


**ANNUAL &
SUSTAINABILITY REPORT**
2016



Egg Farmers
of Alberta



HEALTHY BIRDS
HEALTHY FARMS **HEALTHY EGGS**
HEALTHY COMMUNITIES



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EFA TEAM



BOARD OF DIRECTORS

Meb Gilani	Chair
Susan Schafers	Vice Chair
Joe Kleinsasser	EFC Representative
Beatrice Visser	EFC Alternate
John Hofer	Director
Byron Toews	Director

STAFF

Susan Gal	General Manager
David Webb	Marketing & Communications Manager
Christina Robinson	Farm Programs Manager
Jenna Griffin	Industry Development Officer
Kari Buijs	Business Manager
Laurel Martin	Office Manager
Ron Fowler	Business Systems Analyst
Erin Johnston	Farm Services Administrator
Dave Lastiwka	Field Services Administrator/Coordinator
Murray Minchin	Field Services Coordinator
Brandy Addai	Logistics Coordinator

TOTAL NUMBER OF REGISTERED PRODUCERS

2016: 177
2015: 163



TOTAL HENS ISSUANCE

2016: 2,195,763
2015: 2,117,448



TOTAL EGG PRODUCTION

2016: 58,540,903
2015: 52,605,664

AVERAGE FLOCK SIZE

2016: 13,471
2015: 12,250



TOTAL INDUSTRIAL PRODUCT

2016: 671,625
2015: 480,437



LEVY FOR REGISTERED PRODUCERS

WEEKS 1-32
\$7.52 / 

WEEKS 33-52
\$9.30 / 

LEVY FOR REGISTERED PRODUCERS

WEEKS 1-32
\$0.296 / 

WEEKS 33-52
\$0.366 / 

AVERAGE PRODUCER PRICE FOR LARGE EGG IN 2016

\$ 2.02  \$0.011 from 2015

	All Eggs	Regular Eggs	Omega-3 Eggs	Other Specialty Eggs (ie: free range, free run, organic)
TOTAL EGG SALES (2016)	in AB: +6.5% in CAN: +5.6%	in AB: +7.3% in CAN: +5.0%	in AB: -5.8% in CAN: +4.5%	in AB: +10.9% in CAN: +15.3%
MARKET SHARE (2016)		in AB: 84.5% in CAN: 84.8%	in AB: 7.3% in CAN: 8.3%	in AB: 8.1% in CAN: 6.9%
TOTAL EGG SALES (2015)	in AB: +1.2% in CAN: +1.6%	in AB: +0.1% in CAN: -0.4%	in AB: -1.1% in CAN: +9.6%	in AB: +16.7% in CAN: +20.9%
MARKET SHARE (2015)		in AB: 83.8% in CAN: 84.8%	in AB: 8.4% in CAN: 8.9%	in AB: 7.8% in CAN: 6.3%

MESSAGE FROM THE CHAIR

THE PAST YEAR WAS A BUSY ONE, WHICH SAW EGG FARMERS OF ALBERTA FOCUS EFFORTS TOWARDS DELIVERING ON COMMITMENTS RELATED TO EACH OF OUR FOUR PILLARS: HEALTHY BIRDS, HEALTHY EGGS, HEALTHY FARMS, AND HEALTHY COMMUNITIES.

The EFA Board of Directors welcomed two new Directors, who have been wonderful additions that bring fresh perspectives and new ideas to the table. The Board continues to try and have producers' best interests in our hearts, as we manage and guide the provincial egg industry. It is our responsibility to balance the many important topics related to each of our pillars, the demands from a diverse array of industry stakeholders, and the best interests of the province's more than 170 registered egg farmers in both the short and long term, as we cultivate a sustainable egg industry in Alberta and across Canada.

Each one of EFA's committees – Production Management Committee, Grader Advisory Committee, Specialty Pricing Committee, and Research Committee – deserve to be commended for the excellent work they did in 2016. Many important issues and opportunities were discussed and tackled head-on, to improve and enhance both the provincial and national egg industry.

Hen housing once again took center stage in 2016, highlighted by the announcement made by the Retail Council of Canada to transition to only cage-free eggs. Such mandates, which are driven by marketing goals instead of what is truly in the best

interest of egg laying hens, presents a challenging road ahead.

improve the safety of working conditions on Alberta egg farms. EFA generated a lot of positive buzz in 2016, as a result of having a live-bird display at the Calgary Stampede. Egg Ambassadors cared for the birds and engaged the public. It was a tremendous opportunity to bring the egg barn to the people, to demonstrate the quality of care and level of commitment that is required to provide Albertans with a stable supply of affordable, nutritious, fresh, locally produced eggs.

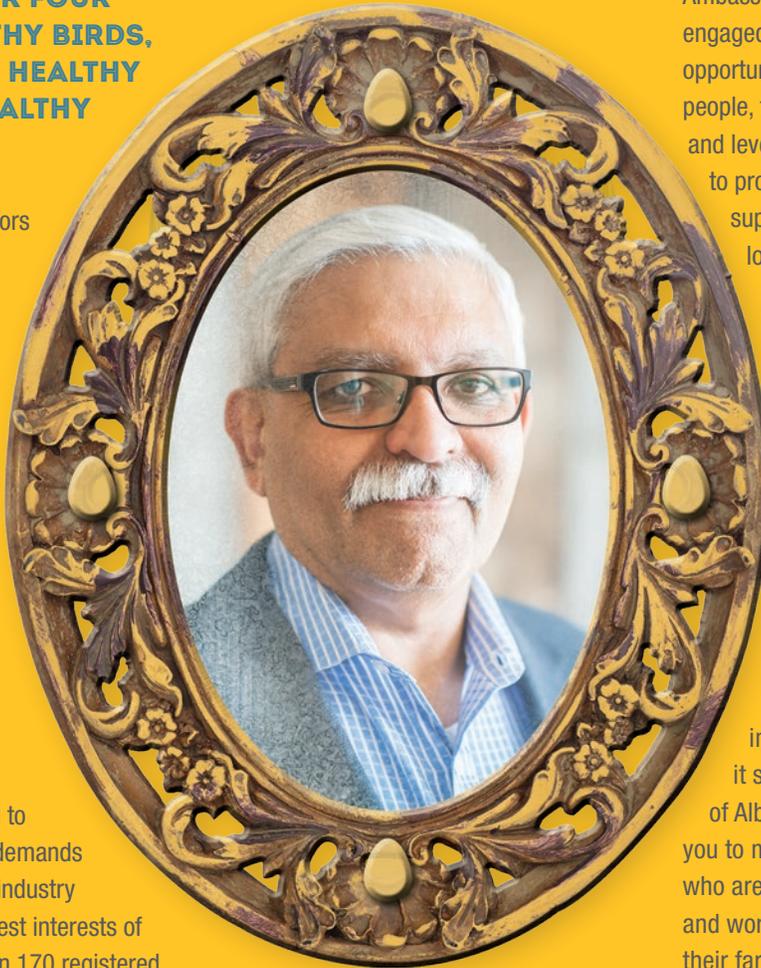
Thank you to my fellow Directors, for diligently working together on a number of crucial topics and issues, and for the passion and dedication you draw upon as you represent your fellow egg farmers. On behalf of the entire Board, I would like to thank the hardworking EFA staff, who give so much of themselves to help improve the egg industry and make it sustainable for future generations of Alberta egg farmers. Finally, thank you to my fellow Alberta egg farmers, who are committed to their livelihood, and work tirelessly in their barns and on their farms each and every day.

The success enjoyed in 2016 would not have been possible without the EFA Board and staff, the province's egg farmers, and our industry partners working together for the good of the Alberta egg industry.

**MEB GILANI,
CHAIR**

interest of egg laying hens, presents a challenging road ahead.

EFA worked hard in 2016 to build a respectful and collaborative relationship with the provincial government, with regards to the issue of farm safety. From hosting a series of farm safety workshops to coordinating industry-wide efforts through the AgCoalition, much work has been done on many fronts, in an effort to



MESSAGE FROM THE GM

EGG FARMERS OF ALBERTA WILL BE HOLDING A “CELEBRATION OF CHAMPIONS” AT OUR 2017 AGM, FOR ALL OF THOSE PRODUCERS WHO TOOK THE TIME IN 2016 TO SPEND EVEN A COUPLE HOURS ENGAGING THE PUBLIC TO TALK ABOUT THE EGG INDUSTRY.

I can't think of a moment from the past year that made me as proud as when I witnessed 30 egg farmers attend the Egg Ambassador Workshop, followed by two-thirds of them volunteering for at least one shift at the Calgary Stampede, to care for the hens in EFA's first ever public live-bird display. This initiative was a tremendous success, especially after hearing that all the farmers made positive and memorable connections with visitors to our booth. Why is this so important? Consumers want to know more about where their food comes from and how it was produced, and they love to talk with real farmers!

