

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2007



Table of Contents

1.	Table of Contents	1
2.	Message from the Chair	2
3.	Overview	3
4.	Activities	5
5.	Opportunities and Challenges	8
6.	Financial Statements	9

Message from the Chair 2007

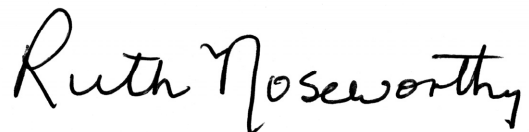
Chicken Farmers of Newfoundland and Labrador has diligently set out to achieve the goals outlined in our activity plan. On behalf of the board, I am delighted to have had the opportunity to participate in achieving the strategic directions of the Chicken Farmers of Newfoundland and Labrador.

In fulfilling the activities outlined in the one-year activity plan, the board continually considered the strategic directions outlined by the Minister and recognized its responsibility for implementing the plan.

The board was successful in achieving the goals of our activity plan, and opted to incorporate an alternate method of assessing client satisfaction rather than the questionnaire method indicated in the activity plan. This departure from the stated mechanism for measuring client satisfaction was designed to incorporate a mechanism that our clients preferred. Providing opportunities for one-on-one discourse, this less formal approach to assessing client satisfaction yielded results which continue to engage our clients in positive discourse regarding the level of satisfaction with Chicken Farmers of Newfoundland and Labrador.

As the challenges and opportunities develop in the chicken industry, the board will pursue avenues that ensure the sustainability and prosperity of our industry. Newfoundland and Labrador's chicken industry continues to grow and the board will continue to support the Minister's strategic directions which encourage expansion of the industry. My signature below is indicative of the entire board's accountability for the actual results of this document.

Yours Sincerely,



Ruth Noseworthy
Chair
Chicken Farmers of Newfoundland and Labrador

Overview

Chicken Farmers of Newfoundland and Labrador (CFNL) is a not-for-profit organization, which was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme* under the *Natural Products Marketing Act, 1973*. The purpose and intent of CFNL is to provide for the effective promotion, control and regulation of the production and marketing of chicken within the province, including the prohibition or production or marketing of chicken.

The board administers the regulation and marketing of chicken as provided for in the Act and the Scheme under the laws of the Province of Newfoundland and Labrador. The board operates under a risk management system commonly known as "supply management." The board is comprised of four directors appointed by the Minister of Natural Resources as per regulations. CFNL is supported by one permanent employee and the office is located in the Avalon region.

Chairperson – Mrs. Ruth Noseworthy
Vice-Chairperson – Vacant
Director – Mr. Davis Noel
Director – Mr. Andy Larner
Manager – Mr. Ron Walsh

For information about the Chicken Farmers of Newfoundland and Labrador and its work, please contact us at:

Chicken Farmers of Newfoundland and Labrador
P.O. Box 8098
St. John's, NL A1B 3M9
Telephone: 709-747-1493
Fax: 709-747-0544
Email: rwalsh@nlchicken.com

Physical location: 308 Brookfield Road, Agriculture Canada Building 6.

Vision: The vision of the Chicken Farmers of Newfoundland and Labrador is of a sustainable chicken industry which is regulated in an effective manner.

Mission: By 2011, the Chicken Farmers of Newfoundland and Labrador will have supported initiatives to improve the food safety and animal care of the provincial chicken industry.

Lines of Business:

The Chicken Farmers of Newfoundland and Labrador provides the following lines of business:

1. **Regulatory Role** - The Chicken Farmers of Newfoundland and Labrador regulates the production of chicken through a production licence. This licence is to produce or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the *Newfoundland and Labrador Chicken Marketing Scheme*, and any orders or regulations made with the respect to the production and marketing of chicken by the Minister or the commodity board and the terms and conditions of a production licence imposed by a commodity board upon a producer.
2. **Signatory Role** - Chicken Farmers of Newfoundland and Labrador, the Minister and the supply managed commodity boards are the Newfoundland and Labrador signatories to agreement with the Federal Minister, other provincial and territorial ministers, and supervisory and commodity boards in Canada (federal-provincial agreements).
3. **Promotion Role** - The Chicken Farmers of Newfoundland and Labrador promotes the sustainability of the industry through the supply management system, chicken consumption, chicken industry and the farming community. Annual promotion and marketing activities of the Board may include participation in trade shows, lobby days, advertising campaigns (e.g. brochures, agricultural campaigns, website development and education ambassador programs). The frequency of these activities is dependent upon the financial resources of the board.

