

2017 ANNUAL REPORT



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Cover Illustration by Jesse Hunter

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



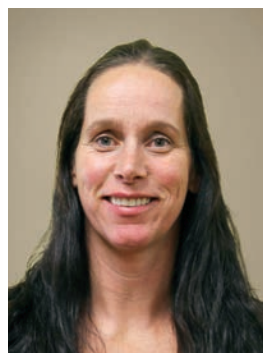
Gary Van Klei

*Chair
CHEP Director, Continuous Improvement Committee*



Cora Scheele

*Vice-Chair
Alberta Farm Animal Care, Intensive Livestock Working Group,
Chick Quality Committee*



Natasja van der Rijt

*Director
Poultry Research Centre, Chick Quality Committee, Policy Review Committee*



Jeff Notenbomer

*Director
CHEP Alternate, Continuous Improvement Committee*



Brian Wassink

Director, Continuous Improvement Committee

BOARD OFFICE STAFF



Bob Smook
General Manager



Nancy Robinson
Assistant Manager



Chelsea Kamprath
Office Coordinator



Jesse Hunter
Producer Services

SUPPORT STAFF



Wendy Telcs
Accountant



Boyd Bresnahan
OFFSAP Auditor



Josh Perryman
Technician

CHAIR'S REPORT

The Alberta Hatching Egg Producers (AHEP) recognizes the cyclical nature of the broiler breeder industry and how factors like breed/strain, performance, productivity and investment capital can all affect the successes of our individual producers. Partnerships with our hatcheries, growers and government are important in developing overall industry goals. However, the distribution of profitability throughout all sectors is important to provide sustainability to the entire chicken value chain in Alberta and Canada.

Reviewing 2017 production, our industry sector did not set any records for production, however we did meet our allocation nationally through the combination of both

domestic and import product. The balance of domestic to import ratio was not exact in terms of the 83% : 17%, but Alberta did meet the hatcheries request to balance egg supply with chicken meat demand for Alberta.

With respect to capacity, Alberta has moved forward to enable growth, through both the New Entrant Program and the AHEP Growth Strategy. This process was enabled by Marketing Council's consultation with the SM5 in 2016 and 2017 which resulted in amended broiler hatching egg regulations that addressed mechanisms to meet potential future growth.

Some of the most important questions our industry has to ask itself are: what have we accomplished to date, what are our outstanding opportunities and challenges and what is needed for the future success of our industry? In 2017, the Alberta Hatching Egg Producers identified three priorities:

- i. Manage Production Principles**
- ii. Producer Service/ Support for Continuous Improvement**
- iii. Leadership Development**

These priorities provided a framework by which the board based their discussions and decisions.



Managing Production Principles was addressed by the development of a growth strategy, creation of an assurance of production policy, standardizing breeder life cycles and a balance of supply commitment.

The Alberta growth strategy is based on a blend of increased Quota Allocation distribution that promotes current industry expansion opportunities for Licensed Quota Holders to meet the Alberta market, and through New Entrants wanting to embark in the production of broiler hatching eggs in Alberta.

Assurance of production was developed to meet AHEP's obligation and responsibility to the marketplace, both provincially and federally. The policy is necessary to ensure broiler hatching egg production from all allocated quota is produced to meet the Alberta chicken demand. As a feature to assurance of production, the AHEP board, through consultation with hatcheries, implemented a standardized life cycle to ensure an evenly, well-distributed production flow to avoid peaks and valleys of production.

The balance of supply understanding is followed by the AHEP through the Board's commitment to provide hatcheries a guaranteed supply of domestic broiler hatching eggs that falls within a range of 74% and 91%. This commitment was followed through in 2017 via the importation of BC eggs, during a time that Alberta could not meet the Alberta hatcheries market demands.

Producer Service/Support for Continuous Improvement have been a focus for your board. In an effort of maintaining consumer elements in

food safety and welfare, the On-Farm Food Safety program continues to be reviewed, updated and certifiable. The Animal Care Program has been developed nationally and distributed to producers and will be followed up with producer training from provincial and national staff.

Emergency Response Plans (ERP) are necessary for all industries and this year, collectively your poultry sector has been involved in the development of such a plan. The ERP for the poultry industry is Incident Command System (ICS) based and will serve as a tool in the event of an emergency like and Avian Influenza outbreak. This program is expected to be completed in March 2018.

Continuous Improvement is an element that is being driven by the poultry industry to achieve better and more efficient production. AHEP has been working with the hatchery sector to identify factors impacting continuous improvement and to establish meaningful targets for improvements for the Alberta broiler hatching egg sector. This process is ongoing and will continue into 2018.

Leadership development is always important for an industry to pursue as this provides sustainability for an organization. The AHEP board and staff had surveyed producers to consider holding a producers' leadership workshop, which would provide members an opportunity to discover what elements and skills are involved in operations of an industry board. Unfortunately, the uptake on the program was not strong and the board did not pursue its development. At the board level, AHEP has engaged itself to participate in a Strategic Business



Planning workshop to review ways to address board structure and management into the future.

In closing, I would like to express my thanks to the producers of Alberta, industry colleagues, the staff in the office and my fellow Board members for your support through this past year.

Sincerely,

Handwritten signature of Gary Van Klei in blue ink.

Gary Van Klei
Chair

GENERAL MANAGER'S REPORT

Reviewing 2017, the year has demonstrated more variations in consistency as compared to other years. On the Crops side in Western Canada, many areas had excessive moisture, both in the spring and during the growing season, and the harvest was quite extended due to undesired rain while other areas in the south had drought. In Eastern Canada, the weather experienced was more favorable which resulted in good crops. The result of this variation has caused a disparity in feed pricing between the Western and Eastern Canadian feed markets. The Western grain feed prices are stronger relative to the Eastern feed market. The Livestock sector, in the non-supply managed area saw strengthening from the depressed prices of the intermediate past. For the supply managed sectors, poultry and dairy, we have a regulated system that is designed to emulate the three pillars of price stability, import restrictions and volumes. This is not the case at all times as we do have variables that cloud the simplicity of supply management.

For the Alberta Broiler Hatching Egg sector, we, with our industry hatchery partners, continue to address and re-address the term 'competitive'. We agree that we all have to be competitive; as well we agree that we all need to have a better understanding of the rates of return and the distribution of these rates of returns. In 2015, the Alberta Hatching Egg Producers (AHEP), the Alberta Hatchery Association (AHA), together with the Alberta Chicken Producers, spent extensive time selecting a consultant to develop an agreed upon pricing COP model, that would generate an Alberta-built pricing formula that has shared risks in the areas of flock life, productivity, barn space utilization



and continuous improvement, along with a spot feed pricing approach. The completion of this model and use throughout 2017 has provided our industry with a tool to establish pricing verses relying upon other Canadian jurisdictions. We are now reviewing this approach with the Alberta Hatchery Association.

Concern about antimicrobial (antibiotic) resistance (AMR) and antibiotic use (AMU) in food animals are increasingly being included as a source of resistance in human pathogens. The World Health Organization, has identified the

development and implementation of national guidelines on prudent use of antimicrobials in food producing animals, with a specific emphasis on antimicrobials categorized as critically important for human medicine. This effort continues here in Alberta, with the continued consultation with the Chief Provincial Veterinary office together with conversations with Chief Medical Health office.

Salmonella reduction in poultry is a continued mandate for the poultry industry in North America with decreased tolerance of the pathogen

presence in poultry products. Poultry processors in Canada are working to continue to monitor, reduce and develop pathogen reduction programs to meet USDA and CFI standards. For our industry, we continue to work with the Poultry Insurance Exchange (PIE) protocols to monitor the presence of *Salmonella*. Tools that we are using to reduce the presence of *Salmonella* include tech transfer in the form of using *Salmonella* vaccines, enhanced biosecurity programs and proper farm cleaning and disinfecting.