In 2016, EFA joined the Canadian Centre for Food Integrity, an organization that aims to be the definitive, balanced and credible third party resource to help build public trust in our agri-food system. At their Public Trust Summit, a number of speakers talked about the importance of farmers engaging with the public

directly. The research presented showed that 93% of Canadians know little or nothing about farming practices, yet only 60% want to learn more; this suggests



that some consumers do not want to be educated. The good news is that farmers ranked near the top of the list of most trusted professions, alongside medical professionals in terms of being believable and favorable. However, the research also suggested that although farmers are considered most responsible for animal welfare, they are not the most trusted stakeholder group when it comes to public confidence or trust related to animal

welfare. This disconnect in public trust must be improved.

The public's demand for transparency continues to grow. One of the ways that EFA has tried to address this is by launching a 24/7 live-streaming broadcast from inside the layer barn at Brant Colony, so consumers can see for themselves what happens in a typical Alberta egg barn.

Consumers have an increasing appetite to know where their food comes from. Taking advantage of every opportunity to open the barn doors, and let the public interact with live birds and real egg farmers, really helps to get our messages across. Not only are egg farmers better able to share stories about what they do and why they do it, but more people will witness the passion with which egg farmers are committed to their livelihood.

As we look to the future, the egg industry needs to help feed a growing population affordable and nutritious food, but this will inevitably have an impact on the planet. It will be important to decrease food waste and promote sustainability, which is the driving force behind our vision: Healthy Food, Healthy Farms, Healthy Families.

I want to thank the Board of Directors and staff team at Egg Farmers of Alberta. It has been a very challenging year. Thanks to their tireless effort and deep commitment to this industry, we have been able to achieve some truly remarkable accomplishments.

**SUSAN GAL,
GENERAL MANAGER**

EFC DIRECTORS REPORT

THIS PAST YEAR WAS A PIVOTAL ONE FOR THE EGG INDUSTRY AND ONE THAT BROUGHT US TOGETHER IN UNPRECEDENTED WAYS AS WE DEALT WITH NEW CHALLENGES IN OUR INDUSTRY. THE UNCERTAINTY WE HAD FACED IN 2015 THROUGH THE TRANS-PACIFIC PARTNERSHIP NEGOTIATIONS WAS REPLACED BY VOLATILITY OF ANOTHER KIND, AND ON AN ISSUE THAT HITS MUCH CLOSER TO HOME AND HEARTS: THE MANNER IN WHICH WE HOUSE OUR HENS AND PRODUCE EGGS.

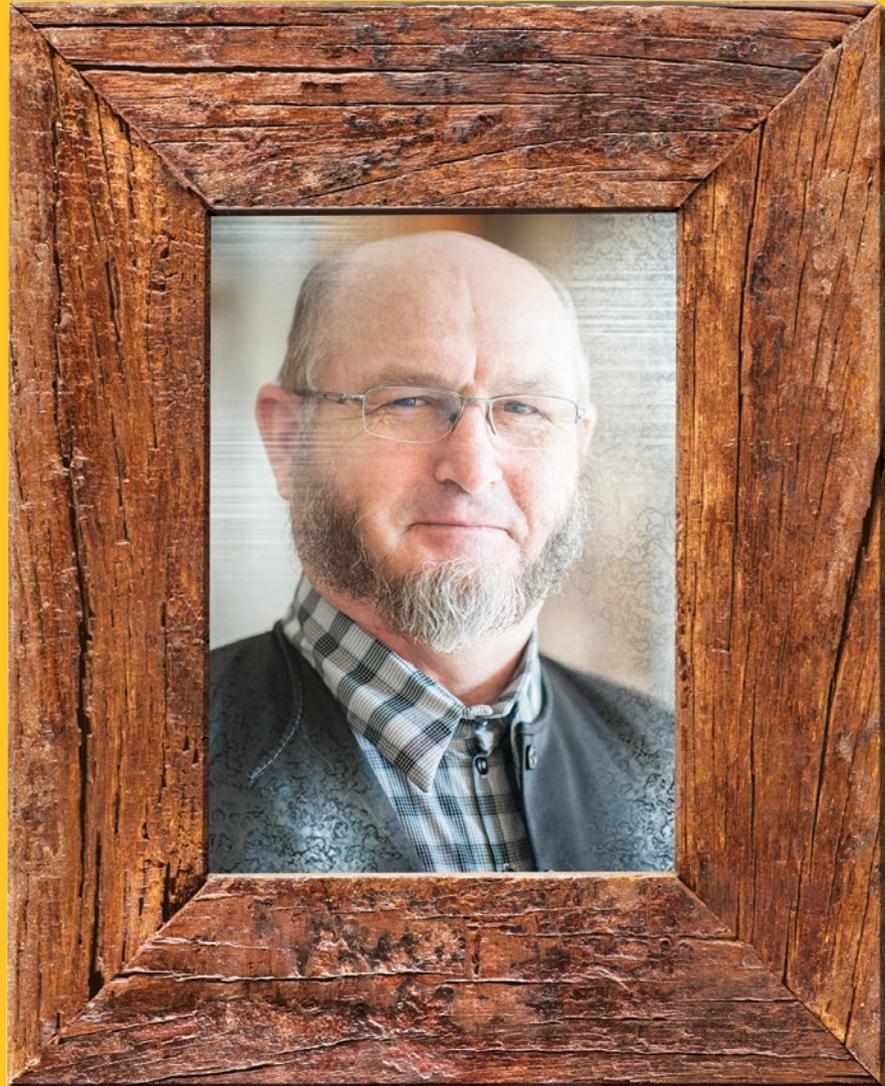
No sooner had we finally reached consensus as an industry to transition away from conventional housing, than the conflicting announcements of food service and retail hit the airwaves. By April, the industry rallied to identify immediate, medium and longer-term objectives to pursue. Our goals were clear: remain committed to promoting enriched housing as one of several alternatives to conventional housing; and work together to ensure the supply of eggs matches what consumers actually want and will pay for.

We also identified principles to abide by during this transition including: take action and communicate that action; maintain a national focus; minimize risk by avoiding duplication; and place priority on activities that bolster the EFC Board's February 2016 transition memo as a business decision-making tool.

With respect to enriched housing, part and parcel of maintaining its viability was continued diligence with the long-awaited revised Codes of Practice—scientifically based standards and guidelines for the production of eggs. Over the summer, the

This was a critical outcome for our industry and one we will revisit with partners when the final Code is published in early 2017.

In the meantime, we continue to meet with our supply chain, government and elected



draft Code went out for public consultation. The draft—thanks to hard work by the Code Development Committee and our egg representatives—retained enriched housing standards, but committed the transition away from conventional in 20 years with the aim of completing it faster.

officials to discuss the complexity of what has been set in motion. As well, a new national multi-stakeholder working group was approved by the Board to review the situation and help devise a way forward that will safeguard the egg industry in Canada as well as meet the demands of the market and consumers.

Though it has been stressful and somber, EFC is fully committed to ensuring no stones are left unturned as we try to better understand how our transition is going to work over time. It is our job to ensure that our supply chain understands how their decisions affect our industry. This is not going to be easy and there are likely adjustments and unforeseen turns still to come. Nevertheless, it is our new reality and how we handle it has a direct impact on our industry, which is why we have dedicated people working on this each and every day.

At the end of the day and year, it is important to remember that the egg industry—despite its challenges—is thriving. Most of the outside world just sees our fresh, local and high-quality eggs, the Get Cracking brand, the good we do in our communities with food banks and breakfast programs, and the enthusiasm with which we share the immeasurable benefits of our product.

Thus, it is not surprising at all that we achieved our 10th consecutive year of retail growth in 2016. This trend applies to all eggs—from classic white and brown eggs, and specialty eggs such as Omega-3, organic, free run and free range. This success continues to be driven by a number of trends including increased consumer demand for natural, protein-rich foods. As concerns about the rising cost of groceries, the environment and sustainable food production increase, we expect our favour with consumers, customers and society to also grow.

As part of being able to make good on Canadians' desire for more Canadian eggs, we remain diligent in assessing our market and advocating for additional quota as our industry expands. For the

system of supply management to operate with efficiency, it must also be nurtured over time from within. Considerable efforts were made last year to work across the industry and with FPCC to meet growing demand for eggs with Canadian production.

Those efforts were rivaled only perhaps by those of countless farmers, Young Farmer Program alumnus and participants, egg board staff and leadership and the EFC Board and staff who rallied around our challenges to up the ante when it comes to “telling our story” with all those who want and need to hear more. The progress we have made in opening ourselves and our farms and our industry up to others—be they reporters, dietitians, politicians, retailers, third-party NGOs or the general public—has been unprecedented. With more of us on social media and at events, proudly advocating for sustainable egg production, we will continue to remind Canadians of the benefits of the system of supply management and ensure a bright future for generations to come—no matter what comes our way.

To everyone in this industry who works tirelessly in service of our mission, thank you very much from the EFC Board of Directors.