The financial statements included in this report present fairly, in all material respects, the position of the board as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Activities

Food safety has emerged as one of consumers' top concerns. This increased sensitivity to the safety level of food in Canada has resulted from both real and perceived food safety problems. Due to the heightened level of concern, food safety has become a priority for governments and the agri-food industry, in Canada and around the world. The On-Farm Food Safety Assurance Program, called *Safe, Safer, Safest*, ensures that top-notch safety procedures and standardized safety systems will be found on each Canadian chicken farm. This will ensure that Canadian chicken farmers continue to produce safe and high quality product, as they have been doing for generations.

Implementation of the On-Farm Food Safety Assurance Program supports the strategic directions outlined by the minister with regard to primary agricultural production.

Goal One:

By 2008 the Newfoundland and Labrador Chicken Marketing Board will have delivered the On-Farm Food Safety Assurance Program.

Measure: Delivered program

Indicators:

Auditing process is activated at differing levels on farms:

In 2007 Chicken Farmers of Newfoundland and Labrador was successful with implementing the On-Farm Food Safety Assurance Program. A certified, commodity specific food safety auditor has conducted audits on each farm and recommended certification for all producers. All chicken producers have been audited and certified on the On-Farm Food Safety Assurance Program. A permanent cycle of rotating full and partial audits has been scheduled for each chicken producer.

Management audit is completed:

Chicken Farmers of Newfoundland and Labrador has undergone an internal management audit conducted by Chicken Farmers of Canada regarding the On-Farm Food Safety Assurance Program to ensure proper procedures had been implemented. Recommendations for improvement of the management of the On-Farm Food Safety Assurance Program were suggested and implemented. Yearly food safety audits for the chicken producers are planned and annual management audits of the On-Farm Food Safety Assurance Program at the Chicken Farmers of Newfoundland and Labrador are also being planned.

Emergency preparedness includes all activities, such as plans, procedures, contact lists and exercises, undertaken in anticipation of a likely emergency. The goal of these preparedness activities is to make sure that the Chicken Farmers of Newfoundland and Labrador is ready and able to respond quickly and effectively in the event of an emergency.

Goal Two:

By 2008 the Newfoundland and Labrador Chicken Marketing Board will have contributed to the development of the operational management plan of the Emergency Preparedness Plan.

Measure: Contributed to the development of the operational management plan

Indicators:

Consulted with industry stakeholders, provincial and federal agencies:

In 2007 the operational management plan of the Emergency Preparedness Plan was developed and updated frequently; as the Emergency Preparedness Plan is a living document and requires continuous updates as circumstances evolve. A management team consisting of industry and government personnel has been established to provide direction and an avenue to keep all sectors of the chicken industry informed on the progress of the Emergency Preparedness Plan. Several consultations were held with chicken producers and stakeholders in the industry to provide an opportunity for input and collaboration throughout the year. chicken producers and stakeholders in the industry have received copies of the plan and receive updates as they are incorporated into the operational management plan. We realize the plan will continually evolve and have mechanisms in place to ensure that the latest developments and procedures are placed into the document and that all stakeholders receive the revisions to the plan. An emergency management team is responsible for reviewing and updating the plan as new information becomes available to improve the Emergency Preparedness Plan.

Participated in a simulation of the provincial emergency preparedness plan:

Several members of the Emergency Management team attended two provincial simulation exercises of emergency preparedness plans and gained vital knowledge regarding the proper execution of an emergency preparedness plan. Several members of the Emergency Management Team have also participated in training offered by the Emergency Measures Organization to observe the

protocols and methods of conducting a simulation exercise. As a result of the training and preparations that the Emergency Management Team has undergone, a simulation exercise is planned for 2008 to test the effectiveness of the components within the emergency preparedness plan of the poultry industry in Newfoundland and Labrador.