On the trade front, NAFTA dominated concerns for supply management, with the US focus on the Canadian system for dairy and poultry. To date, there have been six rounds of discussions, the most recent in Montreal which continues to demonstrate a willingness to dialogue between our countries. Our provincial and federal governments continue to see value in Supply Management and provide their continued support at these talks. As well, the conclusion of the CETA and TPP 11 agreements will

have dampening effects for SM5 as they come into force over the upcoming years.

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

Sincerely,



Bob Smook
General Manager





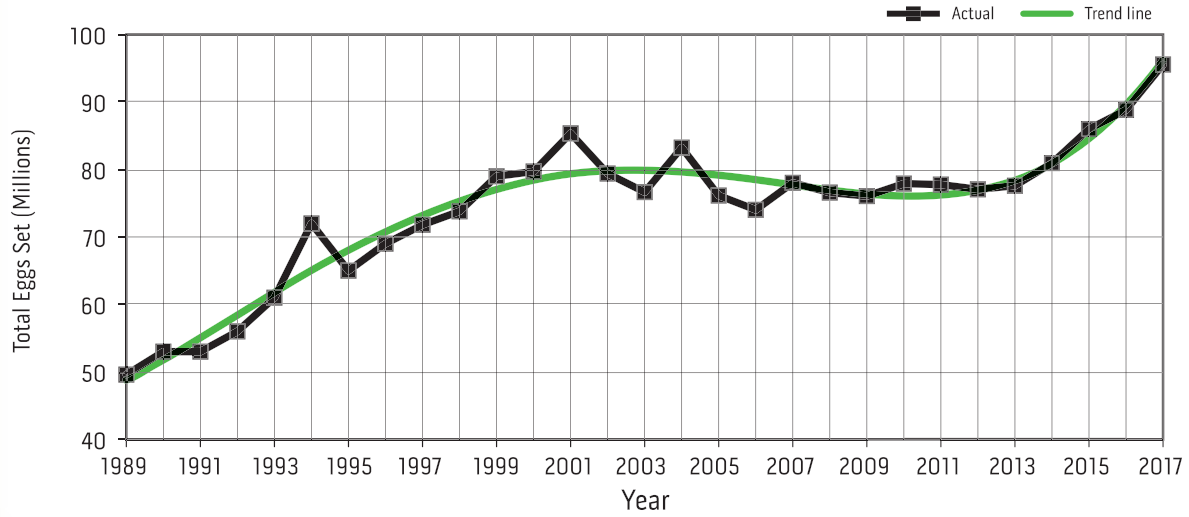
Manage Production Principles

Producer Services/Support for Continuous Improvement

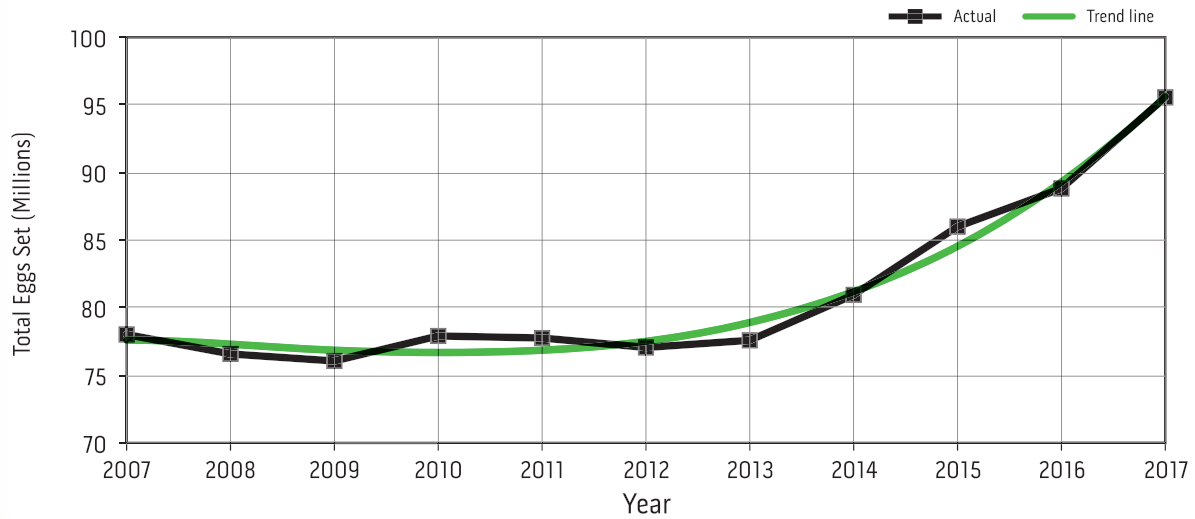
Leadership Development

2017 PRODUCTION DATA

Total Sets
(Egg & Chick Equivalent) 1989 - 2017

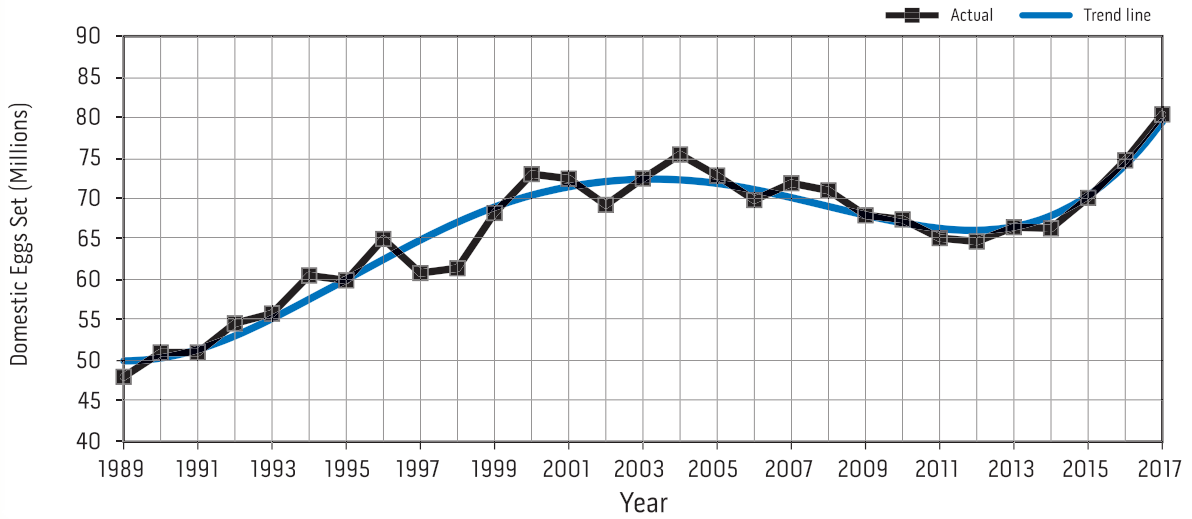


Total Sets
(Egg & Chick Equivalent) 2007 - 2017

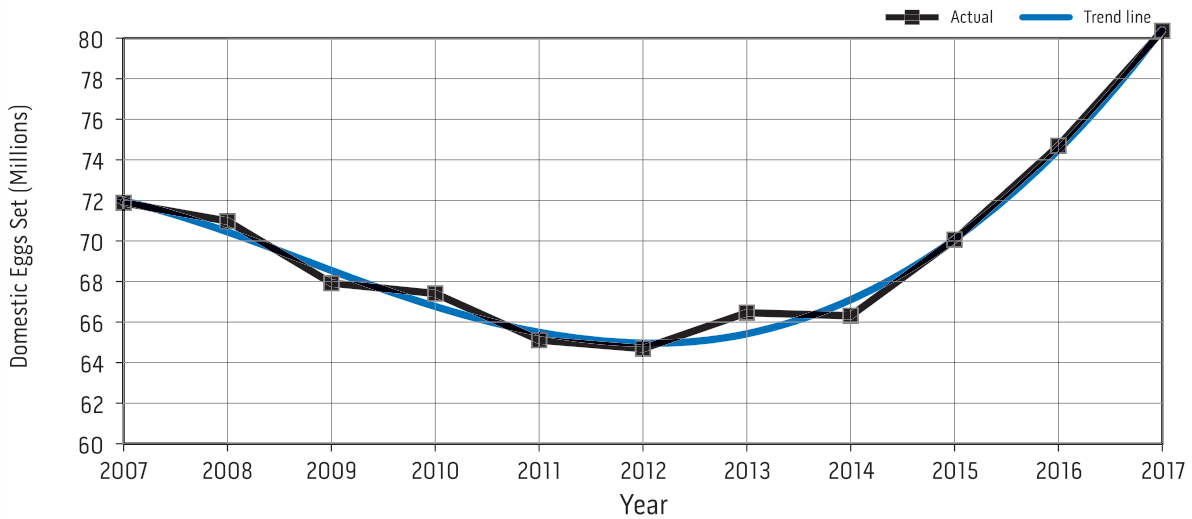


2017 PRODUCTION DATA

Alberta Domestic Hatching Egg Sets 1989 - 2017

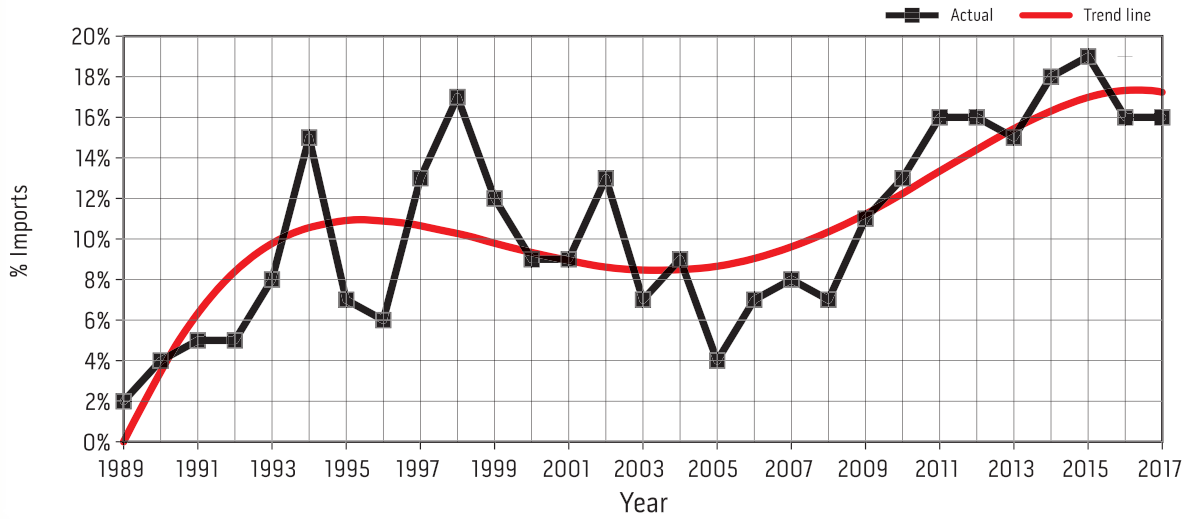


Alberta Domestic Hatching Egg Sets 2007 - 2017

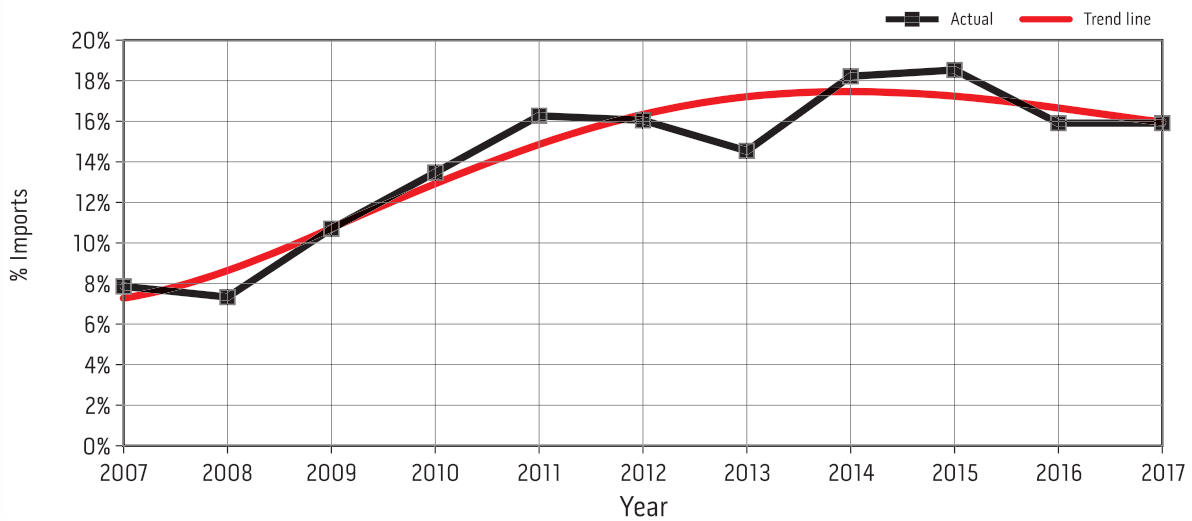


2017 PRODUCTION DATA

**Imports as a % of Total Sets
(Egg & Chick Equivalent) 1989 - 2017**

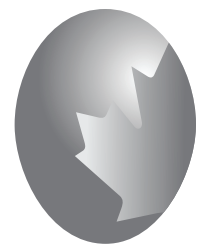


**Imports as a % of Total Sets
(Egg & Chick Equivalent) 2007 - 2017**



REPORTS

CANADIAN HATCHING EGG PRODUCERS (CHEP)



Ensuring the supply of all of the allocated domestic eggs remains a top priority for CHEP. This is why CHEP continues to explore different options to achieve 100% of the national allocation even in the case of underproduction in some of its member provinces.

Canada, together with the remaining Trans-Pacific Partnership (TPP) signatory countries, announced the successful conclusion of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on January 23, 2018. As the conclusion of CPTPP comes in the middle of the renegotiation of NAFTA, CHEP

will continue to be engaged at all levels to see a positive outcome within NAFTA.

The Comprehensive Economic and Trade Agreement (CETA) entered into force provisionally on September 21, 2017. The provisional implementation will allow for over 90% of the Canada-EU Agreement to take effect until the parliaments in all European Union (EU) Member States ratify the text according to their respective domestic constitutional requirements.

