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MESSAGE FROM THE CHAIR

Scott Grahan

Looking back at our year, 2016 seemed to come and go in an instant. It came with challenges but also with opportunities and progress for the egg industry.

Early in the year, a cross-section of grocery retailers and foodservice operators yielded to pressure to make public statements about their future egg purchasing plans. They reacted in this way largely to defend against attacks by activists opposed to animal agriculture.

This happened against a wide-spread understanding by egg farmers and industry stakeholders that this potential purchasing shift is not in the best interest of addressing the single most important issue - hen welfare - or for consumers in the market in terms of other important factors such as egg affordability, sustainability and environmental footprint.

The most important step was our decision to take back the high ground on hen welfare with Egg Farmers of Ontario (EFO) beginning a multi-year effort to proactively engage stakeholders and consumers to preserve their retail choices of eggs.

This effort will give consumers credible information showing that eggs can be humanely produced in all housing systems approved in Canada's newly updated Code of Practice for the Care and Handling of Pullets and Laying Hens and supported by excellent standards such as our Start Clean-Stay CleanTM and Animal Care programs.

As egg farmers, we need to continue to think about having "camera-ready" barns at all times and being transparent about our on-farm practices.

We will empower retailers, restaurants, fast food operators and institutional buyers to position those standards in the marketplace in ways that also enhance their brands.

Success will mean our future market will continue to include a broad range of egg choices that will be available in the market - determined by consumer preferences - because food system stakeholders understand that all hen housing used in Canada provides high-quality care for hens while producing eggs that are safe, nutritious and affordable.

When consumers did not know there were still real farmers on egg farms, we responded with our *Who Made Your Eggs Today?* message. With more consumers interested in hen welfare and where their eggs come from, we now need to respond with the message *We Care For Our Hens Every Day.*

I would like to conclude by expressing my great appreciation for the expertise and dedication around EFO's Board table and would like to thank Board Directors and staff for their efforts on behalf of all egg and pullet farmers.

Suit Elm.

MESSAGE FROM THE GENERAL MANAGER



Harry Pelissero General Manager

Egg Farmers of Ontario (EFO) scored strong results in 2016 on two key tests that can be faced by any organization's business planning process with operational depth and competence.

Those two tests are being able to deliver on the goals in the business plan and being able to respond to dramatic changes in business climate in the middle of the planning cycle. EFO was able to both respond and deliver in 2016.

EFO has a very robust strategic planning process and during the fall of 2015, the Board and staff developed the 2016 Business Plan that included egg and pullet farmers' input at the November Egg and Pullet Farmers' Workshop.

As usual, objectives set under the organization's six key result areas drive all of EFO's operational activities for the coming year and the plan was approved by the Board at its January meeting.

In the three months that followed, dramatic forces relating to the future of hen housing began to converge. These included the decision at the national level in February for a planned transition out of conventional housing in Canada and consultations surrounding the review of the Code of Practice.

The process supporting the review of the Code needed input from farmers and EFO held five information sessions to gather feedback from farmers. The comments from these meetings were included in EFO's submission to the Code Committee.

The other issue was that a collection of grocery chains and foodservice operators responded to activist pressure to make open announcements regarding their future egg purchasing strategy.

Action had to be taken and EFO decided to launch an effort to proactively engage stakeholders and consumers to preserve their choice of eggs in the marketplace from the various approved hen housing systems. Several meetings

were held in the first quarter of the year to consult with graders and other stakeholders culminating in a Board decision in April to embark on this large project.

Significant staff effort was diverted to the project and extra resources allocated. Development of detailed plans was the first priority completed. Results achieved during 2016 included: consumer research to develop effective messaging; consumer research on market positioning to "brand" our existing on-farm programs; consultations with graders and marketing staff in other provinces; and production of eight on-farm videos and resources to support the communications side of the strategy.

