

2016 Annual Report

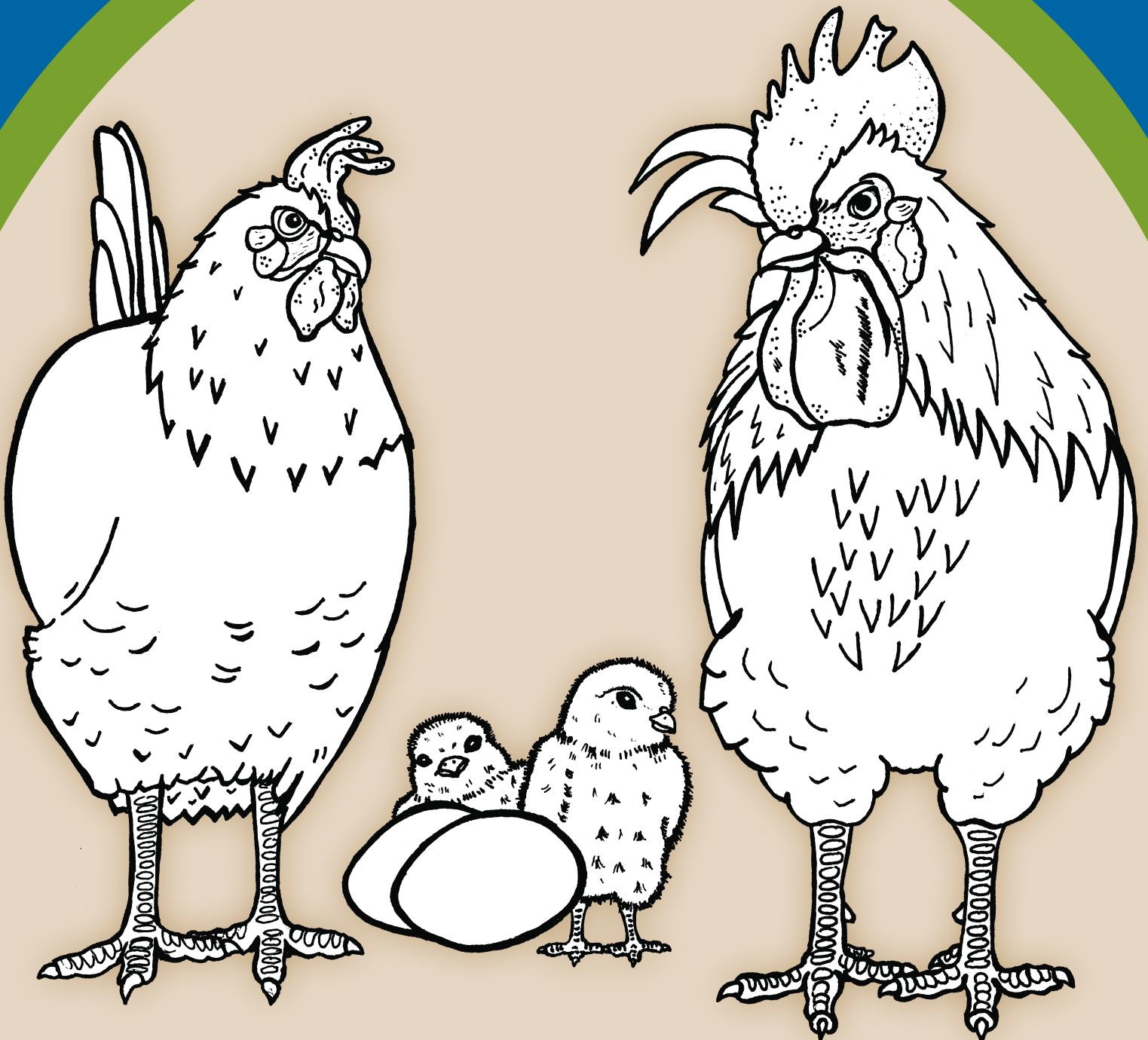


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Mission

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



Ashley Rietveld

Chair

Chick Pricing Committee, Vaccination and Catching Committee, Emergency Management, ACP Advisory Committee



Vern Crawford

Vice-Chair

Ag-Coalition, Growth Policy Committee, Chick Pricing Committee



Natasja van der Rijt

Director

Poultry Research Centre, Chick Quality/Chicken Value Committee, Policy Review Committee



Cora Scheele

Director

CHEP Alternate, Alberta Farm Animal Care, Intensive Livestock Working Group, Chick Quality Committee, Ag-Coalition



Gary Van Klei

Director

CHEP Director, Growth Policy Committee

Board Office Staff



Bob Smook
General Manager



Nancy Robinson
Assistant Manager



Chelsea Kamprath
Office Coordinator



Josh Perryman
Technician



Jesse Hunter
Special Projects

Support Staff



Wendy Telcs
Accountant



Lorrie Kadylo
OFFSAP Delivery Agent



Boyd Bresnahan
OFFSAP Auditor

Chair's Report

When people speak to me about being in the broiler hatching egg industry, they assume that I am a producer who produces the seed stock product for the broiler chicken industry. Yes, they are correct, but for me, I also feel that participating in the industry on the policy side is an important component for success in a regulated supply management sector. Policy development requires commitment and consultation with all industry groups, be it government, hatcheries, processors or producers.

As I reflect over the ten years that I have participated in your industry, serving as your producer representative, I realize that this experience for me has had milestones at each juncture. Our industry is unique in size (1 breeder farm for 8 broiler farms), but is highly specialized and considered the foundation of Alberta's top quality chicken product.

I first became a director in 2006, when several major regulatory amendments were introduced in our industry. These changes included the introduction of breed indexing to cope with the differences in breed performance. Designated flock life ensured all producers

achieve equal market opportunities, and the authority to direct product enables the AHEP to balance the supply of broiler hatching eggs between Alberta hatcheries. These regulatory changes have evolved and today our industry has adopted an informal agreement for balance of supply, which through the cooperation of the Alberta Hatchery Association which has been working well.

In 2009, significant effort was dedicated to pricing discussions with stakeholders. The resulting arbitration was costly and caused concern for our industry partners and government. The Alberta Hatching Egg Producers (AHEP) applied for a pricing authority similar to the other Supply Management sectors. This authority was put into our regulations in 2011 and has provided a sense of stability for producers with pricing based off of a cost of production model.

Currently, the AHEP is going through a growth stage and have proposed a strategy to address this increased demand of broiler hatching eggs. This "good news" story was presented to producers in April and August of 2016. The draft proposal addresses an allocation system



that provides for new entrants and existing producers, embracing the opportunity to fill our Alberta and Canadian market obligations under our supply managed system. We are working with Alberta Agricultural Products Marketing Council to make amendments to our current regulations and move forward with this new allocation platform and foundation.

Recently, on the National side, we have participated in the development and moving forward of an Animal Care Program which is expected to be launched in 2017. This audited program will further support consumer confidence in our production system.

Today, our Vision and Mission Statements remain the same, however are reviewed annually to ensure the values and goals of our industry are met. In 2016, the Alberta Hatching Egg Producers identified four priorities:

- Enhanced Producer Services
- Manage Growth
- Cultivate Government Relations
- Increase Social License and Consumer Confidence

These priorities provided a framework by which the board based all discussions and decisions in 2016.

With respect to enhanced producer services, the AHEP moved forward this year to investigate and develop a vaccination and catching service for the industry as previously requested by producers. AHEP producers were consulted over the year through two separate surveys. Initially, producers indicated that they would be interested in AHEP pursuing a full service. However, results from the second survey indicated that producers would instead prefer to be responsible for their own vaccinations and catching. With growing concerns over food safety and human health, AHEP is currently investigating the development of a small egg removal program for the Alberta industry. All non-settable eggs will be directed to an egg breaking facility where pasteurization will ensure a safe product enters into the food supply.

As mentioned, to address growth management in the hatching egg industry in Alberta, the AHEP has proposed a growth strategy. Alberta's growth strategy is committed to planning production of quality domestic broiler

hatching eggs for Alberta. A letter sent to producers in early 2017 included an allocation report and details on dealing with growth in our industry. The letter addressed some of the challenges in predicting supply and demand for hatching eggs. Fluctuating factors such as bird productivity, mortality, broiler characteristics, disease etc all impact the availability and need for broiler hatching eggs at any given time. The AHEP has a strategy in place which addresses these factors as best as possible, through consistent monitoring and communication with the Alberta Hatchery Association, in order to ensure we continue to provide quality product for Alberta.

Cultivating government relations was an important priority for 2016. Supply Management is the agriculture sector that we have chosen to be engaged in, and with this system comes the responsibility to work with government on the values and virtues of our system. As a result of major political shifts in our provincial and federal governments, we continue to develop government relations strategies with our SM5 partners which engage our directors with our MLAs and MPs. This year we met several times with our current Agriculture Minister, hosted a SM5 MLA reception and met with federal MPs.

