

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2010



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Message from the Chair 2010

Chicken Farmers of Newfoundland and Labrador (CFNL) adheres to a rigorous strategic planning process to provide the Newfoundland and Labrador chicken industry with clear, concise objectives and a solid direction and purpose for the future. On behalf of the board of directors I am confident that we have progressed as planned on the strategic issues indentified by the CFNL.

In fulfilling the activities outlined in the three-year activity plan for 2008-2010 the board continually considered the strategic directions outlined by the Minister. The board diligently pursues all avenues to understand the challenges that face the Newfoundland and Labrador chicken industry and works to provide resolutions to these challenges.

The board was successful in achieving its 2010 objectives as well as the mission outlined in our 2007 and 2008-10 activity plans. As the challenges and opportunities develop in the chicken industry, the board will work to ensure the sustainability and prosperity of our industry. My signature below is indicative of the entire board's accountability for the actual results of this document.

Yours Sincerely,

A handwritten signature in black ink that reads "Ruth Noseworthy". The signature is written in a cursive, flowing style.

Ruth Noseworthy
Chair
CFNL

Mandate

CFNL operates under the authority of the Minister of Natural Resources in accordance with the *Newfoundland and Labrador Chicken Scheme and Regulations* under the *Natural Products Marketing Act*. CFNL controls and regulates the quota for the province.

The commodity board shall promote, regulate and control the production and marketing of chicken by producers and processors and will participate in national allocation meetings with the Chicken Farmers of Canada (CFC) to achieve its mandate.

Mission Statement

Consumers are becoming increasingly concerned about the safety of their food supply. CFNL supports producers in delivering quality chicken that consumers can trust through the delivery of programs such as the On-Farm Food Safety Assurance Program and an Animal Care Program. These programs are excellent tools to communicate the proactive nature of the industry and also demonstrate the good production practices being used by chicken producers. These and related initiatives are reflected in CFNL's Mission which has been in place for the past four years (two planning cycles).

Mission: By 2010, the CFNL will have supported initiatives to improve the food safety in the provincial chicken industry.

Measure: Supported initiatives

Indicators:

- The delivery and audit systems of the On-Farm Food Safety Assurance Program and Animal Care Program is coordinated
- The board continued to participate in the development of a national disease strategy
- The board contributed to and participated in the consultations of Growing Forward
- The board conducted consultations with farmers regarding the Animal Care Program and upon approval of the program implemented the program.

CFNL has achieved the stated mission utilizing the measure indicators. CFNL is proud of the progress that has been made regarding on farm food safety, animal care and disease prevention.

The On-Farm Food Safety Assurance Program and the Animal Care Program has been coordinated and delivered to the chicken producers of Newfoundland and Labrador. The delivery protocol, data collection and program requirements to coordinate the programs to producers are also established. Training sessions to explain the components of the programs were held to inform and educate participants regarding the program and also to permit feedback from participants. One on one consultations were also held with farmers to provide direction regarding the program. Farmers received updates regarding the programs via telephone, fax, mail and emails. Discussions were held with farmers regarding their readiness for an audit to determine compliance and the scheduling of the audit. Clarifications regarding program requirements were provided to farmers to assist them with the implementation of the programs. Annual audits for the programs are performed; by a third party, on farms to document the implementation and compliance

with the programs. The programs will continue to be monitored and delivered to the producers and compliance with the program will be documented. As the programs evolve the modifications will be delivered and implemented to producers. Since 2006 the province has implemented the On-Farm Food Safety Assurance Program and since 2008 developed initiatives to implement the Animal Care Program. Seven of the eight farmers have achieved certification on the On-Farm Food Safety Assurance Program and two of the eight farmers have achieved certification on the Animal Care Program.

CFC, along with other poultry boards in Canada are developing strategies to mitigate and prevent disease. The CFNL participated in strategy development by ensuring that appropriate measures were put in place for the provincial chicken industry and by contributing information to the CFC, as required, to assist in the development of select national initiatives.

The disease strategies under development across Canada include three main components: indemnification planning, disease prevention and emergency preparedness. The CFNL has made progress over the last four years in all three areas.