From an operational perspective, against this backdrop of extra activity, the annual evaluation of achievement of goals under the business plan found that most of the established work tasks were successfully completed as outlined in the 2016 *Key Result Area Achievements* document provided to our farmers and posted on EFO's website.

All of this points to the flexibility, strength and resilience of EFO from a perspective of its staffing, resources and management.

The coming year will undoubtedly bring more challenges and opportunities, including the ongoing work of telling egg and pullet farmers' stories though our *Who Made Your Eggs Today?* campaign. Given the current market environment, we will increase transparency about another genuine part of the story – the excellent care you give your birds.





Director: Scott Helps (Vice Chair)
Counties of Essex, Kent, Lambton
Number of Egg Quota Holders: 40
Number of Layers: 953,842
Number of Pullet Quota Holders: 9
Number of Pullets: 552,641



Director: Dianne McCombCounty of Middlesex

Number of Egg Quota Holders: 38

Number of Layers: 562,934

Number of Pullet Quota Holders: 17

Number of Pullets: 1,267,498



Director: Dan VeldmanCounties of Elgin, Oxford, and that part of the Regional Municipality of Haldimand-Norfolk that, on the 31st day of March 1974, was the County of Norfolk
Number of Egg Quota Holders: 35
Number of Layers: 590,187

Number of Pullet Quota Holders: 5

Number of Pullets: 432,525



Director: Roger Pelissero
(EFC Representative)
County of Brant, the Regional Municipalities of Hamilton-Wentworth and Niagara and that part of the Regional Municipality of Haldimand-Norfolk that, on the 31st day of March 1974, was the County of Haldimand
Number of Egg Quota Holders: 25
Number of Layers: 616,602
Number of Pullet Quota Holders: 10
Number of Pullets: 601,172



Director: Brian Miller County of HuronNumber of Egg Quota Holders: 42
Number of Layers: 846,825
Number of Pullet Quota Holders: 10
Number of Pullets: 782,009



LUNE 0Director: Scott Graham (Chair)

County of Perth, the Regional Municipality of Waterloo and the City of Waterloo

Number of Egg Quota Holders: 41

Number of Layers: 983,014

Number of Pullet Quota Holders: 22

Number of Pullets: 1.554.953



Director: Bryan Hostrawser
Bruce, Dufferin, Grey and Wellington Counties
Number of Egg Quota Holders: 51
Number of Layers: 1,732,751
Number of Pullet Quota Holders: 21
Number of Pullets: 1,877,716



Director: Hubert SchillingsRegional Municipalities of Halton and Peel, the
Counties of Haliburton, Hastings, Northumberland,
Peterborough, Prince Edward, Simcoe and Victoria,
the Regional Municipalities of Durham and York,
and the District Municipality of Muskoka
Number of Egg Quota Holders: 21
Number of Layers: 484,805

Number of Pullet Quota Holders: 4 Number of Pullets: 318,522



Director: Craig Hunter
EAST: Counties of Dundas, Frontenac, Grenville,
Lanark, Leeds, Lennox and Addington, Renfrew and
the Regional Municipality of Ottawa and Carleton
NORTH: Territorial Districts of Ontario consisting of
Algoma, Cochrane, Parry Sound, Kenora, Rainy River,
Sudbury, Timiskaming and Thunder Bay
Number of Egg Quota Holders: 12
Number of Layers: 1,092,387
Number of Pullet Quota Holders: 6
Number of Pullets: 2,237,191



