and residue avoidance. Together with the EFA and AHEP we have partnered under an IAPT (Institute of Applied Poultry Technologies) project funded by Growing Forward Livestock Welfare Delivery Agent Program to purchase, test and develop an on farm euthanasia system using a portable Low Atmospheric Pressure Stunning System (LAPS). This project was built on earlier work done with Nancy Robinson and Cora Scheele visiting the Techno catch facilities in Mississippi under a project coordinated by Alberta Farm Animal Care. This won’t be a surprise to growers as they have seen all of these issues coming to the farm level and we recognize at the industry level the technical and human resources needed to address these concerns and challenges.

This last year has been a busy time of adding people and technology to the lab system through the build up of the IAPT but the outcomes are exciting and will be a critical advantage to the industry as we try to meet and attempt to even get ahead of the ever increasing expectations of consumers. The bar is always moving and continuous improvement is no longer a goal for the poultry industry but is becoming a requirement. Together with producers, hatcheries, processors and retailers the diagnostic and veterinary teams are playing a key role in creating a healthy industry producing safe, wholesome poultry products, raised with sustainable practices while protecting the health and welfare of the birds we rely on.

On the disease front, the diagnostic service provided by The Poultry Health Centre of Excellence saw a continued increasing trend in the number of cases submitted from Alberta Hatching Egg Producers relative to the previous year. In addition to the normal classification and review of diseases and syndromes, Dr. Michelle Anholt, a Post Doctoral Mitacs Fellow at PHS, completed an epidemiological review of the cases by bird type and age and also completed a survey of producers to identify how the diagnostic system is used by producers and to project potential areas for improvement. This work showed
the interaction between the projected introduction of REO virus to local breeder flocks in 2011 and associated leg problems (seen after peak production and often attributed to secondary bacterial infections) through seroconversion of Alberta breeders and finally with the introduction to broilers over the next three years. There are no new strains of REO virus being isolated from the cases in Alberta and the existing strain (group 1 2012 VA) variant is less than 50% similar to the strains available in commercial vaccines, which explains why these infections have overcome vaccination control programs. Breeder vaccination programs started in 2014 should be showing an impact in the early part of 2015 and we are hopeful to see continued improvements on this front for Hatching Egg and Chicken producers.

The voluntary ban on the preventative use of Class 1 Antimicrobials (Baytril and Excenel) at the hatchery level has resulted in approximate doubling of first week mortality on broiler farms. We can anticipate the same response with our breeder flocks after May 2015 and should prepare for the changes with a review of farm C & D (water lines in particular), monitoring of brooding conditions and nutrition. We will also need excellent communication between farms and veterinarians to manage therapeutic treatments when required to be administered at the farm.

With all of the poultry industries targeting the use of preventative treatment with a shift to therapeutic treatment farms will have to diagnose first and treat later rather than to start treatment and confirm the diagnosis. Time will be of the essence in this new approach and together with our partners at ARD we are working to determine how to make the lab system more flexible and responsive to the realities of seven day a week, 24 hour a day production challenges. Research is needed to evaluate the safe and effective use of lower category products in early phases to prevent early infections when risk factors are known to exist.

Dr. Ben Schlegel presented work on evaluating on farm euthanasia methods at the Animal Welfare Symposium this year which builds on industry leading EEG evaluation methods developed in coordination with the IAPT research team. The goal of this work is to work from the farm back to the lab to ensure that practical methods are implemented and tested to not only ensure optimal welfare outcomes but also practical, cost effective and safe methods for producers to use.

At the end of 2014, we saw the first documented cases of White Chick Syndrome in Alberta, which is a prevalent but poorly understood syndrome affecting hatchability and chick quality. The chicken astrovirus associated with this syndrome has been isolated and is being typed in coordination with the diagnostic group in Guelph and a research group in Ireland. We hope not to see many more cases of this syndrome but will continue to work it up in the event that further problems are identified.

At the company level we are continuing to grow our lab and professional team to enhance diagnostic and consulting capabilities for our clients. With a new administration and technical staff joining our lab team as well as Dr. Noel Ritson Bennett joining the veterinary team we are building more expertise and support for the industry.