WTO Ministerial meeting (MC11) was held in Buenos Aires, Argentina in December 2017. Although no

substantial outcome marked the end of the conference, members agreed to continue to work to find an agreement on agriculture major issues (public stockholding for food security purposes (PSH), domestic support, and export restrictions).

CHEP's on-farm programs continue to evolve, and give producers the tools to demonstrate good on-farm management practices.

The most significant accomplishment was the completion of CHEP's Animal Care Program (ACP). The national, auditable ACP, based on the 2016 *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*, was approved by the CHEP Board of Directors and distributed to provincial boards. Auditor training, producer education, and program implementation are expected to proceed in 2018.

All broiler hatching egg farms in CHEP member provinces continue to receive a Canadian Hatching Egg Quality (CHEQ™) on-farm food safety audit annually. As a part of continuous improvement of CHEQ™, better on-farm management practices for egg quality are being discussed. These practices have the potential to affect chick quality and antimicrobial use along the chicken supply chain. The goal of the Canadian chicken industry is to eliminate the preventive use of Category 2 and 3 antibiotics by the end of 2018 and 2020 respectively.



Dessert creating by Katie Robinson

REPORTS

Therefore, it is imperative that all hatching egg producers do their part.

CHEP participated in the review of the Canadian Food Inspection Agency (CFIA) National Avian On-Farm Biosecurity Standard, a comprehensive tool for preventing disease in all poultry in Canada. The revised standard is expected to be available in 2018, and will be incorporated into the CHEQ™ program.

CHEP is also an active member of the Joint Government-Industry Working Group on the Control of *Salmonella* and *Campylobacter* in Poultry, with a goal to strengthen the Canadian food safety system from farm-to-fork by advancing work in the reduction of *Salmonella* and *Campylobacter* in live poultry

and poultry food products, thereby reducing the risk and burden of illness in humans.

