



2009

annual report

ALBERTA
Egg Producers
www.eggs.ab.ca



MISSION

*To cultivate an environment where
Alberta egg producers can thrive
within our interdependent industry.*

VISION

*An innovative team working
cooperatively in a sustainable
environment which pleases
well-informed customers.*

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Back Row (Left to Right): Amin Valji,
Graham Marriott, Catherine Kelly, Meb Gilani

Middle Row (Left to Right): Susan Gal,
Christina Robinson

Front Row (Left to Right): Lisa Skierka,
Laurel Martin, Susan Schafers, Peggy Galbraith

Not Pictured: David K. Stahl, Ben Waldner,
Andrew Wipf

INTRODUCTION

The 2009 Annual Report is presented at the 41st Annual General Meeting of the Alberta Egg Producers held Tuesday, February 23, 2010 at the Capri Hotel and Conference Centre in Red Deer, Alberta.

THE ALBERTA EGG PRODUCERS TEAM (AS OF DECEMBER 31, 2009):

Board of Directors

David K. Stahl	Chairman
Andrew Wipf	Vice-Chairman and EFC Alternate
Ben Waldner	EFC Representative
Meb Gilani	Director
Susan Schafers	Director
Amin Valji	Director

Staff

Susan Gal	General Manager
Lisa Skierka	Marketing and Communications Coordinator
Laurel Martin	Office Manager
Christina Robinson	Producer Services Coordinator
Graham Marriott	Fieldman
Catherine Kelly	Administrative Assistant – Marketing and Communications
Peggy Galbraith	Administrative Assistant – Customer Service

ALBERTA'S EGG INDUSTRY: AT A GLANCE

	DECEMBER 26, 2009	DECEMBER 27, 2008
Total number of registered producers	156	161
Total issuance (hens)	1,768,758	1,711,681
Average flock size (hens)	11,338	10,631
Total egg production (dozens)	43,416,931	43,828,255
Total industrial product (boxes)	343,178	272,017

Pricing:

- Producer prices for large eggs ranged from a low of \$1.62 per dozen to a high of \$1.74 per dozen in 2009.
- The average producer price decreased \$0.09 to \$1.64 per dozen in 2009 from \$1.73 per dozen in 2008.

Levy:

- Levy for registered producers decreased to \$5.89 per bird in 2009 from \$6.672 per bird in week 21/08.
- Levy for unregistered producers decreased to \$0.2357 per dozen in 2009 from \$0.267 per dozen in week 21/08.

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CHAIRMAN'S MESSAGE

Most recent corporate annual reports make reference to change: the challenges of understanding change, the pace of change, and the impact of change on the company. Ultimately, what distinguishes successful companies is not how often they talk about change, but how they construct their business in order to embrace change.

In 2009, the Alberta Egg Producers Board and staff took a hard look at opportunities and challenges facing this industry both short-term and in the foreseeable future. In order to ensure our future success, we asked ourselves these questions:

- Does AEP understand the challenges it is facing?
- Have we as directors and senior managers given due consideration to what may happen down the road—and are we preparing scenarios and contingencies to deal with these uncertainties?
- Do the people who make up the Board and staff understand the forces shaping the environment we work in?
- Does AEP have the right resources in terms of people, technology and funding to meet the challenges we face?

Being successful is about planning, process, people and being proactive—and there are no shortcuts in becoming proactive. For AEP, it takes engagement and commitment from the entire staff and Board, as well as the producers. All of us put time and energy into analyzing and assessing our future, from the challenges we expect to face to consideration of how we will deal with these eventualities.

The concept of investing in the necessary upfront planning, structure and resources to be successful has received a tremendous level of commitment from the Board and staff. From experience, we know that this industry never slows down. We know how much time and energy it takes to make progress. We also know that our achievements are the direct result of past dedication. Although we have some short-term challenges, I am excited about the potential for Alberta's egg producers. Each one of you should be proud of what we have accomplished as a team in 2009. With your continued support, I believe we can build on this success.

In 2009, we have again seen an ever-increasing effort by producers to ensure the animal care practices in our own barns are kept at the highest standards possible. As a result, Alberta egg producers have attained an average score of 98 per cent on their animal care ratings. I would like to extend a sincere thank you to all producers who made the effort to ensure their barns attained the highest Start Clean–Stay Clean™ ratings and animal care standards this past year. I look forward to seeing how high we can set the bar in 2010.

To conclude, I wish to thank my fellow Board members for the countless hours and energy they give to this industry. With them, I recognize the entire AEP staff for their excellent work in bringing the Board's vision to life. Together I believe we have a team capable of fulfilling our mission, "To cultivate an environment where Alberta egg producers can thrive within our interdependent industry."

GENERAL MANAGER'S MESSAGE

An organization that makes groundbreaking decisions to lead the industry into the future is only as successful as its ability to turn those decisions into actions—and 2009 has been a year of action for the Alberta Egg Producers.

In 2009, more than 40 producers were newly accredited in the Start Clean–Stay Clean™ program. This leaves only a few producers who have not met the mandatory standard of accreditation by the December 31, 2009 deadline. These remaining producers will be working toward accreditation within the first six months of 2010. This was also the first year for pullet growers to be evaluated on their on-farm food safety program. In their inaugural year, pullet growers achieved an average score of 91 per cent—a remarkable beginning!

The on-farm food safety programs for both layers and pullets implemented a process to follow-up on corrective actions this year. This follow-up was designed to encourage continuous improvement by all producers. The success of these programs is due to an unwavering commitment by the field inspectors, staff and—most of all—producers to ensure each egg farm in Alberta is doing their part to produce safe, healthy eggs.

December 31, 2009 was also the deadline for producers to meet the cage density regulations laid out in the Code of Practice. With the implementation of this mandatory regulation, our producers can confidently say that our industry meets the science-based guidelines developed to provide the best practices for hen welfare.

In order for Alberta's egg industry to move forward and grow, new value-added opportunities for eggs must be explored. With this vision in mind, in the spring of 2009 Alberta's egg producers gave their support for the purchase of a breaking plant. Subsequently, a new company called Egg Processing Innovations Inc. (EPI) was formed. A lot of time and thought has gone into developing EPI's framework and business plan. I look forward to seeing how EPI will diversify our industry.

Thanks to a passionate and innovative Board of Directors, an enthusiastic and diligent staff, and a dedicated producer group, AEP has taken flight, adopting leading-edge practices and forward-thinking policies. One of these practices is a commitment to corporate social responsibility (CSR). To us, this means ensuring our organization's decisions and actions are based on our values—and that they improve our community and the world we live in. As a producer, doing what you do each and every day on your farm, and doing it well, is one way to contribute to CSR. At AEP, we will continue to look for ways in which we can do our work better, knowing that we are preparing our industry for the future.

Some of the projects we will be working on in 2010 include researching alternative housing options for hens and determining production practices that can reduce the environmental footprint of egg farms. By keeping our focus on leading-edge production practices, AEP will have a better opportunity to manage the changes that are inevitably coming our way. I look forward to continuing to work with you as our industry grows and evolves.

SUSAN GAL, GENERAL MANAGER

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EFC DIRECTOR'S REPORT

As your Egg Farmers of Canada director, it is my pleasure to provide a summary of our activities at the national table. Please take the time reflect upon our efforts to preserve the foundations of supply management, enhance the image of eggs and egg farmers, and strengthen our ability to manage risk across the industry.

EFC's financial position has remained fairly robust in 2009, though it did soften steadily over the course of the year. At the end of Period 12 in November, the unrestricted portion of the Pooled Income Fund stood at \$36.6 million, while the unrestricted portion of the Administration Fund came in at \$1.79 million. EFC expects a year-end PIF balance of \$33 million, well within the trigger points established by the Board of Directors. Impacting the financial position in 2009 was a stronger dollar and buyback price, an average US breaker price down 47 per cent from a year ago at 54.8 cents, and industrial product declarations that were 2.8 per cent lower. At its November meeting, the EFC Board of Directors approved a total levy order of 30 cents per dozen for 2010, an increase of 9.75 cents over the previous year. This follows two consecutive years of levy declines totalling nine cents. Farm Products Council of Canada approved the levy order in December alongside a 2010 federal quota allocation of 20,882,421 layers. Perhaps most importantly, the March 25, 2009 agreement with Saskatchewan over future quota allocation positions the entire industry to respond to current and future opportunities for growth.

In 2009, EFC continued working closely with national and provincial supply management partners to ensure politicians heard our messages on trade. In Geneva, our national coalition maintained a strong presence, while at home we met regularly with government officials. The Parliament Hill Breakfast in May was attended by about 50 Members of Parliament and Senators, including the ministers of agriculture and finance. Throughout the year, the Canadian government pledged its support for egg supply management in keeping with the House of Commons motion of no decrease in over-quota tariffs and no increase to minimum market access. In addition, EFC began monitoring talks over a new Canada-EU trade agreement, with the Minister of International Trade indicating early on that supply management is not up for negotiation. Meanwhile, national and provincial supply management groups backed by the Canadian Federation of Agriculture continued to press provincial and federal ministers for assurances that supply management will be protected in a renewed agreement on internal trade. Looking ahead, EFC will continue to support the government's position at the World Trade Organization.