- *Indemnification Planning.* Adequate compensation is a critical component in both effective surveillance and preemptive cull programs. The strategy is to contain a disease before it spreads and save governments, the public and the industry the enormous cost of managing a full scale outbreak. CFNL provided input to CFC on the components necessary for an insurance type program to insure producers for Avian Influenza Outbreaks. Pilot projects are underway currently to explore indemnification models.
- *Disease Prevention.* Disease prevention measures, to minimize the risk of any incident occurring are in place such as the biosecurity measures that have been incorporated within the national On-Farm Food Safety Assurance Program. These protocols include practices such as premise specific clothing and restricting access to the producers' facilities.
- *Emergency Preparedness.* An emergency operating center has been established to assist the poultry industry with any emergency that may occur. The emergency operating center contains equipment and supplies that will assist in mitigating any disaster that may occur. CFNL has collaborated with the Forestry and Agrifoods Agency to establish GPS coordinates for each farm in order to permit easy identification and location of each chicken producer in the event of an emergency. CFNL provided input to the CFC on the components necessary for an insurance type program to insure producers for Avian Influenza Outbreaks. CFNL also provided traceability information to CFC; such as placement of chicken information, shipping of chicken information, location of chicken information and several other aspects regarding the chicken industry that will be key during a disease outbreak. This information will serve to mitigate the risk of a disease that may occur in the chicken industry and will limit the impact the disease will have on the chicken industry. Each province was requested to provide traceability information in order to assess our readiness to provide such information and to determine if improvements in data collection were necessary.

In 2008 the Federal, Provincial and Territorial Ministers of Agriculture announced the completion of the Growing Forward Multilateral framework. The funding is intended to strengthen the agriculture and agrifoods industry. CFNL provided feedback to the administrators of the program at consultation sessions that were held and utilized funds from the program to further the chicken industry. At various points CFNL has contacted the administrators of the program to indicate program initiatives that were needed. One such initiative was the emergency preparedness activity that the program has funded. CFNL also provided a representative from the board for consideration to the Newfoundland and Labrador Growing Forward Industry Advisory Committee.

These programs are excellent tools to communicate the proactive nature of the industry and also demonstrate the good production practices being used by chicken producers.

Overview

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 know 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 – Mr. Ed O’Reilly

Director – Mr. Davis Noel

Director – Mr. Andy Lerner

Executive Director – Mr. Ron Walsh

For information about CFNL and its’ work, please contact us at:

Chicken Farmers of Newfoundland and Labrador

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

Vision: The vision of the CFNL is of a sustainable chicken industry which is regulated in an effective manner.

Lines of Business:

The CFNL provides the following lines of business:

1. Regulatory Role- The CFNL 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 - The Minister of Natural Resources, Farm Industry Review Board and CFNL are the Newfoundland and Labrador signatories to the Federal-Provincial Agreement for Chicken, with the Federal Minister, other provincial and territorial ministers, and supervisory and chicken supply managed boards in Canada.
 3. Promotion Role - The CFNL 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.

Activities

On-Farm Food Safety Assurance Program

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. The On-Farm Food Safety Assurance Program identifies hazards, sets critical limits, establishes standard operation procedures, and determines corrective actions to ensure farmers provide consumers with the best possible product.

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

Objective One:

The CFNL will continue to ensure the procedures and requirements of the On-Farm Food Safety Assurance Program are satisfied and complied with.

Measure: Delivered program

Indicators:

Implementation of the program requires commercial chicken producers to undergo an annual audit, the process for achieving certification requires the board to undertake this activity on a continual basis, to ensure the On-Farm Food Safety Assurance program is complied with by producers. This level of repetition is required to provide the necessary documentation to ensure producers are implementing the program and producing a safe, quality product.

Auditing process is activated at differing levels on farms:

In 2010 the CFNL worked with all farms to implement the voluntary program and was successful with implementation of the On-Farm Food Safety Assurance Program on six of the eight farms. A certified commodity specific food safety auditor has conducted audits. Chicken producers have been audited for the On-Farm Food Safety Assurance Program and the Animal Care Program. A permanent cycle of rotating full and partial audits has been scheduled for each chicken producer and

this determines the level of the audit that is to occur. A full audit covers the entire program and a partial audit reviews selected areas of the program. Three full audits and three partial audits were performed on the participating farms.