Director: Marc BourdonCounties of Glengarry, Prescott,
Russell and Stormont

Number of Egg Quota Holders: 41

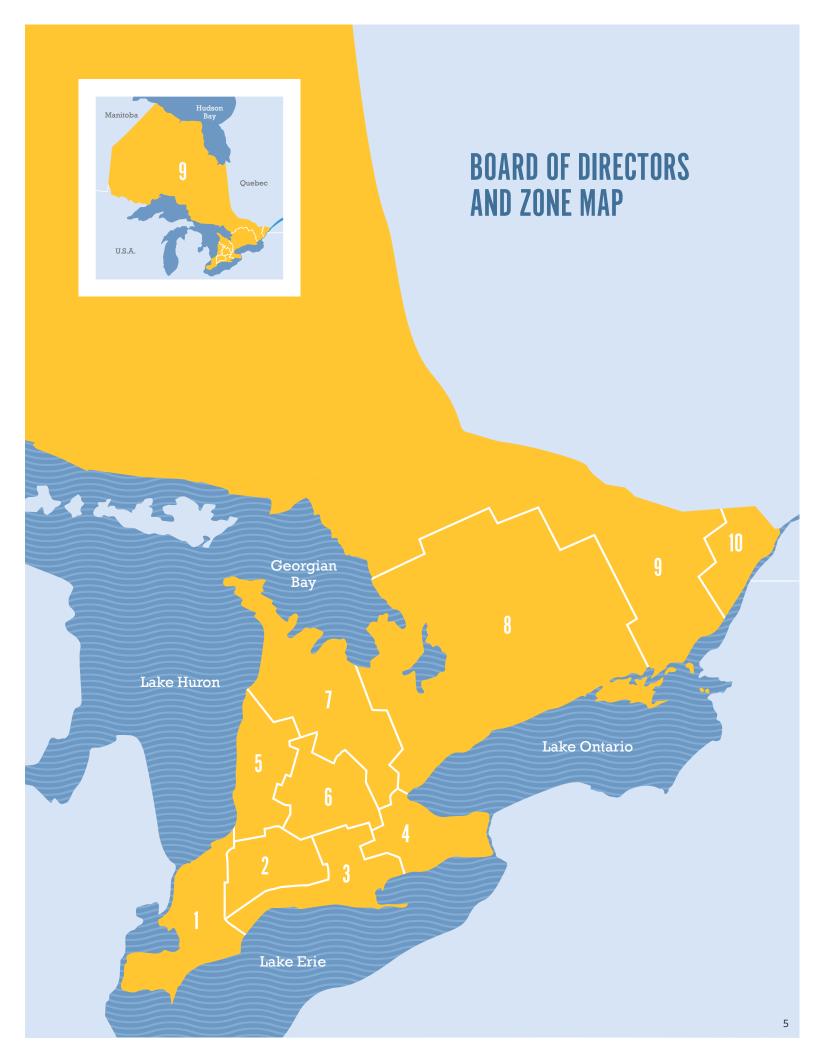
Number of Layers: 1,331,872

Number of Pullet Quota Holders: 11

Number of Pullets: 772,766



Director: Andrew DeWeerdTotal Number of Pullet Quota Holders: 115
Total Number of Pullets: 10,396,993



EGG FARMERS OF CANADA DIRECTOR'S REPORT

This past year was a pivotal one for the Canadian egg industry and one that brought us together in unprecedented ways as we dealt with new challenges.

The uncertainty we faced in 2015 through the *Trans-Pacific Partnership* negotiations was replaced by volatility of another kind and on an issue that hits much closer to home: the manner in which we house our hens and produce eggs.

No sooner had we reached consensus as an industry to transition away from conventional housing, then the conflicting announcements of foodservice and retail hit. By April, the industry rallied to identify immediate, medium and longer-term objectives. Our goals were clear – to remain committed to promoting enriched housing as one of several alternatives to conventional housing and to work together to ensure the supply of eggs matches what consumers actually want.

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

With respect to enriched housing, part of maintaining its viability was continued diligence and guidelines for the production of eggs. Over the summer, the draft Code went out for public consultation. The draft—thanks to hard work by the Code Development Committee and our egg representatives—retained enriched housing standards, but

committed the transition away from conventional in 20 years with the aim of completing it faster. This was a critical outcome for our industry and one we will revisit with partners when the final Code is published in early 2017.