Surveillance is a key component of knowledge, and establishing trust. Producers supported notifiable avian influenza (NAI) prevention and preparedness by participating in surveillance under the Canadian Notifiable Avian Influenza Surveillance System (CanNAISS). CanNAISS is designed to meet international NAI guidelines and trade requirements. CHEP also developed a survey to measure the use of antibiotics on broiler hatching egg farms.

Several regulations and policies that affect broiler hatching egg producers were discussed over the year, including the **Hatchery Regulations**, the Canadian Hatchery Supply Flock Policy, the **Health of**

Animals Regulations; Transportation of Animals, and the CFIA **Plant and Animal Health Strategy**.

CHEP continues to be a stronger supporter of research. Funds were committed to ongoing research at the Canadian Poultry Research Council (CPRC) as well as for the development of the Poultry Science Cluster to be submitted for consideration by Agriculture and Agri-Food Canada under the Canadian Agricultural Partnership. Research at the University of Regina looking at development of a disinfectant spray targeting *Enterococcus* and related pathogens in the chicken industry was also supported.

Jack Greydanus

Chair

Canadian Hatching Egg Producers

ALBERTA HATCHERY ASSOCIATION

The Alberta Hatchery Association is a not-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

ALBERTA FARM ANIMAL CARE (AFAC)

AFAC is a provincial multi-species livestock welfare organization. We work with producers to make sure they have everything they need to take care of their animals.

We recognize that animal welfare issues are a growing international concern and that the public expects all animals to be humanely treated throughout their lifetime. Responsible animal care is necessary for the long-term sustainability of Canada's livestock industry, both domestically and globally.



Below are the AFAC Guiding Principles:

1. AFAC believes it is an ethical and social responsibility to raise and handle livestock in ways that result in a high state of animal welfare.
2. AFAC is an impactful, proactive organization that helps to communicate the principles of farm animal care and welfare.
3. AFAC is committed to open and fair communication.
4. AFAC influences improvement in farm animal welfare through our discussions and work with stakeholders in animal agriculture.
5. AFAC engages with consumers in a transparent manner to enhance public confidence in farm animal care.
6. AFAC believes collaboration with all animal agriculture organizations and stakeholders is crucial to the advancement of our vision and mission.
7. AFAC supports continuous improvement in farm animal welfare by encouraging respect and compassion for farm animals and the implementation of science-based best practices.

AFAC hired a new Executive Director, **Annemarie Pederson** at the end of 2017. We are looking forward to new and exciting things heading into 2018!



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INTENSIVE LIVESTOCK WORKING GROUP

The Intensive Livestock Working Group (ILWG) was formed in 1997 when the livestock/poultry industry (comprised of eight commodity groups) recognized they were being impacted by many of the same issues and that by working together they would maximize the use of scarce resources and increase industry's capacity to mitigate common challenges. The ILWG consists of the following member organizations: Alberta Beef Producers; Alberta Cattle Feeders; Alberta Pork; Alberta Milk; Alberta Chicken; Alberta Turkey; Egg Farmers of Alberta; and Alberta Hatching Egg Producers.

The ILWG mandate is to identify critical, overarching issues affecting member organizations, then create the forum for critical debate on those issues, bring the most current information into discussions and ultimately improve the knowledge base of decision makers. This process is designed to improve livestock/poultry industry effectiveness through continuity and collaboration, resulting in a much greater impact as a collaboration than any one of its participating organizations could achieve acting alone.

As an important component of managing overarching issues, the ILWG will often require data and/or information to develop and test industry solutions to various challenges it has identified as priorities. This approach normally takes the form of information research and piloting potential solution(s). It also includes

participation in multi-stakeholder projects not necessarily managed by the ILWG.

Current projects/activities include:

- Bow River Phosphorus Management Plan
- Nutrient Targets for Agricultural Watersheds
- Sub Basin Phosphorus Pilot Project
- Biodiversity Management Frameworks
- Ecosystem Services
- Farm Safety – Development of Education & Extension Programs
- Climate Change
- Assessment of Farmland and CFOs (for taxation purposes)
- Municipal Road Restrictions on Manure Hauling
- Manure Management Record Keeping
- Agricultural Plastics

The ILWG prioritizes its activities using three year planning cycles with the current plan expiring August 2018. The future of the ILWG is now under discussion with its mandate, priorities/activities and funding being reviewed with this process to be completed in the coming months.



REPORTS

POULTRY HEALTH CENTRE OF EXCELLENCE

2017 DIAGNOSTIC UPDATE

In 2017, we saw variable production and health in breeders along with a number of new and emerging disease conditions. Along with White Chick Syndrome we have seen the impact of a new strain of Infectious Bronchitis Virus (confirmed on one farm) and large drops in hatchability in many flocks. At the national level, there was a delay in the start date of new Health Canada regulations (now effective December 1, 2018) to restrict the use of medically important antimicrobials, in food animals, to veterinary prescription only. Effectively this means that a valid veterinary client relationship (VCR) and prescription will be required for treatments at the farm level. The most basic VCR is based on a

diagnosis in the flock being treated and ideally a working knowledge of the farm health status and history.

Since 1999, diagnostics has been provided through the Poultry Health Centre of Excellence which was a unique model of collaboration across private, public and shareholder groups, which provided a diagnostic service with unique efficiencies and effectiveness. The Honourable Agriculture Minister Carlier gave notice to the Poultry Industry Organizations that the Government of Alberta would no longer be supporting the PHCE. The PIOs have maintained their investment in the PHCE and are working to ensure that the combination of increased veterinary needs for the industry related to prescription requirements for treatment and privatization of



the diagnostic services does not result in a shortage of support for the hatching egg industry. A full diagnostic service is still being offered by PIOs from our PHS/ IAPT Level 2 labs in a new location, 201-151 East Lake Avenue in Airdrie. Despite the decrease in funding, the capability investments for the lab have resulted in three new technical capabilities to allow for in house microbiology (bacterial and viral) testing as well as ongoing enhancements to biofilm testing. In house microbiology: culture, sensitivity services which have reduced turnaround on preliminary and final results by 24-48 hours. In cooperation with U of C through the Mitacs program, the IAPT is one year into 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. Along with his advisor Dr. Faizal Abdul Careem, Victor is also looking at the new IBV isolates from hatching egg farms in Alberta to better understand and protect against these emerging threats to our flocks.

Significant new and ongoing challenges for the industry and veterinary team at the Poultry Health Centre of Excellence (PHCE) for 2017 included: decreased late cycle egg production and hatchability (sometimes reported as low fertility) which in almost every case we have evaluated is associated with very thin egg



REPORTS

shells. In some cases, thin shelled eggs are also misshapen and may be associated with high Infectious Bronchitis Virus (IBV) titres. In one farm we have investigated and confirmed a direct link between increased IBV titres, decreased performance, and poor egg shell quality. This is also the farm where we were able to isolate and report for the first time in Alberta, a California-like IBV strain which has been reported in other provinces in Canada and in the US. It is important to point out that, on several farms, decreased hatchability is in fact a primary infertility (linked to males and mating) and in other cases with thin shells (resulting in early embryo death) that flocks have responded to nutritional interventions. We rely on getting samples to understand new viruses but also encourage that producers do not assume that IBV is causing problems and thereby miss an opportunity to fix other common causes of decreased egg shell thickness, fertility and hatchability issues. Our focus is heavily on infectious disease and IBV as a diagnostic lab where we hope to facilitate vaccination strategies. It is important to encourage the highest biosecurity the industry can achieve to prevent the introduction of circulating strains to unaffected farms.

White Chick Syndrome (Chicken Astrovirus) continues to be identified and we have applied for funding to continue to study this virus and potential vaccine solutions for the industry. 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. This year we have also seen several farms with cases of coccidiosis that is not responsive to amprolium treatment which is a concern as there are no easy alternative treatments.

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.

