

ALBERTA Egg Producers

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Back Row (Left to Right): Andrew Wipf, David Webb, Meb Gilani, Murray Minchin, Joe Kleinsasser, Michael Froese, Levi Hofer, Susan Gal, Jenna Latanville

Front Row (Left to Right): Carla Znak, Laurel Martin, Catherine Kelly, Christina Robinson, Peggy Galbraith

Not Pictured: Amin Valji

INTRODUCTION

The 2011 Annual Report is presented at the 43rd Annual General Meeting of the Alberta Egg Producers held Tuesday, February 28, 2012 at the Sheraton Hotel in Red Deer, Alberta.

THE ALBERTA EGG PRODUCERS TEAM (AS OF DECEMBER 31, 2011):

Board of Directors

Michael Froese Chairman
Joe Kleinsasser Vice-Chairman
Andrew Wipf EFC Representative
Amin Valji EFC Alternate
Meb Gilani Director
Levi Hofer Director

Staff

Susan Gal General Manager

David Webb Marketing & Communications Coordinator

Christina Robinson Producer Services Manager

Jenna Latanville Market Development & Research Officer

Laurel Martin Office Manager

Peggy Galbraith Administrative Assistant – Customer Service

Catherine Kelly Administrative Assistant – Marketing & Communications

Murray Minchin Field Services Coordinator
Carla Znak Producer Services Administrator

ALBERTA'S EGG INDUSTRY: AT A GLANCE

	DECEMBER 31, 2011	DECEMBER 25, 2010
	(53 weeks)	(52 weeks)
Total number of registered producers	154	155
Total issuance (hens)	1,865,449	1,836,410
Average flock size (hens)	12,113	11,848
Total egg production (dozens)	48,238,315	46,028,004
Total industrial product (boxes)	438,469	358,508

Pricing:

- Producer prices for large eggs ranged from a low of \$1.73 to a high of \$1.98 per dozen, in 2011.
- The average producer price increased \$0.20 to \$1.91 per dozen in 2011, from \$1.71 in 2010.

Levy:

- Levy for registered producers in 2011 was \$8.422 per bird in week 01/11 and increased to \$9.464 per bird in week 05/11.
- Levy for unregistered producers in 2011 was \$0.337 per dozen in week 01/11 and increased to \$0.365 per dozen in week 05/11.

CHAIRMAN'S MESSAGE

Think stretch. If last year was one of the busiest years for the Board of Directors and staff, then 2011 was one of the stretchiest. Throughout 2011, our staff managed the daily responsibilities of regulating the production and marketing of eggs, worked to improve the perception of eggs and the Alberta egg industry, and ensured that our organization remained progressive in the areas of on-farm food safety, animal welfare and the environment. In addition, our Board and staff faced a serious and lengthy situation early in the year, helped develop an inventive national Salmonella Enteritidis (SE) insurance program, researched potential partners to help Alberta egg farmers become more elastic in their risk management approach, and defended the beneficial supply management system that sustains our industry and rural communities. Certainly, we were stretched.

Think strength. The past year, Board and staff pulled together, undaunted, to overcome the hurdles posed by several challenging circumstances. Our membership can rest assured that their Board



and staff are committed to working tirelessly through issues and communicating with government. To maintain a leadership position to shape our shared destiny, farmers must be more proactive discussing and defending their industry and livelihood. With an eye to our future, together we are strong.

Think sharp. Our Board is charged with directing and protecting Alberta egg farmers. Reacting to changing business climates, dynamic trade landscapes and producer opportunities, in an intelligent, reasoned and thoughtful manner, requires foresight, participation and guidance. As such, Board and staff have stayed on top of ongoing international trade negotiations – World Trade Organization (WTO), Trans-Pacific Partnership (TPP) – and the more recent barrage of anti-supply management media coverage and misinformation. During the year we have attended and participated in various animal care conferences, an international egg convention and the Canadian Egg Industry Reciprocal Alliance (CEIRA) SE insurance meetings. Our Board actively engages all facets of the industry, to ultimately lead us to a successful and sustainable future for Alberta's egg industry. Without question, we'll stay sharp.

Think smooth. In my first year as your Chairman, my priority has been to provide a continuity of solid leadership. My primary goal has been to provide Alberta egg farmers with a stable, sustainable environment to do what you do best; to provide Albertans with a safe, high quality supply of fresh, nutritious, locally produced eggs and egg products. Thankfully, your Board shared my vision and dedication to achieving this goal, and worked diligently and passionately to do exactly that in 2011. Your Board will continue working together and with AEP staff, smoothly into 2012 and beyond.

Stretch, strength, sharp and smooth. I would like to thank and compliment the AEP Board and staff, for the creative and exceptional way they dealt with everything thrown at them in 2011; for successfully stretching in many directions, for showing strength and commitment to our organization, and for making sharp decisions in the best interest of our industry. Finally, I would like to thank my fellow producers, for having confidence in your Board to lead us smoothly into a stable, sustainable future.

MICHAEL FROESE, BOARD CHAIRMAN

GENERAL MANAGER'S MESSAGE

For much of 2011, AEP focused on working within our supply chain, to improve food safety practices and monitor breeders, hatcheries, pullet growers and egg producers. By the end of the year, we will be very close to having all of these sectors enrolled in an insurance program that provides compensation in the event that a flock needs to be removed because of a positive test for Salmonella Enteritidis (SE). We will increase our Salmonella testing in 2012, based on new protocols established under the Start Clean – Stay Clean program. The combination of these programs will be the key to ensuring that we are able to put forward the safest product possible to Albertans.

There have been several challenges driven primarily by the media, regarding supply management and how it relates to international trade and the cost consumers pay for food. It is interesting to note that the position of the federal government remains unchanged. Gerry Ritz, Minister of Agriculture, reaffirmed that "Canada will seek to defend and promote our specific interests in every sector of the



economy, including our important supply management system." Provincially, it is fair to say that our government recognizes us as a strong, vibrant industry and a contributor to the rural economy. The government is confident in our ability to deliver safe, high quality products to the consumer, through sustainable production practices.

Moving forward, we need to continue delivering the message that supply management is not just about trade and the mechanisms that control pricing and supply. It has evolved into a business that delivers services to its members, which help improve their products and the sustainability of their industry. As leaders, it will be important to continue striving for excellence in all programs we manage. It will become equally important for producers to more actively engage the public, as advocates for their industry. Supply management is quite perplexing to the average consumer, with the majority of Canadians not even aware that it exists. Consumers do care, however, about having access to safe, nutritious, affordable, locally produced eggs and egg products; that is where we need to do a better job of helping them connect the dots. As a result of the stable marketplace that supply management creates, our producers are able to focus on what they do best. We are grateful that our farmers' income is received in the marketplace, rather than from government payouts.

In closing, I would like to thank our industry partners and our funders (ALMA, Growing Forward, ARD and Ag & Food Council), who so graciously supported our many initiatives in 2011. Your support allowed us to more proactively implement projects that will help us grow and prosper.

Finally, I would like to thank our Board of Directors. Their vision and passion for this industry inspires me year after year. Without the dedication and commitment of all our staff members, carrying out this shared vision would not be possible. It is to them that we should be most grateful.

SUSAN GAL, GENERAL MANAGER

EFC DIRECTOR'S REPORT

As your Egg Farmers of Canada (EFC) Director, I am pleased to provide an overview of the events and activities that shaped 2011. EFC and provincial board staff achieved many of the Board's 2011-2014 business plan objectives linked to five key result areas: changing consumer demand and industry sustainability, social responsibility, stakeholder collaboration, innovation and research, and trade. Of note, 2011 also saw the Board's election of Peter Clarke as our new Chair and Laurent Souligny's induction into the Canadian Agriculture Hall of Fame.