**JOE KLEINSASSER,
DIRECTOR**



HEALTHY BIRDS



Animal Care Program

The national Animal Care Program (ACP) for layers has now been operating on egg farms in Alberta and across Canada for 12 years. As with any on-farm program, the ACP has evolved to remain current with best practices in the industry. A new euthanasia element was added to the program in 2016, in order to verify that humane practices were used when it is necessary to euthanize birds. All employees euthanizing birds must be trained in approved methods, and each farm is required to have a standard operating procedure in place detailing their euthanasia procedures. EFA supported farmers in reaching these requirements by providing training materials and procedural templates.

2016 was also the first full year where 3rd party auditors have been engaged in delivering the Animal Care Program, with the goal of increasing transparency of animal care practices. The Canadian egg industry aims to have 1/3 of farms across Canada evaluated by an outside auditor

each year. In 2016 31% farms in Alberta had a 3rd party auditor complete their ACP audit.

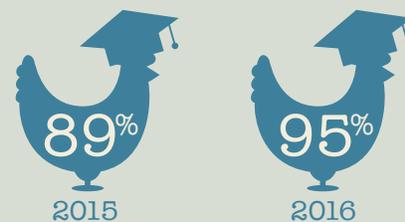
The scores in the Animal Care Program continue to be high, demonstrating egg farmers' commitment to the well-being of the birds in their care, as well as their willingness to adapt to new program requirements. The average ACP rating for Alberta's egg farmers in 2016 was 99.87%, with 95% of farms achieving a perfect 100% score.

Animal Care Program for Pullets

EFA recognizes that high animal care standards for pullets is just as important as those for the laying hens they grow into. While an animal care program for pullets has been drafted by the Pullet Growers of Canada, the roll-out of this program is on hold until the new code of practice is released. In the meantime, EFA began delivering a Pullet Animal Care Checklist in Alberta's pullet barns. The checklist allows

pullet growers to clearly see where their facilities and practices sit in relation to the 2003 Code of Practice and industry best practices. 130 pullet barns were assessed - 101 with cage housing systems and 29 with loose housing. The knowledge gained from completing these checklists will assist both pullet growers and EFA, as we prepare for a Pullet Animal Care Program to come into effect.

Percentage of farms achieving 100% scores



ACP Average Score





STORY: Do the right things – whether someone is watching or not

The Animal Care Program has seen significant changes over time in order to strengthen and improve on-farm practices. It is recognized that the changes, such as signing an employee code of conduct, are only a valuable asset if everyone is following through on their commitments. In 2016, EFA asked farmers to take a critical look at their animal care practices, by asking them to complete an animal care commitment checklist. Solomon from Viking Colony found the checklist had a real impact on his farm. “The questions in the checklist really make sense and in reviewing them, it just gives you the confidence that you are doing the right things for your birds. After reviewing the checklist, I decided to hold a training session with my crew before we moved pullets into the layer barn. I have never felt so good about moving the birds – I knew everyone was clear about the expectations for handling those birds. We have seen a real culture shift on our farm about how we think about the animals in our care.”

Code of Practice

After great anticipation, the draft laying hen Code of Practice, which has been under review by National Farm Animal Care Council (NFACC) since 2012, was released at the end of June, for public comment. EFA reviewed the draft code and circulated a summary of highlights to egg farmers and key industry stakeholders. EFA’s Production Management Committee prepared comments for the NFACC Code Committee during the public comment period.

Following the public comment period, which closed in August, the national Code Committee has been reviewing the submissions in order to reach a final consensus on the code. It is anticipated that the new code will be released in early 2017, providing guidance on density and management standards for all modern hen housing systems.



Beak Treatment

In June of 2015, EFA staff and producers met with hatchery representatives and researchers (Dr. Clover Bench and Dr. Karen Schwean-Lardner) to discuss beak treatment scores in Alberta, relative to the EU Welfare Quality Assessment. The objectives of the discussion were to develop a shared understanding of what a “good” beak treatment looks like, how the impact of beak treatment is measured or observed, and to establish next steps for empowering farmers to monitor effectiveness of beak treatment as part of their overall flock welfare awareness, including establishing what, if any, additional actionable data would be helpful. It became clear through the discussion that, as of right now, the industry does not have a good understanding of the welfare or production impacts of different types of beak abnormalities. Even if there was research knowledge to identify what is a welfare concern, the current assessment is not

designed to facilitate gathering up that data and providing it to hatcheries in a way that positive action can be taken. The group agreed that an updated assessment framework would be extremely valuable.

Accordingly, in 2016 EFA funded Dr. Karen Schwean-Lardner from the University of Saskatchewan to hire a summer student, to conduct the first piece of research required to develop an improved assessment tool. The student sorted through the laying hens at the University of Saskatchewan, and classified birds that had beak shapes other than “perfect” as affected by infrared beak treatment. These birds were then placed in individual cages for a 4 week period. During that time, the student determined if the abnormal beak shape altered the daily feed intake, egg production, or the behaviour of the bird. This will provide information on the impact that some of the beak abnormalities do or do not have. Dr. Schwean-Lardner expects that this research will be publishable, and EFA is looking forward to receiving the results in 2017, to help establish next steps.



Serology

Egg farmers are used to engaging vets to deal with immediate and significant challenges by submitting birds. Producers often note that receiving a post mortem examination service has limited value for them. In the turkey, broiler, and hatching egg industries, a more preventative approach is often taken. Blood testing is used for surveillance, and for monitoring the effectiveness of vaccination protocols. There are many potential benefits of a blood testing program:

- Evaluating and improving vaccination programs
- Routine screening to evaluate immunity
- Disease detection
- Disease surveillance across the industry

In 2016, with funding from the Alberta Livestock and Meat Agency (ALMA), EFA partnered with Poultry Health Services (PHS) on a project to demonstrate the benefit of an alternative disease risk management strategy. Once in the pullet flock and twice in the layer flocks, participating farms are having samples tested for the presence of antibodies of three main diseases: Avian Encephalomyelitis, Newcastle Disease (NDV), and Infectious Bronchitis (IBV). The project is generating data that can improve vaccination programs on farm, and providing an improved understanding of the on-farm links between production and both mortality data and pathogen exposure. To date, 35 flocks have enrolled in the project, with a subset also vaccinating their flock against Salmonella Typhimurium, Enteritidis, and Heidelberg.

Education

The second annual Western Poultry Conference (WPC) was held on Monday, February 29th, in Red Deer. The one day conference was attended by more than 300 poultry farmers and stakeholders. Amongst other topics, farmers who attended heard presentations related to managing an Avian Influenza outbreak, designing effective ventilation systems for poultry barns in Western Canada, and using Camelina in poultry feed.

Hen Housing

In early 2016, Egg Farmers of Canada announced that the Canadian egg industry would be working to phase out conventional cages over the next 20 years. This target, which had Canada wide acceptance, was based on a realistic and achievable timeline for egg farmers, while also protecting consumers from supply shortages.

Weeks later, the Retail Council of Canada released a statement that their grocery members would be voluntarily committing to the objective of purchasing cage-free eggs by the end of 2025. In the wake of this announcement, EFC has developed a working group to focus on impact and solutions for transitioning hen housing in the egg industry in a proactive and orderly manner.

In Alberta, the transition away from conventional cages is well underway. Since 2014, installation of new conventional cages has been prohibited. As facilities age, new barns are built to replace them with alternative housing systems, including furnished housing, aviary and floor systems. Over the past year, 5% of Alberta's total production moved from conventional housing to an alternative system. As more production moves to alternative systems, Alberta egg farmers are learning more about management techniques that promote healthy birds and quality egg production, while allowing the birds to exhibit more of their natural behaviours, such as nesting and perching.

EFA is committed to supporting farmers making informed decisions on hen housing, while keeping them informed on best practices and new technologies to help them provide the best possible care for their flocks.

Cultivating a Culture of Learning

Providing opportunities for learning about animal care is vital to EFA's goal of continuous improvement. As their Capstone project, students from the University of Alberta prepared a handbook on Welfare Quality Assessment protocols for Alberta egg farmers. EFA is committed to promoting awareness about animal outcome based measures as a way of monitoring and managing bird welfare, including feather cover, keel bone health, foot health, body condition and bird behavior.

EFA brought together egg farmers housing their birds in loose housing systems at a Flock Talk facilitated in partnership with the Poultry Research Center. The goal of the workshop was to encourage sharing of experiences and lessons learned among those farmers that have moved to a loose housing system. A wide range of topics including managing disease, litter management, feather cover and floor eggs were discussed, with farmers sharing their experiences of what has worked, and what they would do differently. There was also an opportunity for farmers to assess animal outcome based measures from the Welfare Quality Assessment protocols on live birds.