The Institute for Applied Poultry Technologies (IAPT) continued to build capabilities and projects moving into vaccine development and production in the coming year. The IAPT in a not for profit diagnostic and research organization focused on application and commercialization of technologies for the commercial poultry industries. The goal of the autogenous vaccine development and production programs will be to
respond quickly to emerging and regional issues. One example of an evolving biological, food safety and regulatory challenge that was front and center over the last year is Salmonella control in the hatching egg and chicken industries. Killed commercial vaccines and autogenous killed vaccines can be very useful tools in managing Salmonella challenges which are always evolving and changing.

From the farm level to Ottawa we are working hard to understand and address the needs of poultry producers so as we look back at 2014 and forward to 2015 we are proud to work with the Alberta Hatching Egg Producers and the Canadian Hatching Egg industry in a number of capacities. We look forward to a productive, profitable and healthy year in 2015 for the birds and people served by our industry. On behalf of our team I would like to thank you for these opportunities to contribute and your ongoing support.

Dr. Tom Inglis
DVM, BSc. Ag. Diplomate ACPV
Company President
Poultry Health Services

Poultry Research

It has been a great year of the Poultry Research Centre partners working together in the pursuit of continuous improvement. Together, this coalition of industry, government and university are engaged in research, education and extension of knowledge to provide solutions and capture opportunities to the benefit of stakeholders. Below are some highlights of 2014. For more information please visit our website at: www.poultry.ales.ualberta.ca.

Precision feeding...a look into the future
Dr. Zuidhof’s research team is continuing to refine the Precision Broiler Breeding feeding station. Initial pilot studies have demonstrated that using this system can greatly improve the body weight uniformity of a breeder pullet flock. Subsequently, the system has enabled the team to manage individual birds on different body weight profiles. Dr. Bench’s team
has collaborated to understand bird behavior as they adapt to the new system. The precision broiler breeder feeding system can be used to feed pullets, hens, cockerels and roosters.

Feed Research: What’s new
The monogastric feed research group from Alberta Agriculture and Rural Development focus on increasing the utilization of new or underused cereal grains, legumes, oilseeds and bio-industrial products. Their research also evaluates processing methods to improve the feeding value and reduce the anti-nutritional factors of ingredients. Recently, this group evaluated the effects of *Camelina sativa* cake in poultry diets and found that laying hens can be fed up to 25% expeller-pressed *camelina* cake without adversely impacting feed intake, productivity or consumer acceptance.

Poultry nutrition: Practical solutions to today’s feeding challenges
Dr. Korver’s research program has a strong applied research focus on feedstuff quality and dietary supplement evaluation in poultry diets. Additionally, Dr. Korver focuses on nutrition-immune function interactions and bone biology in meat- and egg-type poultry. His lab recently developed a new way to measure early chick immunity which has been difficult to measure until now. In another recent large scale commercial trial to investigate the economic benefits of a new additive composed of 25-OH-vitamin D₃ and canthaxanthin (a synthetic anti-oxidant) they found that the additive improved livability and depending on the bird strain improvements in FCR and breast yield were also observed.

From byproduct to value stream
Who knew that the byproduct from poultry processing had so much potential for human health and food manufacturing? The PRC value added meat and egg researchers…that’s who.

Dr. Mirko Betti’s team has been working to improve the value of these underutilized and low value meat byproducts by extracting valuable compounds that support human health and food preservation. For example, this research team developed a process to extract animal fibre (glycosaminoglycans) that may have potential as a prebiotic to improve gut health or to improve plant based iron absorption. Other poultry protein isolates have been developed as a healthy salt alternative to flavor processed meat products with a ‘kokumi’ flavor.

Dr. Wu’s team has been using spent hens to develop formaldehyde-free wood adhesives as is the growing trend in some countries. In addition the team is also investigating, potential uses of collagen and lipids extracts from these hens. Dr. Wu’s team has also identified and extracted peptides (small pieces of protein) from eggs that reduce blood pressure. They are currently testing these peptides for their applicability in human medicine.