Starting with EFC's financial position, the unrestricted portion of the Pooled Income Fund (PIF) was projected to finish the year at \$24.3 million at the time of writing this report – despite having tracked near or slightly below the Board's established trigger point of \$20 million during the second half of 2011. This was attributed primarily to the high cost of buyback resulting from increased feed costs, high declarations and a strong Canadian dollar – all which were partially



offset by an average year-to-date processor base price through October of 56.0¢ per dozen. At the same time, the unrestricted Administration Fund was expected to end the year at \$4.7 million, well above the Board's \$1 million trigger. The fund balance is budgeted to decrease in 2012. The restricted portion of the PIF, meanwhile, was projected to end the year at \$17.5 million with the restricted portion of the Administration Fund expected at \$4.1 million.

The 2012 quota allocation and provincial breakdown will remain unchanged from last year at 21,440,465 layers, after Farm Products Council of Canada turned down the Board's request for a 214,683 layer increase. Council also rejected the Board's call for a 2.5¢ increase to the overall EFC levy. As a result, the levy remains unchanged at 32.75¢ per dozen. The Budget Committee will review levy rate options early in 2012 and is expected to provide a recommendation to the Board on the best way forward. The current levy order with its 28.5¢ per dozen PIF levy will be in effect until March 30, 2012, but it could change sooner if a new levy order is approved. The Administration Fund (3.0¢), restricted Risk Management Fund (1.0¢) and restricted Research Fund (0.25¢) levies remain unchanged.

Overall, we did well in 2011 promoting the benefits of eating eggs through our cholesterol-concerned and healthy eating strategies. We surpassed our sales goal by achieving 1.7% growth in total egg sales, despite a 7% increase in retail egg prices. Owing to our Physicians Education Program, just 38% of doctors are telling their patients to limit egg intake – down from 65% just four years ago. EFC also engaged opinion leaders in various disciplines to speak up to correct misinformation in the media about eggs. What's more, our Big Tasks TV ads performed as good as or better than any previous campaign, with respect to recall, appeal and relevance. Besides our proud sponsorship of the Postmedia Canspell Spelling Bee and La dictée, EFC also served as the Official Nutritional Partner for the Run for the Cure, at 60 sites across Canada.

EFC has been working as a Board and with industry stakeholders, to better understand our own values and responsibilities as members of the community and wider Canadian society. We know it's important to be good at what we do, which is why so many egg farmers are doing well on their Start Clean – Stay

EFC DIRECTOR'S REPORT

Clean and Animal Care program ratings. We also recognize how important it is to be able to talk about how we farm and about our values as farmers. As we come to understand our collective values, it's becoming easier for us to talk about egg farming in a way that's natural and shows we are proud of our role as responsible stewards of our flocks, who provide Canadians with a healthy, nutritious source of protein. We value family, integrity and honesty, we are passionate about our product and we are passionate about doing the right thing. This is why EFC has been investing in research and innovation. It is also why we notified the National Farm Animal Care Council this past year, of our wish to review the layer *Code of Practice*. We also finalized voluntary national egg and bird traceability standards that will go before the Board in early 2012. The goal is to have a full set of standards in place for tracking Canadian hens and eggs, to trace back to the source, in the unlikely event of a human health or food safety issue. Early next year, look for our national TV campaign profiling egg farmers, to help strengthen trust between Canadians and the farmers who produce their eggs.

On stakeholder collaboration, EFC staff met regularly with industry and government partners throughout 2011. First, provincial board chairs and general managers attended a strategic planning session early in the year, as part of our annual business planning cycle. The information gleaned from these meetings helped develop major policy initiatives, such as the Canadian Egg Industry Reciprocal Alliance (CEIRA), our new industry-wide Salmonella Enteritidis insurance for egg farmers, pullet growers, hatcheries and breeder pullets and layers, which came online in October. With the exception of Ontario, all provinces and the Northwest Territories indicated their intention to participate. Second, EFC CEO Tim Lambert and Peter Clarke travelled to every province to meet in person with provincial egg boards, executive members and supervisory boards. Meanwhile, despite our best efforts, EFC has been unable to conclude an agreement with the processors, though we continue working toward a satisfactory outcome. We will keep members informed of progress going forward. EFC staff also met regularly with politicians and government officials from various ministries, to discuss issues such as animal care, traceability and trade. On compensation, we were very pleased in March, when the Minister of Agriculture and Agri-Foods established a new *Health of Animals Act* category for laying hens and increased maximums for farmers whose flocks are destroyed by government order, due to disease.

2011 was a great year for research initiatives. Dr. Tina Widowski of the Ontario Agricultural College agreed to lead our new Research Chair on Poultry Welfare, at the University of Guelph. Over the next seven years, Dr. Widowski and her team will conduct targeted research into alternative housing and other hen welfare matters of interest to the Canadian egg industry. She joins Dr. Maurice Doyon, who leads the egg industry's economic Research Chair at Laval University. Equally important, EFC launched an Animal Care and Welfare Advisory Panel, comprised of scientific experts and farmer representatives, who will offer recommendations on welfare issues. This is significant in light of recent events abroad, specifically the European Union's cage ban and an agreement between United Egg Producers and the Humane Society of the United States, to lobby Congress to pass legislation to phase out conventional hen housing. To keep farmers up-to-date on this issue, Peter Clarke sent a letter outlining events that may impact the future of the egg industry in North America. What's more, Peter appeared before the Senate Standing Committee on Agriculture and Forestry, to discuss and answer questions about research and innovation in the egg industry. Finally, we kept farmers and industry partners informed of our research activities through a new newsletter, *Research Unscrambled*.

EFC DIRECTOR'S REPORT

On the trade front, the federal government came out stronger than ever before in its public support for our sector and the Canadian position of no minimum market access increase and no Over-Quota Tariff decrease, in any deal at the World Trade Organization (WTO). Ministers spoke up in response to media calls for the government to dismantle supply management, following Canada's stated desire to join the Trans-Pacific Partnership (TPP). Public support for supply management was also forthcoming from provincial ministers of agriculture in Alberta and Saskatchewan. In Belgium, Peter Clarke proudly stood with agriculture leaders representing farmers from 66 countries, to sign the Call for Coherence, a declaration calling on countries to recognize agriculture as a unique commodity and to ensure consistency – or coherence – in any international agreements they sign. Back home, we hosted another successful Parliament Hill Breakfast, with Members of Parliament (MPs) and Senators as our guests. EFC staff also worked with government to create a special committee to better coordinate the egg import process. Not least, we ran ads about supply management in print media aimed at MPs and joined our national supply management partners, to complete an updated economic contribution study. Looking ahead, EFC will continue to monitor all trade agreements and negotiations to which Canada is a party, including the Canada-EU Comprehensive and Economic Trade Agreement. In the meantime, I wish to encourage egg farmers to meet with their elected representatives whenever possible, to highlight the benefits of supply management for their business and community.

As we move into 2012, the Board of Directors has identified six key result areas upon which to focus over the next three years: consumer satisfaction, sustainability of the industry, stakeholder engagement, innovation and research, trade and governance. In the coming months, Directors and staff will be actively engaged in numerous initiatives and projects to achieve results in each of these key areas. Our ultimate goal is to build and strengthen a socially responsible supply management organization that has strong relationships with stakeholders who all share a common vision of the egg industry. As your EFC Director, I look forward to working with my colleagues from across the country to realize these objectives.

ANDREW WIPF, EFC DIRECTOR

A WELL MANAGED SYSTEM FOR THE REGULATION OF THE PRODUCTION OF EGGS.