Hen Housing in Alberta 2016



Conventional



Furnished



Free-run/aviary



Free-range/organic

***32%** of hen housing will be Furnished or Loose by 2020.



PHOTO: This year, Christina Robinson, Dave Lastiwka and Murray Minchin achieved their Poultry Welfare Auditing certification from the Professional Animal Auditor Certification Organization (PAACO). In completing this certification, our EFA staff has gained a deeper understanding of the audit process and in turn, how we can better support our farmers to be successful in the animal care program in the future.

EFA partnered with Alberta Farm Animal Care and the other feather boards in Alberta, to develop a poultry transportation manual for farmers and commercial transporters that are taking birds on the road. The manual, together with training workshops, will be available in early 2017. EFA believes this is perfect timing, given the newly proposed transportation regulations from CFIA, as well as the increased interest in transportation practices from the public. The goal of the transportation training is to ensure everyone responsible for loading and transporting birds understands their regulatory obligations, and the steps they can take to safeguard bird well-being during transport.

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End of Lay

EFA distributed a mass depopulation best practices reference sheet to all Alberta egg farmers in 2016. Building off this, self-verification checklists were developed, to help farmers audit their own process against best-practices. These checklists will be rolled out in 2017, along with a new Animal Care Policy section related to end of lay depopulation. This work goes a

long way toward the goal of ensuring that all egg farmers in Alberta are meeting or exceeding American Veterinary Medical Association (AVMA) standards, and that this is audited and verified.

The Recommended Code of Practice for the Care and Handling of Layers encourages on-farm depopulation, to avoid the transportation of live birds. In 2016, EFA continued work to ensure the long-term availability of humane and practical strategies for performing this necessary task.

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Modified Atmospheric Chamber Carts

While challenges remain in helping farmers access Modified Atmospheric Chamber (MAC) carts, awareness of the importance of measuring and monitoring CO2 concentration as a critical component of welfare during the use of these systems is very high. As a result of education initiatives throughout 2015 and 2016, a significant number of farmers borrowed EFA's CO2 monitor to validate their equipment and process, signifying a positive shift in how existing systems are being operated on farm.

Low Atmospheric Pressure Stunning

In 2016, EFA moved from evaluating the welfare, efficiency, and cost of the Low Atmospheric Pressure Stunning (LAPS) system, to a large scale demonstration pilot. Funding from Growing Forward 2 allowed for physical improvements to the equipment, in order to improve efficiency. With support from ALMA, EFA opened up access to the new equipment in October, for a subsidized fee of \$0.05 per bird, with service being provided by a third-party operator. Between October and December, 6 farmers selected LAPS as a way to humanely depopulate their flock on farm. The service will continue to be available to farmers until the fall of 2017, at which point next steps will be re-evaluated.

EFA Staff Member Receives AFAC's Award of Distinction for Innovation

In 2016, Jenna Griffin, EFA's Industry Development Officer, was the recipient of AFAC's Award of Distinction for Innovation. This award is presented each year to someone who has developed a new process, product or source of knowledge that has made a significant impact on improving the welfare of livestock care. Jenna was selected for the award thanks to her interminable efforts in the area of euthanasia for end of lay hens. Jenna played an instrumental role in the completion of a two-year project to design a new, more humane method of euthanizing birds using advanced gassing technology. Jenna has also played a key role in bringing a state of the art LAPS system to Alberta, piloting it on farm and making improvements to the system. The entire Alberta poultry industry is better off as a result of Jenna's dedication and resourcefulness. Congratulations to Jenna for her well-deserved achievement!



Avian Influenza

After a devastating and record breaking year for Avian Influenza in North America in 2015, 2016 was very quiet. There were no cases of AI in commercial flocks in Canada over the past year, and significantly fewer in the US. Despite this, the Avian Influenza Coordinating Committee (AICC) continued to meet on a monthly basis through the year, reviewing risk factors and taking advantage of opportunities to improve resources on Avian Influenza. Two town hall calls were held in 2016, giving poultry farmers and the service industry in Alberta the opportunity to hear from experts on key topics related to preventing and responding to AI, as well as to ask questions. The AICC also sent reminders to all commercial poultry farmers during the spring and fall wild bird migrations, providing practical advice on how to manage risks and protect their flocks.



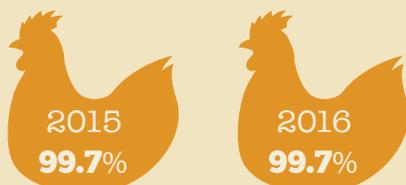
HEALTHY EGGS



Start Clean - Stay Clean Layer Program

Performance in the Start Clean – Stay Clean™ (SC-SC) on farm food safety program is an area where farmers continue to shine. Program accreditation, which requires a minimum score of 92% and for all records to be in place, has been mandatory for Alberta egg farmers since 2009. Not only do farmers meet the minimum requirement, but they strive for excellence, with 82% achieving a perfect score of 100%. Alberta's egg farmers take pride in providing safe, quality eggs to consumers, and this shows with an average SC-SC score for our farmers is 99.72%.

Average Score



Percentage of Farmers Scoring 100%



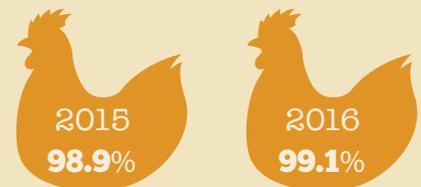
Start Clean - Stay Clean Pullet Program

As of the end of 2016, 80% of pullet growers in the province have been accredited in the SC-SC program. In the year ahead, EFA will be looking at options to move all pullet growers to accreditation in the SC-SC pullet program by December 2018.

Pullet growers demonstrated strong commitment to on farm food safety practices such as biosecurity, pest management, and cleaning and disinfecting, by achieving an average score of 99.14%.

A perfect score of 100% was achieved by 73% of pullet growers in 2016.

Average Score



Percentage of Farmers Scoring 100%





Salmonella Enteritidis Prevention and Response

In 2015, EFA was challenged by an outbreak of Salmonella Enteritidis (SE). In 2016, EFA focused on laying the groundwork for impactful changes with the view to reduce the occurrences of SE in Alberta over the long term. EFA's Production Management Committee developed a policy to address farms that test positive for SE on a reoccurring basis. Farms that test positive for SE 3 or more times during a 5 year period will be required to engage a consultant to provide recommendations on biosecurity, pest management, and cleaning & disinfecting practices. The hope is that in bringing in additional support and information, the SE cycle can be broken.

The PMC also worked to update the shared vs. separate policy, which defines how multiple flocks in a single barn are sampled for SE and dealt with in a response. Under the updated plan, one pooled sample is submitted per barn, regardless of the number of flocks within. This eliminates the need for increasingly complex separate vs. shared designations to be completed. If there is an SE positive case in a multi-flock barn, Alberta Agriculture will go on farm and complete a disease investigation and enhanced

sampling of each flock, to determine which flocks are SE positive.

In 2016 EFA's regulations were amended, allowing EFA to set on farm food safety requirements beyond performance in the SC-SC program, as a condition for license. The first addition to EFA's new on farm food safety policy is the requirement that all registered layer and pullet facilities are dedicated to the regulated egg industry, housing only pullets or layers, by January 1, 2020. Phasing out multi-species production facilities will help to reduce the biosecurity risk, and ensure that all of our farmers are fully insured under the CEIRA program for SE.

Biosecurity

Biosecurity plays an important role in the egg industry's SC-SC program but, given its importance in preventing catastrophic disease outbreaks, as well as new information and enhanced practices that can be used on farm, EFA decided to investigate options for developing a biosecurity program that goes farther than the national on farm food safety program. EFA and the other poultry boards in Alberta met to discuss a shared vision for biosecurity, with the goal of promoting tangible improvements in on

farm practices, to protect both the birds and related businesses. A joint funding request was developed and submitted to Growing Forward 2. If approved, it will allow the provincial poultry industry to build a biosecurity program for delivery on commercial poultry farms in Alberta. In anticipation of project approval, the working group has begun to discuss biosecurity priorities and resource development.

Percentage of Barns with Multi-Species in Same Building





HEALTHY FARMS



Quota

2016 began with a quota allocation. This allocation of 118,755 layers was distributed in accordance with current EFA policy, with 10% (11,876 quota units) set aside for the New Entrant Program and 106,880 quota units distributed pro-rata to existing quota holders, at a rate of 6.2661%.

In February 2016, the EFC Board approved an increase in the quota utilization threshold to 100%. In the past, provinces had been required to maintain their average inventory of birds below 97% of issued quota, over a 52 week average. Provincial boards have the responsibility for managing their quota allocation at the prescribed threshold of 100%. As such, EFA implemented a Quota Utilization Allowance policy in 2016.

In order to reach 100% utilization, additional birds beyond a farm's issued quota must be placed. To achieve this,

EFA moved 3% of all issued quota to reserve and a 3% utilization allowance was applied to each farmer's issued quota. The change does not impact the number of birds a producer can place, but reduces the amount of leviable quota in place, while increasing the quota utilization.