Skin, feet and feathers usually end up as waste materials sent to landfills but Dr. Ullah’s team is developing a simple, efficient and green method of extracting fat and protein from these by-products to use in food and non-food packaging.
Chick ‘N Chat Meetings

Chick ‘N Chat meetings began in 2008 as a replacement to traditional Regional Meetings. This meetings style was initiated to provide an opportunity for the AHEP board of directors to get together with producers in a less formal setting. The goal of the meetings is to provide an overview of current activities that the board is engaged in. Discussion and conversation is encouraged so that producers can provide their input and ideas to the board on current initiatives that affect their industry. These casual meetings also offer an opportunity for producers to visit and share current successes and challenges faced on their farms.

In 2014, Chick ‘N Chat Meetings were held in both Edmonton and Strathmore in spring and fall. Topics discussed included SE Insurance, chick quality, farm safety, production updates, balance of supply, animal welfare, CHEP, and pricing updates.

Attending producers were also very lucky to have the results from an egg washing study presented to them at the fall meetings. We thank Brenda and Jessica for a wonderfully informative and interactive presentation.

Producer feedback regarding Chick ‘N Chat meetings has been very positive and this format will likely continue into the future. All producers are encouraged to attend and have their voice heard.

Alberta SM-5 Update

Alberta SM-5 is comprised of Alberta’s five supply managed commodities including dairy, table eggs, hatching eggs, turkey and chicken producers. As a collective, our industries are known as SM-5. SM-5 works together on joint initiatives to ensure that our industries as a whole are consulted and asked to provide input into any decisions or discussions occurring that could potentially impact supply management. By working together, we are better able to leverage our resources to advocate on behalf of the supply management system.

Throughout 2014 Alberta SM-5 achieved the following activities
- Developed an SM-5 Media Kit
- Developed an Alberta specific SM-5 infographic on our industries
- Provided sponsorship for the Edmonton and Calgary Premiers’ Breakfasts (providing the egg, sausage, and dairy products for the events)
- Attended political events including
  - Meeting with the Wildrose Party to present information on SM-5 and discuss current relevant topics
  - Prime Ministers BBQ
  - Premier’s Dinners (Lethbridge and Red Deer)
  - SM-5 Farm tours
  - SM-5 Breakfast meeting with Caucus

Overall even though it was a very difference political year for Albertans SM-5 felt that we managed to maintain effective political contacts.
2014 Caucus Meeting

The SM-5 group was thrilled to host a breakfast that was extremely well attended by Caucus members. Each group was given a chance to present to the attendees about the benefits of supply management as well as issues faced by the collective SM-5 group. Honourable Premier Jim Prentice and the Honourable Verlyn Olson were both in attendance and demonstrated their support for the supply management system. The event was a great success and was a wonderful opportunity to introduce ourselves to the urban caucuses.

Canadian Hatching Egg Quality (CHEQ)

All producers are certified under the CHEQ™ program, with the exception of two producers who will be eligible for audits later in the year. Just a reminder that audits occur annually and a full audit is required every five years. Partial audits or record reviews occur in the subsequent years. It is up to the auditor whether the audit is a partial “on farm” audit; or if records can be sent in for a records review. The auditor bases his decision on the corrective actions that were incurred the previous year.

Lorrie Kadylo  
Poultry Health Services  
Airdrie, Alberta

Low Atmospheric Stunning System

Over the years the Broiler Hatching Egg industry has been faced with the dilemma of what to do with flocks that have reached end of lay. While typically the heavy hens are shipped to federal/provincial processing plants, problems arise when the plants are unable to take the flocks; for whatever reasons. This situation has left producers with few options to remove their flocks.

In conjunction with Egg Farmers of Alberta, Alberta Farm Animal Care, and Poultry Health Services, the Alberta Hatching Egg Producer Board was able to purchase a test LAPS unit through funding from Growing Forward and ALMA grants. Low Atmospheric Pressure stunning is a patented method to achieve irreversible stunning in poultry. The atmosphere inside of the unit is controlled by reducing the volume of air rather than through gaseous addition.

In October 2014 the test LAPS system was delivered and tested under local conditions. Some design changes were made, for example to include automatic
dumping cages. The next step will be to utilize this technology on a commercial breeding farm. The Alberta Hatching Egg Producers’ Board is very excited about continuing to work towards making this a viable, humane option for future flock depopulations.