In the meantime, we continue to meet with our supply chain, government and elected officials to discuss the complexity of what has been set in motion. As well, a new national, multi-stakeholder working group was approved by EFC's Board to review the situation and devise a way forward that will safeguard the egg industry in Canada while meeting the demands of the market and consumers.

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

It is important to remember that the egg industry - despite its challenges - is thriving . Most of the outside world just sees fresh, local and high-quality eggs, the $\label{eq:Get Cracking}^{\text{TM}} \text{ brand, the good we do in our communities with food banks and breakfast programs, and the}$



enthusiasm with which we share the immeasurable benefits of our product.

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

As part of being able to make good on Canadians' desire for more Canadian eggs, we remain diligent in assessing our market and advocating for additional quota as our industry expands. For supply management to operate with efficiency, it must also be nurtured over time from within. Considerable efforts were made last year to work across the industry and with Farm Products Council of Canada (FPCC) to meet the growing demand for eggs with Canadian production.

Those efforts were rivaled only perhaps by countless farmers, *Young Farmer Program* alumnus and participants, provincial egg board staff and EFC Board Directors and staff

who rallied around our challenges to up the ante when it comes to "telling our story." The progress we have made in opening ourselves, our farms and our industry up to others has been unprecedented. With more of us on social media and at events proudly advocating for sustainable egg production, we will continue to remind Canadians of the benefits of supply management and ensure a bright future for generations to come.

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

Respectfully submitted,

Roger Pelissero, EFC Director, Ontario

Ofer

EFC staff and farmers participated in a *Wake Up To Yellow* event in Toronto in February 2016.



PULLET DIRECTOR'S REPORT

Pullet farmers across Canada have seen gradual but continuing progress on several important issues during 2016 with further changes coming in 2017.

At the national level in 2016, Quebec decided to combine their existing egg system with pullets. Votes were held and all parties are in favour of doing so. The beginning stages of this, such as creation of regulations, are underway and will be completed towards the end of 2017. As part of this, a \$2.12 growing fee has been agreed upon and accepted by the Régie, Quebec's supervisory agency.

At the provincial level, our utilization rate was 103.27 per cent, with a quota increase of 5 per cent in July. The Ontario leasing initiative is now in its' 10th year and Egg Farmers of Ontario staff continue to work on executing this program together with pullet farmers and industry stakeholders.

Changes made in the new Code of Practice for the Care and Handling of Pullets and Laying Hens has minor changes for pullets, with space for growing changing to 42 square inches in the first five years under the new code and then changing to 44 square inches. In addition, the feeder and water space issues of the past have been resolved.

At the 2016 Egg and Pullet Farmers' Workshop in November, changes in reporting for pullet tracking and traceability were introduced with implementation of new forms commencing in January 2017. Monitoring

the movement of hens ensures the protection of animal health, public health and food safety. The new documents, designed to replace the Pullet Order Report and Pullet Grower Day-Old Report, will follow the lifecycle of the hen and are critical to tracking each point of production.

It has been a privilege to be the Ontario Pullet Director during 2016. As always, I have enjoyed my responsibilities and appreciate the opportunity to serve the interests of pullet farmers in Ontario. We remain steadfast in our work towards maintaining a stable pullet industry.

Respectfully submitted,

for the same

Andrew DeWeerd, Pullet Director



2016 ONTARIO EGGS BY THE NUMBERS

3,206,879,484

Number of Ontario leviable eggs graded (includes Eggs For Processing [EFP])

461

16.21%

100%

Number of Ontario Egg & Pullet Quotas Held Volume of Ontario egg production to the table market

Per cent of egg production HACCP-certified

Average Producer Prices: 2012 to 2016

SIZE	2012	2013	2014	2015	2016
Extra Large Large Medium Small	\$1.91 \$1.75	\$1.96 \$1.80	\$1.90 \$1.90 \$1.73 \$1.26	\$1.90 \$1.69	\$1.85 \$1.64