Quota Leasing Pool

After being in development stages since 2013, EFA's Quota Leasing Pool (QLP) was launched in 2016, in order to streamline the leasing system by reducing paperwork, improving quota utilization, and ensuring a fair system of quota leasing is available for all registered farmers. Quota that cannot be placed in a farm's own production facility is placed in the pool. Any farms that have capacity and wish to lease in birds apply to EFA for their lease. EFA then manages the leasing, grandfathering existing relationships and distributing all other quota to applicants fairly and evenly. The first

round of the QLP took place early in 2016, with 98 farms putting quota in the pool and 69 farms leasing more than 208,000 birds from the pool.

There were bound to be adjustments made to the QLP after running the program for the first time, so EFA collected feedback from egg farmers. This feedback was provided to an ad-hoc committee of farmers, which was created to help EFA work through these challenges. Key concerns were addressed, including payment terms and the timing of applications. Following the review, the QLP was adjusted and re-launched later in 2016. Applications were received in September, lease confirmations were sent in October, and leases will start in April 2017. In this second round of the QLP, 71 farms are leasing more than 311,111 birds in the 2017/2018 timeframe. Moving up the application timeframe provides the necessary time for pullets to be grown after lease numbers are confirmed.





STORY: *Quota leasing could be a time consuming task – ask Jack from Suncrest Colony, who had multiple individual quota leases in place prior to the launch of the Quota Leasing Pool. When EFA asked Jack what the impact of the quota leasing pool has been over the past year, he didn't hesitate. "I have nothing but good things to say. The leasing pool has greatly cut down the amount of time I need to spend finding and negotiating leases. Instead of several lease agreements to sign and keep track of, my quota automatically goes into the pool unless I opt out. EFA handles the payments, so I don't have to collect the lease fees. I also think it helps activate quota more quickly, so that no quota sits when another farmer could use it."*

Specialty Pricing

One of the fundamental pillars of supply management is that producers are assured their Cost of Production (COP) on average over time. EFA believes it is very important to ensure that all producers are assured this level of return. Given the number of cage-free announcements in 2016, it will be important to establish a pricing regime that can support producers in their transition away from conventional cages.

EFA has the ability within its regulation to price any variety, class or grade of eggs. To that end, EFA began pricing free-run brown eggs, effective week #25/16 (June 12, 2016).

In 2017, western provinces will be updating the Specialty Pricing Model, with the goal of implementing a western pricing program encompassing free-run, free-range and organic production.



Service Fee

EFA continues to promote that the collection of the EFC Service Fee should be calculated on the pro-rata share of the new allocations, rather than on all birds. In 2016, EFA submitted payment to EFC for 2014 and 2015 for this pro-rata share. The Service Fee is currently under review, and EFA will continue to promote that the Service Fee be collected on a formula that is fair to all provinces.



Producer Environmental Egg Program

In 2016, 2 new questions were added to the Producer Environmental Egg Program (PEEP) assessment. The questions expanded PEEP to cover cooler energy use

and waste water discharge. In addition, EFA introduced the concept of "Stewardship Elements." 4 out of the 12 PEEP assessment questions were deemed to be of critical importance to the environmental performance of an egg farm and were thus weighted to be worth twice as many points as the general elements, having a greater impact on the farmer's overall score.

For 2016, the average score on PEEP moved from 68% to 73%. Farmers scored very well on both of the new elements, driving an overall increase in scores. Farmers also continued to convert incandescent lighting to LED and CFL, with the average score shifting from 6.8 to a 7.5 equivalent.

Notably, EFA exceeded the goal of having 10 farmers who were below 60% in 2015 score above this mark in 2016. In 2017, the goal is that once again, an additional 10 farmers move their score from below to above 60%.



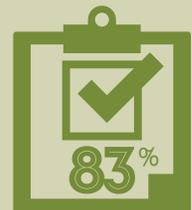
PEEP
average score
2015



PEEP
average score
2016



PEEP
passed in 2015



PEEP
passed in 2016



PEEP
target for 2017

Analysis of Manure Dryers

EFA's goal with PEEP has always been to communicate best practices, and accelerate the pace of change. While EFA has been promoting the use of manure drying belts as part of an integrated manure and nutrient management plan on egg farms, PEEP has brought to light that there are outstanding questions about the benefits of this technology on Alberta egg farms, especially with new and changing systems.

In 2016, EFA initiated a project with Alberta Agriculture to help fill gaps in information related to the costs and benefits of using manure belt dryers in Alberta. Various research has shown that drying manure, to maintain a minimum moisture content, can significantly decrease ammonia emissions and may have other stewardship benefits such as preserving the nutrient quality of the manure. Outstanding questions about manure belt drying in Alberta include:

- How effective are the systems with their current set up?
- Are there best practices for operating systems that can be recommended to increase effectiveness and efficiency?
- What moisture content is typical in Alberta with and without drying?
- What is the impact of drying in aviary systems?
- How much energy is used in drying, and does the benefit of N retention exceed this cost?
- What extension activities related to storage and application would help support the benefits of manure drying?

The goal of the project is that egg farmers in Alberta will better understand the benefits and challenges of adopting manure drying systems. The variables that help to minimize ammonia release and retain nutrients in the manure will be investigated to evaluate their

significance. The project will look at what the economics and net environmental impacts are for drying systems in Alberta conditions, to help inform egg farmers on sustainable practices by collecting information directly from Alberta egg barns and farmers. The hope is that by the end of 2017, EFA will be able to do on-farm extension covering the results of this study, as well as overarching manure management best practices. This will also help the industry understand the value of manure to egg farmers, perceived and actual, to determine if egg farmers should move forward with the previously investigated pelletizing opportunity.



Dietary Strategies to Reduce Ammonia Emissions

With funding from the Alberta Livestock and Meat Agency (ALMA) and EFA, Dr. Eduardo Beltranena, Research Scientist with the Government of Alberta's Livestock Research Section, initiated a study in 2016 to find practical and cost-effective dietary strategies to reduce the ammonia emission intensity of egg production (kg of ammonia generated per dozen eggs) by as much as 25%.

The researchers will conduct a holistic evaluation of several different strategies simultaneously, under Alberta conditions and using a typical western Canadian layer diet. The objectives are to:

- Quantify baseline ammonia emissions per unit of egg production resulting from a standard, Alberta-relevant, least-cost laying hen diet.
- Identify feeding strategies that will reduce volatile Nitrogen losses by at least 25% per unit of production (relative to baseline) that are practical, economical and accessible to the average egg producer.

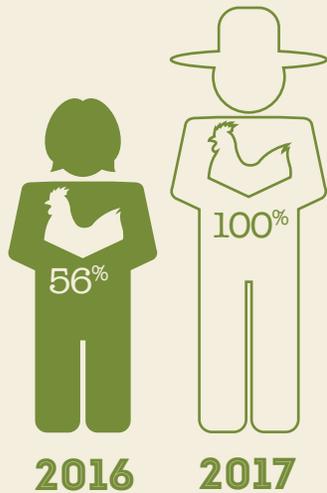


STORY: Net-Zero Egg Barn

EFA was thrilled to help host more than 40 distinguished guests at Brant Colony, for the grand opening of their new net-zero layer barn. Brant Colony's egg manager, Darrel Mandel, led the group – including the Honourable Oneil Carlier, Minister of Agriculture and Forestry, MLA David Schneider, and a variety of egg industry stakeholders – on a tour of the barn, highlighting the innovative technology that was integrated into the design and construction of the facility, in their attempt to balance energy inputs and outputs.

While there have been challenges in getting the Heat Recovery Ventilator running effectively, and in getting the appropriate software to access the detailed energy data, EFA is working toward developing extension materials that will help all egg farmers make investment decisions for what technologies might help them meet their efficiency goals, and the associated payback periods and management recommendations for those technologies.

New Entrant Program Farmers in Production



Farm Safety

EFA hosted farm safety workshops throughout the province in 2016, led by Dan Trottier of Timmenga and Associates. The workshops were attended by over 50 farmers, who had the following feedback:

- The Workshop helped take farm safety plans from intimidating to doable
- I was provided ideas on how to start a farm safety program and how to keep it simple
- I took a lot of interest in proper employee training, and I'm positive we'll benefit from it
- It would be a good idea to see if we could have one safety chief for the entire farm

EFA was able to film the workshops, and offer a condensed education training video for farmers who were unable to attend the sessions.

- Compare egg production, egg quality, N balance and feed costs of production resulting from implementation of the proposed ammonia reduction strategies with the baseline.

The primary outcome of the study will be actionable data that will serve as the foundation and catalyst for developing on-farm validation projects in collaboration with the egg industry in Alberta.