QUOTA

In 2011, there were no changes to the national quota allocation. During the year, a considerable amount of work went into placing the birds that were allocated to producers back in 2010. It is interesting to note that AEP processed over 210 quota transactions in 2011, resulting in all quota from the 2010 allocation being allocated. In an effort to streamline operations, revisions were made to AEP quota leasing forms, so producers are able to complete their own lease agreements. The new policy encourages producers to submit their lease agreements at least 14 days in advance of the lease commencement date, to ensure that there is sufficient time to process the request.

COST OF PRODUCTION/PRICING

There were four [4] price adjustments in 2011, driven mostly by the implementation of the National Cost of Production Survey, as well as increasing feed and operating costs in Alberta.

LEVY

Effective January 22, 2011 [week #5/11], the levy was changed to \$9.465 per bird, which was an increase of \$1.043 per bird (based on a 53-week year) for registered producers. For unregistered producers, the levy was changed to \$0.365 per dozen, which was an increase of \$0.028 per dozen. There were no further adjustments to the levy in 2011.

PULLET GROWERS OF CANADA

In 2010, the National Pullet Growers Association (NPGA) began exploring the possibility of either establishing themselves as a marketing agency, under Part II of the *Farm Products Marketing Agencies Act (FPMAA)*, or requesting that EFC expand their mandate to include pullets. In December of 2010, the NPGA became the Pullet Growers of Canada (PGC) and decided to apply to the Farm Products Council of Canada (FPCC) for Part II agency status, which would allow pullet producers to control supply through quota and to set prices based on their cost of production.

In 2011, AEP began exploring the possibility of provincial regulatory control over pullets and PGC provided a draft of their Federal Provincial Agreement (FPA). Unfortunately, there will likely not be agreement from the provincial government to sign onto this FPA, as they are not prepared to sign onto any new agreements that will allow controlling of supply and pricing in Alberta. They would, however, support the establishment of a new commission for pullet producers. Much more work still needs to be done to determine how the establishment of a pullet commission might work, especially the representation and interaction with a national group. AEP is supporting Susan Schafers as Alberta's representative to the national group.

SUSTAINABILITY OF ALBERTA EGG PRODUCERS

EGG SPECIFIC SALMONELLA ENTERITIDIS (SE) PREVENTION & RESPONSE

Following an egg industry emergency early in 2011, AEP is pleased to report that much progress was made in the development of an Egg Specific SE Prevention and Response Plan with the provincial government. Doing so was a massive undertaking, requiring the modification of existing SE testing protocols to fit with the new guidelines established by EFC, as well as the implementation of a reciprocal insurance program for breeders, hatcheries, pullets and layers.

Initially, AEP was in the process of developing a provincial insurance program, due to ongoing delays in the development of a national SE insurance program. AEP was successful in securing over \$150,000 funding from Alberta Livestock and Meat Agency (ALMA) for the project and by the end of June 2011, the Poultry Insurance Exchange (PIE) was ready to launch, pending confirmation of base funding support from Alberta Agriculture and Rural Development (ARD). Later in the summer, AEP realized that a choice would have to be made; join the national insurance program – Canadian Egg Industry Reciprocal Alliance (CEIRA) – or stick with the provincial program. On one hand, there was a provincially based system that AEP had put a significant amount of time and effort into building, and would have total administrative control over. On the other hand, there was a national system that would oversee the entire Canadian egg industry. Ultimately, the AEP Board decided to commit to the national program. By the end of 2011, AEP is pleased to report that 68% of pullet and layer producers in Alberta have signed the subscriber agreements, which is necessary to be insured under this program.

With the introduction of SE insurance, AEP can begin using the national enhanced salmonella testing protocol. The protocol requires one test to be completed in each pullet flock and two tests to be completed in each layer flock. Collecting these samples from each flock and processing the results is a large undertaking for the organization. To help in the development of an on-farm testing program that is efficient and will optimize resources, AEP is taking part in an ARD Industry Development program, where funding is provided for a 'Lean' coach. The coach is supporting the organization as AEP works to develop a more efficient salmonella testing process, which will enable the delivery a much more effective program. The enhanced salmonella testing is planned to begin the first half of 2012.

SALMONELLA CONTROL PROGRAM

AEP is also continuing to learn more about salmonella and best practices for keeping it out of layer barns. AEP is working with ARD on a Salmonella Control project, which has received funding from ALMA. The project works with producers that have tested salmonella positive year after year. ARD is visiting these farms to learn more about the production facilities and their current on-farm practices. The goal of these visits is to determine if there is a common link between salmonella in the barn and production practices or equipment. Based on what is learned, strategies will be developed to break the cycle of infection. Farm visits began in the fall of 2011 and will continue throughout 2012.

INFECTIONS LARYNGOTRACHETIS (ILT) PREVENTION & RESPONSE

In early 2011, AEP worked with Alberta's other poultry boards (Alberta Chicken Producers, Alberta Hatching Egg Producers and Alberta Turkey Producers) and ARD, to develop a joint industry/government policy dealing with the prevention, detection, reporting, response and recovery from ILT. ILT is a highly contagious viral disease located in the respiratory tract of chickens (layers, broilers and breeders), which has a mortality rate that can be as high as 20%. The policy is necessary under the new *Animal Health Act*, to ensure proper and consistent protocols are followed to deal with ILT. The process serves as a template for other reportable diseases, where industry and government policies need to be developed. In fact, this process was used later in the year, to assist in the development of the Egg Specific Salmonella Enteritidis (SE) Disease Control Policy.

TRACEABILITY & PREMISE ID

In 2011, AEP was involved in the national project to develop national traceability standards for the industry. The result of these efforts was the Canadian Egg Industry Traceability Standards, which were drafted and released in the third quarter of 2011. These national voluntary standards outline the minimum requirements for traceability systems that apply to breeders, hatcheries, pullet farmers, egg farmers, grading stations, processors and transporters. With these standards developed, organizations in the industry can make more informed business decisions on how to implement traceability.

Registering producers for an ARD Premises ID number has been a focus over the past year. The Premises Identification Program was established by ARD, to track the location of livestock in case of an animal disease occurrence, a public health related emergency, or an emergency such as a natural disaster. AEP will be using the Premise ID system in order to map and contact producers in emergency situations. In 2011, an information sharing agreement was signed, which allows AEP to work together with ARD, to ensure all producers are registered in this provincial traceability system. At the end of 2011, over 90% of producers were registered, although work remains to verify these accounts.

EMERGENCY RESPONSE

AEP was once again actively involved with the Alberta Poultry Industry Emergency Management Team (APIEMT) in 2011. The Emergency Response Plan that this group has developed is a living document that is continuously updated and improved, to meet the changing preparedness needs of the industry. A sub-committee of APIEMT was struck in 2011, to plan an interactive producer education event on biosecurity and emergency preparedness, which is scheduled for the day before our 2012 AGM.

In 2011, AEP faced a number of emergencies, including an SE trace-back investigation and a major barn fire. During the emergency responses, the focus was on maintaining human and hen safety, while protecting the industry as a whole. In the aftermath of these unfortunate events, 'lessons learned' sessions were held to capture the key takeaways, which were used to help formulate action plans to ensure that future emergencies will be handled even more effectively. AEP's philosophy is one of continuous learning, especially from the most challenging emergencies, so AEP will always be prepared.

YEAR IN REVIEW – IN THE INDUSTRY

BIO-SECURITY

The Bio-security Risk Assessment and Resource Development project began in early 2011, as a partnership between AEP and Poultry Health Services, with project funding from Growing Forward. The goal is to deliver risk assessments, as well as bio-security and vaccination training, to a select group of AEP producers. Resources and training programs on bio-security and vaccination will be created for the industry, as an outcome from the project. Farm visits occurred throughout 2011 and the resource materials are scheduled to be finalized in early 2012.