With the new Health Canada regulations requiring a veterinary prescription for all antimicrobial treatments, this will be a key area of impact on breeder health management. The nature of diet management for broiler breeders means that careful attention will be needed to maintain gut health especially at the time of growth restriction.

In 2017, 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 of the reportable disease depopulation systems coordinated by our governments.

A research project with the U of A, being directed by Dr. Doug Korver, has been started to correlate chick health and microbial populations in baby chicks related to egg shell thickness and the impact of egg washing.

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 2017 and forward to 2018 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 2018 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. Sincerely,

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

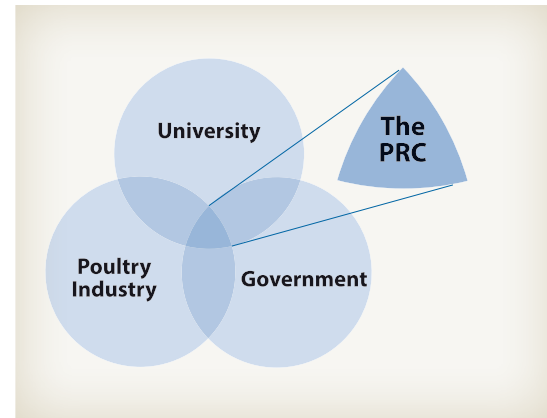
REPORTS

THE POULTRY RESEARCH CENTRE

I am pleased to report on our work on behalf of the Poultry Research Centre. The Alberta Turkey Producers are valuable contributors to our efforts in education, research, and extension. This year has been one of substantial transition at the PRC. Our much loved and respected Business Director, Agnes Kulinski, has moved on to spend more time with her family while enriching the family pierogi business. Our Poultry Unit manager, Lyle Bouvier, has retired after over 35 years of dedicated service. We thank Lyle for his conscientious and accommodating commitment to excellence, and welcome Kerry Nadeau as our new Poultry Unit manager. Rachelle Davidson, a recent BSc grad who was working at the poultry unit as an animal technician, has taken on a new role with Maple Leaf Poultry. Jesse Hunter has moved on to work with the Alberta Hatching Egg Producers

from the Heritage Chicken Program, which is now in the capable hands of Dawn Hage. To all that have moved on, we wish you the best in your life's next chapter.

Congratulations to Dr. Zuidhof who won the Faculty teaching award and Dr. Robinson who received the U of A Ag Club Teacher of the year award in 2017. One of the most important things we do at the PRC is train the next generation of poultry industry leaders. Nine faculty members in AFNS taught 14 courses in the last year that touched at least in some way on poultry products or byproducts, production, or industry issues. This content reached over 500 undergraduate students. It's good to have our teaching legend back! Even while he made important contributions to upper administration at the University, Dr. Robinson never stopped his major passion: engaging students



with amazing teaching innovations. Dr. Robinson taught the senior Applied Poultry Science class in 2017 and introduced 25 students to egg incubation, table egg quality determination and other aspects of the four poultry commodities. He has also founded an internship program that provides a connection for undergraduate students with poultry producers, processors, and allied industry during the fall and spring breaks. Many of you have participated, and benefited from the interaction! This is important for the students as, over time, the number of students with a direct connection with agriculture is decreasing. Yet, many of these students end up in the poultry industry. In case that wasn't enough, Dr. Robinson also taught a three-week course for Edmonton seniors on animal agriculture as part of the Edmonton Lifeline Learners Association (ELLA).



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This program will be offered again in 2018. You probably come across many recent graduates from our undergraduate and graduate programs in your interactions with processors, boards, feed mills and farms. One recent example is Felipe Silva (MSc, Dr. Korver) who is now working for Maple Leaf Poultry.

Doug Korver's poultry nutrition program often uses one specific type of poultry, but often has implications that apply to multiple types of poultry. In the current era of reduced antimicrobial use, a multi-pronged approach to bird health is becoming even more important. Dr. Korver currently has five projects underway, and two in the planning stages, which address bird health and welfare, and production efficiency. Three of these trials are ambitious field trials. Field trials are difficult and expensive to execute, which underscores Dr. Korver's commitment to providing value for

PRC stakeholders. Dr. Korver is a member of the National Academies of Science (USA) Committee to revise the 1994 Nutrient Requirements of Poultry. This publication is one of the standard sources of information globally for the nutrient requirements of different types of poultry. It was last updated in 1994, and so this represents a major re-writing of this publication. An invitation to serve with this committee is solid evidence of international respect in the field of poultry nutrition.

Dr. Zuidhof continues his work on precision feeding. In addition to the importance of light management for broiler breeders, one of the key discoveries from this year points to an impending biological limit to feed restriction in broiler breeders. Increasing feeding frequency from once per day to 10 times per day with precision feeding increased breast muscle accretion by 20%!

Even with a flock uniformity of 100%, this change in body composition meant that breeders had to be fed to higher body weights to achieve their laying potential. This knowledge is important to understand the principles on which new broiler breeder feed restriction strategies will need to be based in the next few years. Dr. Zuidhof has applied for cluster funding to explore the impact of metabolic triggers on the onset of reproduction, and for a commercial precision feeding study.

Congratulations on another successful year for your organization. We look forward to another productive year working to continuously improve poultry industry practices, and to attract some of the best young people to the poultry industry. The PRC values your partnership.

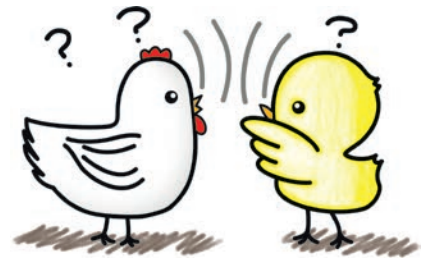
Dr. Martin Zuidhof
University of Alberta

2017 BOARD HIGHLIGHTS

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 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.

Three Chick 'N Chat meetings were held in 2017. June's meeting was held in Red Deer, and October saw one in Strathmore and one in Edmonton. The meeting in June focused mostly on the upcoming regulatory review, but other topics included discussions around emergency management, PIE, continuous improvement and cycle length concerns. The main focus of discussion during the October meetings was around growth and allocation, but other topics covered included the Green Certificate Program, balance of supply, and the upcoming CHEP Animal Care Program.



There was low producer turn out at the 2017 Chick 'N Chat meetings, prompting the Board to look at perhaps a different meeting format in 2018. With the small number of producers in Alberta involved in hatching egg production, it is vital to the industry to have strong producer participation. Producers are encouraged to attend and have their voice heard.



2017 BOARD HIGHLIGHTS

ALBERTA SM5

Alberta SM5 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 SM5. The SM5 works together on joint initiatives to ensure that our industries as a collective 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.

The SM5 group has worked with Alberta Counsel since early 2016 and SM5 is encouraged by the positive relationships that have been cultivated with the Alberta NDP, as well with local Members of Parliament.

Throughout 2017 Alberta SM5 achieved the following activities:

- Retained the services of a Government Relations expert
- Identified a Government Relations strategy for 2017
- Revised a Government Relations strategy for 2018
- Provided sponsorship for the Calgary and Edmonton's Premier's Breakfast (providing eggs, sausages, and milk products for the events)
- Meetings with the Government of Alberta: Rural Caucus, MLA Estefania Cortes-Vargas
- Meeting with Federal MP: Randy Boissonnault (MP)



- Meeting with the standing committee on Alberta's Economic Future
- Meeting with Heather Mack, Chief of Staff to Minister of Alberta Economic Development and Trade
- Attended political events including:
 - Premier's Breakfasts (Edmonton and Calgary)
 - SM5 Farm Tour
 - Conservative MP Stampede BBQ

On October 6, 2017 SM5 hosted several NDP MLAs on a farm tour to Marc and Hinke Therrien's poultry farm. The tour demonstrated to the participants why supply managements is vital for the dairy and poultry industries within Alberta, and Canada. During the

bus ride, each commodity had the opportunity to present to the attendees. This facilitated some great conversations around the current concerns regarding supply management, and how the government can help make sure that supply management is supported going forward.