Throughout 2009, we continued to strengthen management of the national egg supply and the Industrial Product Program (IPP). In consultation with provincial boards, we revised the Early Fowl Removal and Quota Credits policies and continued working on a new flock placement policy. Efforts to develop a pricing mechanism that incorporates value-added pricing in industrial product (IP) remain ongoing. As a primary operational goal, EFC seeks to reduce reliance on levy by increasing IP efficiency. This is why we commissioned a transport study in Western Canada to improve operational responsiveness by optimizing shipping routes. A similar study will be carried out in Ontario and Quebec in 2010 as shipping routes in Eastern Canada are refined further. We also began developing on-farm protocol dealing with specialty eggs.

EFC DIRECTOR'S REPORT

Nielsen retail sales data showed 3.65 per cent growth year-over-year, down slightly from the 4.1 per cent increase we achieved in 2008, but still very positive. While current economic conditions have certainly played a role, it would be short-sighted to dismiss the positive impact of our marketing and nutrition programs. First, our on-pack promotion with graders generated a 2.5 per cent increase in retail sales during the four-week promotion period. As part of our cholesterol-concerned strategy, we reached 2,100 doctors to say “an egg a day is okay” for patients diagnosed with high cholesterol. On television, our energy message received a boost from our official spokespeople, Hayley Wickenheiser and Kim St-Pierre of the Canadian women’s Olympic hockey team. In addition, EFC helped support numerous hockey and soccer tournaments across the country and proudly sponsored the Canwest Canspell National Spelling Bee, reinforcing the connection between eggs and academic performance. We have set our sights on a 1.5 per cent growth target in 2010.

In Alberta and across the country we are ensuring our farms are maintained according to credible animal care criteria. EFC field inspectors continue to rate farms based on the Code of Practice and are striving to achieve 100 per cent compliance on cage density. In 2009, the compliance message was also delivered to farmers by industry leaders. With the industry working toward this goal, EFC held education sessions with stakeholder groups, including prominent retailers, foodservice professionals and a major foodservice company. We also shared information with the provincial Farm Animal Councils. Finally, EFC and the provincial egg boards developed fact sheets for use by provincial boards when needed on the pros and cons of raising urban hens, as this is an issue facing some municipal councils.

In late November, EFC was pleased to receive a letter from the Minister of Agriculture and Agri-Food expressing that the current \$8 per bird maximums are inadequate for layers ordered destroyed due to Avian Influenza (AI) under the *Health of Animals Act*. While the compensation issue is not yet resolved, this has been a welcome development. Throughout 2009, EFC representatives sat on several industry-government committees, including the Avian Biosecurity Advisory Council (ABAC) to develop national on-farm biosecurity standards, the Industry Government Advisory Committee (IGAC) to develop national traceability for poultry and livestock, and the Canadian General Standards Board (CGSB) Committee on Organic Agriculture to develop standards for organic poultry. As well, EFC continues to support scientific advancement through its support of the Canadian Poultry Research Council and through funding of egg-specific research as determined by the EFC Research Committee.

In September, Canada was proud to host the world at the International Egg Commission (IEC) conference in Vancouver. This conference was among the most successful in IEC history, attracting more than 400 delegates, featuring excellent speakers, and providing a great opportunity for Canadian egg farmers and industry representatives to strengthen relationships with contacts from across the globe.

Looking ahead to 2010, EFC will be conducting a new Cost of Production survey. Producer pricing is an essential element of supply management; I strongly encourage you to participate if you are contacted.

BEN WALDNER, EFC REPRESENTATIVE

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THE YEAR IN REVIEW

In 2009, Alberta's egg industry was faced with a number of opportunities. Our primary focus areas evolved from these opportunities and are outlined below. These focus areas are organized by Key Result Area (KRA), which are priorities identified by the Board at their annual strategic planning session.

KEY RESULT AREA 1: GROWING, PROFITABLE PRODUCTION BASE

GOVERNMENT RELATIONS AND TRADE

World Trade Organization

The World Trade Organization (WTO) negotiations remain top-of-mind for producers in the supply management system. At the March 2009 Annual General Meeting, producers resolved to send a letter to the provincial and federal governments outlining concerns about WTO negotiations. A response was received from George Groeneveld, Minister of Agriculture and Rural Development (AARD), confirming the Alberta government's support of Canada's position at the WTO negotiations that includes recognition for (and protection of) supply management. Nationally, the Canadian government pledged its support for supply management in keeping with the House of Commons motion stating they would only support a deal with no decrease in over-quota tariffs and no increase to minimum market access.

Negotiations will continue in 2010, with optimistic observers anticipating a completion of modalities by July 2010; others see no end in sight. WTO talks continue to be followed closely by AEP staff through the efforts of the Egg Farmers of Canada (EFC). AEP continues to participate in meetings and develop strategies.

Federal Lobby Initiatives

This year was significantly slower in terms of lobbying than 2008, in large part because there was not a major election despite the minority government. In preparation for a potential fall 2009 federal election, AEP worked with EFC to create a list of all federal members of parliament known to support supply management. Should an election occur nationally, staff are prepared to call on these politicians for support. In May, your AEP Board members participated in the EFC-coordinated breakfast on Parliament Hill, which was also attended by 46 Members of Parliament and Senators, including the national ministers of agriculture and finance.

With WTO negotiations likely resuming in 2010, we ask that producers remain on standby in case their support is needed for national lobbying initiatives that reiterate our industry's strong support for supply management.

Alberta Supply Management

Provincially, AEP staff continued to work with Alberta's supply-managed commodities and a government relations expert on political strategies. In 2009, AEP took the lead in developing the SM5 group's strategy and budget. Key activities included a presentation to Rural Caucus, sponsorship of the Premier's Breakfasts in Calgary

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and Edmonton, and support for events held by Dave Hancock, Doug Griffiths, Jack Hayden and George Groeneveld. Pens with the message: "I Support Alberta Farmers: Supply Management works for Albertans" were handed out at political events.

LEVY

National/Provincial Levy Changes

Effective December 28, 2008 (week 01/09), the levy was changed to \$5.89 per bird per annum for registered producers and \$0.2357 per dozen for unregistered producers, decreasing by \$0.782 per bird and \$0.0313 per dozen respectively. There were no adjustments to these rates throughout 2009.

Throughout the year, EFC's financial position continued to be healthy, although there has been a reduction in the Pooled Income Fund (PIF) (unrestricted) and the projections through to the end of 2009 indicated that the unrestricted PIF balance at year-end is just over \$33 million.

QUOTA ALLOCATION

Unregulated Adjustment and QAC Allocation

At the March 2009 EFC Board meeting, the long-standing dispute with Saskatchewan was resolved. In all future allocations, Saskatchewan will receive their historic market share of 4.76 per cent of new quota, with the balance being distributed amongst the remaining provinces using the methodology agreed to by the EFC Board.

Typically, national quota allocation decisions are dealt with in November of each year; however, strong increases in table disappearance necessitated an immediate review be completed in early 2009, recognizing that the 2008 table disappearance figures were not yet final. The EFC Board authorized a national increase of 378,393 layers. Alberta received 55,281 layers or approximately 14.6 per cent of the national increase which was effective April 19, 2009.

In 2008, AEP exceeded the provincially established base quota of 1,705,690 hens. Alberta Regulation 293/97 requires that any increase in total production allotment of quota exceeding the base provincial allotment must be offered for public sale. Since 2005, the Board has been diligently working on a proposal that meets the specific guidelines established by the Ministry to allocate over base quota. In early 2009, a new over base quota policy was not yet finalized. The Board determined it was imperative to get the 96,367 layers of available quota into production as quickly as possible without rushing through the development of the over base quota policy. Accordingly, the Board decided to allocate all of the under base quota to existing producers on a pro rata basis; the over base quota would be allocated on a temporary basis with an 18-month call back. Producers received a quota increase of 10,429 (0.6157 per cent) layers and a temporary allocation of 85,938 (5.0697 per cent) layers effective April 19, 2009.

The temporary over base quota was authorized for use by producers and does not form part of the producers' owned quota. A user fee will be charged by AEP upon activation of the quota by the producer who is operating the temporary allocation. For 2009, the user fee was established at \$1.00 per bird per annum. Any funds generated

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from the over base allocation are recorded in AEP's Over Base Quota Fund. The Board has determined that a program-specific policy will be developed for these funds.

In September 2009, EFC reviewed the final figures related to the 2008 table disappearance numbers and a further increase of 7,047 birds was approved effective November 29, 2009, pending approval from Farm Products Council of Canada (FPCC). Alberta will receive 1,008 layers from this allocation.

COST OF PRODUCTION

Impact of Feed Prices and Producer Panel

There were only three price adjustments in 2009, all taking place in the first half of the year. The adjustments were driven by different components of the producer's cost of production (COP), with feed prices being the most volatile at the beginning of the year at 59 cents per dozen. This was reduced to 53 cents per dozen by year-end.

Preparations are underway for our next COP survey which will be completed in 2010. This survey, which takes place every five years, helps to ensure all the components in the COP continue to reflect actual costs.