Ontario's Average Egg Gradings By Size (%)

Extra Large	23.30
Large •	47.33
Medium •	19.87
Small •	3.78
Pee Wee	0.57
Bs, Cs, Cracks, No Grade	5.15



32.25

Levy Administration

the amount of Ontario's egg levy deducted from farmers

Egg Quota

8,705,358

the amount of Ontario's hen allotment

25,160

the average production quota for egg quota holders

9,260,485

the average weekly inventory

269,105

the amount of egg quota transferred

Ontario Industrial Product

3,940,495

the number of 15-dozen boxes

Pullet Quota

10,396,993

the amount of Ontario's pullet allotment

90,409

the average production quota for pullet quota holders

262,622

the amount of pullet quota transferred



1,210,088

the number of 15-dozen boxes

Egg Farmers of Ontario (EFO) proudly supports research projects that create innovation within the egg industry and improve farm practices, animal welfare and food safety. In 2016, EFO funded the following projects.

Evaluation of rapid diagnostic assay for Avian Influenza

Dr. Suresh Neethirajan

School of Engineering, University of Guelph

This research involves the creation of an in-barn testing application to solve the immediate need for point of care testing and rapid detection of Avian Influenza (AI).

Globally, high pathogen AI losses from outbreaks since 2003 run to billions and current methods of detection require live animal throat swabs as well as fecal and blood samples, with analysis taking three days. In addition, current vaccinations against AI are often either ineffective or require multiple doses. Therefore, preventing the spread of infection is the best way to control AI.

The goal of this research is to design, develop and evaluate the technical potential of an electrochemical-based diagnostic assay test for early, on-site AI detection.

Genetic selection for increased cuticle deposition in table eggs

Dr. Max Hincke

Department of Cellular and Molecular Medicine, University of Ottawa

This research looks at the protective layer (surface cuticle) that covers the outer surface of the egg and whether there is a genetic component to the thickness and completeness of coverage.



Recent studies have shown that cuticle thickness and completeness of coverage are inheritable traits and are strongly associated with the egg resistance to bacterial penetration.

This work hopes to determine if genetic selection to increase cuticle deposition and associated anti-microbial protection is possible. If so, selective breeding can be done to increase egg resistance to shell penetration from pathogens and therefore enhance food safety.

Impact of intensive genetic selection on physiological controls

Dr. Gregoy Bédécarrats

Animal Biosciences, University of Guelph

This research will compare four strains of hens, identifying differences between strains that will help understand the actual mechanism responsible for maturation, ovulation and the persistency of lay and at what level the genetic selection impacted reproduction.

This study hopes to answer several questions, such as why commercial layers mature without photostimulation, why they display extended laying persistency and is there a desynchronization of the ovulatory process.

This level of understanding will help refine on-farm management and codes of practice.

Investigating optimal feed structure for promoting pullet gut and skeletal development

Dr. Elijah Kiarie

Animal Biosciences, University of Guelph

This research was funded in 2016 and will commence in January 2017.

Modern layer diets have been refined to improve intake and efficiency; however the implications of these strategies are diets with low fibre resulting in negative consequences in development and function of the gut. Poultry requires a certain amount of diet structure for proper gut development, which may decrease feather pecking and cannibalism.

This research hopes to determine the optimal time to introduce fibre in order to minimize its negative effects on pullet body weight at point of lay, feed intake and incidence of dirty eggs.

Investigating the role of limestone particle size on skeletal integrity and performance of pullets and hens

Dr. Elijah Kiarie

Animal Biosciences, University of Guelph

This research was funded in 2016 and will commence in January 2017.

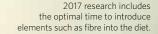
Proper skeletal development is essential for high levels of egg production to mitigate stresses of alternative housing systems. Previous studies to improve skeletal health focus on environment and nutrition at the layer phase, which may already be too late to improve bone quality.

This study will examine the use of limestone particle size for optimal pullet rearing.