Client satisfaction measures the extent to which a client's expectations for a good or service are met. Even before entering in contact with the Chicken Farmers of Newfoundland and Labrador, most clients already have more or less precise expectations of the level and quality of service that it should be providing. These expectations may not be in line with what the organization is or should be delivering, given the resources available. Communications efforts are usually needed to inform clients of the goals, limits and possibilities of the program, in order for the clients to have more realistic expectations.

Goal three:

By 2008 the Newfoundland and Labrador Chicken Marketing Board will have assessed client satisfaction with the Board's exercise of its responsibilities.

Measure: Assess client satisfaction

Indicators:

Questionnaire is developed and administered:

Not Completed

Results of questionnaire are analyzed and summarized:

Not Completed

Results of questionnaire are communicated with clients:

Not Completed

In 2007 client satisfaction with the Chicken Farmers of Newfoundland and Labrador was not assessed using a questionnaire as was initially intended. In an effort to provide opportunity for stakeholders to provide feedback on the satisfaction level with Chicken Farmers of Newfoundland and Labrador, we instead held meetings to initiate discussions with the clients of the board. These meetings provided encouraging results and future meetings have been requested to permit clients to provide feedback on the operations of the Chicken Farmers of Newfoundland and Labrador. Opportunities and mechanisms for clients to provide feedback will remain a priority and will be pursued.

Opportunities and Challenges

The Newfoundland and Labrador Chicken industry enjoyed a good year in 2007, despite an unprecedented increase in feed costs during the year due to a surge in corn, soybean and grain prices. Our challenge to set reasonable growth levels considering the elevated cost of feed will not be a short-term issue; a long-term approach will be necessary. Feed prices are expected to remain elevated, which undoubtedly will have a direct influence on the profitability of the industry. Strategies to offset these increased feed costs will be pursued.

Chicken consumption levels are hovering at 31.9 kilograms per person in Canada and efforts to encourage consumers to continue selecting chicken as a protein source will be pursued. Development of initiatives to inform consumers about the health benefits of chicken through health and nutrition professionals and educators will be promoted.

World trade negotiations have potential implications on the entire industry. Issues such as imports and market access are being negotiated and will directly influence how the Canadian chicken industry evolves. The provincial and national chicken agencies continue to lobby governments, nationally and provincially, to support supply management and the Canadian chicken industry.

Financials

**Newfoundland Chicken
Marketing Board
Financial Statements
December 31, 2007**



SOOLEY &
ASSOCIATES

**Newfoundland Chicken Marketing Board
Financial Statements
December 31, 2007**

<u>Contents</u>	<u>Page</u>
Auditors' Report	1
Balance Sheet	2
Statement of Income	3
Statement of Net Assets	4
Cash Flow Statement	5
Notes to Financial Statements	6-8



SOOLEY &
ASSOCIATES



**SOOLEY &
ASSOCIATES**



87 Clyde Avenue
Mount Pearl, NL
A1N 4S2
Tel: (709)747-7777
Fax: (709)747-3841

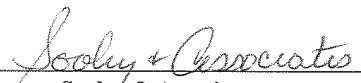
Auditors' Report

To the Members of
Newfoundland Chicken Marketing Board

We have audited the balance sheet of the Newfoundland Chicken Marketing Board as at December 31, 2007 and the statements of income, net assets, and cash flows for the year 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 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Sooley & Associates
Certified General Accountants

Mount Pearl, Newfoundland and Labrador
January 28, 2008

-1-

Newfoundland Chicken Marketing Board
Balance Sheet
as at December 31, 2007

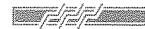
	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets		
Cash	\$ 46,037	\$ 16,559
Term deposit	34,284	33,750
Accounts receivable (Note 5)	46,975	84,383
Prepaid expenses	<u>3,091</u>	<u>2,392</u>
	130,387	137,084
Capital assets (Note 6)	<u>5,505</u>	<u>4,391</u>
	<u>\$135,892</u>	<u>\$141,475</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	<u>\$ 60,804</u>	<u>\$ 43,651</u>
Net Assets		
Contributed	13,500	13,500
Net assets (Note 10)	<u>61,588</u>	<u>84,324</u>
	<u>75,088</u>	<u>97,824</u>
	<u>\$135,892</u>	<u>\$141,475</u>