REGULATIONS

Regulation Amendments

The regulatory review process was completed in the second quarter of the year, with regulation and plan amendments completed in advance of the May 31, 2009 expiry date. Several changes were made to the Board's plan and regulations. The most significant change related to a new section authorizing quota leasing. A new policy was implemented in 2009 that will allow producers to lease some or all of their quota that was previously in production for a maximum of 10 years. Mandatory Start Clean—Stay Clean™ accreditation as a requirement for license was also added to the regulations.

ALBERTA AGRICULTURE AND RURAL DEVELOPMENT

Industry Governance Review

The *Marketing of Agricultural Products Act* (MAPA) currently governs 20 of Alberta's primary agricultural commodities, including AEP. Recently, the legislation was reviewed to ensure the new governing legislation would meet the needs of agriculture for the next 10 to 20 years. The suggested changes, meant to streamline and simplify MAPA, were approved in 2008 and the new act was proclaimed in June 2009.

Animal Health Act

The new *Animal Health Act* was developed to ensure a rapid and effective response to animal disease in Alberta. It replaces the *Livestock Diseases Act* originally created in 1946. The new regulations—which include Alberta's Reportable and Notifiable Diseases Regulation, the Traceability Livestock ID Regulation, and the Traceability Premises Regulation—were enacted in December 2008 and took effect on January 1, 2009. Throughout 2009, AEP worked with the other feather industries and the Office of the Chief Provincial Veterinarian to help develop the appropriate response plans and compensation models related to reportable diseases for poultry.

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related to their premises and livestock is accurate and up-to-date. Ultimately, this will help us with our emergency response plans as this database will be accessible in the event of an emergency situation.

Alberta Farmed Animal Health and Welfare Strategic Framework

The final draft of the Alberta Farmed Animal Health and Welfare Strategic Framework was completed in the fall of 2009. On behalf of AARD, the Office of the Chief Provincial Veterinarian is leading the strategy to coordinate efforts related to disease prevention, detection and treatment. The Steering Committee determined that the strategy document needed to be rewritten in order to narrow the focus. Subcommittees have been developed to address action plans and make recommendations to address priority items. AARD will continue to provide secretariat services for the subcommittees and report monthly progress to the Steering Committee.

National Farmed Animal Health Strategy

A National Farmed Animal Health Strategy (NFAHS) has been drafted. At the national level, poultry was represented by Steve Leech from Chicken Farmers of Canada. AARD has been instrumental in developing the strategy. On March 24, 2009, the draft strategy was presented to the groups in Alberta. Two critical elements are needed to get the strategy off the ground: governance and infrastructure. The strategy was presented to the regulatory and policy assistant deputy ministers and they are working through the final details of implementation.

Alberta Livestock and Meat Agency

On March 31, 2009 the Alberta Livestock Industry Development Fund (ALIDF) was rolled into the new Alberta Livestock and Meat Agency (ALMA). Concerns within the supply-managed industries were addressed in mid-March, when ALMA agreed to work with the SM5 group to ensure there would be access to funding and support, despite the new agency's priority of international trade development.

Since its inception, ALMA has been focused on achieving an internationally competitive and profitable livestock and meat industry. It has a \$30 million suite of programs aimed at helping move the industry forward. Since its formation less than a year ago, ALMA has built a base of 11 board members and more than 30 staff. ALMA has narrowed its action plan to focus on four priorities: market access, demand, competitiveness and information flow.

ALMA's goal is to represent the entire industry—from gate to plate—as it works strategically to help its partners rebuild the industry, recapture lost markets, and establish a foundation for further success.

OPERATIONS AND POLICY GOVERNANCE

Strategic and Operational Planning

The AEP Board continues to work on its governance processes in order to remain on the leading edge. In 2009, the Board contracted the services of STRIVE! to provide one-on-one coaching for the chairman and general manager. This coaching continues to provide ongoing direction to ensure progress.

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As part of our overall business process, the Board held its annual strategic planning session in September to review the past year's accomplishments and plan for the future. From the strategic planning session, the staff works to develop and submit the operational plan and budget for the organization.

Investment Policy

In 2009, the Board updated and improved their investment policy relating to the adoption of the prudent investor rules. The fact that our money must remain relatively liquid in itself dictates that the portfolio must remain fairly conservative.

ADMINISTRATION

New Staff

The plans developed over the course of 2009 necessitated an examination of staff resources and a commitment was made to increase the staff in early 2010. These staff positions include a project coordinator, increased producer services support, a research and development officer, and increased field service resources.

Egg Processing Innovations Inc./United Egg Farmers

In early 2009, egg producers strongly indicated their support for the Board to purchase the Airdrie breaking plant as part of an initiative that evolved after the Alberta Egg Producers Cooperative was forced into bankruptcy. In order to develop new markets for eggs, the Board created an independent corporation that acquired the assets seized from the purification and extraction facility as well as the breaker and pasteurizer from the other facility. This corporation is now called Egg Processing Innovations Inc. (EPI). Shares in EPI will be solely owned by the United Egg Farmers, a new generation cooperative open to registered egg producers in Alberta.

The intention is for EPI to be the operating company and UEF to own the assets. Both AEP and UEF will name two directors to the EPI Board. The inaugural meeting was held on November 10, 2009, and was attended by AEP directors David Stahl, Amin Valji and Andrew Wipf, as well as John Waldner, who was elected EPI Chairman. AEP currently provides staff support; however, a CEO will be hired in 2010.

Feasibility assessments are underway to determine the best course of action for the new company. These assessments will help the new Board decide which opportunities to develop a business plan around.

Office Space

In order to accommodate the new staff, AEP has purchased additional space just upstairs from our current offices. We will take possession at the end of January 2010 and renovations will connect the two units with a stairway.

PARTNERSHIPS

Egg Farmers of Canada

Provincially, staff members participate in several committees established by EFC. The AEP Board is strongly committed to the national egg industry and believes that egg producers and industry are better off working together to find national solutions.

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General Manager Susan Gal served on the National Egg Supply Team (NEST), which confirmed in 2009 that it had gone as far as possible in its current form and had largely fulfilled its mandate. The team consisted of provincial and national representatives who met to review supply issues and develop recommendations for the EFC Board. In 2009, considerable time was spent reengineering the existing Early Fowl Removal and Quota Credit Programs. The new quota credit program will be operational in 2010.

Ms. Gal continues to serve on the Project Management Team (PMT) along with a full spectrum of people from the egg supply chain across the country. This committee works on risk assessment and makes recommendations for implementation of the new Poultry Insurance Exchange Reciprocal of Canada (PIE) model. This *Salmonella enteritidis* (Se) insurance program requires subscribers to participate in one or more HACCP-based on-farm food safety programs (L-CHEQ, Clean Start, and Start Clean–Stay Clean™). This program will operate in conjunction with the implementation of nationwide Se testing, and is scheduled to begin in 2010 once it can be determined how best to collect the premiums from the different segments of our industry.

Office Manager Laurel Martin sits on the EFC Transportation Review Committee, which meets to discuss methods of getting the best price and service for transportation of industrial product.

Marketing and Communications Coordinator Lisa Skierka serves on several EFC committees. These include the advertising/active energy committee that works on market research and television commercial concepts, as well as the nutrition/cholesterol committee that works on information materials and recipes. In 2009, communications staff across the country continued to work together on projects and ideas, from animal care initiatives to discussions of corporate social responsibility (CSR).

Alberta Farm Animal Care

AEP actively supports the Alberta Farm Animal Care (AFAC) Association in its vision to ensure all livestock are respected and well cared for. AEP collaborates with AFAC on initiatives for animal care including monitoring and contributing to issues and legislation, communicating with the public and supporting animal care research. AEP and AFAC currently support research on treatment for chicken osteoporosis.

AFAC reaches out to the public with the “farmers care for their animals” message by distributing student booklets and teachers resources, attending public events and organizing urban media campaigns. In 2009, AFAC worked with AEP on an outreach program, reassuring decision makers that egg farmers responsibly care for their hens.

AFAC programs include a confidential livestock care ALERT help line and resource team, which provides a producers-helping-producers service to ensure responsible animal care. Other programs include a livestock care awareness program that features news lines with audio clips on basic farm animal care through the winter, a livestock transport training program with a detailed poultry module, and training programs focused on emergency response, livestock handling and euthanasia. AFAC’s efforts are more vital than ever when it comes to ensuring the industry is clearly articulating direction, research efforts and how animal needs are met.

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Poultry Health Services

AEP and Poultry Health Services (PHS) increased cooperation in 2009. In addition to diagnostic support, PHS completed a farm visit project that required extensive cooperation from participants. The information gained from this project was passed on to producers, with one of the main messages being that every egg producer can improve biosecurity with careful review.

Poultry Health Services continues to support AEP through the Poultry Health Centre of Excellence (PHCE) diagnostic laboratory where they have seen an increased number of submissions in 2009. They will continue to work with and support AEP in 2010.

Intensive Livestock Working Group

The Intensive Livestock Working Group (ILWG) provides a forum to deal with common issues within the Alberta livestock industry. The group helped create the Agri-Environmental Partnership of Alberta (AEPA), which will take decisive, measurable action to ensure that both agriculture and the environment flourish in Alberta.

In 2009, ILWG focused on: monitoring air emissions from confined feeding operations; promoting that the standards and policies of the NRCB be based on risk, not precautionary principles; representing agricultural interests in the regional plans made under the *Alberta Land Stewardship Act*; and participating in a consultation about on-farm safety, promoting education and training over a regulatory approach.