AGRICULTURE & FOOD COUNCIL (AFC) OF ALBERTA

In June of 2011, AFC's Board approved a Foundation Document, signalling changes in the structure and function of AFC, moving forward. AFC committed to developing a network of strategic national and international partnerships, in order to bring more opportunities that add value to the agriculture industry in Alberta. It is anticipated that AFC will be in a position to help support AEP in making connections, with the aim of building strategic relationships for value-added products in the future.

THE UNIVERSITY OF ALBERTA AND THE POULTRY RESEARCH CENTRE (PRC)

In 2011, AEP continued to work closely with the PRC to identify and address research needs, with egg industry representatives sitting on the PRC advisory Board of Directors. In early June, the PRC celebrated its 25th anniversary. Faculty, university staff, industry and government representatives gathered together to celebrate, reflect on past successes and usher in the next 25 years of research.

The value of AEP's contribution to the PRC was seen in the 2010-2011 fiscal report, where it was demonstrated that over \$2 million in total research investment for projects benefiting egg producers and egg processors was leveraged. For every \$1 AEP invested, another \$277 was invested by other parties. In 2011, AEP provided support to the "Exploring Health Promoting Components in Laying Hen Eggs for the Development of Value-Added Egg Components" project. The current PRC funding agreement expires in 2012. Efforts are ongoing, to secure a sustainable future for the PRC, through the 2012-2017 grant application process.

Student scholarships offered by AEP at the University of Alberta were reviewed and updated, to reflect the goals of providing this support. The new framework provides for funding to the Department of Agriculture, Food and Nutrition Science, to be used to support the costs of an undergraduate capstone project or independent study related to the egg industry. Starting in 2012, this will provide early encouragement for students to engage in egg related research.

The PRC, University of Manitoba and AEP worked together, toward hosting a Forum on Innovations in Egg Utilization Research and Development, scheduled for March 28-30, 2012, in Banff, Alberta. The forum will explore opportunities for egg utilization in the development of new food and non-food applications, by bringing together academia and industry to share ideas, needs and research capabilities.

AGRICULTURAL FUNDING CONSORTIUM

For the 2011-2012 cycle, the Agricultural Funding Consortium requested full proposals for the following egg related projects:

- Efficacy and pharmacokinetic evaluation of meloxicam for post beak and toe treatment pain management in turkeys and chickens
- Smart labels for monitoring food storage conditions and detecting pathogenic contaminants in consumer food products
- Functional ingredients from poultry bone biomass: extraction, isolation and purification of Chondroitin Sulfate

In addition, led by Alberta Innovates Bio Solutions launched 'Quality Food for Health' in 2011, a research and innovation program aimed of improving the health and well-being of Albertans, while also increasing the competitiveness of the province's food and agricultural industries. AEP entered into funding agreements for the following 'Quality Food for Health' projects:

- Choline the forgotten essential nutrient; opportunities for innovation in the Albertan meat, dairy and egg industries
- Personalized dietary therapies for treating inflammatory bowel disease

AEP RESEARCH COMMITTEE

In 2011, the environment was one of the primary focal points of AEP's Research Committee.

Life Cycle Analysis — AEP worked with ARD to initiate a project to determine the environmental footprint of egg production in Alberta, in order to support increased production efficiency, product differentiation, branding and environmental responsibility. As the result of ARD's call for proposals, Quantis was selected as the prime vendor for this project. The footprint will include assessments of the inputs and outputs for each stage of primary production of the Required Impact Categories (energy use, greenhouse gas emissions, nutrient management, pesticide use, land utilization and water use), and will evaluate different feeding regimes and densities. Data collection will occur throughout 2012, with the final project report being due for submission in October of 2013.

Manure Management — With funding from ALMA, AEP entered into a Research Agreement with Timmenga & Associates, to investigate the viability of additional and alternative handling and technology options for layer manure. The goal is to identify opportunities to improve overall environmental practices, by using the industry's by-products more effectively and in a way that adds value for producers. A complete list of options will be evaluated and opportunities will be identified, in a final project report due in early 2012.

Phosphorous — The phosphorous issue is emerging as a key environmental priority. There are indications that at some time in the future, producers in Alberta will be required to apply manure based on phosphorous, rather than nitrogen levels. There are a variety of dietary and management strategies that can be used to help mitigate problems posed by high phosphorous levels in layer manure; in 2011, AEP developed a phosphorous resource for producers.

INTENSIVE LIVESTOCK WORKING GROUP (ILWG)

Land Use Planning – It is becoming apparent that the evolution of government policy on water, air and land issues will be delivered through the development and implementation of regional plans as directed by the Land Use Framework. ILWG has and will continue to put a major emphasis on influencing the development of regional plans that protect livestock/poultry producer interests. The South Saskatchewan Regional Plan will set the template by which many of the other regional plans will be developed over the next 3 to 5 years.

Water Policy – The Alberta government is expected to review the Water Act after the 2012 provincial election. The most critical issue for livestock producers is that the water policy review may include consideration of new forms of water allocation. It is an ILWG priority that producers' water rights are protected through the retention of the "first-in-time, first-in-right" water allocation policy.

Phosphorous Strategy – ILWG is making progress in the development of a pilot project that will help guide nutrient management planning, as well as the development of government policy in addressing the impacts of phosphorous on water quality. The prime objective is to develop a tool that helps confined CFOs identify risks and opportunities associated with their existing nutrient management system. The tool will also present mitigation options that can reduce phosphorous loss through runoff.

Managing Odour – This project was part of an industry commitment to the Clean Air Strategic Alliance (CASA) to conduct a thorough analysis of NRCB's odour complaint data from the past nine years, to identify areas where odour from CFO's could be considered a significant problem. Major contributions were made by ARD and the NRCB to complete the project. The analysis identified that 'problem areas' are limited to a few operations receiving greater than 10 complaints (over the nine year period) and these operations are randomly spread throughout the province. Further analysis indicates significant improvements have been made by these operations over the past three years. It is concluded that there are no 'problem areas' and that odour may be a large problem for some people living near a relatively small number of operations. Odour does not seem to be a major industry issue affecting a large number of operations. As another commitment to CASA, ILWG and ARD have jointly developed an odour management plan assessment tool, with a format similar to that used by the Environmental Farm Plan. The tool has been reviewed by a number of ILWG member organizations and in the field with producers (beef, dairy, pork and poultry). It is in for final formatting and will be available to producers in 2012.

EGG PROCESSING INNOVATIONS (EPI)

Bruce Forbes' services as CEO were retained in February of 2011, with a mandate to build a sustainable egg processing business. Since that time, EPI has made progress in developing strategic directions and a business plan, which were presented at a United Egg Farmers (UEF) meeting in late November. The opportunity to channel AEP investments in research through UEF and EPI will allow producers in Alberta to commercialize opportunities that arise out of research conducted. This will also give EPI and UEF the opportunity to direct research into areas that will impact both egg production and processing. In 2012, further work will be done to capitalize on the relationships between AEP, UEF and EPI, particularly with regard to the Scientific Research & Experimental Development (SRED) tax incentive program.

START CLEAN – STAY CLEAN[™] (SC-SC) PROGRAM

Continuous improvement is the philosophy of AEP's SC-SC program, with elements being adjusted and added, as necessary. In 2011, the AEP Production Management Committee worked hard to provide valuable input on proposed changes to the SC-SC program, which had been brought forward by EFC. Many of these changes were approved and will be implemented in 2012. These efforts ensure that the SC-SC program remains relevant and reflective of the industry's on-farm food safety best practices.