Chick Quality Committee

In 2014 the Alberta Hatching Egg Producers were involved in the development of the Alberta Chicken Industry’s Chick Quality Manual. Staff and directors attended several meetings and planning sessions as this manual was developed. The manual was finalized in the fall of 2014 with each contributing sector having input.

The Broiler Chick Quality Manual was distributed to all broiler and hatching egg producers in the fall of 2014 at their regional producer meetings. As stated in the manual:

The Alberta chicken industry has identified a need to develop Industry Standards and Best Management Practices to improve the quality of broiler chicks in the Province of Alberta. A Broiler Chick Quality Committee was struck in June 2013, with an initial Goal of developing a Broiler Chick Quality Manual for Alberta’s chicken industry.

The Committee’s objectives in developing the manual are as follows:

- To identify and prioritize quality issues.
- To define the scope of the quality standards manual in addressing the issues identified.
- To identify the roles, responsibilities, and accountabilities of broiler hatching egg producers, hatcheries, transporters, and broiler producers.
- To establish standardized quality targets for broiler chicks based on credible, objective, and verifiable metrics.
- To define best management practices for broiler hatching egg producers, hatcheries and broiler producers.
- To develop a governance structure and accountability mechanism for addressing quality issues.

The current genetics of the broiler chicken provide for rapid growth with exceptional feed efficiency. This genetic progress, while remarkable, has also added increased challenges to all sectors involved in the production chain: hatching egg industry, incubation and hatch, chick transportation and broiler chick brooding. Each sector now finds there is less tolerance for deviation from recommended best management practices and targets without consequence in 7-day mortality rates in the broiler barn. Therefore, it is imperative that each sector understand the current genetic factors that affect chick quality and evaluate the best management practices that positively influence these factors.
Broiler producers have been asked to submit their 7-day mortality to their hatchery for each flock placed. The Chick Quality Committee will continue to meet on a quarterly basis to review the industry average 7-day mortality. As the manual is intended as a “living document” it will be revised, as required, at these quarterly reviews.

---

**Salmonella Enteritidis and Poultry Insurance Exchange**

The Alberta Broiler Industry *Salmonella* Enteritidis (SE) Control Plan has been in the making, in the chicken industry, for the past 15 years as the human health side of our society has raised more emphasis on food safety. The SE Control Plan is intended to inform affected stakeholders of the measures which may be implemented when the disease is detected in Alberta. The Plan is structured in terms of

- Prevention
- Detection
- Reporting
- Response
- Recovery

In the past, the agriculture industry commented that food borne illnesses & diseases, such as salmonellas, are a human food safety issue and not an agriculture issue. Agriculture commented that society needs to teach people how to cook their food properly and hence the food borne pathogen issues will be remedied. This approach was not accepted by human health and a push back occurred.

The Alberta Hatching Egg Producers have responded with licensing of all broiler hatching egg producers contingent upon compliance with our national On Farm Food Safety Program (CHEQ – Canadian Hatching Egg Quality). This program helps to ensure safe, disease free, Alberta hatching eggs enter the chicken supply chain. To protect the financial investment of hatching egg producers the AHEP chose to mandate that all producers qualify as members of an insurance program, specifically, Poultry Insurance Exchange (PIE).

To join PIE, and be insured, Alberta Broiler Hatching Egg Producers were required to:

a) Conform to a defined Biosecurity Check list (Completed and verified by a third party auditor)
b) Have barn environmental swabs, performed by a third party, which tested negative for SE
c) Sign a Subscribers’ Agreement with PIE

All Alberta Hatching Egg producers are in the final stages of compliance and most are already fully insured. Flocks will be monitored on a continuous basis as day old chicks, pullets and throughout the lay cycle.

Funding to initiate this program was granted through Growing Forward II.
AHEP Priorities 2015

~

Effective Production Planning

~

Alberta Saleable Chick Pricing

~

Flock Health & Food Safety

~

Government, Industry & Public Relations

~

Animal Welfare
ALBERTA HATCHING EGG PRODUCERS
Index to Financial Statements
Year Ended November 30, 2014

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITOR’S REPORT</td>
<td>27</td>
</tr>
<tr>
<td>FINANCIAL STATEMENTS</td>
<td></td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>28</td>
</tr>
<tr>
<td>Statement of Operations</td>
<td>29</td>
</tr>
<tr>
<td>Statement of Changes in Net Assets</td>
<td>30</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>31</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>32 - 35</td>
</tr>
<tr>
<td>Special Project Expenses (Schedule 1)</td>
<td>36</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the Directors of Alberta Hatching Egg Producers

We have audited the accompanying financial statements of Alberta Hatching Egg Producers, which comprise the statement of financial position as at November 30, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Hatching Egg Producers as at November 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which describes the change of an accounting error in the previous year.