Annual Internal Management audit completed:

CFNL has once again undergone an internal management audit conducted by CFC regarding the On-Farm Food Safety Assurance Program to ensure proper procedures have been implemented. The management audit conducted by CFC reviews the documentation and record keeping on file at CFNL regarding the On-Farm Food Safety Assurance Program. 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 and an annual management audit of the On-Farm Food Safety Assurance Program at the CFNL has been performed since 2007.

Program is monitored and completed:

CFNL has monitored and ensured that the parameters of the On-Farm Food Safety Assurance Program have been implemented and complied with for the farms that participated. Food safety audits were again scheduled for farmers and corrective actions that may have been necessary were followed. During 2010, CFNL began the process of drafting regulations that would make the program mandatory for commercial producers of chicken in Newfoundland and Labrador.

Disease Strategies

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 CFNL is ready and able to respond quickly and effectively in the event of an emergency.

Objective Two:

The CFNL will have continued to contribute to the development of the operational management plan and the development of an Emergency Operations Centre (EOC) for the poultry industry.

Measure: Continued development of the operational management plan and the set up of an EOC

Indicators:

Consulted with industry stakeholders and provincial and federal agencies:

In 2010 the operational management plan of the Emergency Preparedness Plan (EPP) has been updated as necessary; as the EPP is a living document and requires continuous updates as circumstances evolve. An EMT consisting of farmers, processors, provincial and federal government personnel has been established to consult with and provide direction to all sectors of the chicken industry. The EMT also functions to keep industry sectors informed and educated on the progress of the EPP. 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 the latest developments and procedures are placed into the document and that all stakeholders receive the revisions to the plan. Electronic updates are provided to farmers and the EMT via email and a website contains the latest version for easy access. Since 2006 an EMT is responsible for reviewing and updating the plan as new information becomes available to improve the Emergency Preparedness Plan. The EMT meets as necessary to modify the EPP and met four times in 2010 to assess the industries needs. Several discussions were held with provincial government; Forestry and Agrifoods Agency, to review approaches that would allow emergency preparedness to continue its evolution and state of readiness.

Participated in a simulation of the provincial emergency preparedness plan:

This indicator was completed in 2009 and areas for improvement were identified during the simulation exercise. This simulation exercise was intended to demonstrate the effectiveness of the EPP. An independent consultant identified areas of the plan which could be improved and the EMT has initiated actions that would be necessary to complete the improvements. In 2010 the following work was undertaken to make improvements to the EPP. The co-chairs of the EMT collaborated on strategies to make improvements to the identified areas and have enlisted members of the EMT to assist them. Improvements have been made to the EPP such as the method of communicating changes and improvements to the EPP. All updates and notices are provided electronically and are posted on our website; this permits efficient, effective and instant access to relevant information that will keep all stakeholders current on the status of the EPP. The website provided an improved communication technique which was an area identified for improvement noted by the consultant. The EMT will endeavor at every opportunity to sustain the EPP and have a system that provides continuous quality improvement for the EPP.

Secured resources and supplies for the functioning of an EOC:

The EOC was completed in 2009 and is situated at the office of the Egg Producers of Newfoundland and Labrador. It contains resources and materials to mitigate any disaster that might occur in the poultry industry. In 2010 efforts continued to keep the centre current and stocked with relevant information. Meetings with government to secure formal data sharing agreements have occurred and requests for copies of the EPP from producers have been satisfied. Information that will be relevant to the poultry industry such as; geographical information, size of poultry operations, emergency contact information for personnel, provincial and federal agency contacts, policy and procedures to be implemented during emergencies are examples of some of the information housed at the EOC. The centre will be utilized to collaborate with the Canadian Food Inspection Agency during an emergency that involves their participation and will also be vital for emergencies that require the industry to act independently to mitigate emergencies that may occur.