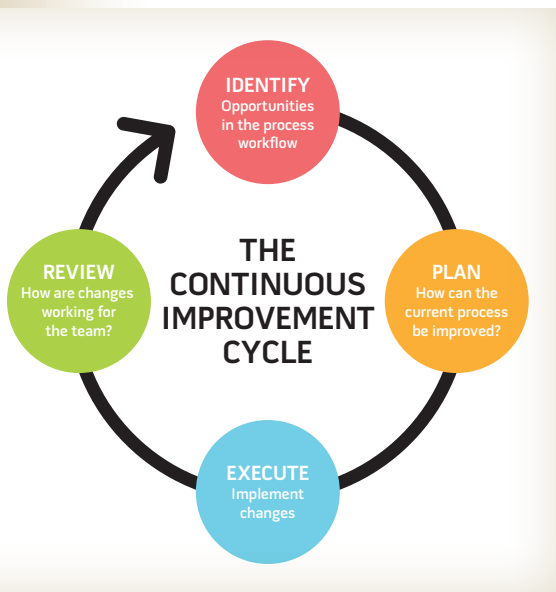
Working in conjunction with SM5 and Alberta Counsel, Alberta Hatching Egg Producers have communicated concerns to the government on the important issues, such as NAFTA, that are critical to Alberta producers and has been active in meeting with government representatives to communicate AHEP's position on various government initiatives underway throughout 2017.



2017 BOARD HIGHLIGHTS

CONTINUOUS IMPROVEMENT INITIATIVE

Continuous improvement is accomplished by making small changes over time, rather than implementing a large-scale change to any one sector in a value chain. Positive results will be obtained without the need to find or push off blame. *Leankit*, a work and resource management company, uses a diagram to demonstrate how a continuous improvement cycle will lead to proactive change and improvement.



In the broiler hatching egg industry, continuous improvement in the number of saleable chicks per hen is influenced by both producers and hatcheries. Producers can impact continuous improvement by obtaining more settable eggs from their flock and/or by increasing the percentage of eggs that are fertile. Fertility, together with a quality egg, provides the hatcheries with the optimum

product for successful chick production. It is then contingent upon the hatchery's ability and performance to contribute to a high-quality broiler chick. Together, producers and hatcheries determine the number of saleable chicks produced. In July 2017, a Continuous Improvement Working Group was initiated with members from both the producer and hatchery sectors.

In 2017, the working group met on seven occasions both in person, and via conference call. The group has established goals, targets and action items to guide and support continuous improvement in all of Alberta's hatching egg industry. The overarching goals are to see improvement in relationships between hatcheries and producers as well as an increase in the average number of saleable chicks per hen in Alberta.

The working group surmised that the main key factors impacting the number of saleable chicks are:

1. **The number of settable eggs produced by each hen**
2. **The fertility of those settable eggs**
3. **The hatch of those fertile, settable eggs**
4. **The chick quality from the hatch of the fertile, settable eggs**

With factors established, the committee will collect information that will assist in identifying areas of producer and hatchery management to focus on. This data collection and reporting will provide objective communication and early

intervention where issues may exist. The committee members are optimistic that benchmarking and the sharing of best practices will support improvements throughout the producer/hatchery value chain.

Further initiatives include the development of a written producer protocol for successful on-farm fertility evaluation. Workshops and one on one support will supplement written material.

A "Crackless Egg" will assist in identifying potential areas that compromise a settable egg from hen to incubation.

Some further action being explored include:

- Organize "Talk to the Expert" opportunities for producers
- Facilitate producer/hatchery chat groups
- Obtain an objective measurement of day-old breeder flock and brooding quality as a potential for long term effects on production parameters.
- On-farm training of male scoring to ensure consistency
- Investigate potential for earlier detection and reporting of hatchery determined fertility

There is an endless list of areas to be studied and monitored. Producers will be updated as new ideas develop. The AHEP and AHA are committed to starting somewhere!

2017 BOARD HIGHLIGHTS

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 155 chick pad samples submitted in 2017, one sample tested positive for *Salmonella* Litchfield, and one other tested positive for *Salmonella* Heidelberg. All others confirmed negative for any *Salmonella* species. The positive flocks were 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 132 rearing barn samples collected in 2017, there were zero positive results for *Salmonella Enteritidis* (SE).

Environmental samples from 12 empty or new barns tested negative for SE. Rigorous cleaning and disinfection by producers ensured that the environmental swabs were negative, leaving no concern for the flock transferred to that barn.

Monitoring of flocks during production is accomplished through the regular testing of fluff samples submitted by hatcheries. Unfortunately, repeated positive fluff samples were obtained from one flock in 2017, which was depopulated shortly after. A claim was submitted to PIE and the producer was compensated fairly 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.



2017 BOARD HIGHLIGHTS

EMERGENCY RESPONSE PLAN INITIATIVES



When a disaster strikes the poultry industry in Alberta, the goal is to deal with the emergency in a methodical and effective manner in order to minimize the impact to any affected producers, and the rest of the industry. Agri-Risk and Growing Forward 2 grants were pursued by the Alberta Poultry Industry (API) to help fulfill this goal. At the beginning of 2017, the Alberta Poultry Industry contracted Emergency Response Management Consulting Ltd (ERMC) to help develop comprehensive resources for dealing with emergencies in the Alberta poultry industry. There has been tremendous effort over

the past 12 months by ERMC, API producers/staff and industry stakeholders working together to create a thorough and functional response plan for Alberta.

The Alberta Emergency Response Plan and associated components are in the final stages of development. Training and final reviews of all documents and procedures are taking place from January to March, 2018 with an end date of Spring 2018. The project covers the following areas of Emergency Response:

EMERGENCY RESPONSE PLAN:

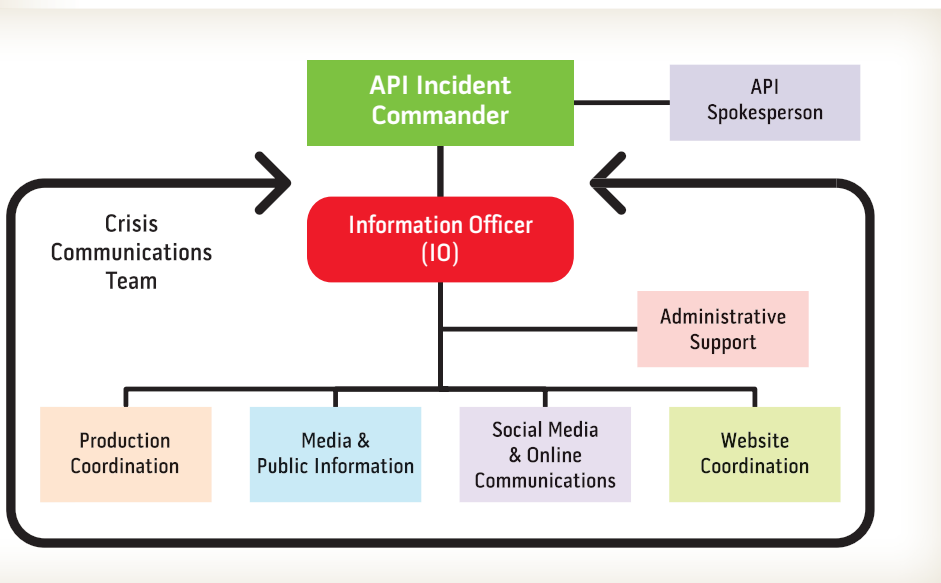
Using the plan previously developed by the Alberta Poultry Industry Emergency Management Team, ERMC has reviewed and updated the document. The plan is a comprehensive guide to Incident Command Structure and

division of tasks in the event of an emergency. It details responses, contact information and other key information necessary to successfully navigate an event.

A Quick-Start Emergency Response Plan guide has been developed as a resource for individual producers, and will be available after the conclusion of the project in the spring of 2018. This guide will help producers create emergency response strategies for their own farms, sample submission protocols in the event of a reportable disease, contact information sheets and biosecurity procedures in the event of different types of emergencies.