Continuous improvement is also evident in how our producers put the SC-SC program into action on their farms. Just 5 years ago, the average producer rating for SC-SC was 92%, with 10 producers scoring a perfect 100%. In 2011, the average SC-SC score for Alberta's producers was 98.6%, with 37 producers achieving a perfect 100% score! This was the highest provincial average in the program across Canada in 2011. These results are a tremendous demonstration of the effort and dedication producers have been putting into their on-farm food safety program. The producers who achieved excellence by attaining a perfect score are: Bow City Colony, Cayley Colony, Cluny Colony, Camrose Colony, East Cardston Colony, Elmspring Colony, Ewelme Colony, East Raymond Colony, Evergreen Colony, Rodney & Jackie Elgersma, Greenwood Colony, Goldthorpe Farm, 1126366 Alberta Ltd (3 barns), Ribstone Colony, High River Colony, Homeland Colony, Kapeda Farms Ltd, King Lake Colony, Lakeside Colony, Lone Pine Colony, Mayfield Colony, Beiseker Colony, Parkland Colony, Rosedale Colony, Rocky View Colony, Springview Colony, Sunnybend Colony, Dan & Sherry Schroeder, Byron & Donna Toews, Calvin & Norma Toews, Glenbea Farms Ltd, Standoff Colony, Wilson Colony, Wolf Creek Colony and Wild Rose Colony.

Producers have also been moving forward with the SC-SC Pullet program. At the end of 2011, there were 20 accredited producers and the average program score for Alberta was 96%.

ANIMAL CARE PROGRAM

In 2011, the average Animal Care program score in Alberta was 98%, with 115 production facilities scoring a perfect 100%!

Following EFC's 2007 announcement, producers have had to meet the industry's density standards in order to attain a passing score. Since those changes have come into effect, very few producers have failed the Animal Care program. Those who did fail have typically had one thing in common; their cages were incorrectly stocked, due to placing too many hens in one cage. In 2011, letters were sent to each producer who received a failing score for this reason and education materials were also developed, reminding producers about the density requirements that must be met in each cage on their farm.

The Interim Policy on Enriched Housing, which was approved by EFC in November of 2011, provides density guidelines for producers implementing enriched cage systems, until a scientific panel can better ascertain appropriate enriched housing density specs for Canada. This interim policy follows European Union (EU) standards and requires a minimum of 116.25 square inches per bird, including the nest box. Enriched housing systems must contain a nest box and perches, as a minimum. Producers who meet these requirements can be recognized as having an Enriched Housing System and will be provided a certificate by EFC.

YEAR IN REVIEW – ON THE FARM

HEN HOUSING RESOURCE

On July 7, 2011, the United Egg Producers (UEP), who represent 95% of American egg production, announced that they had reached an agreement with the Humane society of the United States (HSUS), to jointly petition the federal government for legislation that will transition the American egg industry from conventional cage to enriched colony cage housing by 2029. While the issue of hen housing has been evolving for over a decade, this announcement acted as a lever to give the issue momentum in North America, making it clear that changes in hen housing are inevitable for Canada's egg industry.

AEP put forth a concerted effort in 2011, to develop a plan and prepare resources, to help our producers move forward in this changing environment. The AEP Board issued a statement to all Alberta producers, which read, "Although you are currently free to choose from a variety of housing systems, your Board of Directors strongly recommends that any Alberta egg producer planning to re-cage their layer barn, reflects on the developments in our industry and considers implementing alternative housing systems, other than conventional cages." Every producer considering re-caging is now encouraged to meet with AEP to discuss the current environment and factors that may impact their decision, regarding the type of hen housing system they install on their farm.

AEP also developed a comprehensive Hen Housing Guide for producers in 2011. This resource provides the history of how the housing issue has evolved and gives a brief description of each housing option, as well as the benefits, challenges and management considerations for each system. The goal of this guide is to provide producers with all the information they need to make an informed decision about which hen housing system will best meet their needs into the future.

These messages on hen housing are also being shared with other industry stakeholders. In December of 2011, AEP hosted a workshop with hen housing sales reps, to review the Hen Housing Guide and the Board's position on conventional cages.

In 2011, AEP staff and producers took part in a seminar hosted by the Animal Welfare Foundation of Canada, which considered the future of hen housing. Additionally, AEP's General Manager and Board directors attended the International Egg Commission's conference, where the focus was on the animal welfare movement and its global expansion. AEP will continue monitoring the hen housing issue in Canada, North America and around the world.

PRODUCTION MANAGEMENT – FIELD PROTOCOLS FOR HENS IN LOOSE HOUSING SYSTEMS

Protecting animal welfare and production during field visits is a top priority for AEP field staff. With more producers choosing loose housing systems for their flocks, AEP identified that there are differences with these types of systems that must be taken into account during field visits. Together with the Production Management Committee and producers who have free run and aviary systems in place, AEP developed a new field procedure in 2011, which outlines the steps that can be taken to ensure these flocks are protected while conducting field visits.

PRODUCTION MANAGEMENT - MEDIUM EGG PROJECT

Alberta has historically produced a high ratio of medium sized eggs, which can have a significant impact on a producer's profitability, while also adding to the cost of the industrial product program. In order to better understand the underlying reasons behind this, AEP asked the University of Alberta, in conjunction with Alberta Agriculture, to complete a project to uncover any management practices that result in the over-production of medium sized eggs. In 2011, a survey was sent out to producers in three phases, to collect a broad view of management practices that can impact production. The surveys are being analyzed and the project report will be completed in 2012.

PRODUCER WEBSITE

In June of 2011, AEP launched its producer website. The website acts as a hub for producer information, management practice resources, AEP policies and programs, and an upcoming events calendar. Producers can also use the website to email AEP staff and to submit forms, such as their flock counts and marketings. AEP will continue to develop the producer website, posting timely and relevant materials, while encouraging producers to use the website as a primary source for reliable information.

FROM THE FARM TO YOUR TABLE: EGG SALES STATISTICS

CATEGORY	2011		2010	
CATEGORY	ALBERTA	CANADA	ALBERTA	CANADA
Total Eggs	+3.5%	+1.7%	+1.6%	+0.5%
Regular Eggs	+3.2%	+0.8%	+1.8%	+1.6%
Omega-3 Eggs	+9.5%	+8.1%	+0.8%	-8.0%
Other Specialty Eggs ie: free range, free run, organic	-6.1%	+2.7%	-1.2%	+2.8%

According to Nielson sales data, Alberta experienced tremendous growth in egg consumption in 2011, well ahead of the national average rate of growth. It was interesting to note that while regular and Omega-3 egg consumption grew considerably, Albertans seemed to have a diminished appetite for other specialty eggs. Looking ahead, AEP is eager to partner with a research firm in 2012, to better understand consumer preferences and knowledge about eggs and the egg industry.

YEAR IN REVIEW - IN THE MARKET

BUILDING A POSITIVE PERCEPTION OF EGGS & THE EGG INDUSTRY

CONSUMER WEBSITE

AEP continued to develop the revamped consumer website (www.eggs.ab.ca) that was initially launched during the summer of 2010. The website experienced massive growth, welcoming more than 380,000 visits in 2011, quickly becoming the public's primary source of information relating to eggs, egg farming and the industry. AEP received a total of 245 requests for egg related information.

EVENTS & PRESENTATIONS

AEP was actively engaging Albertans across the province in 2011, delivering two key educational messages. The first message was to promote the active energy and nutritional benefits of eggs; an egg a day is ok! The second message was all about introducing consumers to Alberta's egg farmers and to invite them to learn more about egg farming and the journey an egg takes on its way to your plate.