In addition to the above funded research projects, a technology, developed by researchers at McGill University and funded by EFO, is able to determine whether an egg is fertile and whether it is male or female on the day it is laid. The technology is non-destructive, meaning that because the scanning is undertaken pre-incubation, eggs identified as either non-fertile or male can be used in the food industry or in the case of male eggs, incubated and used in the production of vaccines.

The technology is stand alone and can therefore be built into in-line processes of normal hatchery operations or any other position within the entire lay to hatch process.

This technology is now at a point where a prototype can be developed and tested for commercial use. It is believed that a commercial system for this technology will be available in late 2017 or early 2018.



Egg and pullet farmers continue to do what they do best - taking excellent care of their birds.

Combining that with exceptional, high-quality management practices has provided Ontario egg and pullet farmers with state-of-the-art production and farm efficiencies to supply high-quality eggs and pullets.

In addition to managing their poultry farms, egg and pullet farmers continue to follow the *On-Farm Food Safety* and the *Animal Care* programs. In 2016, the programs for egg farmers were updated and combined into one manual. These changes have made the program more flexible and user-friendly for each farm. This will roll out in early 2017 and will start at the same time Egg Farmers of Ontario (EFO) begins independent third-party audits. During 2017, the pullet program will also be updated and rolled out. The program gives farmers the opportunity to "say what we do, do what we say and then be able to prove it."

In addition, training materials were developed and made available to Ontario farmers to enhance the *Animal Care Program*, including euthanasia training and resources. As in the past, EFO staff will work directly with farmers throughout this process.

Avian Influenza (AI) continued to be a concern in 2016 with outbreaks across the globe, including several countries in Europe during the fall of 2016. Here in Ontario, we had a reminder to stay vigilant in our biosecurity protocols on our farms with an outbreak in the Niagara



area in June. We can be thankful that this AI outbreak was contained to only one farm. The Feather Board Command Center (FBCC) was activated during this time and worked closely with government agencies and industry partners in a successful response and outcome. We all need to operate our farms in a culture of biosecurity – something we must do and must follow each and every day.

Since its official launch five years ago, FBCC has been there before, during and after disease incidents and 2016 was no exception. There are six big lessons learned from 2016:

- Expect the unexpected Al can hit any time of the year and can cause significant economic loss. Commercial and small flocks, as well as non-regulated commercial poultry are all susceptible and we cannot predict the next incident.
- A disease threat anywhere is a threat everywhere –
 It is critical to identify and stop outbreaks early and
 close to the source.
- Recovery is the toughest part FBCC is coordinating a review of existing biosecurity protocols of the Ontario feather boards and industry partners to expedite the issuance of Canadian Food Inspection Agency (CFIA) movement permits in the event of a foreign animal disease outbreak. The goal is rapid recovery after an Al discovery to minimize costs.
- The right message at the right time When a serious disease incident hits, the FBCC Information Unit works with government and the FBCC Incident Commander to quickly and clearly inform stakeholders about the risks and appropriate mitigation procedures.
- Collaboration is key To minimize loss and expedite quarantine and recovery efforts, collaboration is critical.
- Preparedness starts on the farm Farmers should continually review their on-farm biosecurity program and ensure there is 100 per cent compliance with hazard control protocols.

EFO remains a supporting member on the Agriculture Response Materials Management Inc. (ARMMI) board, who acquire and manage a stock pile of biosecurity and clean up supplies. ARMMI's mission statement is: to ensure that, in the event of a disease threat or emergency, that farmers and farm workers have an adequate supply of personal protective equipment.

EFO is also a member of the Ontario Livestock and Poultry Council (OLPC) whose mission statement is to: provide a forum to facilitate the development and coordination of an Ontario strategy to deal with foreign animal disease and other transmissible livestock and poultry diseases.

EFO staff continue to work closely with these groups, along with FBCC, in order to position the industry to effectively deal with emergency situations.