On behalf of the Board:

_____, Director _____, Director

The accompanying notes are an integral part of these financial statements

-2-



SOOLEY &
ASSOCIATES

Newfoundland Chicken Marketing Board
Statement of Income
for the year ended December 31, 2007

	Audited <u>2007</u>	Budget 2007 (Note 9)	Audited <u>2006</u>	Budget 2006 (Note 9)
Revenue				
Levies (Note 3)	\$271,675	\$268,500	\$259,972	\$265,500
Other revenue				
Government funded projects (Note 7)	28,000	-	112,862	-
Interest and miscellaneous	<u>1,054</u>	<u>-</u>	<u>3,001</u>	<u>-</u>
	<u>29,054</u>	<u>-</u>	<u>115,863</u>	<u>-</u>
	<u>300,729</u>	<u>268,500</u>	<u>375,835</u>	<u>265,500</u>
Other costs				
Costs for Government funded projects	<u>40,774</u>	<u>-</u>	<u>102,208</u>	<u>-</u>
	<u>259,955</u>	<u>268,500</u>	<u>273,627</u>	<u>265,500</u>
Expenses				
Amortization	1,100	-	1,098	-
Bank charges and interest	1,594	1,000	871	1,000
Honorariums	7,400	3,000	2,550	3,000
Per diems	3,850	16,000	11,500	16,000
Federation of Agriculture	12,000	12,000	13,101	12,000
Insurance	818	1,300	732	550
Levy - Chicken Farmers of Canada	79,631	78,760	69,593	78,000
Miscellaneous	1,206	1,500	1,278	1,500
Office and postage	6,370	9,500	9,350	7,500
Professional fees	12,137	5,200	7,950	5,200
Promotion	12,265	22,750	24,244	21,750
Donations	10,075	-	-	-
Rent	2,325	3,000	1,162	12,000
Telephone	7,513	9,000	7,901	6,000
Travel and meetings	24,182	40,000	32,226	40,000
Wages, benefits & severance (Note 8)	<u>100,225</u>	<u>61,000</u>	<u>61,446</u>	<u>61,000</u>
	<u>282,691</u>	<u>264,010</u>	<u>245,002</u>	<u>265,500</u>
Excess of income over expenses (expenses over income)	<u>\$ (22,736)</u>	<u>\$ 4,490</u>	<u>\$ 28,625</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



-3-

SOOLEY &
ASSOCIATES

Newfoundland Chicken Marketing Board
Statement of Net Assets
for the year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
Net Assets		
Balance, beginning of year	\$ 84,324	\$ 55,699
Excess of revenues over expenses (expenses over revenues)	<u>(22,736)</u>	<u>28,625</u>
Balance, end of year	<u>\$ 61,588</u>	<u>\$ 84,324</u>
Allocated as follows:		
Net assets invested in capital assets	\$ 5,505	\$ 4,391
Unrestricted net assets	<u>56,083</u>	<u>79,933</u>
	<u>\$ 61,588</u>	<u>\$ 84,324</u>

The accompanying notes are an integral part of these financial statements

-4-



SOOLEY &
ASSOCIATES

Newfoundland Chicken Marketing Board
Cash flow Statement
for the year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Excess of income over expenses (expenses over income)	\$(22,736)	\$ 28,625
Item not requiring an outlay of funds		
Amortization	<u>1,100</u>	<u>1,098</u>
	(21,636)	29,723
Changes in non-cash working capital		
Accounts receivable	37,408	1,872
Prepaid expenses	(699)	(1,142)
Accounts payable and accruals	17,153	(18,131)
Deferred revenue	<u>-</u>	<u>(55,880)</u>
	<u>32,226</u>	<u>(43,558)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(2,214)</u>	<u>-</u>
	<u>(2,214)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	30,012	(43,558)
Cash and cash equivalents, beginning of year	<u>50,309</u>	<u>93,867</u>
Cash and cash equivalents, end of year	<u>\$ 80,321</u>	<u>\$ 50,309</u>
Cash and cash equivalents consist of		
Cash	\$ 46,037	\$ 16,559
Term deposit	<u>34,284</u>	<u>33,750</u>
	<u>\$ 80,321</u>	<u>\$ 50,309</u>