Animal Care Program

CFC has developed a comprehensive Animal Care Program designed to demonstrate the level of care given to Canadian chickens. The program is designed to complement the On-Farm Food Safety Assurance Program already in place on Canadian chicken farms and provides assurance through documentation that farmers are meeting appropriate animal care standards.

The Animal Care Program is based on the nationally-developed *Recommended Code of Practice for the Care and Handling of Farm Animals: Chickens, Turkeys and Breeders from Hatchery to Processing Plant*. Animal care is an important issue for Canadian chicken farmers. CFC and the Canadian poultry industry have always been proud of its excellent animal care record. Canadian chicken farmers have supported the Code of Practice for the care and handling of chickens since its inception. The development of this program continues to demonstrate chicken farmers' commitment to animal care and will be key to the future success to the broiler industry.

Objective Three:

The CFNL will have begun preparations for delivering and monitoring an Animal Care Program.

Measure: Preparations for delivery of program

Indicators:

The program has been communicated to stakeholders:

Stakeholders have been consulted and the continued implementation of the Animal Care Program in Canada has occurred in 2010. Forestry and Agrifoods Agency officials at the Animal Health Division has been briefed on the Animal Care program and its implementation. The veterinarians that support the poultry industry have each been provided with a copy of the program and informed on the status of the program. Support from the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association for implementation of the Animal Care Program has been provided. Support comes after a thorough review process by the two organizations and is the culmination of the development process by CFC and the CFC Animal Care Committee in consultation with each of the provincial chicken boards. Having third party support for the implementation of the Animal Care Program is important for the credibility of the program, demonstrates the value along with the level of work and commitment that has gone into the Animal Care Program.

Farmers are informed with the various aspects of the Animal Care Program:

As the Animal Care Program was implemented in NL for the chicken producers, a need to have various data collected was realized. Each farmer was consulted to educate them on the required elements of the program and to determine a convenient appointment for visiting their operation. Two training sessions were conducted in 2009 and provided producers with the foundation to implement the program. Arising out of those training sessions several one on one consultations were held with producers to clarify program requirements and a form for documenting the elements of the program was developed for producers to use. Various elements of their operation needed to be documented to assist with the implementation of the program, such as the floor space available and the number of birds placed at the site. The data collected was shared with the producer so that the program requirements could be achieved. This data is used in the assessment of a farm to determine compliance with the Animal Care Program. In 2010 two farms were audited by a third party auditor using the Animal Care Program requirements. Each farmer has committed to continue with the requirements of the program in order to maintain certification on the program.

Mechanisms for the delivery and monitoring of the program are installed:

The CFNL have distributed Animal Care Program manuals to chicken producers which outline the Animal Care Program requirements and documentation procedures. The auditing plan will combine the On-Farm Food Safety Assurance Program and the Animal Care Program cycle so

that only one auditor visits the farm. Farmers received instruction and one on one advice from the delivery agent and certification agent when areas of the program needed clarification. A certified auditor has undergone and successfully completed the Animal Care Program training course and has performed Animal Care Program audits on two farms. Each farm that participated in the Animal Care Program was successful in achieving certification on the program.

Financials

Independent auditors' report

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To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2010, the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