Our fourth priority of 2016 addresses animal agriculture and consumer confidence. Food animal industries are working to demonstrate stewardship and meet social license demands in the welfare of animals. As such, the continued development of the Animal Care Program for the broiler breeder sector is key in meeting these expectations. Nationally, CHEP's Animal Care Program has been in the development and consultation stage for the past three years. As a result of our CHEQ program and Animal Care program, Canadian consumers can feel comfortable that the product their family receives is safe, reliable and consistent with animal husbandry guidelines.

In closing, I would like to personally express my thanks to the producers of Alberta, industry partners, the staff in the office and my fellow Board members for your support over the past ten years.

Sincerely,



Ashley Rietveld
Chair

General Manager's Report

Alberta's broiler hatching egg sector plays an important role in the chicken value chain of this province. From its role in providing high quality seed stock to Alberta chicken growers to providing an estimated \$34.0 million primary stimulus into the Alberta Economy, the industry contributes to both the Alberta rural and urban sectors.

This year, the Alberta Hatching Egg Producers (AHEP) Board was engaged in a growth policy initiative to support industry, producer responsibility and commitment to the National allocation system. If this obligation is not met, trading of allocated, yet unproduced domestic growth is a guaranteed giveaway in any future trade negotiations. Proposed approaches for growth, including the development a new entrant program and increased producer production, will ensure alignment with Alberta's deferential growth lead by the Chicken Farmers of Canada. As referenced in this Annual Report, supply and demand projections for our industry are influenced by many factors and can move forward, or regress, placing risk in meeting market requirements.

Competitiveness continues to be an important factor for our industry, and the AHEP, along with our affiliated poultry producers, hatcheries, and processors continue to encourage the process of continuous improvement and support initiatives to be launched in the coming year. Areas to consider for improvement exist at both the producer and hatchery level, and require making multiple small changes rather than implementing a large scale change to any one sector in the value chain. Further, it is understood that the process of continuous improvement strives to make things better without finding and pushing off blame.

Alberta has announced a Climate Change Policy and Carbon Tax structure aimed at reducing carbon emissions effective January 1, 2017 at a rate of \$20.00/tonne and increasing to \$30.00/tonne January 1, 2018. The levies set to support the Specified Gas Emitters Regulation will increase the cost of producing food in Alberta. In the marketplace, these costs cannot simply be passed on as retailers have a strong consolidated presence, motivation to remain



competitive and are unwilling to accept increased costs. This year, this message has been sent to our Agriculture and Environment Ministers. The AHEP board, along with the SM-5 and Alberta Pork, will continue to address this added tax and its impact on intensive livestock industries.

Funding at municipal levels is becoming a task driven by municipalities in this province. Recently municipalities have had a funding cut of 10% on the linear funding tax credit provided by the Alberta Government.

This summer, your directorship, along with the ILWG, developed many different approaches to try to address the funding shortfall, along with recommending a feasible solution amiable to all livestock sectors.



However, the proposed principles and remedies were not supported by all livestock sectors in the province. As a result, the four poultry boards and Alberta Pork provided a recommendation to Alberta Municipal Affairs to consider a levy to reflect a manure tonnage component for each livestock sector to a maximum of \$0.25 per tonne (a user pay approach). For the broiler breeder industry, this municipal levy would equate to \$0.019 per hen (1.9 cents). There are continued discussions on this matter planned for 2017.

Moving forward, the AHEP will continue to work with our producers and industry partners to ensure that our sector is sustainable and continues to supply the poultry value chain with product that supports food safety, traceability, humane animal care, premise identification and other standards as they are identified. These virtues can only lead to further satisfying retailers and consumers demands in terms of food integrity.

Many thanks to our producers, our board and staff for the commitment and dedication you have provided this industry for a job well done. It is encouraging working with people with such enthusiasm which makes each new day one of enlightenment and continued learning.



Bob Smook
General Manager



AHEP Priorities 2016

■
Enhanced Producer Services

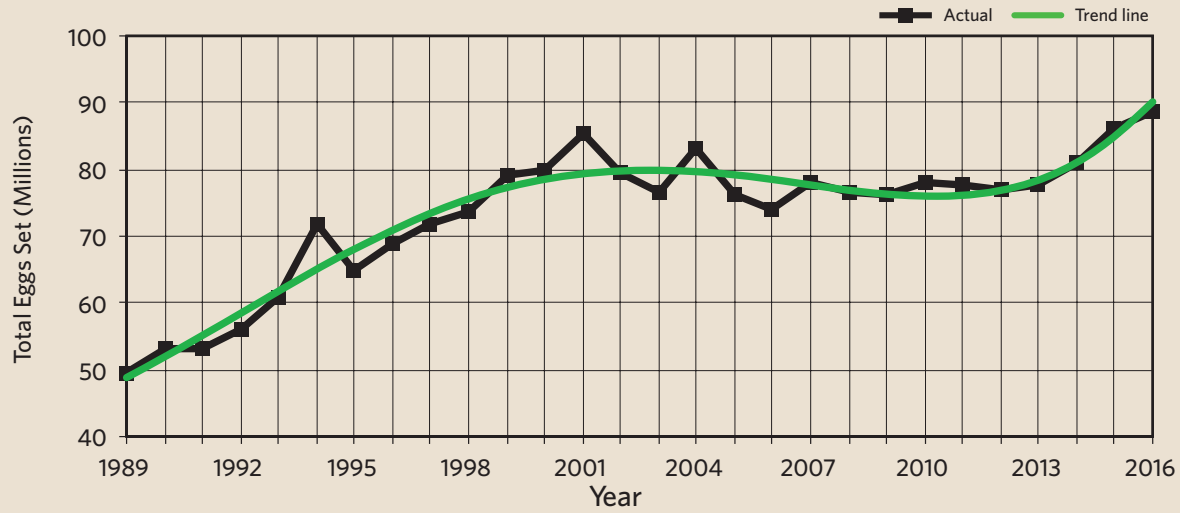
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Manage Growth

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Cultivate Government Relations

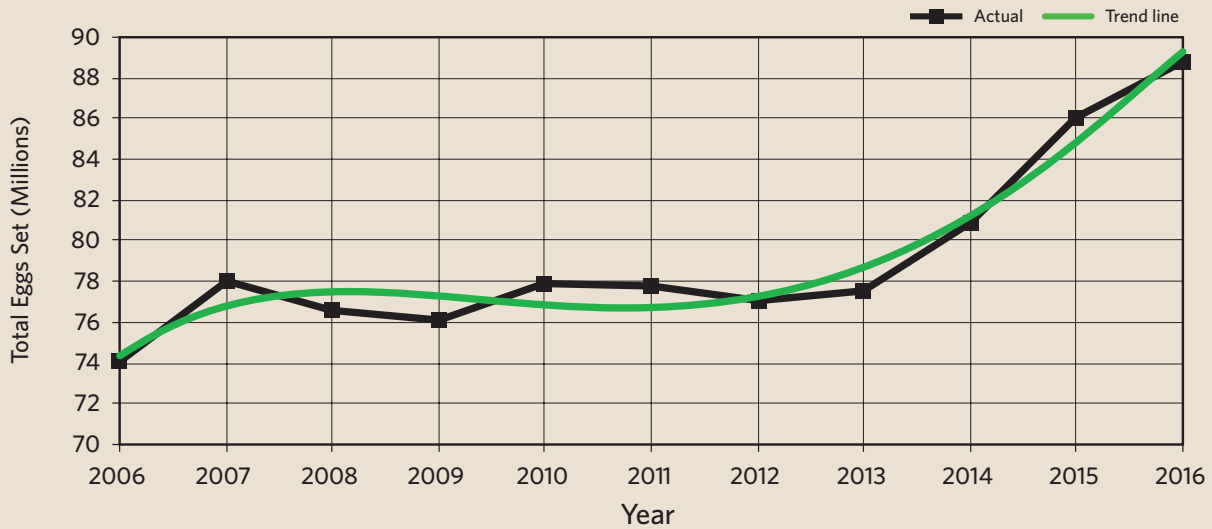
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**Increase Social License
and Consumer Confidence**

2016 Production Data

Total Sets (Egg & Chick Equivalent)