CRISIS COMMUNICATIONS PLAN:

This comprehensive plan describes how the flow of communication, press releases, industry and media correspondence, and all other information should be managed during a crisis. This plan includes division of labour for all different types of communications that must take place, timelines for when communications should be delivered, templates for different emergencies and contact information for communications personnel throughout the poultry industry at a provincial and national level. The communications team and all spokespersons for each poultry industry are also undertaking media training facilitated by ERMC.



2017 BOARD HIGHLIGHTS

PERSONAL PROTECTIVE EQUIPMENT:

Describes protocols and procedures for biosecurity equipment (gloves, mask, coveralls, etc.) for first responders, veterinarians, farm personnel and any other visitors to the farm in the event of an emergency. ERMIC has also investigated creating biosecurity kits which can be delivered to farms during an emergency, so clean biosecurity equipment is always available. All staff and field personnel will be trained on donning/doffing protocols included in the plan to ensure standardized use of PPE throughout the industry.

DEPOPULATION & DISPOSAL:

Describes methodologies for humane depopulation of a barn in the event of an emergency, and subsequent strategies for disposal of birds afterwards. ERMIC has created a guide which should help determine the most effective way to ensure there is minimal impact to the birds and producer when birds must be destroyed. ERMIC is also approaching the Alberta government regarding the possibility of acquiring their whole-barn gassing equipment. The government is transitioning away from playing a role in barn depopulation, so acquiring the equipment will allow continued use by the Alberta poultry industry. Many discussions have taken place over the lack of trained operators for this equipment in Alberta. ERMIC is investigating alternative solutions to this problem. Establishing trained personnel on a contract basis has been proposed as an alternative to ensure someone is always available.



GEOFENCING:

Geofencing is essentially a virtual visitor logbook for an individual producer's farm. **BeSeen BeSafe**, the company who created the geofencing software, is able to place a virtual border around a poultry farm. Anyone who has the BeSeen BeSafe app on their phone who passes through that virtual barrier will trigger a notification that the virtual barrier has been crossed. The system keeps a record of all visitors who have been to the farm on a secure server.

With the BeSeen BeSafe geofencing system, it is easy to inform producers in the event of a disease outbreak that there has been an outbreak, if any personnel have travelled from an affected farm to a non-affected farm, and the area that is affected. It allows a much faster response and reduces number of farms affected compared to traditional paper logbooks.

ON-FARM BIOSECURITY INITIATIVES:

Alberta poultry producers understand the importance of biosecurity however, everyone can always strive to improve. The four poultry boards have been working on an assessment which follows a "Basic, Better, Best" level of biosecurity on a farm. This assessment is broken into categories: geographical/seasonal risk, farm layout/access, barn integrity, transition zones, equipment movement, current biosecurity, people/pets. This on-farm assessment is not an audit, rather a conversation using an assessment tool to improve biosecurity on all poultry farms in Alberta.



2017 BOARD HIGHLIGHTS

PRODUCTION PLANNING

Production planning is an ongoing process that reflects changes in the chicken industry as they unfold. Over the past three years, many hatching egg farms have expanded their current barns or engaged in new construction to meet the growth that has been afforded to Alberta. While exciting and positive, increased barn space can result in less efficient use of capital in the short term while ensuring long term capacity for future growth potential. Many producers have required an adjustment to placement dates and schedules to accommodate construction. This has resulted in less than ideal peaks and valleys in domestic supply, as demonstrated in Figure 1.

The hatcheries in Alberta will be setting close to 2.0 million (M) hatching eggs per week, on average in 2018. The domestic commitment of 82.57% requires a supply of approximately 1.6M eggs from Alberta producers. With current and scheduled flocks in the province, the total of 84M domestic eggs will be achieved. However, the rate of this domestic supply is less than favorable.

Most farm plans have been finalized so it is now the mandate of the board to equalize the flow of domestic eggs. To achieve this outcome, it will be necessary to adjust placement dates to ensure a more balanced supply. Significant highs and lows in production can have detrimental effects to storage time of eggs in hatchery egg rooms, both too short and too long, for optimum saleable chick production.

FIGURE 1 Alberta Weekly Domestic Egg Supply

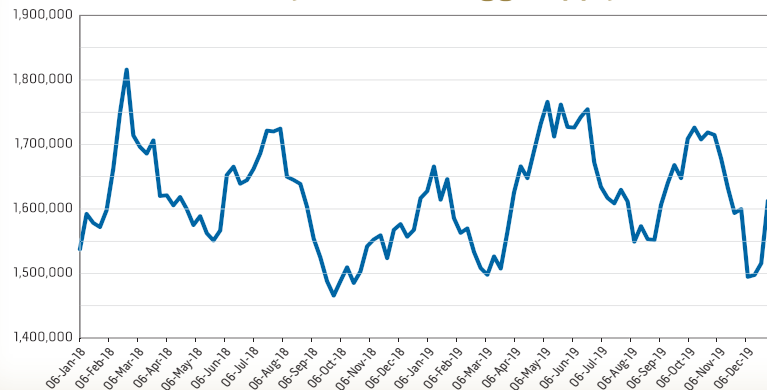
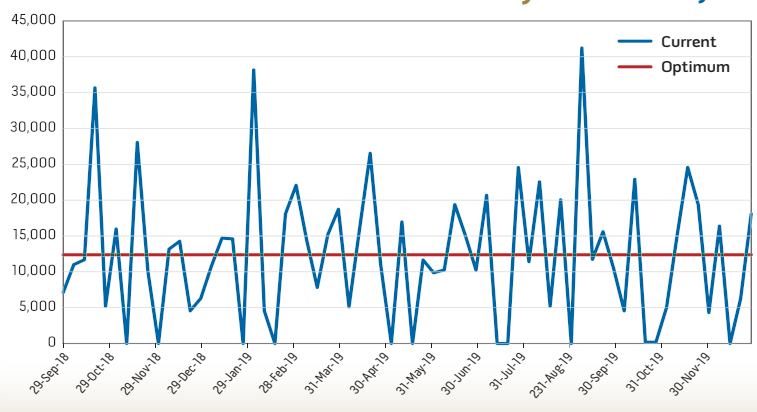


FIGURE 2 # Breeder Chicks Placed Weekly 1 66-week cycle



The AHEP board will be implementing a standardized life cycle of 66 weeks for all Alberta farms. This will require moving placement dates so that flocks offset one another, rather than align on top of each other. Creating a diagram of the number of breeder chicks placed each week over a 66-week period will identify where flock placements need adjustments. Working with producers to determine the best way transition into an orderly placement profile for the province will ensure as minimal disruption to farm operations as possible. Delaying some placements to achieve this balance may provide

an opportunity for those farms that are planning barn renovations or equipment replacement.

Production planning in the hatching egg sector is very challenging due to factors that influence each flock's success. Should the current challenges in obtaining production potential from breeder flocks be alleviated, perhaps fewer birds will be required to achieve provincial settable egg commitment. However, with impressive developments in efficiency in the broiler sector it is anticipated that the biology of breeder males and females will continue to require precision management to reach their potential.