The most impactful way AEP was able to deliver these messages, was with the launch of the new *Eggzibit* trade show booth, which made its debut at the 2011 Calgary Stampede. Visitors were greeted with the invitation of "You be the farmer!" and were then lead through an interactive exhibit that educated them about the egg farming process, from choosing the type of hen they wanted to raise, to the type of feed and hen housing system they would use, to explanations about the various types of eggs found at their local grocery store. The new booth was extremely well received and enjoyed, by children and adults alike.

Some of AEP's top events were the Calgary Stampede, Aggie Days in Calgary, Farm Fair in Edmonton, The Calgary Women's Show and the Calgary Zoo's Easter Eggstravaganza. In total, AEP attended 31 events and sponsored another 140 events in 2011, distributing more than 117,000 promotional items and more than 118,000 information resources!

In addition to attending agricultural and health & wellness events that provided an opportunity to meet consumers, AEP also had several programs that allowed for more targeted interaction. AEP took part in 32 classroom sessions geared towards nutrition and cooking education, which were conducted by a home economist. AEP also did 48 in-store nutrition sessions at Running Room stores in Calgary and Edmonton, which were delivered by a dietician.

AEP continued to support national campaigns developed by EFC at a provincial level. EFC's major initiatives in 2011 included Run for the Cure, the Canspell National Spelling Bee and the Physician Education program. The Physician Education program is an outreach project designed to provide physicians with the latest egg nutrition research, in an attempt to overcome outdated egg health myths, primarily relating to cholesterol. Physicians and patients are encouraged to visit EFC's special website (www.livingwellwithcholesterol.ca), to find out the truth about eggs and cholesterol, as well as all the additional nutritional benefits of eggs. An egg a day is ok!

TRUSTED SOURCE OF INFORMATION ABOUT EGGS & THE EGG INDUSTRY

SOCIAL MEDIA

2011 marked AEP's first foray into social media, utilizing EFC's Facebook page to successfully help promote the Calgary Zoo's Easter Eggstravaganza and AEP's *Eggzibit* launch at the Calgary Stampede. AEP supports both EFC's Facebook page and YouTube channel, with links from our consumer website. EFC recently invited consumers to participate on tours of Canadian egg farms and have posted videos on their YouTube channel, which are a fantastic complement to AEP's "You be the farmer!" *Eggzibit*.

GOVERNMENT RELATIONS

Supply management came to the forefront of media discussion, both nationally and provincially, following Prime Minister Harper's announcement of Canada's interest in joining the Trans-Pacific Partnership (TPP), in mid-November. At the national level, AEP and EFC are very pleased with the assurances that have been given to our industry by International Trade Minister Ed Fast and Agriculture Minister Gerry Ritz, that the federal government continues to support supply management and will defend supply management in trade negotiations, including those of the TPP.

In Alberta, AEP has worked closely with its supply management partners (SM-5), to develop and maintain strong relations with the provincial government. Alberta's SM-5 group was proud to sponsor the Premier's breakfasts in Calgary and Edmonton, as well as several events hosted by Members of Alberta's Legislative Assembly (MLAs). Farmers from the SM-5 commodities were in attendance at these and many other events throughout 2011, to engage elected officials and educate them about the benefits of the supply management system. Supply management ensures not only a sustainable living for Alberta's egg farmers and rural communities, but also safeguards a stable supply of safe, high quality, nutritious, locally produced eggs and egg products for consumers across our province.

CONSUMER & MEDIA RELATIONS

AEP continues to produce multiple publications: *EggNotes* is a bi-monthly industry newsletter, *EggSpress* is a seasonal newsletter for kids, *EggStravagance* is a seasonal newsletter for adults and *What's New in Dairy and Eggs* is a joint quarterly newsletter (with Alberta Milk) for teachers. Archived copies of all AEP newsletters are available on the AEP consumer website.

AEP had an opportunity to improve media relations in 2011, albeit under rather unfortunate circumstances. In early June, Sparks Eggs suffered a devastating fire on their family egg farm. AEP was quick to provide television, radio and print media with an on-site representative, to provide background egg industry information and answer questions about the egg farming and grading process. AEP assured the media and consumers that there would be no disruption to Alberta's egg supply, nor any price increase as a result of the tragic event.

YEAR IN REVIEW – IN THE OFFICE

AEP BOARD GOVERNANCE & DIRECTOR TRAINING

In 2011, the AEP Board of Directors welcomed Joe Kleinsasser as a new Director, who replaced David Stahl. As well, Amin Valji was re-elected to serve another 3-year term.

Strategic planning plays a critical role in the Board's Governance Model. In 2011, the Board held a two day strategic planning session. The first day was used to brainstorm risks for the industry, assess their probability and analyze the impact they would have; this approach helped the Board identify key priority areas. From an operational standpoint, AEP staff found it quite valuable to hear, direct from the Board, what the top priorities to focus on in 2012 would be. Three areas rated high in both probability and potential impact: food safety, animal care and value-added opportunities. The second day delved into each focus area in more depth, as the Board identified 2-3 priorities for each.

At the end of 2011, the Board finalized a revised Nomination Process, which will allow producers to nominate Directors in writing, in advance of the AGM. This will allow AEP staff to prepare profiles for each nominee, based on answers provided to a short questionnaire, which will be circulated at the AGM's registration desk. This change will hopefully enable producers to make a more informed decision on who they wish to vote for. Ongoing training was provided in 2011, for both Directors and producers who were contemplating becoming a Director in the future. Training is crucial for organizational development and sustained success, for both the individual producer and AEP.

AEP STAFFING

In March, Jenna Latanville was hired as the Market Development and Research Officer, and David Webb was hired as the Marketing and Communications Coordinator. In October, Carla Znak returned as the Producer Services Administrator. Long-term staff includes Murray Minchin (1.5 years), Peggy Galbraith (4 years), Christina Robinson and Catherine Kelly (5 years), Laurel Martin (9 years) and Susan Gal (21 years – 13 years as General Manager). An additional Field Services Coordinator with HAACP experience will be added in the first quarter of 2012, in order to accommodate the enhanced SE testing program.

AEP EFFICIENCY TRAINING

AEP continues to be proactive in taking more initiative to better serve Alberta's egg industry. In order to successfully lead the industry towards a sustainable future, AEP must work as effectively and efficiently as possible. In 2011, the first step was for each AEP staff member to receive individual training from an efficiency coach. The goal was to help everyone organize their e-mail, tasks and working environment in a way that reduces time wasters and increases focus. The second step was taking part in Alberta Agriculture's Industry Development Program, to learn more about Lean management for the organization as a whole. Being 'Lean' means focusing on the tasks that add value for our producers and cutting out wastes such as duplication, waiting and quality issues. AEP engaged a Lean coach to help rebuild some of the most important and extensive processes, in a more efficient manner. AEP staff is devoted to maximizing their efforts and outputs, both individually and collectively as a team, to serve Alberta's egg farmers efficiently and passionately.