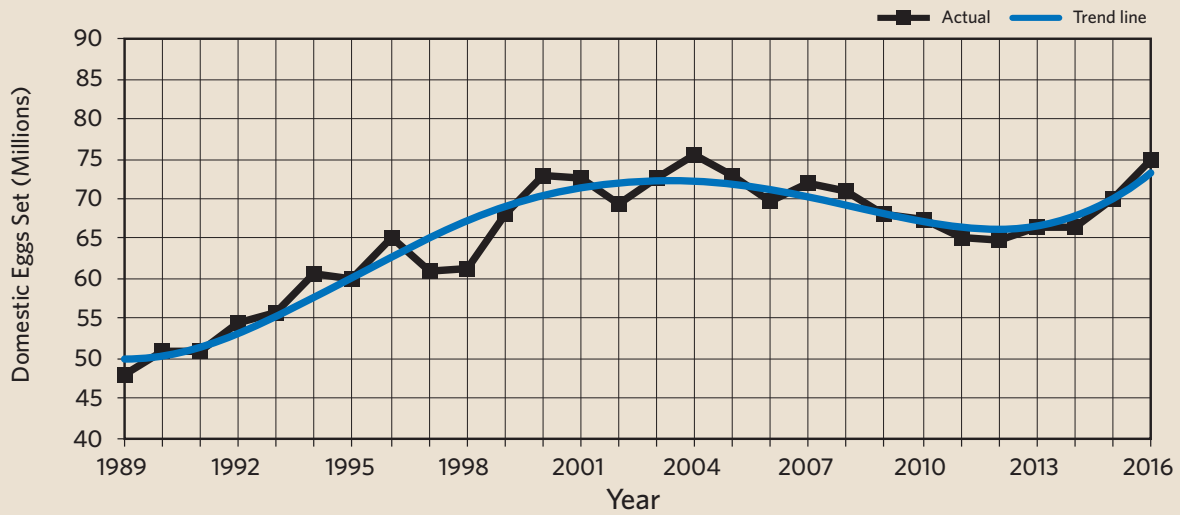


Total Sets (Egg & Chick Equivalent) 2006 - 2016

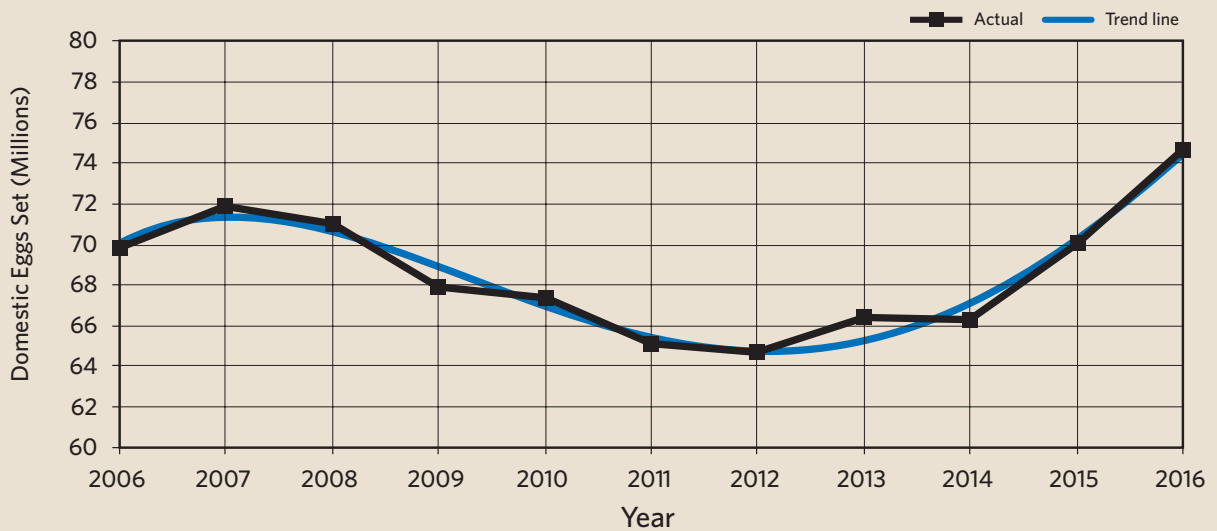


2016 Production Data

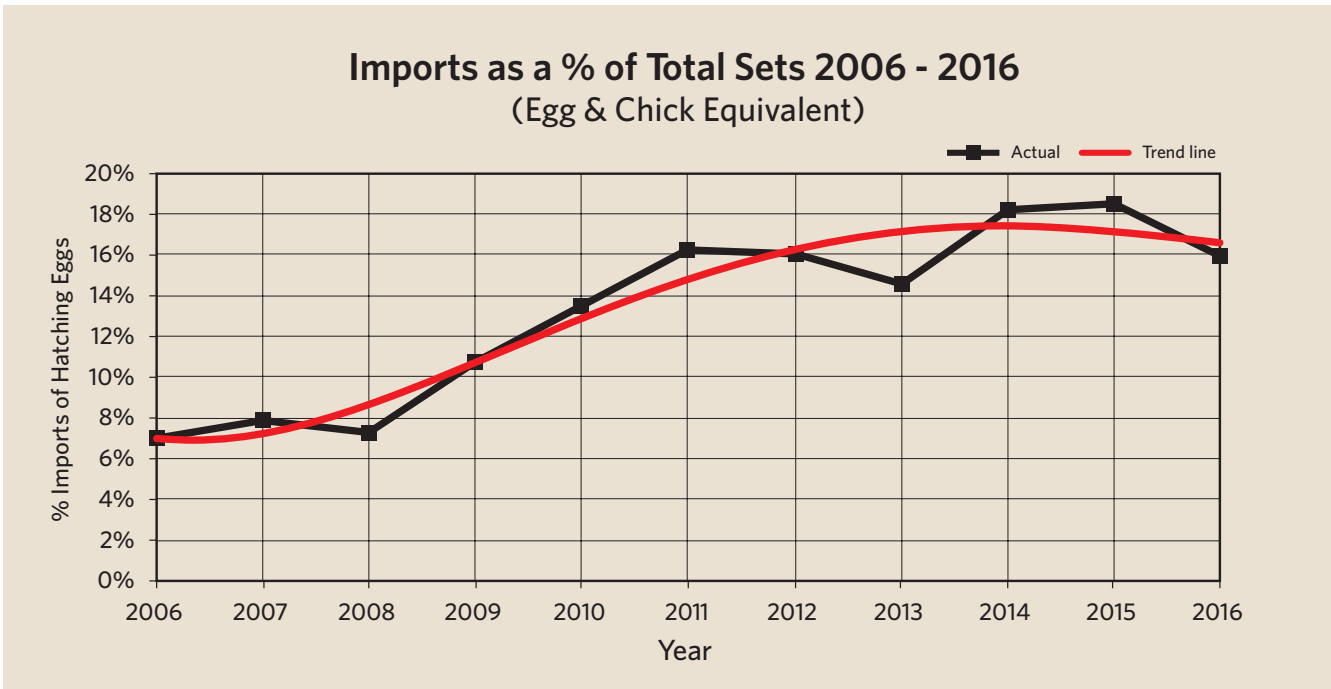
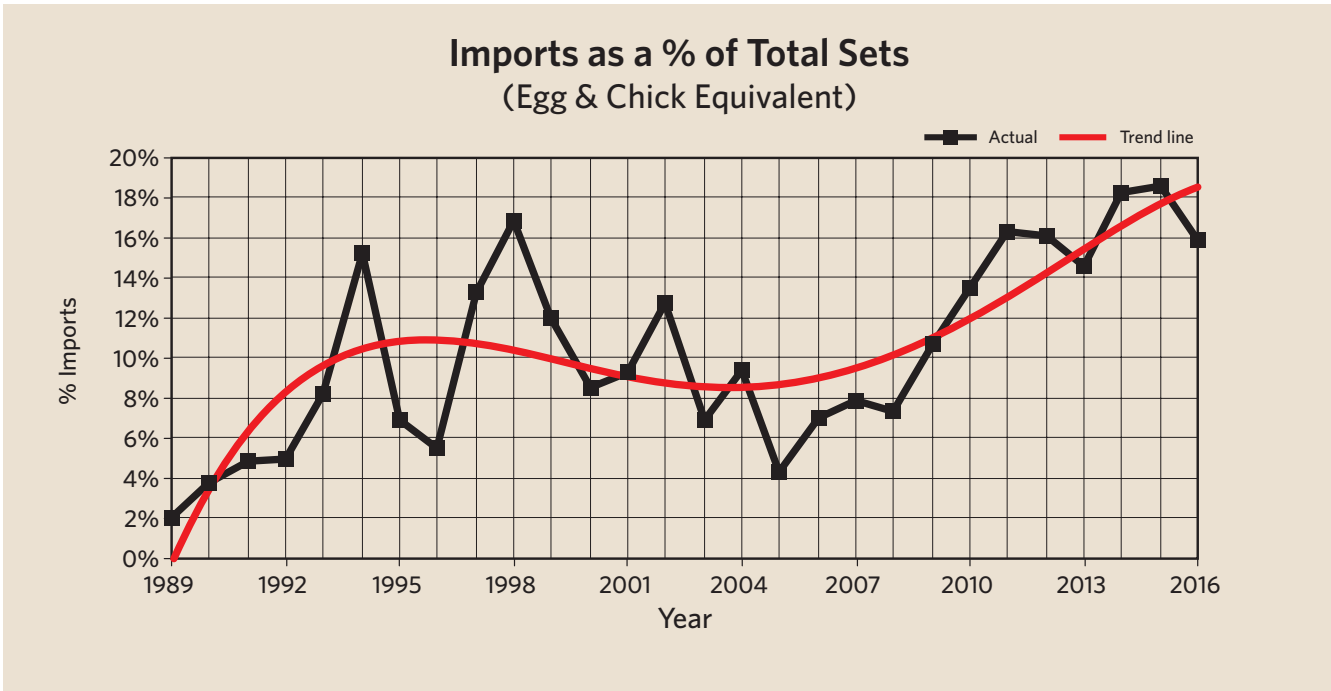
Alberta Domestic Hatching Egg Sets



Alberta Domestic Hatching Egg Sets 2006 - 2016



2016 Production Data



Canadian Hatching Egg Producers (CHEP)

In 2016, CHEP celebrated its 30th anniversary. Initially comprised of three member provinces, Ontario, Quebec and Manitoba, the Agency's membership grew over the years to six provinces, after adding Alberta (1987), British Columbia (1989) and Saskatchewan (2012). CHEP continues to meet with producers in Nova Scotia and New Brunswick with the goal of having a unified broiler hatching egg industry across Canada.