February 24, 2011

Chartered Accountants

Chicken Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Net Assets

Year Ended December 31	Actual 2010	(Note 12) Budget 2010	Actual 2009	(Note 12) Budget 2009
Revenue				
Levies	\$ 281,622	\$ 270,000	\$ 267,929	\$ 270,000
Over-marketing levy assessment	50,819	-	-	-
Government funded projects	34,320	-	26,618	-
Workshop revenue	-	-	2,500	-
Interest and miscellaneous	<u>810</u>	<u>180</u>	<u>1,498</u>	<u>398</u>
	367,571	270,180	298,545	270,398
Other costs				
Costs for Government funded projects	<u>34,320</u>	<u>-</u>	<u>29,118</u>	<u>-</u>
	333,251	270,180	269,427	270,398
Expenses				
Depreciation	940	-	881	-
Donations	4,062	-	945	-
Federation of Agriculture	12,675	12,000	12,450	12,000
Honorariums	12,000	12,000	12,000	12,000
Insurance	1,653	2,000	1,650	2,000
Interest and bank charges	1,235	1,500	1,463	1,000
Levy – Chicken Farmers of Canada	82,844	79,200	78,593	79,200
Miscellaneous	154	2,500	162	1,500
Office and postage	9,352	5,000	9,671	5,000
Per diems	6,275	7,000	8,475	4,000
Professional fees	32,711	15,000	36,611	10,000
Promotion	9,729	9,000	3,923	9,000
Rent	2,637	3,500	2,603	2,950
Telephone	6,214	7,500	6,811	7,500
Training	122	-	5,177	-
Travel and meetings	21,843	36,000	33,979	44,000
Wages, benefits and severance	<u>77,656</u>	<u>63,000</u>	<u>74,641</u>	<u>62,900</u>
	282,102	255,200	290,035	253,050
Excess of revenue over expenses (expenses over revenue)	<u>\$ 51,149</u>	<u>\$ 14,980</u>	<u>\$ (20,608)</u>	<u>\$ 17,348</u>
<hr/>				
Net assets, beginning of year	\$ 55,439	\$ 93,395	\$ 76,047	\$ 76,047
Excess of revenue over expenses (expenses over revenue)	<u>51,149</u>	<u>14,980</u>	<u>(20,608)</u>	<u>17,348</u>
Net assets, end of year	<u>\$ 106,588</u>	<u>\$ 108,375</u>	<u>\$ 55,439</u>	<u>\$ 93,395</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Financial Position

Year Ended December 31	2010	2009
Assets		
Current		
Cash and cash equivalents	\$ 86,270	\$ 61,367
Receivables (Note 7)	34,192	23,126
Current portion of long-term receivable (Note 8)	16,940	-
Prepays	<u>2,338</u>	<u>2,173</u>
	139,740	86,666
Long-term receivable (Note 8)	16,940	-
Long-term investment	15,043	15,043
Equipment (Note 9)	<u>4,931</u>	<u>3,523</u>
	<u>\$ 176,654</u>	<u>\$ 105,232</u>
Liabilities		
Current		
Payables and accruals	\$ 26,698	\$ 22,213
Deferred grant revenue (Note 10)	<u>26,406</u>	<u>11,965</u>
	53,104	34,178
Accrued severance pay	<u>3,462</u>	<u>2,115</u>
	<u>56,566</u>	<u>36,293</u>
Net Assets		
Contributed surplus	13,500	13,500
Net assets	<u>106,588</u>	<u>55,439</u>
	<u>120,088</u>	<u>68,939</u>
	<u>\$ 176,654</u>	<u>\$ 105,232</u>

Commitments (Note 11)

On behalf of the Board

Ruth Roseworthy Chair Doris Noel Director

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31 2010 2009

Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses (expenses over revenue)	\$ 51,149	\$ (20,608)
Depreciation	940	881
Accrued severance pay	<u>1,347</u>	<u>2,115</u>
	53,436	(17,612)
Change in non-cash working capital		
Receivables	(11,066)	1,346
Prepays	(165)	-
Current portion of long-term receivable	(16,940)	-
Payables and accruals	4,485	40
Deferred grant revenue	<u>14,441</u>	<u>11,965</u>
	<u>44,191</u>	<u>(4,261)</u>
Investing		
Increase in long term receivable	(16,940)	-
Purchase of investment	-	(15,043)
Purchase of equipment	<u>(2,348)</u>	<u>-</u>
	<u>(19,288)</u>	<u>(15,043)</u>
Net increase (decrease) in cash and cash equivalents	24,903	(19,304)
Cash and cash equivalents		
Beginning of year	<u>61,367</u>	<u>80,671</u>
End of year	<u>\$ 86,270</u>	<u>\$ 61,367</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2010

1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme, 1980*, under the *Natural Products Marketing Act, 1973* (Act), 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. Chicken Farmers of Canada

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (CFC) collects levies from provincial commodity boards. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were \$82,844 of levies collected in 2010 (2009 - \$78,593).