Edmonton, AB
February 11, 2015
## ALBERTA HATCHING EGG PRODUCERS

### Statement of Financial Position

**As at November 30, 2014**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$595,483</td>
<td>$1,113,391</td>
</tr>
<tr>
<td>Term deposits (Note 4)</td>
<td>729,935</td>
<td>725,401</td>
</tr>
<tr>
<td>Accounts receivable (Note 3)</td>
<td>180,982</td>
<td>380,071</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>246,478</td>
<td>10,908</td>
</tr>
<tr>
<td></td>
<td><strong>1,752,878</strong></td>
<td><strong>2,229,771</strong></td>
</tr>
<tr>
<td><strong>EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)</strong></td>
<td><strong>20,855</strong></td>
<td><strong>26,864</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,773,733</strong></td>
<td><strong>2,256,635</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (Note 6)</td>
<td>$164,990</td>
<td>$441,766</td>
</tr>
<tr>
<td></td>
<td><strong>169,674</strong></td>
<td><strong>449,203</strong></td>
</tr>
<tr>
<td><strong>DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 7)</strong></td>
<td><strong>4,684</strong></td>
<td><strong>7,437</strong></td>
</tr>
<tr>
<td></td>
<td><strong>169,674</strong></td>
<td><strong>449,203</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in equipment and leasehold improvements</td>
<td>16,172</td>
<td>19,427</td>
</tr>
<tr>
<td>Internally Restricted (Note 9)</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Unrestricted</td>
<td><strong>1,587,887</strong></td>
<td><strong>1,588,005</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,604,059</strong></td>
<td><strong>1,807,432</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,773,733</strong></td>
<td><strong>2,256,635</strong></td>
</tr>
</tbody>
</table>

**ON BEHALF OF THE BOARD**

__________________________
Director

__________________________
Director
## ALBERTA HATCHING EGG PRODUCERS

### Statement of Operations

#### Year Ended November 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Budget 2014</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial levy <em>(Note 10)</em></td>
<td>$ 780,000</td>
<td>$ 798,983</td>
<td>$ 795,678</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>371,198</td>
<td>419,087</td>
</tr>
<tr>
<td>Interest</td>
<td>8,000</td>
<td>11,177</td>
<td>9,972</td>
</tr>
<tr>
<td>Diagnostic and other</td>
<td>1,000</td>
<td>10,994</td>
<td>13,812</td>
</tr>
<tr>
<td>Amortization of deferred contributions related to equipment and leasehold improvements</td>
<td>-</td>
<td>2,753</td>
<td>2,839</td>
</tr>
<tr>
<td>Quota transfer</td>
<td>200</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$789,200</td>
<td>1,195,105</td>
<td>1,241,688</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poultry risk management</td>
<td>255,876</td>
<td>319,815</td>
<td>-</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>241,540</td>
<td>257,221</td>
<td>245,574</td>
</tr>
<tr>
<td>Members’ allowance</td>
<td>70,000</td>
<td>74,555</td>
<td>84,869</td>
</tr>
<tr>
<td>Rent</td>
<td>46,000</td>
<td>45,842</td>
<td>39,045</td>
</tr>
<tr>
<td><strong>Members’ expenses</strong></td>
<td>60,200</td>
<td>44,986</td>
<td>54,806</td>
</tr>
<tr>
<td>Professional fees</td>
<td>39,700</td>
<td>25,335</td>
<td>38,931</td>
</tr>
<tr>
<td>Employee operational expenses</td>
<td>15,500</td>
<td>19,443</td>
<td>13,446</td>
</tr>
<tr>
<td>Office</td>
<td>20,600</td>
<td>14,861</td>
<td>19,020</td>
</tr>
<tr>
<td>Telephone and fax</td>
<td>11,000</td>
<td>13,172</td>
<td>10,852</td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>10,700</td>
<td>11,624</td>
<td>9,548</td>
</tr>
<tr>
<td>Amortization of equipment and leasehold improvements</td>
<td>-</td>
<td>7,308</td>
<td>9,068</td>
</tr>
<tr>
<td>Insurance and bonding</td>
<td>9,000</td>
<td>2,695</td>
<td>2,269</td>
</tr>
<tr>
<td>Interest and bank charges</td>
<td>400</td>
<td>2,325</td>
<td>2,393</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>8,000</td>
<td>1,616</td>
<td>6,410</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>6,800</td>
<td>400</td>
<td>5,529</td>
</tr>
<tr>
<td>Heifer in your tank</td>
<td>-</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$795,316</td>
<td>841,198</td>
<td>544,760</td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</strong></td>
<td>(6,116)</td>
<td>353,907</td>
<td>696,928</td>
</tr>
<tr>
<td><strong>SPECIAL PROJECT EXPENSES (Schedule 1)</strong></td>
<td>198,889</td>
<td>557,280</td>
<td>567,385</td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</strong></td>
<td>$(205,005)</td>
<td>$(203,373)</td>
<td>$129,543</td>
</tr>
</tbody>
</table>
### ALBERTA HATCHING EGG PRODUCERS