Following the agreement in principle reached in the latter part of 2015 between producers and hatcheries from Ontario and Quebec as well as the CHEP Board of Directors, the final signature was placed on the Memorandum of Understanding on March 8, 2016. In addition, a revised Liquidated Damages Assessment Agreement was signed by all member provinces as well as CHEP.

CHEP continued to explore different options to better take into account the impact of differential growth in the chicken industry on provincial broiler hatching egg allocations in response to the agreement reached on differential growth in the chicken sector.

The Canadian government signed the Trans-Pacific Partnership agreement on February 4th, however the President-elect Donald Trump has indicated that the United States will not sign the agreement, which puts the entire agreement at risk. In addition, he has also signaled his intent to re-open the North American Free Trade Agreement.

The Comprehensive Economic and Trade Agreement was ratified, followed by an announcement by the federal government of transitional funds available to the dairy sector. The final deal is expected to be implemented in early 2017. Although the United Kingdom voted to leave the European Union as a result of the BREXIT referendum, uncertainty surrounding the resulting implications and impacts are being examined.

The World Trade Organization continues to look for ways of moving forward as it prepares for the next Ministerial meeting (MC11) to be held in Buenos Aires, Argentina in December 2017.

The Canadian poultry industry continues to focus a great deal of attention on antibiotic use in Canada and abroad, both as it applies to agriculture and human medicine.

CHEP continues to develop an Animal Care Program based on the "Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys" that was completed earlier in the year. The Animal Care Program is expected to be approved in 2017.

The Canadian Food Inspection Agency revised the poultry compensation models that would be deployed in the event of an outbreak of a reportable disease such as avian influenza without prior consultation with industry. The poultry industry continues to work with the CFIA to review and discuss the suite of poultry compensation models.

The Canadian Journey to Social License/Public Trust is an initiative that was discussed during the Federal Provincial Territorial (FPT) meeting. It is important as it demonstrates to the public what industries are doing and how we are doing it.

The federal government and the poultry industry have agreed to establish a Poultry Value Chain Round Table that would provide a forum to bring together key senior Canadian poultry industry representatives with senior federal and provincial governments and allied value chain partners to discuss common issues, with a focus on sustainability and public trust, and to encourage collaborative action by industry and government.



Jack Greydanus

Chair

Canadian Hatching Egg Producers

Alberta Hatchery Association

The Alberta Hatchery Association is a non for 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 Associations' 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 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

Alberta Hatchery Association



AFAC ALBERTA FARM ANIMAL CARE

It has been an awesome year at Alberta Farm Animal Care! Here are some of the key activities we've been working on to serve the Alberta livestock and poultry industry in 2016:

- The 2016 Livestock Care Conference was a success, as always! The theme this year was "Going Global: Exploring Animal Care Around the World." Registration is open for the 2017 conference, focused on pushing the envelope on animal care in Canada.
- The ALERT Line has remained active this year and has helped to support responsible animal care from within the industry. Over 100 cases were resolved.
- The Emergency Livestock Handling Equipment Trailer program has continued to grow with 16 trailers now available throughout the province.
- We provided industry support through expert review of the Olds College Humane Slaughter course, hosting a roundtable on emergency slaughter, providing workshops on large animal rescue, and creation of content for Agriculture for Life's Teacher Toolkit.
- We kicked off our new Advisory Council this year! The Council brings together stakeholders from across the livestock industry to discuss issues of the day. These included: hot topics in animal welfare, antimicrobial use/resistance and the impact on animal welfare, and transportation of livestock and poultry.
- A variety of resources and tools were developed for both industry and the public including: Humane Handling Guidelines, The Barn Door (a resource for adults and older youth on animal care), "Farmers Care for Their Animals" (a children's resource on animal care), trailer and ALERT Line info cards, videos providing information on animal care and farmers' stories, a revival of "Insights" (providing results from animal welfare research), and a new and improved AFAC website.
- We were present and active at a variety of public events this year including, but not limited to: Calgary Stampede, Medicine Hat Stampede, Aggie Days, Lethbridge Aggie Days, Farmfair, and Open Farm Days.
- Students from Grade 4 through post-secondary had an opportunity to learn about AFAC, farming, and animal care this year! We presented to hundreds of students this year through the Classroom Agriculture Program, Ag 101, Amazing Ag, 4-H, and our internal speaking program.
- A new strategic plan was created for the organization this summer. It helps to clarify AFAC's role in the industry and the focus of our work.
- We are now able to bring member information and concerns forward (and vice versa) on a national level through our Board seat on the National Farm Animal Care Council.
- We have a new focus on inclusive membership and we would like to invite you or your farm to join the AFAC family by becoming a member! Working together, we can demonstrate strength in numbers. It's through the dedication and commitment of our members that we can accomplish our goal of advancing responsible, humane animal care.

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

Dr. Angela Greter
Executive Director
Alberta Farm Animal Care

Intensive Livestock Working Group Activity Report

Bow River Phosphorus Management Plan (BRPMP)

The BRPMP is a strategic plan to address sources of phosphorus in the middle reach of the Bow River between the Bears paw and Bassano Dams. The BRPMP was completed in 2014 after three years of deliberations and development. The ILWG was involved in every step along the way has made a commitment to lead the livestock/poultry industry contribution and agreed to work with Agriculture & Forestry (AF) to develop and implement specific action plans including:

- Identify Critical Source Areas – Initiate a proof of concept in a small watershed to develop a process for identifying areas contributing the most runoff and phosphorus associated with livestock/poultry production.
- Riparian Areas – Complete accurate inventory and health assessments of riparian areas in the planning area.
- BMP's – Begin the process of risk assessing for commercial livestock/poultry operations and encourage practice change to mitigate risk associated with phosphorus migrating to water bodies.

Sub Basin Phosphorus Pilot Project

The ILWG and Agriculture & Forestry have initiated a long term project to help producers in Alberta manage phosphorus on their lands. Managing phosphorus is an essential component of cost-effective production and environmental stewardship. This project team has developed a risk-based tool to identify environmental factors, landscape characteristics, and management practices that may contribute to phosphorus loss from a producer's land. An important component of the tool will also suggest beneficial management practices (BMPs) on individual farming operations that may minimize these losses and make sense from an economic perspective.

Biodiversity Management Frameworks

The concepts of biodiversity frameworks are new to land use planning and the question may be posed as to "what they will do"? The answers provide a systematic, credible approach to biodiversity management, that will support continued economic and community growth in all region plan areas, drive improved practice (industry and other land users) in a region to minimize the extent and duration of human footprint, and help to avoid new 'species at risk' through a proactive system for biodiversity management. The ILWG is working with Environment & Parks (EP) and other stakeholders to ensure the development process of regional biodiversity frameworks are practical and sustainable.

Farm Safety Education Initiative

This initiative is a collaboration between the ILWG and the Crop Sector Working Group (CSWG) and is managed by a working group chaired by the ILWG and funded by GFII. We have just completed a needs assessment, gap analysis and strategy report. It gives us the critical information to build and implement an action plan in 2017.

Agricultural Operation Practices Act (AOPA) Review

The government has a mandate to review legislation it determines may require updating, or is no longer relevant. The Agricultural Operation Practices Act (AOPA) was being considered for review. To summarize its common position, the Intensive Livestock Working Group members advised the Minister that a legislative review of the AOPA is unnecessary, as well as time consuming and costly, with no significant benefit for the industry, government or the public. We were subsequently advised AOPA and its regulations will not be opened up for review.

Taxing Farms & Municipal Infrastructure Levy

Amendments to the Municipal Government Act were introduced into the Legislature and for agriculture there were no surprises and it will be status quo. However, the GOA also released a discussion paper that will result in more amendments this spring. The issue of CFO's and their impact on infrastructure is included and an infrastructure levy proposed. Stakeholders will be engaged to help determine the levy format and how it will be implemented.

Municipal Road Restrictions on Manure Hauling

This issue revolves around a few municipalities enforcing road weight restrictions regarding liquid manure wagons. Working in collaboration with Agriculture &

Forestry the ILWG has struck a working group (includes AAMD&C, custom liquid manure hauler/spreaders, pork producer, dairy producer, Alberta Transportation, Alberta Agriculture and Forestry) to take a proactive approach in developing solutions that will address the impact of agricultural equipment on rural infrastructure with a focus on local solutions to local challenges.