Industry Sustainability

The New Entrant Program (NEP), which launched for public applications in 2014, provides an opportunity for those interested in egg farming to gain access to quota. In the previous two years, EFA welcomed 20 new entrants to the industry, offering each of them 1,500 quota units. The EFA Board embarked on a review of the NEP in 2016, to evaluate the overall effectiveness of the program's structure, to ensure that it serves new entrants and the egg industry as intended. A survey was distributed to a wide array of stakeholders including new entrants, existing producers, banks and service industry. The results of the survey, together with face to face meetings, helped inform the Board's decision on how the program should be adjusted moving forward. A common theme through the feedback was that 1,500 units of quota was not sufficient to build a sustainable egg farm.

At the end of 2016, the Board released an updated New Entrant Program, with the following changes:

- All New Entrants that were transitioned from the organic leasing program in 2012 would receive an additional 500 layers of New Entrant quota, as their original allotment was 1,000 birds.
- All New Entrants will be guaranteed access to a total of 5,000 layers. The allotments of 1,500 will not be increased,

but rather New Entrants will receive priority access to the leasing pool for 10 years.

EFA's goal is for the NEP to instill confidence and security in the provincial egg industry, and to help new egg farmers succeed in building a viable and sustainable egg farm.

By the end of 2016, 14 of 25 new entrants were in production, with the remaining farms scheduled to begin production by their 2-year deadline for activating quota, in September 2017.



Farm Safety

In late 2015, Bill 6 – the Enhanced Protection for Farm and Ranch Workers Act – was introduced with limited consultation, resulting in significant upheaval at the grassroots level that in turn prompted significant amendments to the bill. In response to the challenges associated with Bill 6, the Alberta Agriculture Farm and Ranch Safety Coalition (AgCoalition) was formed on January 22, 2016. The AgCoalition was challenged with setting up appropriate leadership and developing technical resources, engaging the wider producer membership. The result was the formation of a Strategy Committee, Industry Leadership Advisory Committee (ILAC) and Technical Support Group. Susan Schafers served on the ILAC on behalf of EFA, with EFA staff providing technical input.



FARMSAFE Plan

27% Farms completed their Alberta FarmSafe Plan in 2016.



As the Alberta Government moved ahead with consultations to address how employment standards, occupational health and safety, and labour relations requirements should be applied to farmers in Alberta, different tables were assembled with stakeholders selected from nearly 250 submissions from the agricultural sector, labour groups and technical experts. Egg farmer Susan Schafers sat on the Employment Standards Code working group, to provide input on how various employment standards can be implemented in ways that make sense in the context of the agriculture sector.

In 2017, we anticipate that the AgCoalition, formed out of the need to organize the consultations from the industry side, will progress in its mandate to address on farm safety. EFA is pleased to be a founding member of the AgCoalition.



Extension Working Group

EFA worked with the Alberta Farm and Ranch Safety Extension Grant Working Group to develop and deliver safety education and awareness for farmers and ranchers across Alberta, with funding from the provincial and federal governments as part of Growing Forward 2 (GF2).

The Working Group, made up of Alberta's crop and livestock commissions, was set up to oversee and direct the allocation of the GF2 grant dollars, as well as ensure a program is in place to provide farmers and ranchers with safety education and tools. The plan for this funding is to create a model of farm safety education that can become the foundation of a long-term permanent structure with effective and stable programming.





PUBLIC RELATIONS

Many more egg farmers joined EFA's Egg Ambassador program in 2016. Egg Ambassadors enjoyed a very busy and successful year, engaging the public and sharing their stories, whether they were talking about caring for their hens or providing their fellow Albertans with fresh, locally produced eggs!

EFA's new classroom presentations will be piloted in the spring, with a full launch scheduled for the start of the 2017-2018 school year. EFA's education program will also better compliment the Classroom Agriculture Program (CAP), which is delivered to grade-4 students throughout Alberta, when agriculture is part of their curriculum.

- 2 students to attend the International Egg Nutrition Consortium
- 1 student poster at the Western Poultry Conference

Classroom Presentations & CAP

EFA delivered 75 classroom presentations to more than 1,600 students in 2016, educating them about eggs and egg farming. EFA is in the process of revamping the classroom presentations, to focus efforts on junior high and high school foods programs. Not only are these students studying food and cooking, but they are also becoming more interested in where their food comes from and how it was produced, and are also more involved in their family purchasing decisions.

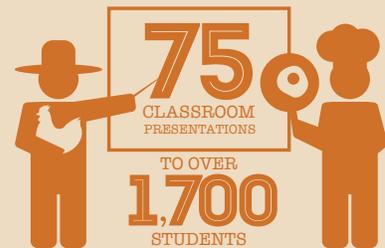
Education

For 2016, EFA established a new program for student sponsorships. The goal of student sponsorship is to provide a framework for leadership development within agriculture by promoting and supporting research and education related to the egg industry.

EFA provided the following sponsorships in 2016:

- 2 students to attend Alberta Farm Animal Care's Livestock Care Conference

Presentations



Funding for the U of A's Poultry Research Centre



Food Truck

EFA has devoted significant resources to website development and attendance at community events to provide informed messaging on issues as diverse as animal care, environment, food safety, and nutrition. The launch of an EFA-sponsored egg-themed food truck provides the opportunity to ground this information to the product, and make the connection for consumers as to where their eggs come from. In 2016, with funding from ALMA, EFA took steps to encourage the establishment of an egg themed food truck by offering \$15,000 in sponsorship money toward start-up costs of a chosen operator, as well as professional branding and pre-launch marketing support by AdFarm. EFA is thrilled to have identified a well-respected and talented industry professional to partner with, and is looking forward to the food truck launch in the summer of 2017!

Taste Alberta

As a proud member of Taste Alberta, EFA continues to support efforts to engage the public and encourage loyal use of locally produced food. Taste Alberta is involved in a variety of events and initiatives to engage chefs and foodies throughout the province, educating them about the benefits of local food and food production. Christmas in November was a Taste Alberta highlight for 2016, as EFA sponsored one of the breakfasts and Susan Schafers once again participated in the fireside chat.

Event Marketing

EFA participated in several major events in 2016, including the Calgary Stampede, Aggie Days (Calgary), Aggie Days Lethbridge, Amazing Ag (Edmonton), the Calgary Zoo's Easter Eggstravaganza, and the Calgary Health Show. EFA's event staff and Egg Ambassadors continued to do a remarkable job engaging the public, whether it was educating about the nutritional benefits of eggs, explaining the wide selection of eggs available at grocery stores across the province, or describing the daily routine that all egg farmers are responsible for in order to produce affordable, fresh, local food.

The Calgary Stampede was a highlight of 2016, as it marked the first time that a live-bird display was included as part of the EFA booth. The furnished/enriched housing display was home to 30 birds – 15 white and 15 brown – at the Stampede, which required 19 Egg Ambassadors to care for the birds during the 10-day event. The hens attracted huge crowds and gave the Egg Ambassadors a lot to talk about, but they were up for the task and unanimously recommended that EFA pursue even more opportunities to share an authentic egg farming experience at future events!

DIGITAL MARKETING

Digital marketing continues to be a priority for EFA, in order to more effectively engage with broader online audiences, while promoting local eggs and egg farmers!

Website

EFA's website (eggs.ab.ca) acts as the primary hub for all online activity. In 2016, there were more than 84,000 visits (+32% over 2015), and more than 157,000 pages viewed (+21% over 2015). The website acts a repository for information about eggs, nutrition, farming, on-farm programs, and a wide variety of delicious recipes. Two new farmer profiles – Sunrise Colony and Brio Developments – were added, showcasing even more local family egg farms. Susan Schafers continued publishing new posts to her farmer blog, and several guest bloggers were featured on the EFA blog.

The launch of two live-feed cameras inside the net-zero egg barn at Brant Colony was a highlight of 2016, as it gives the public the opportunity to see inside an authentic Alberta egg barn 24/7. That was the culmination of a journey that began in July 25, with a 7-part blog series chronicling the construction of the net-zero egg barn.

Social Media

EFA continued to increase activity and engagement on all social media channels, including Facebook, Twitter and YouTube. Successful contests were run at Easter and around World Egg Day, and a 15-part video series titled Egg Farmer Insights was added to YouTube, which helped increase both follower and engagement indicators. On Facebook, our posts generated 325,000 impressions and elicited nearly 7,000 engagements. On Twitter, our posts generated 360,000 impressions and elicited 1.4% engagements, while EFA was mentioned 300 times.



THANK YOU

Egg Farmers Of Alberta

Your generosity is helping those affected by the 2016 Alberta Fires recover and rebuild their lives

September 7, 2016

Conrad Sauvé
Canadian Red Cross

Date

GOVERNMENT RELATIONS

Egg Farmers of Alberta actively engaged the provincial government and industry partners to advance discussions on a variety of important topics.



Alberta MLA Engagement

EFA was actively involved in government relations throughout 2016, at both the federal and provincial level. On the federal level, EFA representatives participated in the Minister of Agriculture and Agri-Foods Roundtable discussion and attended the Annual Conference of Federal, Provincial and Territorial Ministers and Deputy

Ministers of Agriculture. On the provincial level, EFA representatives had meetings and hosted farm tours for several MLAs, and also attended the Premier's State-of-the-Province Address Luncheon. EFA took advantage of each opportunity to discuss pertinent issues, as well as key industry initiatives and achievements.