Field staff continue to work directly with our egg and pullet farmers and stay involved in industry events and activities. Procedures, human resource capabilities and involvement in emergency response remain a high priority. Our team has been trained and has the ability to complete emergency barn depopulations and also expanded our

equipment during 2016. We continue to be recognized as leaders in this area and have been asked for input and guidance to help other organizations develop their protocols to become efficient in conducting their own depopulations.

Field staff at EFO appreciate the professional working relationship we have with our farmers as we work together to follow EFO's On-Farm Food Safety Program, Animal Care Program and EFO's regulations, policies and programs. Farmers and all EFO staff work together to make our orderly supply-managed system work well and provide leadership to the industry.



EFO field staff have been trained to complete emergency barn depopulations and has also expanded equipment in 2016.

All egg farms operate under strict biosecurity protocols and entrances to barns post notices to visitors as part of this effort.



Between introducing a new creative look for our award-winning Who Made Your Eggs Today? (WMYET?) campaign, maintaining eggs-cellent programs and initiatives and promoting the egg, 2016 was a busy year for Public Affairs.

COMMUNICATIONS

Advertising

The 2016 WMYET? campaign introduced changes in both look and impact.

The blue and white barn board previously used was replaced with sepia-toned photos, muted colours, scalloped edges and egg-carton textured elements. The WMYET? logo was used in conjunction with the Get Cracking® logo and eggmark, and a new, gold-toned font.

To maximize its impact and engagement, two separate phases of the campaign were implemented. The first flight, that featured egg farmers Patrick Mainville and Josh Veldman, launched March 28 and ran for a four-week period. Placement was in 2,542 Toronto Transit Commission (TTC) interiors, 500 GO trains and 937 buses across Ontario. Static campaign imagery on CP24 (Toronto) and CHCH (Hamilton) television weather broadcasts were also implemented.

Flight two of the campaign began August

15 and ran for four weeks on TTC interiors, Go Trains, buses and static imaging on the same television weather broadcasts. Two new farm families, the Heyinks and Hayes, were introduced in this phase of the campaign. Overall impressions for both flights of the campaign totaled over 85,796,224 and advertising on static television broadcasts reached 3.7 million viewers across Ontario per week via CP24 and 3.5 million on CHCH television.

In-store advertising at the egg bunker also pulsed in and out of market throughout the year and featured each of our farm families throughout the cycles.

In addition to traditional advertising executions, promotion of the campaign was done across EFO's social media platforms for both flights. Facebook, Twitter and Instagram all provided a platform to promote Ontario egg farmers and engage with consumers.

The April/May issue of Horizon Food and Drink Magazine featured EFO's Crustless Chai-Coconut Pie on the cover, with a two-page

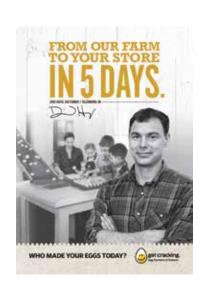
spread inside showcasing the recipe and an ad from the WMYET? campaign. The July/August issue included our Egg Mac'n Cheese Salad and egg farmers Al & Sylvia Heyink and in September/October, EFO's recipe Potato and Chorizo Frittata was featured together with egg farmer Dave Hayes and family.

Recipe Resources

Two new recipes were added to our popular collection of spice cards. The Mainville Family *Crustless Chai-Coconut Pie* was released in May and 63,000 cards were produced for Ontario and seven other provincial egg boards. The Heyink Family *Potato and Chorizo Frittata* was distributed in the fall and 66,500 cards were produced for Ontario and eight provincial egg boards.

Breakfast & Brunch Beauties, a double-sided, accordion-style resource was produced in 2016 and featured three breakfast friendly recipes. 76,500 copies were printed.







Above: Egg farmers Al & Sylvia Heyink were featured in the July issue of Horizon Magazine.

Left: Patrick Mainville and Dave Hayes were featured in the newly refreshed 2016 *Who Made Your Eggs Today?* campaign.