Carbon Levy Impacts

There are ongoing discussions to determine how the agriculture industry can determine the impacts of the carbon levy. Most commodity groups have completed rough calculations on the direct costs, but the major gap is indirect impacts, which may be the most damaging. The ILWG is moving to facilitate a major research project to determine those impacts, with the study to be completed the early months of 2017.



Poultry Health Centre of Excellence

2016 Diagnostic Update

In 2016 we saw variable production and health in breeders along with a number of new and emerging disease conditions. At the National level, the implementation of a major change in antimicrobial use for all hatching egg and chicken producers as there was a voluntary ban on the preventative use of category 1 antimicrobials.

It is important to start this update with a recognition of 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 Forestry, Poultry Health Services and the Institute for Applied Poultry Technologies (IAPT). The PHCE is a unique model of collaboration across private, public and shareholder groups which at times can be difficult to balance but also produces unique efficiencies and effectiveness. This year three new technical capabilities were developed in the lab system to allow for in house microbiology (bacterial and viral) testing as well as ongoing enhancements to biofilm testing. In the New Year the PHCE will be able to access in house microbiology: culture, sensitivity services which will reduce turnaround on preliminary and final results by two to four days. Advanced microbiology and reporting of antimicrobial sensitivity are important tools for our industry to show that we are investing in and sharing the excellent science we use to carefully manage flock diagnostics and treatment. In cooperation with U of C through the Mitacs program, the IAPT has started a three-year PhD program for Victor Palomino who is bringing enthusiasm and skills to his proposed projects on field strains of Avian REO virus and E.coli pathogenicity testing

Significant new and ongoing challenges for the industry and veterinary team at the Poultry Health Centre of Excellence (PHCE) for 2016 included: Staph. Pneumonia (Hemorrhagic Staph. Pneumonia), REO virus infections (associated with leg problems secondary Staph. Arthritis cases), Coccidiosis and *White Chick Syndrome* (Chicken Astrovirus). This last year also saw the full implementation of the Salmonella insurance program and the voluntary Industry wide banning of Category 1 antimicrobial for preventative treatment



(Excenel and Baytril). Salmonella infections were an issue in several flocks and several more cases of White Chick Syndrome were also identified. Coccidiosis challenges related to moving many farms to vaccination programs from feed control programs. It is important to monitor this vaccination with fecal oocysts counts to ensure that the flocks are protected and to remember that the vaccine is given to the birds but must develop in the litter on the farm and be ingested to provide protection. White Chick Syndrome causes minor to severe drops in hatchability due to embryo mortality and many of the surviving chicks are not viable. It appears that the most severe challenges occur in breeder flocks which have not been exposed to the virus before they go into production and if infected while in lay, pass the virus on to their progeny.

On the disease front, the diagnostic service provided by The Poultry Health Centre of Excellence saw a continued trend of increase in the number of cases submitted from Alberta Hatching Egg Producers relative to the previous years. Challenges with Staph. arthritis and Hemorrhagic Staph. pneumonia continue to show up sporadically and in some cases resulted in significant losses. This year we saw several cases which responded slowly to treatment which was a concern and we are working hard to understand what risk factors contributed to this condition. Careful and conservative use of Penicillin is important to preserve it as a treatment option for all Staph. Infections



Reports

and will become very important for affected flocks and farms. Producers who have experienced this condition have been contacted to participate in an epidemiological survey to see if there are any common risk factors between affected flocks. Early, accurate detection and treatment programs are important.

We have been continuing to work on comprehensive reporting of antimicrobial use and resistance patterns to help understand any interactions and to outline potential interventions. At the National level, consultations and discussions are continuing to set a course of future strategies and programs for managing antimicrobial resistance seen in pathogens of importance to bird health and human health. The ability for us to capture and report both antimicrobial resistance patterns in poultry isolates and the recommended antimicrobial use is unique to the Alberta Poultry Health Centre of Excellence and puts us in a good position to lead by example and use science to guide good policy for our Provincial and National industries.

Regardless of the strategies implemented we can expect more careful control of and reduced access to certain types of antimicrobial treatments, particularly the preventative use of antimicrobials. A key area of impact will be on breeder Coccidiosis control and enteritis prevention. The nature of diet management for broiler breeders means that careful attention will be needed especially at the time of growth restriction when litter eating begins.

In 2016 we learned first-hand about the importance of integrated diagnostics and surveillance by finding and responding to two cases of influenza in turkey flocks. Aside from proving that the system is capable of identifying these threats in the field, in both cases the quarantine, retest and response was fast enough and so well coordinated that there was no loss in product supply or producer income! If these cases had been deemed high path the response time would become critical in protecting the rest of the Provincial flocks so we hope to build on our capability to ensure we identify, contain and prevent the spread of all devastating diseases of poultry. In times of a reportable disease outbreaks and in the face of new and emerging challenges it appears that this model of collaboration across private and public sectors as well as across human and animal health is essential to success and is no doubt an effective model to be supported.

In 2016 we continued our efforts to build the capability and contributions of the Institute for Applied Poultry Technologies, which is a not for profit, incubator organization, funded by Western Economic Diversification Canada and The Alberta Livestock Meat Agency. The experimental system explored with the Alberta Hatching Egg Producers and Egg Farmers of Alberta to test a new technology, Low Atmospheric Stunning, in routine and emergency barn depopulation came into service with an emergency depopulation of a turkey flock in 2016. We learned that when facing non-reportable disease challenges that it is importance to be able to control the timing, expense and delivery of large scale humane on-farm depopulation, outside the reportable disease depopulation systems coordinated by our governments.

In October, we had a Western Meeting of Canadian Poultry Veterinarians where there were presentations, on among other conditions, White Chick Syndrome as seen across the country. White Chick Syndrome appears to be a prevalent but poorly understood syndrome affecting hatchability and chick quality. Dr. Kathleen Long from Maple Leaf Fine Foods gave an excellent presentation on the production and cost impact of Astrovirus related drop of egg production in broiler breeders and consequently poor hatchability and high broiler chick mortality. The viruses isolated across the Country appear to be similar to the strains and we will continue working closely with our colleagues across Canada in the United States and the research group in Ireland who we hope to collaborate with in a research project. A proposal to follow up on investigating this viral infection has been presented to the ACP Research Committee for funding and will be brought forward to help us gather support to learn more about controlling this threat to chick supply and quality.

From the farm level to Ottawa we are working hard to understand and address the needs of Alberta poultry producers. As we look back at 2016 and forward to 2017 we are proud to work solving problems with the Alberta Hatching Egg Producers and the Canadian Hatching Egg industry. We look forward to a productive and healthy year in 2017 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 of the Poultry Health Centre of Excellence.

Dr. Tom Inglis

*DVM, BSc. Ag. Diplomate ACPV
Services Coordinator
Poultry Health Centre of Excellence*

The Poultry Research Centre

The Poultry Research Centre (PRC) is a partnership of poultry industry, Government of Alberta and the University of Alberta to foster a healthy Canadian poultry enterprise. Excellence in research and innovation, knowledge management, technology transfer and mentoring tomorrow's poultry professionals are the Centre's hallmark. The Alberta Hatching Egg Producers (AHEP) is an important partner in this mission. As the final year of the current PRC agreement draws to a close, the PRC advisory board is working diligently to identify a new path forward that will maintain and strengthen its current partnerships while exploring new opportunities for growth.

New Partnership

The PRC welcomed Peavey Industries Ltd. as a new stakeholder in 2016. Peavey industries is a valued partner in our heritage chick program that delivers chicks from the heritage strains at the University of Alberta to small flock owners. Through this relationship the PRC has been able to connect with and educate many non-commercial producers on poultry health, biosecurity and production. These connections have been valuable in delivering information about practices that support the health and well-being of poultry in Western Canada.

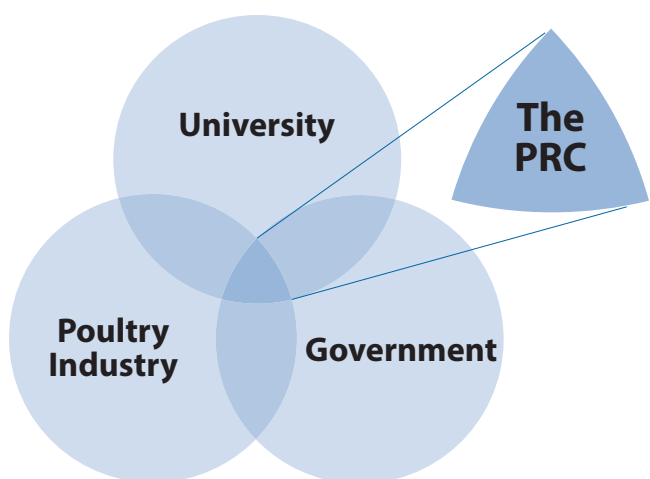
Highlights from PRC Researchers

Doug Korver recently returned to the University of Alberta from a sabbatical leave in Colombia. Doug worked with the largest broiler integrator in the country (3.5 million broilers per week), and spent a substantial amount of time in the company's facilities, including their feed mill, rendering plant, broiler breeder farms, hatcheries, broiler farms and processing plant. The experience he gained will give him additional context for his teaching programs, and new ideas for research to benefit the Alberta hatching egg industry. Doug is starting a study in conjunction with Poultry Health Services to determine the influence of hatching egg shell quality on broiler chick hatchability and initial quality. The objective of the research is to give hatching egg producers tools to monitor shell quality and increase the number of saleable chicks per hen.