Financial statements of

Alberta Egg Producers Board

December 31, 2011

Alberta Egg Producers Board December 31, 2011

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Independent Auditor's Report

To the Registered Producers of Alberta Egg Producers Board

We have audited the accompanying financial statements of Alberta Egg Producers Board, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and changes in unrestricted net assets and cash flows for the 53 week period 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 generally accepted accounting principles, 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 Egg Producers Board as at December 31, 2011, and the results of its operations and changes in unrestricted net assets and its cash flows for the 53 week period then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Delatte + Louche LLP

February 9, 2012

Alberta Egg Producers Board
Statement of operations and changes in unrestricted net assets fifty-three week period ended December 31, 2011

	December 31, 2011 (fifty-three weeks)	December 25, 2010 (fifty-two weeks)
	\$	\$
Revenue		
Levy	16,807,654	14,649,343
Interest	91,452	96,018
Gain on sale of investments	77,664	101,842
Grant revenue (Note 7)	119,875	-
Amortization of deferred capital contributions	8,895	-
Research levy and grant revenue (Schedule 3)	153,504	28
Industrial product program (Schedule 2)	10,445,535	7,671,768
Over base quota fund (Schedule 4)	117,725	268,571
Other income	21,276	45,662
Unrealized (loss) gain on held-for-trading investments	(98,315)	82,458
	27,745,265	22,915,690
Expenses		
Administrative (Schedule 1)	1,724,470	1,594,737
Egg Farmers of Canada levy	15,278,683	13,163,245
Grant project expenses (Notes 7 and 8)	128,770	-
Research project disbursements (Schedule 3)	58,959	42,896
Industrial product program (Schedule 2)	10,799,503	7,887,635
Over base quota fund (Schedule 4)	290,000	142,921
	28,280,385	22,831,434
(Deficiency) excess of revenue over expenses	(535,120)	84,256
Internal transfer (to) from research fund (Schedule 3)	(94,545)	42,868
Internal transfer from industrial product program (Schedule 2)	353,968	215,867
Internal transfer from (to) over base quota fund (Schedule 4)	172,275	(125,650)
Unrealized gain on available-for-sale investments	4,369	83,935
Unrestricted net assets, beginning of period	2,700,993	2,399,717
Unrestricted net assets, end of period	2,601,940	2,700,993

Alberta Egg Producers Board Statement of financial position as at December 31, 2011

	December 31, 2011	December 25, 2010
	\$	\$
Assets		
Current assets		
Cash	629,519	774,690
Short-term investments (Note 4)	1,209,601	945,842
Accounts receivable (Note 5)	803,352	725,342
Prepaid expenses	30,590	29,156
	2,673,062	2,475,030
Long-term investments (Notes 10 and 11)	1,236,591	1,672,997
Property and equipment (Note 6)	1,488,610	1,491,783
	5,398,263	5,639,810
	,	, , , , , , , , , , , , , , , , , , ,
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	634,101	549,237
Due to Egg Farmers of Canada	631,664	570,621
Deferred contributions (Note 7)	107,717	-
	1,373,482	1,119,858
Deferred contributions related to property and equipment (Note 8)	35,580	-
	1,409,062	1,119,858
Net assets		
Unrestricted net assets	2,601,940	2,700,993
Industrial product program (Schedule 2)	839,413	1,193,381
Research fund (Schedule 3)	476,164	381,619
Over base quota fund (Schedule 4)	71,684	243,959
	3,989,201	4,519,952
	5,398,263	5,639,810

Approved by the Board

Joseph J. Kleinsasser.

Chairman

Vice Chairman

Alberta Egg Producers Board
Statement of cash flows
fifty-three week period ended December 31, 2011

	December 31, 2011	December 25, 2010
	(fifty-three weeks)	(fifty-two weeks)
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses Adjustments for	(535,120)	84,256
Amortization of property and equipment	111,285	99,563
Amortization of deferred donations		
related to property and equipment	(8,895)	-
Gain on sale of investments	(77,664)	(101,842)
Unrealized loss (gain) on held-for-trading investments	98,315	(82,458)
	(412,079)	(481)
Changes in non-cash working capital (Note 9)	174,180	56,109
	(237,899)	55,628
Financing activity		
Financing activity	44,475	
Receipt of capital contributions	44,473	<u> </u>
Investing activities		
Purchase of property and equipment	(108,112)	(1,011,432)
Proceeds on sale of long-term investments	550,184	2,231,683
Proceeds on sale of short-term investments	181,228	548,215
Purchase of long-term investments	(123,741)	(259,675)
Purchases of short-term investments	(451,306)	(1,148,664)
Payments from producer reserve fund	-	(28,940)
	48,253	331,187
Net (decrease) increase in cash	(145,171)	386,815
Cash, beginning of period	774,690	387,875
Cash, end of period	629,519	774,690

Notes to the financial statements fifty-three week period ended December 31, 2011

1. Nature of business

Alberta Egg Producers Board (the "Board") was incorporated by statute in 1968 as a not-for-profit body. The purpose of the Board is to provide effective promotion, control and regulation of the marketing of eggs in Alberta. The Board is generally exempt from income taxes under Section 149(1)(I) of the Income Tax Act, except for income related to certain investments.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following policies:

Method of accounting

The Board follows the deferral method of accounting for revenues whereby revenues restricted for a specific purpose are deferred until such time as they are expended.

Financial instruments

The Board continues to follow the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 and not adopt the provisions of Section 3862, Financial Instruments - Disclosures, or Section 3863, Financial Instruments - Presentation.

The Board has classified all financial assets as loans or receivables, with the exception of cash, short-term investments and long-term investments. Long-term investments include both equity investments and bonds (Note 10). Cash, short-term investments and equity investments included in long-term investments have been classified as held-for-trading. The corresponding gains and losses are recognized as unrealized gain or loss on held-for-trading investments in the statement of operations in the period in which they arise.

Bonds included in long-term investments are classified as available-for-sale with the corresponding unrealized gains and losses included in unrestricted net assets in the period in which they arise. Once the gains or losses are realized, the corresponding unrealized component included in net assets is derecognized and the realized gain or loss is included in realized gain or loss on available-for-sale investments in the statement of operations in the period in which they are realized.

The Board has classified all financial liabilities as other financial liabilities.

The Board assesses at each statement of financial position date whether a financial asset carried at cost is impaired. If there is objective evidence that an impairment loss exists, the amount of the loss is measured as the difference between the carrying amount of the asset and its fair value. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations and changes in unrestricted net assets as an unrealized loss.

Transaction costs

Transaction costs incurred for the acquisition or disposition of all financial assets and liabilities are recorded in the statement of operations and changes in unrestricted net assets when incurred.

Property and equipment

Property and equipment are recorded at cost and amortized on a straight-line basis at rates calculated to amortize the cost of the assets over their estimated useful lives as follows:

Building	25 years
Automobiles	3 years
Promotional display	3-5 years
Office equipment	3-10 years
Office improvements	20 years
Website	1 year

Notes to the financial statements fifty-three week period ended December 31, 2011

2. Significant accounting policies (continued)

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Revenue recognition

Egg sales are recognized at declaration when the amounts are determinable and collection can be reasonably assured.

Levies are legislated at least annually, collected monthly, and recognized on a per-bird basis each period when the amounts are determinable and collection is reasonably assured.

Interest revenue and other income are recognized when amounts can be reasonably determined and collectability is assured.

Grant revenue is recognized when the related expenses are incurred. Unrestricted grants are recognized as revenue when received or receivable if the amount is fixed or can be reasonably assured and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates primarily arise in the determination of allowance for doubtful accounts, determination of accrued liabilities, the calculation of estimated useful lives and potential impairment of the property and equipment and potential contingencies.

3. Future accounting change

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for the annual reporting period that commences on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards and Canadian accounting standards for not-for-profit organizations, whichever accounting framework suits them best. Early adoption of these standards is permitted. The Board currently plans to adopt the new Canadian accounting standards for not-for-profit organizations for its 52 week period beginning January 1, 2012.

4. Short-term investments

Short-term investments of \$1,209,601 (December 25, 2010 - \$945,842) are invested in a short-term income pooled fund to maximize returns. The cash investments are held at market value with an effective rate of return of 3.4% (December 25, 2010 - 3.1%).