**Statement of Changes in Net Assets**

**Year Ended November 30, 2014**

<table>
<thead>
<tr>
<th>Invested in Equipment and Leasehold Improvements</th>
<th>Internally Restricted (Note 9)</th>
<th>Unrestricted</th>
<th><strong>2014</strong></th>
<th><strong>2013</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>NET ASSETS - BEGINNING OF YEAR</td>
<td>$19,427</td>
<td>$200,000</td>
<td>$1,588,005</td>
<td>$1,807,432</td>
</tr>
<tr>
<td>Excess (deficiency) of revenue over expenses</td>
<td>(4,554)</td>
<td>-</td>
<td>(198,819)</td>
<td>(203,373)</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>1,299</td>
<td>-</td>
<td>(1,299)</td>
<td>-</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>(200,000)</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>NET ASSETS - END OF YEAR</td>
<td>$16,172</td>
<td>-</td>
<td>$1,587,887</td>
<td>$1,604,059</td>
</tr>
</tbody>
</table>
### Statement of Cash Flows

#### Year Ended November 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipt of provincial levy and quota transfer</td>
<td>$754,373</td>
<td>$826,773</td>
</tr>
<tr>
<td>Receipt of grants</td>
<td>612,452</td>
<td>177,832</td>
</tr>
<tr>
<td>Receipt of interest</td>
<td>12,325</td>
<td>10,307</td>
</tr>
<tr>
<td>Receipt of diagnostic and other</td>
<td>3,724</td>
<td>4,645</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(1,894,948)</td>
<td>(799,579)</td>
</tr>
<tr>
<td><strong>Cash flow from (used by) operating activities</strong></td>
<td>(512,074)</td>
<td>219,978</td>
</tr>
<tr>
<td><strong>FINANCING AND INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds on redemption of term deposits</td>
<td>725,804</td>
<td>520,166</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>(1,299)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of term deposits</td>
<td>(730,339)</td>
<td>(618,483)</td>
</tr>
<tr>
<td><strong>Cash flow used by financing and investing activities</strong></td>
<td>(5,834)</td>
<td>(98,317)</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN CASH</strong></td>
<td>(517,908)</td>
<td>121,661</td>
</tr>
<tr>
<td><strong>CASH - BEGINNING OF YEAR</strong></td>
<td>1,113,391</td>
<td>991,730</td>
</tr>
<tr>
<td><strong>CASH - END OF YEAR</strong></td>
<td>$595,483</td>
<td>$1,113,391</td>
</tr>
</tbody>
</table>
ALBERTA HATCHING EGG PRODUCERS
Notes to Financial Statements
Year Ended November 30, 2014

NATURE OF OPERATIONS

The Alberta Hatching Egg Producers (the “Board”) was incorporated under the Marketing of Agricultural Products Act to allot production and marketing quotas and to negotiate prices paid to producers by hatcheries for broiler hatching eggs in the Province of Alberta. It is exempt from income taxes under the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Board follows the deferral method of accounting for contributions. Restricted contributions are recognized in revenue in the year in which the related expenses are incurred. Unrestricted contributions and other revenue are recognized in revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the acquisition of property and equipment are deferred and recognized as revenue in the periods in which the related amortization expense of the funded assets is recorded.