A patent application for the precision feeding system was filed in 2016. Dr. Martin Zuidhof's team continues to evaluate the effectiveness of precision feeding for broiler breeders, with the intention of commercializing the system in the next five to ten years. The AHEP board took advantage of an opportunity to see the system in action, and we had some excellent discussion about the way the system works and its potential implementation. Current projects are supported by ALMA, Canadian Poultry Research Council (CPRC), Alberta Innovates Bio Solutions (AI Bio), Cobb-Vantress, Canadian Hatching Egg Producers (CHEP), Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Alberta Chicken Producers (ACP), Aviagen, Thies Electrical, and Xanantec Technologies, Inc. The team has achieved 100% flock uniformity (1% body weight CV). We are continuing to learn so much about broiler breeders from the system! Preliminary results showed reduced variability in egg size. However, feeding multiple meals each day seems to change their metabolism such that they begin to lay later than conventionally fed pullets. More research is needed to determine if diet and higher target body weights could increase their body fat content and subsequent chick production. Dr. Zuidhof is collaborating with Dr. Gregoy Bedecarrats at the University of Guelph investigating the interactions metabolic (feed intake) and lighting (intensity, color, and daylength) cues on broiler breeder reproductive control.

Dr. Val Carney is leading an experiment investigating how the degree of feed restriction has evolved over the last 60 years. We are using the 1957 and 1978 randombred broiler lines maintained at the PRC, and a 1995 and 2015 broiler line maintained at the University of Arkansas. This project will give us additional unique insights into how much broiler breeders have changed over the years, and may contribute to new management recommendations.



Agricultural Education

Dr. Frank Robinson devoted many hours to develop learning opportunities about the poultry industry for students. One endeavor was the development of the Green Certificate Program for poultry. This is an industry driven agricultural training program that is delivered to over 200 high schools in Alberta and administered through Alberta Agriculture and Forestry. The goal is to create a safe and competent entry-level worker through the apprenticeship style of delivery. Participants learn by actively performing the skills required on an agriculture operation. The program consists of 14 modules and includes a range of topics from understanding industry structure, to preparing the barn and raising chickens.

Increasingly, agriculture students are drawn from urban communities, and have limited farm experience. To enable them to better understand the daily operations of a farm, Dr. Robinson developed animal and poultry science mini-internships. These three day internships enable students to volunteer on farms. To be eligible, students must take at least one animal science class, prepare a statement of why they want to participate, and be interviewed. Once placed, students are responsible for their own travel, lunches and biosecurity equipment. No cell phones or cameras are permitted on the farm. If farms are interested in participating or would like more information, please contact Dr. Frank Robison by email: frank.robinson@ualberta.ca.

The Poultry Research Centre Student Club

This year, the Poultry Research Centre Student Club members had the opportunity to go on a tour of a turkey farm, and get hands on experience vaccinating and transferring broiler breeders. Club president Talia Letcher reports that for many students this was their first on-farm experience, and being able to work alongside producers was an awesome learning opportunity. Graduate students at the U of A also offered valuable opportunities for club members to volunteer to gain hands on experience as well as see some of the future of poultry research! The poultry club connected students with producers and poultry professionals, leading to jobs and other summer positions, on farms and at the PRC's Heritage Chicken Program. Our members have become walking, talking ambassadors for the club and for the poultry industry. Club member activity increased this year, and the students showed their poultry pride through a successful hoodie sale campaign. Overall 2016 was an incredible year for the poultry club and we look forward to 2017!

Dr. Martin Zuidhof
University of Alberta

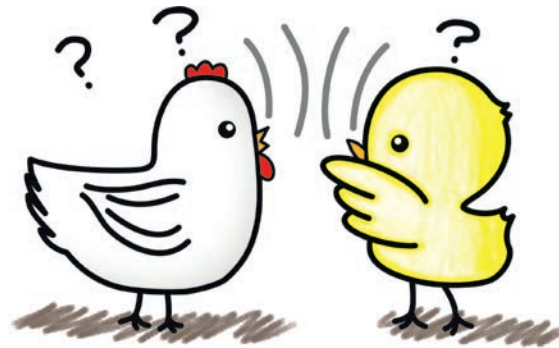


2016 Board Highlights

Chick 'N Chat Meetings

Chick 'N Chat meetings began in 2008 as a replacement to traditional Regional Meetings. This meeting 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 over view 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 2016, a new structure to the Chick 'N Chat meetings was introduced. Two meetings were held in Red Deer, one in April and the other in August. The meeting in April focused on discussion of growth in the Alberta hatching egg industry. Topics discussed at the meeting in August included enhanced producer services, Policy development, allocation and the new Code of Practice.



There was great attendance at the meetings with a very high percentage of producers participating in both meetings.

Producer feedback regarding this new format for Chick 'N Chat meetings has been very positive and this format will likely continue into the future. Having a meeting where all producers can interact was very beneficial to the Board in regards to direction. Producers are encouraged to attend and have their voice heard.



2016 Board Highlights

Alberta SM-5 Update

Alberta SM-5 is comprised of Alberta's supply managed commodities which includes: dairy, table egg, hatching egg, turkey and chicken producers. As a collective, our industries are known as the SM-5. The SM-5 works together on joint initiatives to ensure that our industries 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 limited resources to advocate on behalf of the supply management system, and our respective industries.

In 2016, the SM-5 group made the decision to make a change in their approach to government relations. Alberta Counsel was hired in early 2016 and the SM-5 is encouraged by the positive relationships that have been cultivated with the Alberta NDP, as well with local Members of Parliament.

Throughout 2016 Alberta SM-5 participated in the following:

- Retained the services of a Government Relations expert
- Identified a Government Relations strategy for 2016
- Revised a Government Relations strategy for 2017
- Received Lobby Training with Alberta Counsel
- Provided sponsorship for the Calgary and Edmonton's Premier's Breakfast (providing eggs, sausages, and milk products for the event)
- Met with the Government of Alberta: Minister of Agriculture, Honourable Oneil Carlier; MLA Estefania Cortes-Vargas
- Met with Federal MP's: Linda Duncan (MP); and Honourable Amarjeet Sohi (Federal Minister of Infrastructure)
- Attended political events including:
 - Premier's Breakfasts (Edmonton and Calgary)
 - SM-5 MLA Reception

On November 2, 2016 the SM-5 hosted a reception for all MLAs at the Legislative Federal Building; featuring a variety of creative poultry and dairy dishes. The event was extremely well attended, with over 40 MLAs and staff in attendance. A series of posters were developed depicting key messages for the MLAs to peruse during the event and they successfully created some great conversation between the attending producers and the MLAs.

Working in conjunction with SM-5 and Alberta Counsel, Alberta Hatching Egg Producers have communicated concerns to the government on the provincial carbon tax and its impact on Alberta producers and has been active in meeting with government representatives to communicate Alberta Hatching Egg's position on various government initiatives underway throughout 2016.



Production Planning

The AHEP is committed to production planning that ensures a consistent supply of quality domestic hatching eggs. Market indicators obtained from both hatchery-projected requirements and ACP production needs, assists with this planning. Given the life cycle of breeder flocks there is an 18-month delay between today's projections and tomorrow's reality. Balancing domestic supply with industry demand is a critical component to success in a supply-managed system.

In the spring of 2016, the AHEP shared their projected requirement for Alberta hatching eggs through to 2019. It was clear from the preliminary results of past production that Alberta would need to increase their supply of hatching eggs to achieve ACP's projected demand for chicken kilograms. Table 1 below shows the summary of projected numbers as presented in April 2016.

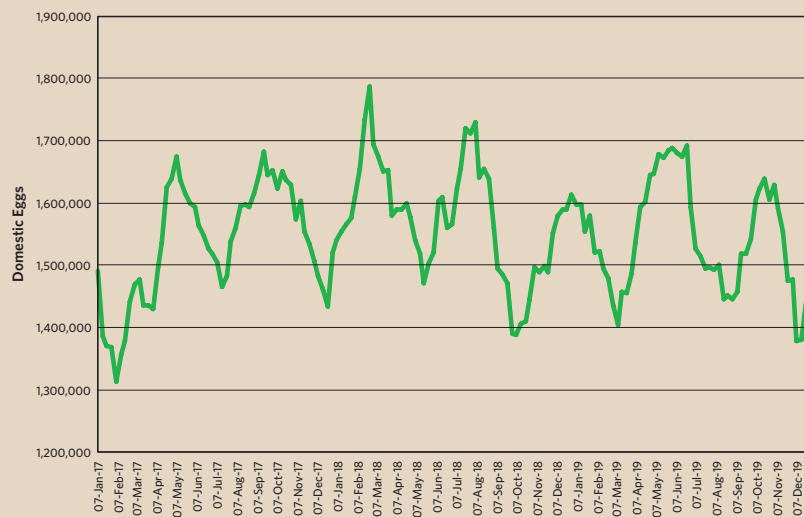
Several factors can affect the accuracy of both supply and demand estimates:

Flocks removed early due to performance concerns, producer request or disease

- Mortality in breeder and broiler flocks
- Productivity/performance
- Broiler live weight
- Reporting
- Growth – National and differential

Figure 1

Projected Domestic Weekly Egg Supply at 58 Week Flock Life



Over the past six to eight months, producers have evaluated the pros and cons of options that will achieve production on their farm. By the end of 2016, hatching egg producers responded to projected hatching egg requirements by building new barns, expanding current facilities and/or adjusting placement intervals, and flocks were ordered. As we forecast the domestic egg supply through 2017 and beyond we can see that increased production from Alberta will be achieved. However, the pattern of the domestic supply is less than ideal, as seen in Figure 1.