FINANCIAL STATEMENTS

Alberta Hatching Egg Producers

Financial Statement

Year Ended November 30, 2017



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, 2017 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, 2017 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 7, 2018

CHARTERED ACCOUNTANTS

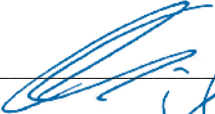
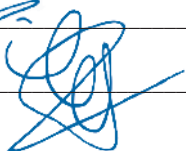
ALBERTA HATCHING EGG PRODUCERS

Statement of Financial Position

As at November 30, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 977,777	\$ 862,765
Term deposits (Note 2)	617,123	616,079
Accounts receivable (Note 3)	221,978	191,034
Prepaid expenses	30,124	25,375
	<u>1,847,002</u>	1,695,253
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 4)	<u>19,034</u>	11,691
	<u>\$ 1,866,036</u>	<u>\$ 1,706,944</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 113,843	\$ 146,348
DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND LEASEHOLD IMPROVEMENTS	<u>-</u>	619
	<u>113,843</u>	146,967
CONTINGENT LIABILITY (Note 6)		
NET ASSETS		
Invested in equipment and leasehold improvements	19,034	11,072
Internally restricted (Note 7.)	410,000	-
Unrestricted	1,323,159	1,548,905
	<u>1,752,193</u>	1,559,977
	<u>\$ 1,866,036</u>	<u>\$ 1,706,944</u>

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

KING & COMPANY
 CHARTERED ACCOUNTANTS

ALBERTA HATCHING EGG PRODUCERS

Statement of Operations

Year Ended November 30, 2017

	Budget (Unaudited) 2017	2017	2016
REVENUE			
Provincial levy (<i>Note 8</i>)	\$ 1,045,024	\$ 1,084,088	\$ 987,629
Administration fee	-	179,593	-
Interest	8,000	9,286	8,736
Diagnostic and other	1,000	1,043	17,196
Amortization of deferred contributions related to equipment and leasehold improvements	-	619	1,377
Quota transfer	200	-	100
	<u>1,054,224</u>	<u>1,274,629</u>	<u>1,015,038</u>
EXPENSES			
Salaries and benefits	295,000	305,563	277,573
Poultry risk management	278,300	287,234	226,456
Members' allowance	88,000	97,242	82,283
Members' expenses	61,000	59,954	47,533
Rent	42,000	40,301	45,723
Employee operational expenses	26,200	23,782	33,377
Professional fees	30,000	22,668	28,784
Office (<i>Schedule 1</i>)	25,300	20,383	19,627
Meeting	11,000	13,769	10,811
Telephone and fax	9,000	8,787	8,542
Amortization of equipment and leasehold improvements	-	6,252	6,590
Advertising, promotion and dues	12,000	5,806	14,688
Insurance and bonding	4,000	3,926	3,064
Interest and bank charges	1,200	1,652	1,453
Bad debts	-	-	5,810
	<u>883,000</u>	<u>897,319</u>	<u>812,314</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	171,224	377,310	202,724
SPECIAL PROJECT EXPENSES (<i>Schedule 2</i>)	227,200	185,094	155,949
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (55,976)	\$ 192,216	\$ 46,775

ALBERTA HATCHING EGG PRODUCERS

Statement of Changes in Net Assets

Year Ended November 30, 2017

	Invested in Equipment and Leasehold Improvements	Internally Restricted (Note 7)	Unrestricted	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 11,072	\$ -	\$ 1,548,905	\$ 1,559,977	\$ 1,513,202
Excess (deficiency) of revenue over expenses	(5,632)	-	197,848	192,216	46,775
Purchase of equipment and leasehold improvements	13,594	-	(13,594)	-	-
Transfers	-	410,000	(410,000)	-	-
NET ASSETS - END OF YEAR	\$ 19,034	\$ 410,000	\$ 1,323,159	\$ 1,752,193	\$ 1,559,977

ALBERTA HATCHING EGG PRODUCERS

Statement of Cash Flows

Year Ended November 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Receipt of provincial levy	\$ 1,042,068	\$ 1,036,654
Receipt of administration fee and other	163,072	29,180
Receipt of interest	8,979	8,794
Receipt of grants	-	49,250
Cash paid to suppliers and employees	(1,084,469)	(980,596)
Cash flow from operating activities	129,650	143,282
FINANCING AND INVESTING ACTIVITIES		
Proceeds on redemption of term deposits	616,079	615,043
Purchase of equipment and leasehold improvements	(13,594)	-
Purchase of term deposits	(617,123)	(616,079)
Cash flow used by financing and investing activities	(14,638)	(1,036)
INCREASE IN CASH	115,012	142,246
CASH - BEGINNING OF YEAR	862,765	720,519
CASH - END OF YEAR	\$ 977,777	\$ 862,765

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2017

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. The Board is a not-for-profit organization and is exempt from income taxes under the Income Tax Act. The Board charges levies, and quota allocation fees, as authorized under regulation, to fund its activities and to assist in enforcing regulations.

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 are set on an annual basis and are on a timely basis after the eggs are set. Hatcheries remit levies based on the eggs hatched.

Administrative charges and other fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

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.

(continues)

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost or deemed cost less accumulated amortization, and 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.

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

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 506,723	\$ 505,679
Restricted	110,400	110,400
	<u>\$ 617,123</u>	<u>\$ 616,079</u>

Unrestricted term deposits bear interest averaging 1.46% (2016 - 1.39%), maturing from June 2018 to June 2019.

Restricted term deposit bears interest at 0.90% (2016 - 0.90%), maturing on October 8, 2018 and is held as security for the Canadian Hatching Egg Producers contract as described in Note 6.

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Levies and other	\$ 217,905	\$ 178,244
Interest	4,073	3,766
Goods and services tax	-	9,024
	<u>\$ 221,978</u>	<u>\$ 191,034</u>

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2017

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer	\$ 27,524	\$ 21,928	\$ 5,596	\$ 4,948
Furniture and equipment	20,243	17,147	3,096	5,242
Leasehold improvements	16,560	16,560	-	-
Website	32,039	21,697	10,342	1,501
	<u>\$ 96,366</u>	<u>\$ 77,332</u>	<u>\$ 19,034</u>	<u>\$ 11,691</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Wages	\$ 61,397	\$ 65,160
Government remittances	21,009	19,065
Canadian Hatching Egg Producers	18,328	38,251
Trade and other	13,109	23,872
	<u>\$ 113,843</u>	<u>\$ 146,348</u>

6. 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.

7. INTERNALLY RESTRICTED NET ASSETS

The Board has internally restricted net assets for the below purposes. These amounts are not available for other purposes without approval of the Board.

	2017
Liquidated damages assessment	\$ 200,000
Continuous improvement	160,000
Legal fees for pricing appeal	50,000
	<u>\$ 410,000</u>

8. PROVINCIAL LEVY

	2017	2016
Gross levies collected	\$ 1,342,795	\$ 1,222,360
Canadian Hatching Egg Producers levies paid	(258,707)	(234,731)
Net levies collected	<u>\$ 1,084,088</u>	<u>\$ 987,629</u>

ALBERTA HATCHING EGG PRODUCERS

Notes to Financial Statements

Year Ended November 30, 2017

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.

University of Alberta Grants

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. The Board approved a two year extension to the funding agreement to cover the period from April 1, 2017 to March 31, 2019 with the contribution remaining at \$34,861.

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, 2017.

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**Office***(Schedule 1)***Year Ended November 30, 2017**

	Budget (Unaudited) 2017	2017	2016
OFFICE EXPENSES			
Office supplies	\$ 10,000	\$ 10,124	\$ 5,511
Website and internet	5,000	5,066	8,059
Contract labour	4,800	4,673	5,659
Courier and postage	1,000	520	398
Computer expenses	6,000	-	-
	<u>\$ 26,800</u>	<u>\$ 20,383</u>	<u>\$ 19,627</u>

ALBERTA HATCHING EGG PRODUCERS

Special Project Expenses

(Schedule 2)

Year Ended November 30, 2017

	Budget (Unaudited) 2017	2017	2016
SPECIAL PROJECT EXPENSES			
Diagnostic and veterinary	\$ 35,200	\$ 37,882	\$ 52,252
Grants	35,000	34,861	34,861
PIE audit and testing	25,000	27,368	32,851
CHEP summer meeting	35,000	25,273	-
Balance of supply	50,000	19,221	-
COP update fee	19,500	12,973	14,000
Offsap	16,000	12,190	9,532
SM5 cost share	7,500	6,743	3,988
On-Farm audit	-	5,264	-
Chick n Chat	-	2,752	2,083
ILWG-MOU	4,000	567	1,213
Early shipouts	-	-	5,169
	\$ 227,200	\$ 185,094	\$ 155,949



Producer Services/Support



**Managing Domestic
Production**



**Trade Policy
& Government Relations**

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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