The Alberta government began a review of its policy on water allocation in 2009 and this could dramatically impact intensive livestock operation in water-deficient regions. This critical issue has been made an ILWG priority for 2010.

Agri-Environmental Partnership of Alberta

The Agri-Environmental Partnership of Alberta (AEPA) is a partnership of industry, government and non-government, with Board members from both the crop and livestock sectors. John Richter represents the poultry industry on the AEPA, which focuses on changing or affecting policy and strategies that impact both agriculture and the environment. This includes dialogue, understanding and prioritizing environmental issues, and having a credible and consistent voice.

In 2009, AEPA completed four reports with 28 recommendations for industry and government for the following project teams: Environmental Market Opportunities, Ecosystem Services, Manure Nutrient Market and Bioenergy Clusters. AEPA also developed a Land-use Framework (LUF) Engagement Strategy, and formed the LUF Advisory Team to support its goals. AEPA recognizes the need to put forward an agriculture perspective in a consistent and timely manner into LUF processes, to engage and communicate with the agriculture industry, and to support the agriculture Regional Advisory Council (RAC) representatives.

Marketing Council

Alberta Agriculture and Rural Development Marketing Council is a Crown corporation established by the *Marketing of Agricultural Products Act*. The act charges Council

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with the responsibility of facilitating the establishment and supervising the operations of agricultural boards and commissions in Alberta.

AEP was invited to make a presentation at a Marketing Council information session in September. Chairman David Stahl was joined by staff members in a presentation that covered everything from the basics of supply management to where the industry is going in the future.

CAGE-FREE INITIATIVES

Overview

In 2009, cage-free initiatives continued to be prevalent in the provinces of British Columbia, Manitoba and Ontario. Although there was not a significant campaign in 2009 like the one spearheaded in 2008 by the Humane Society International–Canada (HSI-C), the provinces remained active in promoting accurate information about eggs, egg farming methods, and the choices available to consumers.

Since the goal of the HSI-C campaign was to convince local governments to ban eggs from hens housed in cages from their municipalities, AEP staff have continued working to establish relationships with key municipal, post-secondary school and SPCA/humane society contacts. Our goal is to ensure decision makers know who to talk to in the egg industry when questions arise about egg farming methods.

Part of this strategy includes a positive-message campaign through which we send out egg recipe cards for the Easter, Thanksgiving and Christmas holidays. AEP also attended two local government conferences in 2009 in order to introduce ourselves to municipal staff and elected representatives. At both events, delegates expressed their confidence in Alberta's egg farmers.

In order to be prepared for potential presentations to decision makers, AEP worked with EFC and Ontario Farm Animal Care (OFAC) to develop speak-up training for producers, Board members, staff and industry representatives. AEP staff have also worked to empower producers to speak out in their own communities with the resources provided in our Be an Egg Ambassador program.

Maintaining a positive, informed, educated and respectful relationship with interested groups is important to AEP. In addition, AEP continues to work with AFAC to ensure we have good communication about animal care concerns.

Around the World

At the International Egg Commission Conference in Vancouver in September 2009, delegates gathered to discuss topics ranging from the difficulty farmers around the world have in making a living producing eggs to diverse marketing campaigns to corporate social responsibility. One topic that generated a great deal of interest was the European Union's (EU) ban on conventional cages, which becomes effective January 1, 2012. By this deadline, only enriched cages with perches, nest boxes, and increased floor space may be used for hens housed in cages. However, since many countries still have 90 per cent or more of their hens housed in cage systems, cages remain the most common method of hen housing worldwide.

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European farmers have been slow to convert to the enriched colony system due to the fact that eggs from the enriched cages have no added value at retail. The British Egg Industry Council reported that in 2008 there were 421 million laying hens in all 27 EU countries. Of these, 58.8 per cent were still in conventional cages compared to 4.4 per cent in enriched cages, 23.7 per cent in free range systems, 11 per cent in floor barns and 1.8 per cent in organic systems.

In the US, the Michigan House of Representatives agreed in October 2009 to amend their *Animal Industry Act*, bringing it closer to the standards set out in California's Proposition 2 ballot in November 2008. The Michigan bill says that hens must have access to at least one square foot of usable floor space per hen (144 square inches), and that caged animals must be able to stand up, lie down, turn around and extend their limbs. The plan includes phasing out conventional cages within 10 years.

In Alberta, farmers are looking proactively at what's happening in the EU and the US and are making educated decisions when it comes time to renovate their barns.

Our Position

As a farmer organization, AEP is committed to meeting consumer demand. Along with our policy to produce safe eggs using sound animal care practices, provincial and federal legislation governing egg production mandates that our industry respond to market demand. This includes providing many different types of eggs, from conventional to specialty eggs such as organic, free-run, free-range, vegetarian-fed and omega-3. By continuing to respond to consumer demand, AEP will continue to provide choice at the grocery store. In addition, as farmers, our members know that the care they provide their animals is as important as the kind of housing used.

POULTRY HEALTH CENTRE OF EXCELLENCE

Poultry Board Support

The four feather Boards and AARD are currently involved in a Memorandum of Understanding (MOU) that supports the Poultry Health Centre of Excellence (PHCE). This provides for poultry health surveillance, diagnostics and disease research capacity. Although the agreement that provides for the structure and financial support of the PHCE expired on March 31, 2009, it was extended for one year, pending a better understanding of how some of the new ALMA initiatives will impact AARD surveillance and diagnostic programs. As part of this agreement, the poultry boards employ Dr. Tom Inglis and Poultry Health Services to provide veterinary services.

A strategic planning session took place in August 2009 to review the past successes of the contract and to provide a basis for moving forward. The four Boards have been working on a new MOU that will continue to make diagnostics and surveillance a success in Alberta.

EMERGENCY RESPONSE

Alberta Poultry Industry Emergency Response Team

The Alberta Poultry Industry Emergency Response Team (APIEMT) is comprised of Alberta's four feather Boards and representatives from the processors, graders, CFIA

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and AARD. The purpose of this group is to ensure Alberta's poultry industry is as prepared as possible for a disaster or a disease outbreak.

In 2009, the team continued improving the Emergency Response Plan (ERP). The team also further developed the virtual emergency operations centre—an online tool that allows all team members to access information and communicate. In January 2009, the ERP was activated when avian influenza was reported in Abbotsford, BC. All commercial poultry producers in Alberta were sent a fax advising them to increase their biosecurity to an alert level. This case did not spread outside Abbotsford. Thank you to producers for their quick response.

In early 2010, the APIEMT will focus on registering all producers in the new AARD Premise ID system. This will be the team's tool for mapping poultry farms and communicating to producers in emergency situations.

Table Top Emergency Response Exercise

At the AEP regional meetings in January 2009, a table top emergency response exercise was held to review the first steps when disease is suspected on a farm. This exercise emphasized the importance of submitting a site plan. Site plan submissions have improved since this exercise, but follow-up work is ongoing to ensure this valuable information is received from all producers. It is also important to note that producers are taking to heart their responsibilities of proper reporting and self-quarantining. In 2009, producers with significant decreases in egg production did the right thing by submitting birds to the lab for testing and notifying the AEP office.

ALBERTA SUPPLY ISSUES

Consistent Egg Supply

In 2009, the Board continued to gather and analyze figures related to quota allocation. Although Alberta continues to be a "short province," the AEP Board continues to support the QAC formula, recognizing that some of the current issues with supply resulted from EFC not allocating when the QAC formula was triggered because of financing issues. AEP concluded that all provinces were equally impacted by those decisions.

PRODUCTION BENCHMARKS

Analyzing the Trends

Alberta's grading of medium eggs increased to 21.77 per cent in 2009, up from 20.58 per cent in 2008. Alberta continues to have the highest percentage of medium production in the country; in 2008, the national average was 16.48 per cent. In 2009, AEP completed an analysis of each producer's medium production for 2008 vs. 2007 in order to better understand the trends. Producers were then divided into three groups according to percentage of medium. This information will help assess why some producers consistently produce more medium eggs, which can be very costly.

Since medium egg production has been identified as a top issue for our industry, AEP invited representatives from the University of Alberta's Poultry Research Centre (PRC) to present information at the June regional meetings on optimal feed programs for laying hens. The PRC would like to work with AEP on a project

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to analyze producer data in order to identify factors that affect medium production. Participants are currently being recruited for the project. The study's goal is to identify key recommendations that will help all producers in Alberta improve their production.

KEY RESULT AREA 2: POSITIVE IMAGE OF EGGS, EGG PRODUCTS AND THE ALBERTA EGG INDUSTRY

COMMUNICATIONS

Issues and Ideas

National and provincial communications staff continued to work together in 2009 on issues ranging from animal care to urban chickens to corporate social responsibility (CSR). In July, communications staff met in Winnipeg with some provincial general managers and BFC CEO Tim Lambert to discuss animal care issues and strategize about how to ensure that accurate, informed messaging is available. Communications staff met again in Calgary in November to develop working strategies and assign responsibilities on projects related to CSR, resource development and the promotion of farmers and what they do. In order to better understand CSR and what it means to farmers, AEP will be introducing the concept more fully to producers in early 2010.