A fluctuating production flow is expected, but extreme peaks and valleys of domestic egg supply are difficult to manage. In the long term, flock placements can be adjusted to ensure that over time, peaks and valleys in domestic supply are minimized. In the short term,

Table 1

	2014	2015	2016 = 2015 + 7%	2017 = 2016 + 4.5%	2018 = 2017 + 3.5%	2019 = 2018 + 4.0%
Total sets - eggs + equiv.	80,945,606	87,114,465	93,212,477	97,407,039	100,816,285	104,848,937
2015 over 2014		107.62%				
Domestic			76,965,542	80,428,992	83,244,007	86,573,767
Imports			16,246,935	16,978,047	17,572,278	18,275,170

2016 Board Highlights

adjusting flock life downward will prevent periods of over supply and the holding of eggs beyond seven days. Until changes can be accomplished, the AHEP will work with their hatchery partners through these high peaks to avoid the need to break eggs.

The preliminary 2016 production numbers for both chicken kilograms and egg sets have been compiled. The initial review shows that while Alberta Chicken Producers achieved the 7% increase in production for 2016 over 2015, there was not a comparable increase in hatching egg sets (Table 2).

Table 2

ACTUAL	2014	2015	2016
Total sets - eggs + equiv.	80,945,606	86,007,530	88,625,336
Year over Year		106.25%	103.04%

The discrepancy between % Kg growth and the % increase in hatching eggs required achieve that growth is a phenomenon seen across Canada. The best explanation to date is that there has been a significant decrease in reported broiler seven-day mortality.

The AHEP and AHA met on January 10, 2017 to review final production from 2015, preliminary data compiled from 2016 and the potential impact of these results on the requirements for 2017. ACP has amended their growth projections for 2017 to 4% over 2016, representing a small, 0.5%, decrease from earlier projections. This change, together with a reduction in 2015 final vs 2015 preliminary total sets, must be considered when planning requirements for 2017 and beyond.

Table 3 shows projected 2017 total set requirements, using 4% increase year over year, as 92,170,349 (76,105,058 domestic). However, recent projected requirements provided by all Alberta hatcheries, results in a projected requirement for 2017 of 94,238,304 total sets (77,812,568 domestic). This difference of 1.7 million

Table 3

				2017	2018	2019
ACTUAL	2014	2015	2016	2017 = 2016 + 4.0%	2018 = 2017 + 3.5%	2019 = 2018 + 3.5%
Total sets - eggs + equiv.	80,945,606	86,007,530	88,625,336	92,170,349	95,396,312	98,735,183

between these two projected domestic egg requirements further demonstrates the difficulty in long-term production planning in the hatching egg industry.

The AHEP board utilizes allocation adjustments to achieve long-term projected requirements and flock life as a tool to manage short-term needs. Table 4 below compares projected domestic demand and projected supply at a flock life of both 57 and 58 weeks.

Table 4

Projected Demand		AHEP Projected Supply	
4% over 2016	AHA estimate	57 weeks	58 weeks
76,105,058	77,812,568	77,843,958	79,702,633

Figure 1 of projected domestic egg flow for 2017 through 2019 illustrates significant peaks for May and September 2017, which may require a reduction in flock life during those periods. Reduced flock life will avoid the need to hold or break eggs while also achieving the total domestic requirement for hatching eggs for 2017. Should a drop in flock life be necessary, the AHEP will strive to ensure all producers are treated fairly regarding the number of flocks affected by decreased production. Quarterly meetings between AHEP and the AHA, together with weekly monitoring of hatchery activity will ensure the AHEP maintains their commitment to the balance of supply. As the year unfolds and actual set numbers are known, the AHEP will compare these demand numbers against projected requirements. An amendment to the current production factor will be made, if necessary, to achieve supply for 2018 onward.

Accurate long-term egg projections are challenging due to the numerous factors that influence both supply and demand. The hatching egg industry requires several years to become confident in a trend. Fortunately, as a regulated industry, we have the tools in place to ensure we provide the quality domestic product that are our hatchery and industry partners depend on.

Salmonella Monitoring

Salmonella continues to be a bacterium of concern throughout the poultry industry. As breeding stocks are the multipliers to the chicken industry, it is critical that Alberta's hatching egg producers continue to purchase insurance coverage through the Poultry Insurance Exchange (PIE) for financial security in the event a flock becomes positive. All Alberta broiler breeder flocks entering the province continue to be tested to verify the absence of *Salmonella*. Chick pad samples are collected upon arrival on farm from their respective breeding companies in the US. Of the 80 day-old breeder flocks placed in 2016, one sample tested positive for *Salmonella* Typhimurium with all others confirmed negative for any *Salmonella* species. The positive flock was further tested during the grow phase and no *Salmonella* species were identified.



Alberta hatching egg producers have been vaccinating all of their broiler breeder flocks against *Salmonella* for a number of years. While this offers increased protection against acquiring the disease or shedding the bacteria, some birds do not build sufficient immunity. Environmental sampling of the pullet barn when the flock is approximately 16 weeks of age provides assurance that there is no detectable level of shedding in the flock prior to transfer to the lay barn. Of the 133 rearing barn samples collected in 2016, only one tested positive for *Salmonella* Enteritidis (SE). Repeated samples following cleaning and disinfection were negative and the birds did not test positive in the lay barn.



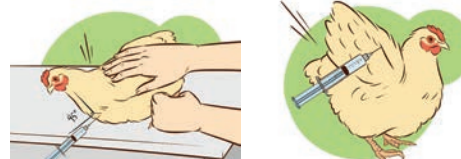
Monitoring of flocks during production is accomplished through the regular testing of fluff samples submitted by hatcheries. Two positive flocks were identified late in their production cycle, however careful monitoring confirmed the broiler chicks from these flocks did not show any signs of bacterial infection. Once shipped, the lay barns were cleaned and disinfected and tested negative prior to transferring the next flocks into those facilities.

Environmental samples from 11 empty barns tested negative while SE was detected in one empty lay barn. Following rigorous cleaning and disinfection by the producer the environmental swabs were negative leaving no concern for the flock transferred to that barn.

Unfortunately, repeated positive fluff samples were obtained from one flock in 2016, which was depopulated at 42 weeks of age. A claim was submitted to PIE and the producer was fairly compensated for the loss. The barn was cleaned and disinfected and has tested negative on two consecutive environmental samples.

Until recently, SE was the *Salmonella* species of greatest concern to human health. Recent information suggests that other species may pose a threat and could require monitoring in the future.

The AHEP is pleased with the low incidence of SE from domestic broiler hatching eggs and commends all producers for their adherence to strict biosecurity protocols. Protecting human health continues to be a high priority for all involved in the chicken supply chain.



2016 Board Highlights

Non-Settable Egg Program

The AHEP recognizes the critical importance of food safety and human health. Currently, legislation allows producers to market non-settable eggs at the farm gate, provided the storage requirements and the "Purchase and Sale of Eggs and Processed Egg Regulation" are adhered to. The Chief Provincial Veterinarian as well as Egg Farmers of Alberta have voiced concern that, since broiler hatching egg producers are not certified under the Start Clean Stay Clean program of the table egg industry, non-settable eggs from broiler hatching egg farms should be directed to the egg breaking industry.

AHEP staff is reviewing the option of embracing the Egg Farmers of Canada's surplus removal/industrial products program. This program provides hatching egg producers compensation based on the industrial product pay schedule for free run, nest laid eggs. AHEP is currently collecting information on temperature controlled egg storage facilities as well as farm pick up, transportation and delivery requirements. The Alberta hatching egg industry will continue to fine-tune the process of removing non-settable eggs from hatching egg farms to ensure human health remains a top priority.



Alberta Hatching Egg Producers

Financial Statement

Year Ended November 30, 2016



Financial Statements

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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, 2016 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, 2016 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.