Levies and other revenue are recognized as revenue when received or receivable.

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash

Cash is comprised of cash held with financial institutions.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost or deemed cost less accumulated amortization. Equipment and leasehold improvements are amortized over their estimated useful lives at the following rates and methods:

- Furniture and equipment: 20% declining balance method
- Computer: 30% declining balance method
- Website: 10% straight-line method
- Leasehold improvements: 20% straight-line method

Equipment and leasehold improvements acquired during the period but not placed into use are not amortized until they are placed into use.

(continues)
1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

   **Measurement Uncertainty**

   The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. **ACCOUNTING ERROR**

   During the year, it was determined that at November 30, 2013 accounts payable and accrued liabilities were understated by $20,320, salaries and benefits expense was understated by $20,320 and ending net assets were overstated by $20,320. The correction of this error has been applied retroactively and the prior period has been restated.

3. **ACCOUNTS RECEIVABLE**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levies and other</td>
<td>$ 172,555</td>
<td>$ 132,831</td>
</tr>
<tr>
<td>Interest</td>
<td>$ 4,838</td>
<td>$ 5,986</td>
</tr>
<tr>
<td>Goods and services tax</td>
<td>$ 3,589</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>$ 241,254</td>
</tr>
<tr>
<td></td>
<td><strong>$ 180,982</strong></td>
<td><strong>$ 380,071</strong></td>
</tr>
</tbody>
</table>

4. **TERM DEPOSITS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$ 619,535</td>
<td>$ 615,001</td>
</tr>
<tr>
<td>Restricted</td>
<td>$ 110,400</td>
<td>$ 110,400</td>
</tr>
<tr>
<td></td>
<td><strong>$ 729,935</strong></td>
<td><strong>$ 725,401</strong></td>
</tr>
</tbody>
</table>

   Unrestricted term deposits bear interest averaging 1.58% (2013 - 1.56%), maturing from June 10, 2015 to October 8, 2015.

   Restricted term deposit bears interest at 1.25% (2013 - 1.80%), maturing on December 29, 2014 and is held as security for the Canadian Hatching Egg Producers contract as described in Note 8.
5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$20,243</td>
<td>$11,506</td>
<td>$8,737</td>
<td>$10,921</td>
</tr>
<tr>
<td>Website</td>
<td>21,775</td>
<td>15,919</td>
<td>5,856</td>
<td>8,034</td>
</tr>
<tr>
<td>Computer</td>
<td>18,395</td>
<td>14,796</td>
<td>3,599</td>
<td>3,564</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>16,560</td>
<td>13,897</td>
<td>2,663</td>
<td>4,345</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$76,973</strong></td>
<td><strong>$56,118</strong></td>
<td><strong>$20,855</strong></td>
<td><strong>$26,864</strong></td>
</tr>
</tbody>
</table>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other</td>
<td>$78,934</td>
<td>$92,675</td>
</tr>
<tr>
<td>Wages</td>
<td>52,957</td>
<td>49,713</td>
</tr>
<tr>
<td>Canadian Hatching Egg Producers</td>
<td>33,099</td>
<td>45,256</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>241,254</td>
</tr>
<tr>
<td>Goods and services tax</td>
<td>-</td>
<td>12,868</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$164,990</strong></td>
<td><strong>$441,766</strong></td>
</tr>
</tbody>
</table>

7. DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Deferred contributions related to equipment and leasehold improvements represent restricted contributions for equipment and leasehold improvement acquisitions. The changes in deferred contributions balance for the period is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - beginning of year</td>
<td>$7,437</td>
<td>$10,276</td>
</tr>
<tr>
<td>Recognized as revenue</td>
<td>(2,753)</td>
<td>(2,839)</td>
</tr>
<tr>
<td>Balance - end of year</td>
<td><strong>$4,684</strong></td>
<td><strong>$7,437</strong></td>
</tr>
</tbody>
</table>

8. CONTINGENT LIABILITY

The Board is contingently liable to the Canadian Hatching Egg Producers under an over-marketing agreement and has assigned a guaranteed investment certificate for $110,400 as security in the event that its provincial quota allocation is exceeded.