3. Summary of significant accounting policies

Use of estimates

In preparing the Board's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Levies

The Board charges levies to the producer based on volume of chicken marketed in Newfoundland and Labrador. Revenue is recognized when the chicken is produced/marketed and collectibility is reasonably assured.

Grant revenue

The Board follows the deferred method of accounting for contributions. Revenue is recognized in the year in which the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2010

3. Summary of significant accounting policies (cont'd.)

Long term investment

Non-redeemable guaranteed investment certificates with original maturities in excess of one year are classified as long term investments. Interest related to these investments is accrued as earned. The carrying value of this investment approximates its fair value.

Equipment

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

Furniture and equipment	20%, declining balance
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Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Accrued severance pay

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

Financial instruments

CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Board to revalue all of its financial assets and liabilities at each financial reporting date.

This standard also requires the Board to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net earnings for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in revenue and expenses in the year that the asset is no longer recognized or impaired.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2010

3. Summary of significant accounting policies (cont'd.)

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in revenue and expenses and b) other - measured at amortized cost with gains and losses recognized in revenue and expenses in the year that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the standard, the Board's financial assets and liabilities are generally classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Long term receivable	Loans and receivables	Amortized cost
Long term investment	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, equipment and deferred grant revenue are not within the scope of the accounting standard as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Board would receive or pay to terminate the instrument agreement at the reporting date. The fair values of cash, receivables, long term receivable, long term investment, accounts payable and accrued liabilities would approximate their carrying value.

4. Risk Management

The Board's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Board include liquidity and credit risks.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

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4. Risk Management (cont'd.)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

5. Capital Management

The primary objective of the Board's capital management is to provide adequate funding to ensure efficient operations.

The unrestricted funds are available for future operations and are preserved so the Board can have financial flexibility in the future.

6. Operating Agreement

The Chicken Farmers of Newfoundland and Labrador has entered into an Agreement with the other provincial boards known as the Operating Agreement. This Agreement provides for levy assessment should a province over produce its allocation from C.F.C. As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2010 was \$28,658 (2009 - \$28,658).

7. Receivables	<u>2010</u>	<u>2009</u>
Levies	\$ 29,092	\$ 21,342
Accrued interest	649	222
Travel advances	4,451	1,562
Other	-	-
	<u>\$ 34,192</u>	<u>\$ 23,126</u>

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8. Long term receivable	<u>2010</u>	<u>2009</u>
Over-marketing levy receivable from Country Ribbon Inc., non-interest bearing, repayable in annual instalments on March 15 2011 and 2012 of \$16,940.	\$ 33,880	\$ -
Less: current portion	<u>(16,940)</u>	<u>-</u>
	<u>\$ 16,940</u>	<u>\$ -</u>

9. Equipment			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 34,189	\$ 29,258	\$ 4,931	\$ 3,523

10. Deferred grant revenue	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 11,965	\$ -
Revenue		
Advances during the year	48,761	30,200
Expenses		
Project costs	<u>34,320</u>	<u>18,235</u>
Balance, end of year	<u>\$ 26,406</u>	<u>\$ 11,965</u>

The balance in deferred grant revenue at December 31, 2010 includes \$7,254 (2009 - \$Nil) related to the On-Farm Food Safety Program. These funds will not have to be repaid to the Chicken Farmer of Canada and there is no specific timeframe requirement regarding the spending of these funds.

The remaining deferred grant revenue of \$19,152 (2009 - \$11,965) relates to the Chicken Farmers of Canada Provincial Promotion Project. These funds are required to be spent by March 31, 2011 and any remaining unused funds at that time are required to be repaid to the Chicken Farmers of Canada.

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11. Commitments

The Board has a commitment under an operating lease for a photocopier. Payments for the next five years are as follows:

2011 - \$3,187; 2012 - \$3,187; 2013 - \$3,187; 2014 - \$3,187 and 2015 - \$1,859

12. Budget figures

The 2010 and 2009 budget figures presented in the statement of operations are provided by management and have not been audited. These figures are included for the convenience of the reader only.