Messaging

The Be an Egg Ambassador program continues to be popular with producers and is one way of encouraging communication at the grassroots level. By empowering farmers to talk to the general public, AEP believes we are encouraging meaningful dialogue. The messages AEP is encouraging farmers to share include:

Every day, I ...

- make sure my chickens have plenty of high-quality food to eat and drink
- check that the temperature in the barn is egg-laying comfortable
- listen to the birds to make sure they are calm
- watch for any signs the hens aren't feeling well
- ensure that the temperature in the cooler will keep the eggs safe and fresh
- do my best to ensure my eggs are top quality, which is good for my family and yours

These messages are the very basis of our industry's CSR, in that they talk about what we are already doing to provide a safe, healthy food supply for Albertans in an environment that is also safe and healthy for the laying hens.

CONSUMPTION

Statistics Canada's latest national egg consumption figures for 2008 were released in August 2009. The total per capita consumption is shown to have increased from 14.5 dozen in 2007 to 15 dozen in 2008. It is important to note that the current calculation methodology is under review with Statistics Canada to address industry concerns.

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Per Capita Egg Consumption	2008	2007
Shell eggs:	11.2 dozen	11.0 dozen
Processed eggs:	4.0 dozen	3.6 dozen
Total consumption:	15.2 dozen	14.6 dozen

In 2009, Alberta households reported eating 9.14 eggs per week, up from the 8.3 reported in 2008. Ontario's consumption was the highest in Canada, at 9.93 eggs per week, followed by Alberta. The national average was 8.95 per week, up from the 8.01 reported in 2008. (*Usage and Attitudes Research, December 2009*)

MARKETING AND PROMOTIONS

Consumer Education

Promoting the positive attributes of eggs remained a priority in 2009 as AEP continued to encourage more Albertans to eat more eggs more often. Nationally, our goal was to increase total egg consumption by one per cent. However, the latest statistics show a growth of 3.65 per cent nationally, including a growth of 5.8 per cent in Alberta. The increase in egg sales coincides with ongoing marketing programs developed at the national level with provincial input and implementation. AEP supports the national campaigns by distributing materials and information at targeted events.

In 2009, AEP continued using the active energy and protein messages to promote eggs. For the third year in a row, AEP sponsored the Canadian Sport Centre Calgary's Fuel for Gold program that provides a protein-rich lunch at a reduced cost to athletes. Fuel for Gold is a partnership with Alberta Beef Producers, Alberta Pork and Alberta Turkey Producers that allows us to invite top-calibre athletes to events. In 2009, this included inviting hockey player Gillian Ferrari, luger Alex Gough, and speed skaters Lucas Makowsky and Kim Weger to Aggie Days in April.

EFC took the lead on working with the Running Room in 2009. Their national program included complementary microwave egg cookers as an in-store gift-with-purchase. In an effort to reach the organization's runners and walkers directly, AEP also offered in-store nutrition sessions given by a dietitian.

Targeting teachers and health care professionals remained a priority in 2009. We continued to encourage these groups to download materials directly from the AEP website. In addition, they were still able to order resources directly from the office. In 2009, AEP filled 348 orders and distributed over 137,000 pieces of informational literature.

Events

AEP continued to be involved in events and promotions around the province. Our top consumer events continue to be Aggie Days in Calgary and Lethbridge, AMAZE-ing Agriculture in Edmonton, Ag Expo in Lethbridge, Easter EGGstravaganza at the Calgary Zoo, and the Calgary Stampede. We participated in the Calgary and Edmonton spring Women's Shows and will continue to support this event in 2010.

Top events at post-secondary schools in 2009 included SAIT's annual student health day, Grant MacEwan College's Food Day, and the University of Lethbridge's Health

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Fair. AEP also attended the Alberta College of Family Physicians' 54th Annual Scientific Assembly and the Alberta Occupational Health Nurses Association conference, where we provided cholesterol information to health professionals.

Sponsorship

Our major new sponsorship for 2009 was with the Alberta Cancer Foundation's Weekend to End Breast Cancer in Calgary and Edmonton. This sponsorship allowed AEP to provide egg information, recipes and prizes to participants when they started their training program in early 2009. The events were a huge success. In Calgary, 1,576 participants raised \$3 million that goes directly to cancer research; in Edmonton, the final total was \$1.8 million raised by 1,184 participants. And, of course, eggs powered the walkers through both days of the event.

The ALIDF-supported *What's On Your Plate* publication and Growing Alberta's *Food for Thought* magazine both ended in 2009, which meant AEP needed to redirect that sponsorship money to other projects. In 2009, AEP supported both Alberta Children's Hospital in Calgary and Stollery Children's Hospital in Edmonton. In exchange for a two-year commitment and donation to each hospital, AEP is able to provide microwave egg cookers for the hospitals to use in their volunteer programs, as prizes at events, and as gifts to parents and children.

Website

AEP continues to have one of the largest and most comprehensive websites in Canada (1,650+ pages; 440+ recipes). In 2009, the AEP site had an average of 38,000+ visits per month, an increase from 37,600+ visits per month in 2008. Visitors consistently spent six minutes per visit on the AEP site, holding even with 2008.

Although the site remains popular, it is built on technology that is now 11 years old. The old site served us well, but in 2010 AEP will be upgrading to a new system with improved usability and navigation.

EMERGING ISSUES

Corporate Social Responsibility

Corporate social responsibility (CSR) is a term being used with increased frequency. At the IEC meetings, Andrew John of the Melbourne Business School in Australia defined CSR as: "A commitment to improve community well-being through discretionary business practices and contributions of corporate resources."

Part of this process is recognizing that what farmers do every day contributes to CSR—from being good caregivers of their hens to caring for their farms and the environment. At AEP, we have identified CSR as a focal point moving forward. We want to strive to ensure that our decisions and actions are based on the values of our organization—and that these values extend into the community.

In 2010, AEP will initiate a discussion with producers in order to gain a better understanding of the values that feed into our organization from the grassroots level. This will help the AEP Board and staff move forward with initiatives on value-related topics such as animal care and the environment.

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Environmental Footprint

There are clear signals that the environment is the next emerging issue facing our industry. One of the world's largest retailers, Walmart, has introduced a sustainability index that they plan to list on all products in their stores. This sustainability index is a combined measurement of the full environmental impact of the products they carry—and it will likely be used by other retailers. AEP wants to be prepared to deal with this issue.

In order to know what our impact is on the environment and identify the steps producers can take to improve, AEP needs to understand the carbon footprint of a dozen eggs. In 2010, we will be working on a lifecycle analysis to quantify the energy it takes to produce one dozen eggs and put it on a shelf in the grocery store. This important benchmark will help us identify future improvements.

KEY RESULT AREA 3: PROGRESSIVE EXPLORATION AND APPLICATION OF NEW TECHNOLOGY

RESEARCH COMMITTEE

Projects Funded

In 2009, the AEP Research Committee supported the following projects:

- The importance of choline in human health during pregnancy and infant development—the potential of egg yolks for dietary enrichment
- Antihypertensive activity in laying hen eggs

The committee has requested full proposals on the following projects:

- Learning from grandma: Developing valuable functional food ingredients from spent hens
- Triticale vs. Wheat Distillers Grain on Egg Production, Lipids, Phytosterol and Cholesterol Content
- Reducing egg allergy by fermentation
- Anti-inflammatory IgY from Laying Hens
- Management strategies to increase Alberta egg farm revenue
- Validation of a dynamic model of calcium and phosphorous flow in layers

AEP is also leading a group of provincial Boards to organize a trip to Sweden to view the different types of cage systems.

Looking to the Future

As consumer interest in the environment continues to grow, AEP is working internally to determine how we, as an organization, can reduce our environmental footprint. Consideration will soon need to be given as to how we can be more environmentally friendly on our farms.

POULTRY RESEARCH CENTRE

Overview

AEP and the Poultry Research Centre (PRC) continue working together to build a

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healthy egg industry. Numerous joint projects and initiatives make this partnership an important part of each organization's mandate. In 2009, AEP Chairman David Stahl replaced Steve Howe as the egg representative on the PRC Board.

Science Presentation to Producers

Laughter is good for your health and research has shown that people learn best when they are having fun. Knowing this, the team at the PRC developed a presentation called "Cluck! The Science Behind the Hen House Doors". This interactive program was presented at the AEP's annual general meeting, and included science about caging systems, lighting, hen physiology and consumer preferences.

Eggs ... Healthier than You Think

Research by Dr. Jianping Wu and his team has shown that egg consumption might help reduce the risk of heart disease. For years, eggs have had a bad reputation due to high cholesterol levels. However, Dr. Wu's recent research has shown that consumption of table eggs (both boiled and fried) could generate a number of peptides (small fragments of proteins) that could help reduce high blood pressure. The peptides could inhibit one enzyme that is responsible for blood pressure regulation in a manner similar to several drugs on the market for decreasing high blood pressure. High blood pressure is one of the well-identified factors for heart disease.

The CFIA lists eggs as one of the nine most common food allergens. Eggs can be found in many products including mayonnaise, cake mixes and pasta. This presents challenges for people with egg allergies who must avoid eating any products containing eggs. Dr. Wu's team has been developing a method to reduce and possibly eliminate the potential for eggs to cause allergies.