Alberta Supply Management

EFA continued to work closely with Alberta Supply Management (SM5) – Alberta Chicken Producers, Alberta Hatching Egg Producers, Alberta Turkey Producers, and Alberta Milk – to enhance the understanding of and support for supply management. The SM5 worked together

with a new GR consultant, Alberta Counsel, to help facilitate increased engagement with provincial government stakeholders.

The SM5 continued a long-standing tradition of sponsoring the Premier's breakfasts in Calgary and Edmonton, with EFA supplying eggs for both events. EFA representatives attended both events and had the opportunity to engage multiple MLAs in conversation about a wide variety of industry related topics. SM5 representatives met with several MLAs and MPs, as well as the Honourable Oneil Carlier, Minister of Agriculture and Forestry. The SM5 was consulted and provided input related to important issues and legislation, including farm safety, carbon tax, agri-foods, and Growing Forward 2.

A highlight of 2016 was an MLA meet-and-greet that the SM5 co-hosted with the Honourable Christina Gray, Minister of Labour. Well over 30 MLAs representing each of the four major political parties attended the evening reception. It was a tremendous opportunity for SM5 representatives to help MLAs better understand the passion and commitment that goes into providing all Albertans with fresh, locally produced dairy and poultry products.



SOCIAL RESPONSIBILITY

While EFA was in the planning stages for our 2016 social responsibility initiative, an unexpected and unthinkable tragedy struck Alberta. Fort McMurray was devastated by wildfires, which forced the largest evacuation in Alberta's history. EFA immediately donated \$5,000 to Red Cross relief efforts. EFA also worked with the province's graders, Burnbrae Farms and Sparks Egg Farms, to donate 1,800 dozen eggs to the Edmonton food bank, and another 900 dozen eggs to other relief initiatives. Alberta egg farmers graciously donated over \$10,000 to Red Cross relief efforts, which was matched by EFA, bringing the grand total donated by Alberta's egg industry to over \$30,000! EFA, with the help of Egg Farmers of Canada, also rallied the Canadian egg industry to donate to Fort McMurray relief efforts. All donations from other provincial egg boards and Canadian egg farmers was generously matched by EFC, and the total contribution from the Canadian egg industry outside Alberta was over \$56,000. When donation matching from the Federal government is considered, the grand total was well over \$100,000!

Thank you to EFC, and to provincial egg boards and egg farmers from coast to coast to coast, for your generosity, compassion and partnership



Board Governance

At the AGM, EFA welcomed returning Director Byron Toews, who was elected to fulfill a 2-year term following Ben Waldner's resignation. Beatrice Visser was elected to a 3-year term to replace retiring Director Levi Hofer. The various positions on the Board were Meb Gilani, Chair; Susan Schafers as Vice-Chair; Joe Kleinsasser as EFC Director and Beatrice Visser as EFC Alternate.

The Board completed various training sessions this year, including public speaking, personality workshop, interest based negotiations and parliamentary procedures.



EFA OFFICE UPDATES

Human Resources

EFA's current staff is 11 permanent full-time employees. In May, Brandy Addai joined EFA as Logistics Coordinator and Erin Johnston moved to Farm Services Administrator, to replace Agatha Smykot while she is on maternity leave. Kari Buijs joined EFA in September, in the newly created position of Business Manager / Controller, where she will lead the organization's financial accounting and reporting & control activities, and oversee quota management, data management, statistical analysis and the Industrial Product Program.



Office Efficiency

EFA launched a new Sharepoint Site for producers in 2016, which enables egg farmers to access farm specific documents on demand, including PEEP, SC-SC and Animal Care Program

evaluations, Salmonella test results, levy statements and more!

EFA also introduced paperless services for the field coordinators. This technology enables EFA field staff to enter on-farm data into their computers and transmit it electronically to the EFA database for reporting. E-mail reports are then sent to farmers without the need to print a single page!





HEALTHY BIRDS



HEALTHY EGGS

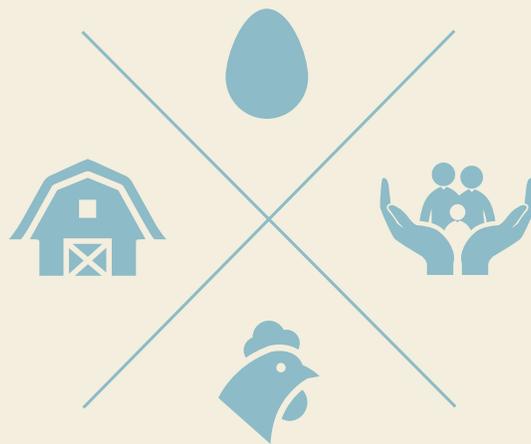


HEALTHY FARMS



HEALTHY COMMUNITIES





Egg Farmers
of Alberta

Egg Farmers
of Alberta



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OR



Financial statements of

Egg Farmers of Alberta

December 31, 2016

Egg Farmers of Alberta

December 31, 2016

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Independent Auditor's Report

To the Registered Producers of
Egg Farmers of Alberta

We have audited the accompanying financial statements of Egg Farmers of Alberta, which comprise the statement of financial position as at December 31, 2016, 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 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 Egg Farmers of Alberta as at December 31, 2016 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 accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants
February 6, 2017

Egg Farmers of Alberta

Statement of operations and changes in unrestricted net assets 53-week period ended December 31, 2016

	December 31, 2016 (53 weeks)	December 26, 2015 (52 weeks)
	\$	\$
Revenue		
Levy	14,352,360	15,671,825
Interest	202,292	218,819
Grant (Note 7)	754,547	470,836
Industrial product program (Schedule 2)	20,176,106	14,680,761
Research levy and grant (Schedule 3)	84,959	131,198
Over base quota fund (Schedule 4)	88,517	205,706
Other income	19,871	83,588
Amortization of deferred capital contributions (Note 8)	-	8,895
Gain on sale of investments	50,631	35,569
Unrealized gain (loss) on investments	172,480	(88,791)
	35,901,763	31,418,406
Expenses		
Administrative (Schedule 1)	2,383,808	2,183,041
Egg Farmers of Canada levy	12,273,122	13,756,033
Grant projects (Notes 5, 7 and 8)	754,547	479,731
Industrial product program (Schedule 2)	20,335,338	13,764,298
Research project disbursements (Schedule 3)	109,836	74,937
Over base quota fund (Schedule 4)	83,650	19,472
	35,940,301	30,277,512
(Deficiency) excess of revenue over expenses	(38,538)	1,140,894
Internal transfer from (to) industrial product program (Schedule 2)	159,232	(916,463)
Internal transfer from (to) research fund (Schedule 3)	24,877	(56,261)
Internal transfer to over base quota fund (Schedule 4)	(4,867)	(186,235)
Unrestricted net assets, beginning of period	3,028,988	3,047,053
Unrestricted net assets, end of period	3,169,692	3,028,988

The accompanying notes to the financial statements are an integral part of this financial statement.

Egg Farmers of Alberta

Statement of financial position as at December 31, 2016

	December 31, 2016	December 26, 2015
	\$	\$
Assets		
Current assets		
Cash	198,988	1,310,990
Accounts receivable (Note 4)	1,161,926	1,083,495
Government remittances recoverable	70,366	-
Prepaid expenses	137,906	62,579
	1,569,186	2,457,064
Long-term investments (Note 3)	6,299,803	5,194,722
Tangible capital assets (Note 5)	1,131,576	1,177,637
Intangible asset (Note 6)	5,112	5,112
	9,005,677	8,834,535
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,297,301	1,113,031
Government remittances payable	-	37,750
Due to Egg Farmers of Canada	1,859,249	1,685,819
Deferred contributions (Note 7)	139,609	249,880
	3,296,159	3,086,480
Net assets		
Unrestricted net assets	3,169,692	3,028,988
Industrial product program (Schedule 2)	1,585,861	1,745,093
Research fund (Schedule 3)	282,659	307,536
Over base quota fund (Schedule 4)	671,306	666,438
	5,709,518	5,748,055
	9,005,677	8,834,535

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Egg Farmers of Alberta

Statement of cash flows

53-week period ended December 31, 2016

	December 31, 2016 (53 weeks) \$	December 26, 2015 (52 weeks) \$
Operating activities		
(Deficiency) excess of revenue over expenses	(38,538)	1,140,894
Items not affecting cash		
Amortization of tangible capital assets	114,936	129,442
Gain on sale of tangible capital assets	(13,200)	-
Amortization of deferred contributions related to tangible capital assets	-	(8,895)
Gain on sale of investments	(50,631)	(35,569)
Unrealized (gain) loss on investments	(172,480)	88,791
	(159,913)	1,314,663
Changes in non-cash working capital		
Accounts receivable	(78,431)	(312,089)
Government remittances recoverable	(70,366)	-
Prepaid expenses	(75,327)	(17,178)
Accounts payable and accrued liabilities	184,266	76,201
Government remittances payable	(37,750)	15,016
Due to Egg Farmers of Canada	173,430	859,538
Deferred contributions	(110,271)	(214,039)
	(174,362)	1,722,112
Investing activities		
Purchase of tangible capital assets	(68,874)	(26,005)
Purchase of intangible capital asset	-	(4,632)
Proceeds from sale of tangible capital assets	13,200	-
Proceeds on sale of long-term investments	493,284	222,949
Proceeds on sale of short-term investments	-	207,250
Purchase of long-term investments	(1,375,250)	(1,894,516)
	(937,640)	(1,494,954)
Net (decrease) increase in cash	(1,112,002)	227,158
Cash, beginning of period	1,310,990	1,083,832
Cash, end of period	198,988	1,310,990

The accompanying notes to the financial statements are an integral part of this financial statement.