9. INTERNALLY RESTRICTED NET ASSETS

The Board has transferred internally restricted net assets for poultry risk management expenses.
10. PROVINCIAL LEVY

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross levies collected</td>
<td>$1,003,866</td>
<td>$986,980</td>
</tr>
<tr>
<td>Canadian Hatching Egg Producers over production lease</td>
<td>(12,000)</td>
<td>-</td>
</tr>
<tr>
<td>Canadian Hatching Egg Producers levies paid</td>
<td>(192,883)</td>
<td>(191,302)</td>
</tr>
<tr>
<td>Net levies collected</td>
<td>$798,983</td>
<td>$795,678</td>
</tr>
</tbody>
</table>

11. COMMITMENTS

Lease

The Board is committed until August 31, 2016 under an operating lease for premises for future annual rental payments of $27,008 plus operating expenses as defined in the lease.

Grant to University of Alberta

The Board is one of six representatives of the Alberta Poultry Industry. The Alberta Poultry Industry has entered into an agreement with the University of Alberta to provide an annual grant of no less than $346,100, of which the Board is responsible for no more than $34,861 to support the costs of the University of Alberta Poultry Research Centre. The agreement covers the period of April 1, 2012 to March 31, 2017.

Poultry Health Services

The Board is a member of the Poultry Industry Organizations, which has committed a total of $313,194 for 2015 to be paid to Poultry Health Services Ltd. for the provision of veterinarian services. The Board’s portion of this commitment is $25,056.

12. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Board’s risk exposure and concentration as of November 30, 2014.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board’s financial instruments that are exposed to credit risk are primarily cash, accounts receivable and term deposits. The Board maintains its cash in a major financial institution. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The Board’s accounts receivable are exposed to credit risk as the majority of accounts receivable are from entities that conduct their business within the same industry.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Board manages exposure through its normal operating and financing activities. The Board is exposed to interest rate risk primarily through its term deposits.
# ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements
Year Ended November 30, 2014

## 13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year’s presentation.

---

### ALBERTA HATCHING EGG PRODUCERS

Special Project Expenses  
(Schedule 1)

Year Ended November 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Budget 2014 (Unaudited)</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPECIAL PROJECT EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growing forward livestock welfare</td>
<td>$18,500</td>
<td>$319,429</td>
<td>$-</td>
</tr>
<tr>
<td>Grants</td>
<td>36,089</td>
<td>101,007</td>
<td>450,989</td>
</tr>
<tr>
<td>Diagnostic and veterinary</td>
<td>37,000</td>
<td>45,460</td>
<td>52,636</td>
</tr>
<tr>
<td>Growing forward biosecurity</td>
<td>-</td>
<td>33,644</td>
<td>-</td>
</tr>
<tr>
<td>COP study</td>
<td>75,000</td>
<td>19,600</td>
<td>13,725</td>
</tr>
<tr>
<td>Offsap</td>
<td>20,500</td>
<td>16,615</td>
<td>20,167</td>
</tr>
<tr>
<td>Inspections</td>
<td>-</td>
<td>9,368</td>
<td>15,538</td>
</tr>
<tr>
<td>SM5 cost share</td>
<td>7,200</td>
<td>7,558</td>
<td>7,032</td>
</tr>
<tr>
<td>Chick n Chat</td>
<td>4,000</td>
<td>2,825</td>
<td>3,881</td>
</tr>
<tr>
<td>ILWG-MOU</td>
<td>600</td>
<td>1,774</td>
<td>600</td>
</tr>
<tr>
<td>Recruitment project</td>
<td>-</td>
<td>-</td>
<td>48</td>
</tr>
<tr>
<td>Hatchery allocation utilization - lifts</td>
<td>-</td>
<td>-</td>
<td>2,769</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$198,889</td>
<td>$557,280</td>
<td>$567,385</td>
</tr>
</tbody>
</table>

---

36
The AHEP Board and Office Staff would like to acknowledge and thank all producers and industry partners for their support this past year.