ROYALTY FUNDING AND INTELLECTUAL PROPERTY

Current Research Projects

Three research projects were underway in 2009 in which there were agreements in place that provide AEP with the first right of option to commercialize:

- Co-extraction of valuable egg white proteins from fractionation (Dr. Wu). AEP has been informally notified by Dr. Wu of a report of invention. Agreements are in place to allow AEP to share in the royalty stream without being directly involved in the commercialization of the technology.
- Development of a rapid on-farm test for S, Se and StDT104 (Zyme Fast Inc.).
- A novel therapeutic approach for the treatment of chicken osteoporosis using IGY (Dr. Hoon Sunwoo).

ALBERTA LIVESTOCK AND MEAT AGENCY

Initiatives and Funding

In 2009, ALMA funded the following projects related to AEP:

- Alberta Egg Producers: Farm Visits and Improvement of Biosecurity: \$18,000
- Biosecurity Information Hub at the PRC, University of Alberta: \$30,000
- Certified Livestock Transport (CLT) Training Program: \$30,000
- The importance of choline in human health during pregnancy and infant development—the potential of egg yolks for dietary enrichment: \$218,875
- Agri-Environmental Partnership of Alberta: \$300,000
- Livestock Care Communication and Industry Development Project: \$360,000

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KEY RESULT AREA 4: ADVANCE THE IMPLEMENTATION OF LEADING INDUSTRY PRODUCTION PRACTICES

ON-FARM FOOD SAFETY

Start Clean–Stay Clean™

The Start Clean–Stay Clean™ (SC-SC) program had a landmark year in 2009. Producer efforts paid off as more than 40 producers were newly accredited in the SC-SC program with a total of 132 production facilities achieving accreditation by the end of the year. In order to be accredited, producers must score at least 92 per cent on parts one and two of the SC-SC evaluation and have 100 per cent of their records in place. There are still 30 production facilities that have not met the mandatory accreditation standard. These producers will be entering an enforcement process in early 2010; failure to submit an action plan or to implement corrective actions could lead to financial penalties or the cancellation of their license.

The average SC-SC score for Alberta's producers was 97 per cent. A record 31 producers achieved 100 per cent in the SC-SC program this year! The producers who have demonstrated exceptional commitment to all areas of the SC-SC program are: Acadia Colony, Behive Eggs Ltd., Bentley Colony, Britestone Colony, Cayley Colony, East Cardston Colony, Elmspring Colony, Evergreen Colony, Rodney and Jackie Elgersma, 1126366 Alberta Ltd. Acme South, 1126366 Alberta Ltd. Acme North, Greenwood Colony, Willabend Angus Ranch Ltd., Hughenden Colony, Hairy Hill Colony, Iron Creek Colony, Kapeda Farms Ltd., Kings Lake Colony, Lakeside Colony, Lone Pine Colony, Mannville Colony, Parkland Colony, Richter Farms Ltd., Rosedale Colony, Roseglen Colony, Springvale Colony, Sunnyside Colony, Tschetter Colony, Viking Colony, Wolf Creek Colony and Wild Rose Colony. Congratulations!

Together with EFC, AEP has begun following up with a corrective action request to producers who lost points on the SC-SC program. This request details where points were lost and provides information on how corrective action can be taken. Producers have the opportunity to remedy any shortcomings, report completion to AEP, and possibly be awarded additional points on their SC-SC evaluation.

Start Clean –Stay Clean™ for Pullets

Pullet growers were evaluated on their biosecurity and on-farm food safety practices through the SC-SC program for pullets for the first time in 2009. This first set of evaluations has given us a benchmark, and we are pleased that pullet growers scored an average of 91 per cent. Raising healthy pullets is a crucial step in ensuring laying flocks in Alberta are healthy. Monitoring on-farm food safety practices and working to continually improve performance in pullet barns will benefit the entire industry.

Se Testing and PIE Insurance

In the fall of 2008, Alberta's egg, pullet and hatching egg producers came together to support and sign up for the PIE insurance program. This self-insurance program was designed to allow for *Salmonella enteritidis* testing in flocks at all levels of the value chain while providing fair compensation for producers whose flocks test positive. As this is a national program that must be launched across the country simultaneously, the launch has been delayed. The national group continues to work out

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the outstanding issues, which include fund collection for hatching egg producers and provincial licensing. It is our hope that this program will be activated in 2010.

To prepare for se testing in pullet flocks, a new permit system for pullets and layers has been developed by AEP. This two-permit process was rolled out earlier in 2009. The additional information provided on pullet flocks has proven useful.

CAGE DENSITY AND ANIMAL CARE

Animal Care Program

December 31, 2009 marked the deadline for Alberta's egg producers to meet the new cage density guidelines and pass the Animal Care Program (a minimum score of 90 per cent is required). Many of Alberta's producers have made changes over the last year to meet these requirements and further improve animal care. As a result, producers have improved their average score on the Animal Care Program from 96 per cent in 2008 to 99 per cent in 2009, taking Alberta to the top standing in Canada.

Producers had a variety of choices available to them as they worked to meet the required cage densities by the end of 2009:

- Nine producers took advantage of the new leasing policy and leased out the birds that took them below the required densities
- Seventeen producers either added new cages or re-caged their entire facility since the beginning of 2008
- Seven producers built new production facilities

Many producers who updated their hen housing in 2009 first investigated alternative housing methods. A number of the new cage systems installed are enrichable, meaning farmers can add perches, nest boxes and other enhancements if the industry requirements change over the life of this equipment. In 2008 and 2009, the first aviary system and enriched colony systems in North America were introduced in Alberta barns.

As alternative housing becomes more of a hot topic, AEP is working to assess both the risks and benefits of these systems. We are confident that our producers care for their hens, regardless of the type of housing used; however, we also need to approach the future with open eyes. The more information we have on alternative housing, the more prepared we will be to meet the requirements of a changing industry.

ALBERTA ENVIRONMENTAL FARM PLAN

Priorities and Strategies

The landscape for Alberta's agri-environmental programs underwent big changes in 2009. The Alberta Environmental Farm Plan Company is no longer operational. Environmental Farm Plans can still be completed, but are now an extension service of AARD. AEP continues to encourage producers to participate.

Agri-Environmental Partnership of Alberta (AEPA) was created to help the industry and government collaborate on resolving agri-environmental issues. AEPA is working to build an effective policy framework through which Alberta producers can become first-rate stewards of the environment.

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POULTRY HEALTH SERVICES

Farm Visits and Biosecurity Project

In 2009, Poultry Health Services (PHS) completed a project entitled Veterinary Support for AEP—Farm Visits and Improvement of Biosecurity. During this project, which was funded by ALMA, Dr. Darko Mitevski visited 12 commercial egg producers in Alberta. One goal was to improve biosecurity measures and flock health on the farms that had challenging environments/production systems. A second goal was to provide serological (blood test) monitoring of the flocks. The monitoring provided a baseline for estimating the viral challenges on Alberta egg farms and also allowed PHS to assess the effectiveness of the vaccination programs.

Perhaps the most valuable outcome from this project is the improved relationship between egg producers and PHS. Connecting producers directly to PHS has already improved the number of lab submissions and led to an on-farm producer workshop on cleaning and disinfecting.

Poultry Health Services continues to support AEP through the Poultry Health Centre of Excellence (PHCE) diagnostic laboratory where they have seen an increased number of submissions in 2009. They will continue to work with and support AEP in 2010.

PRODUCER DEVELOPMENT AND RECOGNITION

Regional Meetings

AEP hosted regional meetings in January and June, plus a special meeting to discuss the purchase of breaking equipment in April. At the January meetings, producers were provided with an update on the regulatory review and quota allocations, an emergency preparedness exercise, an introduction to AEP's strategy on animal care issues and a review of how the Cost of Production is determined. The June meetings included details on the April 19, 2009 quota increase and temporary allocation, interactive education on cleaning and disinfecting, points to consider when building a new production facility, and a presentation on feeding layers for optimum production.

The purpose of the special meeting in April was to seek authorization to grant producer funds toward the reopening of a breaking plant in Airdrie, Alberta. The result of this meeting was a unanimous vote supporting a motion that "AEP provide a grant to a maximum of \$378,000 from the producer reserve account, subject to completion of satisfactory due diligence by the Board".

EFC Summer Meeting

The EFC summer meeting was held in New Brunswick from July 5–7. Bruce Vincent, a third-generation logger from Montana, spoke about the importance of leading change, not just fighting it; Dr. Michelle Jendral from the Atlantic Poultry Research Centre shared her research on alternative housing systems for laying hens; Gene Gregory, the President of the United Egg Producers, spoke about California's Proposition 2 and the lessons learned by the American Egg Producers; Joanne Ivy of the American Egg Board discussed her group's marketing priorities.

All AEP Board directors and the general manager attended the meeting. The AEP

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producer sponsorship was suspended a year while a clear, fair policy was developed for selecting recipients from our producer base. Sponsorship will recommence in 2010.