Notes to the financial statements fifty-three week period ended December 31, 2011

5. Accounts receivable

	December 31,	December 25,
	2011	2010
	\$	\$
Egg Farmers of Canada	684,806	635,140
Contributions receivable	102,748	-
Other	15,798	90,202
	803,352	725,342

6. Property and equipment

		Decem	ber 31, 2011
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	168,000	-	168,000
Building	902,214	129,971	772,243
Automobile	24,567	16,378	8,189
Promotional display	89,102	25,982	63,120
Office equipment	169,918	114,414	55,504
Office improvements	510,464	88,910	421,554
Website	8,557	8,557	-
_	1,872,822	384,212	1,488,610

		Decem	ber 25, 2010
		Accumulated	Net book
	Cost	amortization	value
	\$	\$	\$
Land	168,000	-	168,000
Building	902,214	93,883	808,331
Automobile	24,567	8,188	16,379
Promotional display	13,602	8,161	5,441
Office equipment	146,093	106,331	39,762
Office improvements	506,164	63,387	442,777
Website	16,640	5,547	11,093
	1,777,280	285,497	1,491,783

Total amortization for the period is \$111,285 (December 25, 2010 - \$99,563), of which \$12,177 (December 25, 2010 - \$8,266) was included in advertising and product promotion, \$8,189 (December 25, 2010 - \$8,189) was included in travel, and \$8,895 was included in grant project expenses (December 25, 2010 - \$Nil).

Notes to the financial statements fifty-three week period ended December 31, 2011

7. Deferred contributions

Deferred contributions represent externally restricted grants relating to expenses of future periods. The changes in deferred contributions are as follows:

	December 31,	December 25,
	2011	2010
	\$	\$
Deferred contributions, beginning of period	-	-
Grants received	227,592	-
Less: amounts amortized to revenue	(119,875)	-
Deferred contributions, end of period	107,717	-

8. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represents the unamortized portion of restricted contributions, which have been expended on the Board's property and equipment.

The changes in deferred contributions relating to property and equipment are as follows:

December 31,	December 25,
2011	2010
\$	\$
-	-
44,475	-
(44,475)	-
-	-
December 31,	December 25,
2011	2010
\$	\$
-	-
44,475	-
(8,895)	-
35,580	_
	2011 \$ - 44,475 (44,475) - December 31, 2011 \$ - 44,475 (8,895)

Notes to the financial statements fifty-three week period ended December 31, 2011

9. Changes in non-cash working capital

	December 31, 2011	December 25, 2010
	(fifty-three weeks)	(fifty-two weeks)
	\$	\$
Accounts receivable	(78,009)	(209,089)
Prepaid expenses	(1,434)	6,900
Accounts payable and accrued liabilities	84,863	55,077
Due to Egg Farmers of Canada	61,043	203,221
Deferred contributions	107,717	-
	174,180	56,109

10. Financial instruments

Fair value

The carrying amounts of the Board's financial assets including cash and accounts receivable, and financial liabilities including accounts payable and accrued liabilities, due to Egg Farmers of Canada and deferred contributions approximate their fair values due to their short-term nature.

The short-term investments are recorded at fair market value.

The long-term investments include:

	December 31,	December 25,
	2011	2010
	\$	\$
Equity investments	398,973	523,518
Bonds	837,618	1,149,479
	1,236,591	1,672,997

The equity investments and bonds are recorded at fair market value.

Credit risk

The Board is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations. However, this risk is mitigated, as the majority of accounts receivable is from Egg Farmers of Canada, a producer organization formed by the provincial boards.

Market risk

The Board is exposed to market risk, as a portion of their investment portfolio is held in marketable securities, which fluctuate with market pressures. Revenue could be affected adversely by changes in the market.

Liquidity risk

The Board's objective is to have sufficient liquidity to meet its liabilities when due. The Board monitors its cash balances and cash flows generated from operations to meet its requirements.

Notes to the financial statements fifty-three week period ended December 31, 2011

11. Capital management

The Board's objective when managing capital is to ensure it has adequate cash flow to maintain operations and fund grants to its members. There are no restrictions or covenants placed on the Board from any lenders. The Board's management carefully considers any increase to levies to ensure sufficient funds will be available to meet the Board's short and long-term objectives.

Investment policy

The Board has initiated an investment policy that RBC Investments are required to follow. The policy states that the Board's excess cash is to be invested in low-risk Canadian investments, which include equities, bonds, t-bills, and short-term investments. The Board determined that the investments should be diverse; therefore, restrictions were set on the amount that could be invested in each type of investments, which is outlined as follows (these percentages are based on the market value of the investments):

	Target	Current
	%	%
Short-term investments	1-15	50
Fixed income investments	57-77	34
Equity investments	20-40	16
Country of exposure		
Canada	83	83
U.S.	10	13
International	7	4

The investments are currently not in agreement with the investment policy that has been outlined by the Board. Management is evaluating the current volatility of the market and how best to change the investments in order to bring the portfolio back in agreement with the policy.

Alberta Egg Producers Board
Administrative expenses - Schedule 1
fifty-three week period ended December 31, 2011

	December 31, 2011 (fifty-three weeks)	December 25, 2010 (fifty-two weeks)
	\$	\$
Advertising and product promotion	221,797	337,291
Amortization	82,024	83,108
Board governance	30,705	46,664
Building operations	34,819	33,665
Directors' and committee allowances	115,963	93,499
Employee benefits	92,891	72,746
Field services	-	23,438
Grants	9,407	-0, .00
Insurance	14,700	15,314
Meetings	46,631	32,099
Memberships	7,640	8,140
Office and printing	50,076	55,539
Postage	13,076	14,484
Professional fees	130,156	56,413
Salaries	537,803	451,020
Se testing and diagnostic services	59,570	58,010
Telecommunications	15,285	14,596
Travel	261,927	198,711
	1,724,470	1,594,737

Internal restrictions - industrial product program - Schedule 2 fifty-three week period ended December 31, 2011

	December 31, 2011 (fifty-three weeks)	December 25, 2010 (fifty-two weeks)
	\$	\$
Industrial product program, beginning of period	1,193,381	1,409,248
Add:		
Egg sales	10,322,781	7,491,603
Levy revenue	122,754	180,165
	10,445,535	7,671,768
Less:		
Egg purchases	10,813,517	7,898,977
Levy (short) over	(14,014)	(11,342)
	10,799,503	7,887,635
	(353,968)	(215,867)
Industrial product program, end of period	839,413	1,193,381

The industrial product program relates to eggs which are sold for further processing. The Board purchases eggs from grading stations and sells them to Egg Farmers of Canada for fixed prices. Shortfalls from the program are funded by an internal allocation of levies received from producers. Eggs are only purchased to the extent necessary for sale to the program; no inventory is carried.

Alberta Egg Producers BoardInternal restrictions - research fund - Schedule 3

fifty-three week period ended December 31, 2011

	December 31, 2011 (fifty-three weeks)	December 25, 2010 (fifty-two weeks)
	\$	\$
Research fund, beginning of period	381,619	424,487
Add:		
Levy and grant revenue	153,504	28
Less:		
Disbursements to research projects	58,959	42,896
	94,545	(42,868)
Research fund, end of period	476,164	381,619

The research fund was established in 2003 and is funded by an internal allocation of the producer levies to provide research funds to the industry.

Alberta Egg Producers Board
Internal restrictions - over base quota fund - Schedule 4
fifty-three week period ended December 31, 2011

	December 31, 2011 (fifty-three weeks)	December 25, 2010 (fifty-two weeks)
	\$	\$
Over base quota fund, beginning of period	243,959	118,309
Add: Interim lease of over base quota revenue	117,725	268,571
Less: Disbursements	290,000	142,921
	(172,275)	125,650
Over base quota fund, end of period	71,684	243,959

The over base quota fund is funded by an internal allocation of the funds earned from a user fee for the allocation of over base quota for specific projects authorized by the board of directors.

During fiscal 2011, \$290,000 (2010 - \$130,000) of this fund's total disbursements has been disbursed to Egg Processing Innovations Inc.

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