Egg Farmers of Alberta

Notes to the financial statements

December 31, 2016

1. Nature of business

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

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following policies:

Method of accounting

EFA 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

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. EFA has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations and changes in unrestricted net assets as interest income or expense.

With respect to financial assets measured at cost or amortized cost, EFA recognizes in the statement of operations and changes in unrestricted net assets an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations and changes in unrestricted net assets in the period the reversal occurs.

Tangible capital assets

Tangible capital assets 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	3-5 years
Promotional display	3-5 years
Office equipment	3-10 years
Office improvements	20 years
Software	5 years

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate 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.

Egg Farmers of Alberta

Notes to the financial statements

December 31, 2016

2. Significant accounting policies (continued)

Intangible asset

Intangible assets with an indefinite life are accounted for at cost and are tested for impairment whenever events or changes in circumstances indicate that they might be impaired. When the carrying amount of an item exceeds its fair value, an impairment loss is recognized in the statement of operations and changes in unrestricted net assets in an amount equal to the excess.

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 ASNPO 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 the estimated useful lives of tangible capital assets, the potential impairment of tangible capital and intangible assets, determination of accrued liabilities and potential contingencies.

3. Investments

Long-term investments

The long-term investments include:

	December 31, 2016	December 26, 2015
	\$	\$
Equity investments	6,299,803	5,194,722

The equity investments are recorded at fair market value.

Egg Farmers of Alberta

Notes to the financial statements

December 31, 2016

3. Investments (continued)

Investment policy

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

	Target	Current
	%	%
Short-term investments	1-15	2
Fixed income investments	50-70	61
Equity investments	20-40	37
Country of exposure		
Canada	85	75
U.S.	10	13
International	5	12

The investments are currently not in compliance with the investment policy that has been outlined by EFA, as based on the current portfolio the investment percentage for the U.S. and international investments are higher than EFA's board of directors' approved targets. Management is evaluating the current volatility of the market and how best to change the investments in order to bring the portfolio back in compliance with the policy.

4. Accounts receivable

	December 31, 2016	December 26, 2015
	\$	\$
Egg Farmers of Canada	1,005,902	1,024,259
Grant receivable	34,936	10,279
Other	121,088	48,957
	1,161,926	1,083,495

5. Tangible capital assets

	December 31, 2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	168,000	-	168,000
Building	902,214	310,414	591,800
Automobiles	65,785	39,359	26,426
Promotional display	91,898	91,898	-
Office equipment	250,362	208,899	41,463
Office improvements	518,766	218,243	300,523
Software	19,553	16,189	3,364
	2,016,578	885,002	1,131,576

Egg Farmers of Alberta

Notes to the financial statements

December 31, 2016

5. Tangible capital assets (continued)

	December 26, 2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	168,000	-	168,000
Building	902,214	274,326	627,888
Automobiles	59,529	53,800	5,729
Promotional display	91,898	88,618	3,280
Office equipment	225,776	184,979	40,797
Office improvements	516,974	192,305	324,669
Software	19,552	12,278	7,274
	<u>1,983,943</u>	<u>806,306</u>	<u>1,177,637</u>

Total amortization for the 53-week period ended December 31, 2016 was \$114,936 (52-week period ended December 26, 2015 - \$129,442), of which \$3,280 (December 26, 2015 - \$9,485) was included in advertising and product promotion, \$16,442 (December 26, 2015 - \$16,024) was included in travel, and \$Nil (December 26, 2015 - \$8,895) was included in grant project expenses.

6. Intangible asset

	December 31, 2016	December 26, 2015
	\$	\$
Trademarks	<u>5,112</u>	<u>5,112</u>

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, 2016 (53 weeks)	December 26, 2015 (52 weeks)
	\$	\$
Deferred contributions, beginning of period	249,880	463,918
Grants received	609,340	246,519
Grants receivable	34,936	10,279
Less: amounts amortized to revenue	(754,547)	(470,836)
Deferred contributions, end of period	<u>139,609</u>	<u>249,880</u>

Grants receivable relates to \$34,936 (December 26, 2015 - \$10,279) of expenses incurred and grant revenue earned by EFA in 2016, but for which funds had not yet been received at period-end.

Egg Farmers of Alberta

Notes to the financial statements

December 31, 2016

8. Deferred contributions related to tangible capital assets

Deferred contributions related to tangible capital assets represent the unamortized portion of restricted contributions, which have been expended on EFA's tangible capital assets.

The changes in deferred contributions relating to tangible capital assets are as follows:

	December 31, 2016 (53 weeks)	December 26, 2015 (52 weeks)
	\$	\$
Deferred contributions related to tangible capital assets, beginning of period	-	8,895
Less: amortization - current period	-	(8,895)
Deferred contributions related to tangible capital assets, end of period	-	-

9. Financial instruments

Fair value

The carrying amounts of EFA'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 long-term investments are recorded at fair market value.

Credit risk

EFA is exposed to credit risk to the extent that its producers or 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 due from Egg Farmers of Canada, a producer organization formed by the provincial boards.

Market risk

EFA 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.

Interest rate risk

EFA is exposed to interest rate risk given that its bonds that are included in long-term investments have varying maturity dates and interest rates. Accordingly, if interest rates decline, EFA may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing.

Liquidity risk

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

Egg Farmers of Alberta

Schedule of administrative expenses - Schedule 1 53-week period ended December 31, 2016

	December 31, 2016 (53 weeks) \$	December 26, 2015 (52 weeks) \$
Advertising and product promotion (Note 5)	315,124	355,515
Amortization	95,214	95,037
Board governance	39,490	38,490
Building operations	41,216	40,853
Directors' and committee allowances	150,514	138,892
Employee benefits	138,433	146,048
Insurance	19,198	18,801
Meetings	54,571	45,374
Memberships	21,906	10,438
Office and printing	137,400	108,559
Postage	10,200	12,989
Professional fees	178,881	104,735
Salaries	861,002	748,915
SE testing kits and diagnostic services	66,814	67,750
Telecommunications	11,758	11,908
Travel (Note 5)	242,087	238,737
	2,383,808	2,183,041

Egg Farmers of Alberta

Schedule of internal restrictions - industrial product program - Schedule 2 53-week period ended December 31, 2016

	December 31, 2016 (53 weeks)	December 26, 2015 (52 weeks)
	\$	\$
Industrial product program, beginning of period	1,745,093	828,630
Add		
Egg sales	16,577,137	11,876,294
Levy revenue	3,598,969	2,804,467
	20,176,106	14,680,761
Less		
Egg purchases	18,312,719	12,849,266
Egg Farmers of Canada Service Fee	1,788,729	890,294
Levy over	233,890	24,738
	20,335,338	13,764,298
Net change in program during the period and amount internally transferred (to) from unrestricted net assets	(159,232)	916,463
Industrial product program, end of period	1,585,861	1,745,093

The industrial product program relates to eggs which are sold for further processing. EFA 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.

Egg Farmers of Alberta

Schedule of internal restrictions - research fund - Schedule 3 53-week period ended December 31, 2016

	December 31, 2016 (53 weeks) \$	December 26, 2015 (52 weeks) \$
Research fund, beginning of period	307,536	251,275
Add		
Transfer from levy revenue	84,959	131,198
Less		
Disbursements to research projects	109,836	74,937
Net change in fund during the period and amount internally transferred (to) from unrestricted net assets	(24,877)	56,261
Research fund, end of period	282,659	307,536

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.

Egg Farmers of Alberta

Schedule of internal restrictions - over base quota fund - Schedule 4 53-week period ended December 31, 2016

	December 31, 2016 (53 weeks) \$	December 26, 2015 (52 weeks) \$
Over base quota fund, beginning of period	666,439	480,204
Add		
Over base quota user fee revenue	88,517	205,706
Less		
Disbursements	83,650	19,472
Net change in fund during the period and amount internally transferred from unrestricted net assets	4,867	186,235
Over base quota fund, end of period	671,306	666,439

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.