AGM and Producer of the Year

AEP's 40th AGM was held on March 3, 2009 in Red Deer. Two representatives on the Board were at the end of their terms. Meb Gilani was eligible for re-election and was acclaimed for a second three-year term. Ben Waldner had completed the allowable two consecutive three-year terms; however, the regulations allow for an individual who serves on a national organization to be considered for an additional term of office, if the individual has the support of the Board and the registered producers. Thus, Mr. Waldner was supported in serving an additional three-year term, recognizing that the Board will be required to appoint him as EFC Director for Alberta.

At the new business portion of the meeting, two motions were passed. The first authorized the Board to write to the federal and provincial governments on behalf of supply management, forcefully indicating our producers' alarm at the current negotiations and impressing upon the federal government that any WTO deal must not have negative economic impacts for supply management. The second motion addressed the Alberta supply shortage through forcing the Egg Farmers of Canada to acknowledge the severity of the problem by informing them of AEP's intent to withhold levy commencing January 1, 2011, if the supply issue is not resolved satisfactorily. Solutions included leasing quota inter-provincially or creating a temporary excess quota lease pool for Alberta to access. Both motions were taken for consideration by the Board.

After the business portion of the meeting, producers were invited to celebrate their success. The Producer of the Year was awarded to Hughenden Colony, with an honourable mention going to Milford Colony. In addition, 22 producers received their SC-SC awards. In the afternoon, a presentation was made to Susan Gal in appreciation of her 10 years of service as general manager.

The final highlight of the day was the celebration of AEP's 40th anniversary. "40 Years of Eggsperience" were commemorated with a review of AEP's history presented by past chairmen and directors of the organization. Floyd Van Slyke, Peter Entz, Rudy Kiist, Charlie VanArnam and John Richter spoke eloquently about AEP's evolution from the farm kitchen table to the boardroom table. Current Chairman David Stahl then spoke about where AEP is going in the future. It was a moving presentation that illustrated how similar the issues in supply management have remained through the years, while also celebrating our successes as we continue to provide consumers with a safe, healthy product that is raised responsibly in a system that works for farmers as well as Albertans.

TREASURER'S REPORT

For the year ending December 26, 2009, Alberta Egg Producers (AEP) reports a net income of \$173,418, of which \$140,253 is recorded as an unrealized gain (difference between the cost of equities recorded in AEP's general ledger and the fair market value of those equities at December 26, 2009) on the Statement of Operations and Changes in Unrestricted Net Assets.

EXPENSES

The operating expenses of the Alberta Egg Producers increased by \$42,288 from 2008.

Major increases in spending were:

- | | |
|---------------------------------------|----------|
| • Directors' and Committee Allowances | \$28,882 |
| • Salaries | \$27,034 |
| • Meetings | \$14,482 |

Major decreases in spending were:

- | | |
|---------------------|----------|
| • Professional Fees | \$26,979 |
| • Grants | \$21,567 |
| • Travel | \$1,844 |

In 2009, the cost of administering the provincial industrial product program was \$562,449 or \$.0129/dozen marketed.

MEMBERSHIPS

The Board maintained memberships in:

- Alberta Environmental Farm Plan
- Alberta Farm Animal Care
- Alberta Food Processors Association
- Alberta Farm Writers' Association
- Canadian Supply Chain Food Safety Coalition
- Classroom Agriculture Program

The table on the next page summarizes the operating expenses (budgeted and actual) for 2009, as well as the budget for 2010.

SUMMARY OF OPERATING EXPENSE COMPARISONS

OPERATING EXPENSES	BUDGET 2010	BUDGET 2009	ACTUAL 2009
Travel	\$199,800	\$231,000	\$176,278
Meeting	33,000	41,500	42,719
Per Diems	91,300	107,000	89,554
Field Services	104,000	124,500	102,206
Salaries	442,000	359,000	360,539
Employer Expenses	75,975	65,800	59,894
Building Operations	34,500	17,500	17,512
Office and Printing	53,500	36,000	35,137
Subscriptions	2,500	2,800	2,451
Postage	13,000	13,000	14,564
Telecommunications	19,000	15,000	13,350
Advertising & Product Promotion	335,550	284,000	283,997
Grants	—	—	8,590
Board Governance	29,600	26,000	18,242
Insurance	19,000	13,300	12,632
Professional Fees	92,750	76,000	82,520
Memberships	8,150	8,500	8,150
Amortization	73,240	43,500	42,467
Se Testing	6,300	10,000	2,310
Diagnostic Services	56,500	55,500	56,003
Total Operating Expenses	\$1,689,665	\$1,529,900	\$1,429,115
REVENUES	\$ 1,592,006	\$1,529,910	\$1,462,280

FINANCIAL STATEMENTS AUDITORS' REPORT

To the Registered Producers of Alberta Egg Producers Board:

We have audited the financial position of Alberta Egg Producers Board as at December 26, 2009 and the statements of operations and changes in unrestricted net assets and cash flows for the 52 week period then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 26, 2009 and the results of its operations and its cash flows for the 52 week period then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
January 22, 2010

Deloitte + Touche LLP

Chartered Accountants

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STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS 52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) (RESTATEd - NOTE 9) \$
REVENUE		
Levy	10,021,431	12,490,827
Interest	156,102	187,287
Loss on sale of marketable securities	(21,279)	(8,233)
Research levy (Schedule 3)	107,762	106,914
Industrial product program (Schedule 2)	6,578,075	5,734,900
Over base quota fund (Schedule 4, Note 9)	66,957	51,352
Other income	34,346	42,488
Unrealized gain (loss) on investments	140,253	(194,391)
	<u>17,083,647</u>	<u>18,411,144</u>
EXPENSES		
Administrative (Schedule 1)	1,429,115	1,386,827
Egg Farmers of Canada levy	8,728,320	11,358,054
Research project disbursements (Schedule 3)	105,935	38,455
Industrial product program (Schedule 2)	7,119,772	6,985,528
	<u>17,383,142</u>	<u>19,768,864</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(299,495)</u>	<u>(1,357,720)</u>
INTERNAL TRANSFER TO RESEARCH FUND (Schedule 3)	(1,827)	(68,459)
INTERNAL TRANSFER FROM INDUSTRIAL PRODUCT PROGRAM (Schedule 2)	541,697	1,250,628
INTERNAL TRANSFER FROM OVER BASE QUOTA FUND (Schedule 4, Note 9)	(66,957)	(51,352)
	<u>472,913</u>	<u>1,130,817</u>
	173,418	(226,903)
UNRESTRICTED NET ASSETS, BEGINNING OF PERIOD	<u>2,226,299</u>	<u>2,453,202</u>
UNRESTRICTED NET ASSETS, END OF PERIOD	<u>2,399,717</u>	<u>2,226,299</u>

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STATEMENT OF FINANCIAL POSITION

December 26, 2009

	DECEMBER 26, 2009	DECEMBER 27, 2008 (RESTATED - NOTE 9)
	\$	\$
ASSETS		
Current		
Cash	387,875	561,749
Short-term investments (Note 5)	295,000	295,000
Accounts receivable (Note 6)	516,253	563,566
Prepaid expenses	36,056	21,669
	<u>1,235,184</u>	<u>1,441,984</u>
Marketable securities, market value of \$3,556,437 (December 27, 2008 - \$4,070,481) (Notes 10 and 11)	3,427,163	3,927,893
Property and equipment (Note 7)	579,914	613,090
	<u>5,242,261</u>	<u>5,982,967</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	494,160	528,821
Due to Egg Farmers of Canada	367,400	424,888
	<u>861,560</u>	<u>953,709</u>
NET ASSETS		
Unrestricted net assets	2,399,717	2,226,299
Industrial product program (Schedule 2)	1,409,248	1,950,945
Research fund (Schedule 3)	424,487	422,660
Over base quota fund (Schedule 4, Note 9)	118,309	51,352
Producer reserve fund	28,940	378,002
	<u>4,380,701</u>	<u>5,029,258</u>
	<u>5,242,261</u>	<u>5,982,967</u>

APPROVED BY THE BOARD

David K. Stahl, Chairman

Andrew Wipf, Vice-Chairman

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STATEMENT OF CASH FLOWS

52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) (RESTATED - NOTE 9) \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses (Note 9)	(299,495)	(1,357,720)
Adjustments for:		
Amortization	45,187	42,445
Loss on sale of marketable securities	7,929	8,233
Unrealized (gain) loss on investments	(140,253)	194,391
	<u>(386,632)</u>	<u>(1,112,651)</u>
Changes in non-cash working capital (Notes 8 and 9)	(59,222)	(17,062)
	<u>(445,854)</u>	<u>(1,129,713)</u>
INVESTING		
Purchase of property and equipment	(12,011)	(20,326)
Proceeds on sale of marketable securities	781,104	1,370,226
Purchase of marketable securities, net of bond discount amortization	(148,051)	(466,752)
Payments from producer reserve fund	(349,062)	—
	<u>271,980</u>	<u>883,148</u>
NET DECREASE IN CASH	<u>(173,874)</u>	<u>(246,565)</u>
CASH, BEGINNING OF PERIOD	<u>561,749</u>	<u>808,314</u>
CASH, END OF PERIOD	<u><u>387,875</u></u>	<u><u>561,749</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

52 Week Period Ended December 26, 2009

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)(L) of the Income Tax Act, except for income related to certain investments.