The accompanying notes are an integral part of these financial statements



SOOLEY &
ASSOCIATES

Newfoundland Chicken Marketing Board
Notes to Financial Statements
December 31, 2007

1. Nature of the Board

The Newfoundland Chicken Marketing Board was established in 1981 by the Newfoundland Chicken Marketing Scheme, 1980, under the Natural Products Marketing Act, 1973, to provide for the effective promotion, control and regulation of the production and marketing of chicken in Newfoundland and Labrador. The Board is responsible for administering the regulations as provided for in the Act under the laws of the Province of Newfoundland and Labrador.

2. Canadian Chicken Marketing Agency

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (C.F.C.) imposes levies on individual producers. The Newfoundland Chicken Marketing Board collects these levies directly from the processor and remits them to C.F.C. There were \$79,631 of levies collected in 2007 (2006 - \$76,467).

3. Summary of Significant Accounting Policies

Levies

The Board charges levies to producers based on the volume of chicken marketed in Newfoundland and Labrador.

Credit risk

The company performs ongoing credit reviews of all its customers and records an allowance for doubtful accounts receivable when accounts are determined to be uncollectible.

Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their estimated useful lives as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%	declining balance
-------------------------	-----	-------------------



Newfoundland Chicken Marketing Board
Notes to Financial Statements
December 31, 2007

3. Summary of Significant Accounting Policies (Cont'd)

Fair value of financial instruments

The Board has evaluated fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of financial instruments is considered to approximate fair value, unless otherwise indicated.

4. Liquid Damages Assessment

The Newfoundland Chicken Marketing Board has entered into an Agreement with the other provincial boards known as the Liquidated Damages Assessment Agreement. This Agreement provides for penalties should a province over produce its allocation from C.F.C. As part of this agreement, the Newfoundland Chicken Marketing Board has filed a letter of credit with C.F.C. in respect of any possible penalties assessed. The letter of credit as at December 31, 2007 was \$28,658 (2006 - \$28,658).

5. Accounts Receivable

Accounts receivable are comprised of the following:

	<u>2007</u>	<u>2006</u>
Levies	\$ 21,928	\$ 45,178
Accrued interest	718	469
Grants receivable	18,551	33,425
Other	<u>5,778</u>	<u>5,311</u>
	<u>\$ 46,975</u>	<u>\$ 84,383</u>

6. Capital Assets

Capital assets are comprised of the following:

	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net Book Value</u>	
			<u>2007</u>	<u>2006</u>
Furniture and equipment	<u>\$ 31,841</u>	<u>\$ 26,336</u>	<u>\$ 5,505</u>	<u>\$ 4,391</u>



Newfoundland Chicken Marketing Board
Notes to Financial Statements
December 31, 2007

7. Government Funded Projects

Government funded projects are comprised of the following:

	2007	2006
Anti-Microbial Testing	\$ -	\$ 26,412
Childrens Storybook	-	7,527
Emergency Preparedness Plan	17,222	78,923
Backyard Flocks	9,448	-
Auditor Training	1,330	-
	\$ 28,000	\$112,862
Direct costs - Government funded projects	\$ 40,774	\$102,208

Direct costs include costs of \$12,774 relating to excess claims on projects in prior years.

8. Employment Agreement

The Board concluded an agreement whereby it has entered into a separation of an employment agreement and release with an employee in 2008. All costs relating to this agreement have been accrued in the financial statements.

9. Budget Comparative Figures

The 2007 and 2006 budget figures presented in the statement of income are figures provided by management and have not been audited. These figures are included for convenience of the reader only.

10. Comparative Figures

Certain of the prior year figures have been reclassified to conform with the current years presentation.