King + Company

Edmonton, AB
February 8, 2017

CHARTERED ACCOUNTANTS



ALBERTA HATCHING EGG PRODUCERS

Statement of Financial Position

As at November 30, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 862,765	\$ 720,519
Term deposits (Note 2)	616,079	615,043
Accounts receivable (Note 3)	191,034	272,086
Prepaid expenses	25,375	25,776
	<u>1,695,253</u>	<u>1,633,424</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 4)	<u>11,691</u>	<u>18,282</u>
	<u>\$ 1,706,944</u>	<u>\$ 1,651,706</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 146,348	\$ 136,508
DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 6)	<u>619</u>	<u>1,996</u>
	<u>146,967</u>	<u>138,504</u>
NET ASSETS		
Invested in equipment and leasehold improvements	11,072	16,286
Unrestricted	<u>1,548,905</u>	<u>1,496,916</u>
	<u>1,559,977</u>	<u>1,513,202</u>
	<u>\$ 1,706,944</u>	<u>\$ 1,651,706</u>

ON BEHALF OF THE BOARD

 Director
 Director

KING & COMPANY
CHARTERED ACCOUNTANTS

ALBERTA HATCHING EGG PRODUCERS

Statement of Operations

Year Ended November 30, 2016

	Budget (Unaudited) 2016	2016	2015
REVENUE			
Provincial levy <i>(Note 8)</i>	\$ 958,100	\$ 987,629	\$ 904,262
Diagnostic and other	-	17,196	11,644
Interest	12,500	8,736	10,014
Amortization of deferred contributions related to equipment and leasehold improvements	-	1,377	2,688
Quota transfer	-	100	100
Grants	-	-	96,582
	970,600	1,015,038	1,025,290
EXPENSES			
Salaries and benefits	270,000	277,573	266,390
Poultry risk management	227,160	226,456	243,211
Members' allowance	84,500	82,283	96,842
Members' expenses	55,000	47,533	51,676
Rent	46,000	45,723	45,794
Employee operational expenses	26,200	33,377	14,961
Professional fees	30,000	28,784	24,830
Office <i>(Schedule 2)</i>	20,800	19,627	23,356
Advertising, promotion and dues	5,000	14,688	11,247
Meeting expenses	14,000	10,811	10,817
Telephone and fax	10,000	8,542	11,428
Amortization of equipment and leasehold improvements	-	6,590	8,372
Bad debts	-	5,810	-
Insurance and bonding	4,500	3,064	2,755
Interest and bank charges	1,400	1,453	1,468
Repairs and maintenance	6,000	-	-
	800,560	812,314	813,147
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	170,040	202,724	212,143
SPECIAL PROJECT EXPENSES <i>(Schedule 1)</i>	173,200	155,949	303,000
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (3,160)	\$ 46,775	\$ (90,857)

ALBERTA HATCHING EGG PRODUCERS

Statement of Changes in Net Assets

Year Ended November 30, 2016

		Invested in Equipment and Leasehold Improvements	Unrestricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$	16,286	\$ 1,496,916	\$ 1,513,202	\$ 1,604,059
Excess (deficiency) of revenue over expenses		(5,214)	51,989	46,775	(90,857)
Purchase of equipment		-	-	-	-
NET ASSETS - END OF YEAR	\$	11,072	\$ 1,548,905	\$ 1,559,977	\$ 1,513,202

ALBERTA HATCHING EGG PRODUCERS

Statement of Cash Flows

Year Ended November 30, 2016

	2016	2015
OPERATING ACTIVITIES		
Receipt of provincial levy and quota transfer	\$ 1,036,654	\$ 845,862
Receipt of grants	49,250	47,332
Receipt of diagnostic and other	29,180	8,700
Receipt of interest	8,794	11,028
Cash paid to suppliers and employees	(980,596)	(896,979)
Cash flow from operating activities	143,282	15,943
FINANCING AND INVESTING ACTIVITIES		
Proceeds on redemption of term deposits	615,043	847,395
Purchase of equipment	-	(5,799)
Purchase of term deposits	(616,079)	(732,503)
Cash flow from (used by) financing and investing activities	(1,036)	109,093
INCREASE IN CASH	142,246	125,036
CASH - BEGINNING OF YEAR	720,519	595,483
CASH - END OF YEAR	\$ 862,765	\$ 720,519

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2016

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.

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2016

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. TERM DEPOSITS

	2016	2015
Unrestricted	\$ 505,679	\$ 504,643
Restricted	110,400	110,400
	<u>\$ 616,079</u>	<u>\$ 615,043</u>

Unrestricted term deposits bear interest averaging 1.39% (2015 - 1.36%), maturing from June 12, 2017 to October 8, 2017.

Restricted term deposit bears interest at 0.90% (2015 - 0.90%), maturing on October 8, 2017 and is held as security for the Canadian Hatching Egg Producers contract as described in Note 7.

3. ACCOUNTS RECEIVABLE

	2016	2015
Levies and other	\$ 178,244	\$ 219,012
Goods and services tax	9,024	-
Interest	3,766	3,824
Grants	-	49,250
	<u>\$ 191,034</u>	<u>\$ 272,086</u>

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer	\$ 24,194	\$ 19,246	\$ 4,948	\$ 7,069
Furniture and equipment	20,243	15,001	5,242	6,553
Leasehold improvements	16,560	16,560	-	981
Website	21,775	20,274	1,501	3,679
	<u>\$ 82,772</u>	<u>\$ 71,081</u>	<u>\$ 11,691</u>	<u>\$ 18,282</u>

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Wages	\$ 65,160	\$ 55,223
Trade and other	42,937	43,820
Canadian Hatching Egg Producers	38,251	18,110
Goods and services tax	-	19,355
	<u>\$ 146,348</u>	<u>\$ 136,508</u>

6. 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:

	2016	2015
Balance - beginning of year	\$ 1,996	\$ 4,684
Recognized as revenue	(1,377)	(2,688)
Balance - end of year	<u>\$ 619</u>	<u>\$ 1,996</u>

7. 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.

8. PROVINCIAL LEVY

	2016	2015
Gross levies collected	\$ 1,222,360	\$ 1,125,380
Canadian Hatching Egg Producers levies paid	(234,731)	(221,118)
Net levies collected	<u>\$ 987,629</u>	<u>\$ 904,262</u>

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2016

9. COMMITMENTS

Lease

The Board is committed until August 31, 2021 under an operating lease for premises for future annual rental payments of \$23,632 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 \$35,817 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 \$26,491 for 2017 to be paid to Poultry Health Services Ltd. for the provision of veterinarian services. The Board's portion of this commitment is \$2,119.

10. 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, 2016.

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, term deposits and accounts receivable. 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.

11. 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, 2016

	Budget (Unaudited) 2016	2016	2015
SPECIAL PROJECT EXPENSES			
Diagnostic and veterinary	\$ 41,000	\$ 52,252	\$ 48,239
Grants	35,000	34,861	34,345
PIE audit and testing	20,000	32,851	13,031
COP update fee	16,000	14,000	10,000
Offsap	16,000	9,532	14,770
Early shipouts	-	5,169	-
SM5 cost share	7,500	3,988	6,632
Chick n Chat	-	2,083	4,728
ILWG-MOU	2,200	666	1,423
Growing forward livestock welfare	-	547	59,847
COP study / adjustments	4,000	-	93,665
CHEP summer meeting	5,000	-	-
Vaccination crew committee	2,500	-	-
Balance of supply	24,000	-	16,320
	<u>\$ 173,200</u>	<u>\$ 155,949</u>	<u>\$ 303,000</u>

ALBERTA HATCHING EGG PRODUCERS**Office***(Schedule 2)***Year Ended November 30, 2016**

	Budget (Unaudited) 2016	2016	2015
OFFICE EXPENSES			
Website and internet	\$ 5,000	\$ 8,059	\$ 6,234
Contract labour	4,800	5,659	1,138
Office supplies	10,000	5,511	5,589
Courier and postage	1,000	398	901
Repair & Maintenance/Janitorial	-	-	1,977
Computer expenses	-	-	5,581
Photocopier	-	-	3,853
Expense recoveries	-	-	(1,917)
	<u>\$ 20,800</u>	<u>\$ 19,627</u>	<u>\$ 23,356</u>

AHEP Priorities 2017



**Manage Production
Principles**



**Producer Services/Support
for Continuous
Improvement**



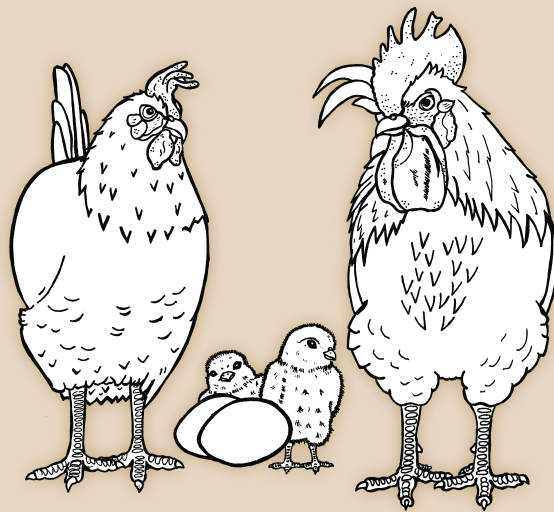
**Leadership
Development**

Acknowledgement



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





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