2. Changes in Accounting Policies

Financial instruments

Effective for years beginning on or after October 1, 2008, the Board may elect to adopt the provisions of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, Financial Instruments Disclosures, and Section 3863, Financial Instruments Presentations. These sections require the disclosure of information with regards to the significance of financial instruments on the Board’s financial position and performance, the nature and extent of risks arising from financial instruments to which the Board is exposed during the period and at the statement of financial position date, and how the Board manages those risks. These standards replace the CICA Handbook Section 3861, Financial Instruments. The Board has reviewed these provisions and has elected to not adopt and continue following the requirements of Section 3861.

Going concern

Effective December 28, 2008, the Board adopted the additional requirement of the CICA Handbook Section 1400, General Standards of Financial Statement Presentation. This section requires management to make an assessment of the Board’s ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern. There was no impact to these financial statements arising from the adoption of this accounting pronouncement.

Financial statement presentation

Effective December 28, 2008, the Board early adopted the sections of the CICA Handbook that were amended to include not-for-profit organizations within their scope. The sections adopted are as follows:

- Financial Statement Presentation by Not-for-Profit Organizations, Section 4400. This section has been amended to eliminate the requirement to treat net assets invested in property and equipment as a separate component of net assets, and instead permits the not for profit organization to present such an amount as a category of internally restricted net assets. It also requires not-for-profit organizations to recognize and present revenue and expenses on a gross basis, if the not-for-profit organization is acting as a principal in the transactions. There was no impact in adopting this section as the Board’s previous reporting was in compliance with the standard.
- Disclosure of Allocated Expenses by Not-for-Profit Organizations, Section 4470. This new section establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one

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function to another. The main features of the new section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

There was no impact in adopting this section as the Board does not allocate expenses.

3. Significant Accounting Policies

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

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 has classified all financial assets as loans or receivables, with the exception of cash, short-term investments and marketable securities. Cash, short-term investments and marketable securities (equity investments) have been classified as held for trading. Marketable securities (bonds) have been classified as held to maturity. The Board has classified all financial liabilities as other financial liabilities. Gains and losses related to marketable securities (equity investments) are recognized as unrealized investment income or loss in the period in which they arise.

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 are 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
Promotional Display	3–5 years
Office Equipment	3–10 years
Office Improvements	20 years

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Long lived assets impairment

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of carrying value of the asset over its fair value.

Producer reserve fund

The producer reserve fund is an amount that was collected from producers. The reserve is held for producer-driven projects and use of the funds is determined by the membership. During the period, the membership determined that the entire amount be granted to a project related to re-opening a breaking facility in Alberta. At December 26, 2009, \$349,062 has been advanced to Egg Processing Innovations Inc. and United Egg Farmers with remaining funds being advanced in fiscal 2010.

The Board has determined that the producer reserve fund will be replenished at their discretion when they feel that the over base quota fund is in a position to do so.

Revenue

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, other income and gains (losses) on the sale of marketable securities and property and equipment are recognized when amounts can be reasonably determined and collectability is 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 and the calculation of estimated useful lives and potential impairment of the property and equipment.

4. Future Accounting Changes

Financial statement presentation

Several sections of the CICA Handbook have been amended to include not-for-profit organizations within their scope. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The main features of the amendments are as follows:

- Cash Flow Statements, Section 1540: amended to include not-for-profit organizations within its scope; and

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- Disclosure of Related Party Transactions by Not-for-profit Organizations, Section 4460: amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

The Board is currently evaluating the impact of the adoption of these new sections on its financial statements.

5. Short-Term Investments

Short-term investments of \$295,000 (December 27, 2008 – \$295,000) are invested in a short-term income pooled fund to maximize returns. The cash investments are held at market value. The effective rate of return is 3.9% (2008 – 4.2%).

6. Accounts Receivable

	DECEMBER 26, 2009 \$	DECEMBER 27, 2008 \$
Egg Farmers of Canada ("EFC")	503,272	541,454
Other	12,981	22,112
	<u>516,253</u>	<u>563,566</u>

7. Property and Equipment

	DECEMBER 26, 2009			DEC. 27, 2008
	COST \$	ACCUMU- LATED AMORTI- ZATION \$	NET BOOK VALUE \$	NET BOOK VALUE \$
Land	84,000	—	84,000	84,000
Building	361,214	57,794	303,420	317,868
Promotional display	54,602	46,441	8,161	10,882
Office equipment	130,831	100,142	30,689	37,110
Office improvements	191,722	38,078	153,644	163,230
	<u>822,369</u>	<u>242,455</u>	<u>579,914</u>	<u>613,090</u>

Total amortization for the period is \$45,187 (December 27, 2008 – \$42,445), of which \$2,720 (December 27, 2008 – \$2,721) was included in advertising and product promotion.

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8. Changes in Non-Cash Working Capital

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) (RESTATEMENT - NOTE 9) \$
Accounts receivable	47,314	58,888
Prepaid expenses	(14,387)	(8,971)
Accounts payable and accrued liabilities	(34,661)	(18,710)
Due to Egg Farmers of Canada	(57,488)	(48,269)
	<u>(59,222)</u>	<u>(17,062)</u>

9. Prior Period Adjustment

The Board has determined that the revenue earned on the interim lease of base quotas in fiscal 2008 is internally restricted by the Board of Directors and is to be used for specific Board-approved projects. In fiscal 2008, these amounts were recorded as deferred revenue. Accordingly, the 2008 financial statements have been restated to reflect an increase in revenue and net assets—over base quota fund of \$51,352 and a decrease in deferred revenue of \$51,352. Schedule 4 has also been added to the financial statements to reflect the composition of the over base quota fund.

10. Financial Instruments

Fair value

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

The carrying amount of the short-term investments of \$295,000 (December 27, 2008 – \$295,000) and marketable securities (equity investments) of \$586,779 (December 27, 2008 – \$489,393) are recorded at market value.

The carrying amount of the marketable securities (bonds) of \$2,840,384 (December 27, 2008 – \$3,438,500) is recorded at amortized cost. Fair market value of the bonds is \$2,969,658 (December 27, 2008 – \$3,581,088).

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 EFC, a producer organization formed by the Provincial Boards.

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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.

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 investment, which is outlined as follows (these percentages are based on the market value of the investments):

	TARGET	CURRENT
Short-term investments	1%-15%	12%
Fixed income investments	57%-77%	74%
Equity investments	20%-40%	15%
Country of exposure		
Canada	83%	100%
US	10%	0%
International	7%	0%

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.

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SCHEDULE 1: ADMINISTRATIVE EXPENSES

52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) \$
Advertising and product promotion	286,448	279,120
Amortization	42,467	39,724
Board governance	18,242	11,993
Building operations	17,512	16,703
Directors' and committee allowances	89,554	60,672
Employee benefits	59,894	57,468
Field services	102,206	98,444
Grants	8,590	30,157
Insurance	12,632	12,662
Meetings	42,719	28,237
Memberships	8,150	8,150
Office and printing	35,137	35,447
Postage	14,564	15,393
Professional fees	82,520	109,499
Salaries	360,539	333,505
Se testing and diagnostic services	58,313	57,148
Telecommunications	13,350	14,383
Travel	176,278	178,122
	<u>1,429,115</u>	<u>1,386,827</u>

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SCHEDULE 2: INTERNAL RESTRICTIONS – INDUSTRIAL PRODUCT PROGRAM 52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) \$
Industrial product program, beginning of period	<u>1,950,945</u>	<u>3,201,573</u>
Add:		
Egg sales	6,547,941	5,734,900
Levy revenue	<u>30,134</u>	<u>—</u>
	<u>6,578,075</u>	<u>5,734,900</u>
Less:		
Egg purchases	7,110,390	6,328,924
Levy reimbursement	—	653,174
Levy over/short	<u>9,382</u>	<u>3,430</u>
	<u>7,119,772</u>	<u>6,985,528</u>
	<u>(541,697)</u>	<u>(1,250,628)</u>
Industrial product program, end of period	<u><u>1,409,248</u></u>	<u><u>1,950,945</u></u>

The industrial product program relates to eggs which are sold for further processing. The Board purchases eggs from grading stations and sells them to the 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.

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SCHEDULE 3: INTERNAL RESTRICTIONS – RESEARCH FUND

52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) \$
Research fund, beginning of period	<u>422,660</u>	<u>354,201</u>
Add:		
Levy revenue	107,762	106,914
Less:		
Disbursements to research projects	<u>105,935</u>	<u>38,455</u>
	<u>1,827</u>	<u>68,459</u>
Research fund, end of period	<u>424,487</u>	<u>422,660</u>

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.

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SCHEDULE 4: INTERNAL RESTRICTIONS – OVER BASE QUOTA FUND 52 Week Period Ended December 26, 2009

	DECEMBER 26, 2009 (52 WEEKS) \$	DECEMBER 27, 2008 (52 WEEKS) \$
Over base quota fund, beginning of period	<u>51,352</u>	<u>—</u>
Add:		
Interim lease of base quotas revenue	66,957	51,352
Less:		
Disbursements	<u>—</u>	<u>—</u>
	<u>66,957</u>	<u>51,352</u>
Over base quota fund, end of period	<u><u>118,309</u></u>	<u><u>51,352</u></u>

The over base quota fund is funded by an internal allocation of the funds earned on the interim lease of base quotas for specific projects authorized by the Board of Directors.



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