Literature

The Caring for Hens brochure, in English and French, was created to help consumers understand how egg farmers care for their hens, the options in both small and large group housing systems, and the pros and cons of each system. 25,200 copies of the brochure were printed.

Working together with Farm and Food Care (Ontario), an egg fact sheet was updated and printed.

Finally, an update and reprint was done to our popular *Guide to Choosing* brochure, in both official languages. 30,000 copies were printed for use at fairs and events.

Promotions

During 2016, EFO promoted eggs at over 55 fairs and events and distributed 193,096 recipes and educational resources, 24,087 shopping pads, 86 gift baskets and 4,181 microwave egg packages.

EFO's two existing mobile education trailers were completely updated in 2016. Both trailers received new graphics inside and out, new enriched colony housing systems and feed displays, while both graders were repaired and restored. Both trailers are complete and ready for the 2017 fair season.

The successful Road to the Royal Chef Competition continued with EFO as the presenting sponsor. The contest, hosted by Ted Reader, was held at six Ontario fairs with the finals taking place during the Royal Agricultural Winter Fair. Local egg farmers were on hand to present the secret ingredients, eggs.

Once again, EFO partnered with Home Economist Judy Scott Welden to offer fairs in Ontario the *Demonstration Kitchen Program*. This year, the kitchen went to six fairs and was also at the International Plowing Match.

To further extend our reach across the province and into Eastern Ontario, EFO once again partnered with the *Travellin' Farmer* exhibit. This exhibit engaged with consumers 33 days at urban and rural events over the course of the season.

Together with Zone 8, EFO was invited to share our egg story on one of eight mobile education kiosks to promote food literacy through the *Durham Region Farm Connections* education program. Our exhibit consists of the farm to table story, feed display, literature and an egg question and answer matching game. The kiosk made its first appearance at the Peterborough Exhibition in August.





Top: Crustless Chai-Coconut Pie was one of two spice cards created.

Above: A colourful new recipe resource was launched with three great brunch ideas.

Below: EFO's two education trailers were completely renovated and are ready for the 2017 fair season.



EFO's exhibit at the Canadian National Exhibition (CNE) included an enriched colony housing system with 10 white and 10 brown hens. Egg farmer volunteers dedicated their time to help out and answer consumer questions.

A similar display was used during the Western Fair in September, with farmer volunteers hosting the exhibit. Over 2,000 students and teachers participated in this year's education program.

Recipe Bank

During 2016, EFO created 12 new recipes, two of which were made into spice cards. The collection featured simple recipes which ranged from *Egg Drop Soup* to *Frozen Raspberry Mousse*. Photographs and video for use on social media, recipe pitches and EFO's website were included in the development.

Cackler Re-design

The Cackler, EFO's monthly newsletter, has been in print since 1968 and has taken on various designs over the decades. To bring it in line visually with EFO's updated website and social media accounts, the Cackler was redesigned and the new look, including a logo update, was introduced in November 2016.

PUBLIC RELATIONS

Eggs & Bakin' E-newsletter

Launched in conjunction with World Egg Month (WEM), EFO released our new recipe-based, monthly e-newsletter filled with recipes, links to blog posts, fun egg facts and farmer highlights. Consumers can sign up to receive the monthly email via our website. In the two-month period following the launch, there were over 200 subscribers and the email blast has an unprecedented 50 per cent read rate.

World Egg Month

To celebrate World Egg Month (WEM) in October, EFO created a resource, *Frittatas 101 – Your easy how-to guide*, designed to simplify meal preparation. In-store demonstrations were held with Registered Dietitians (RDs) at Loblaws locations across Ontario, as well as recipe promotion on social media and four television appearances with Carol Harrison (RD). Carol also conducted home child care provider workshops in Toronto, Halton and Guelph.



Above: EFO's display during the 2016
Canadian National Exhibition

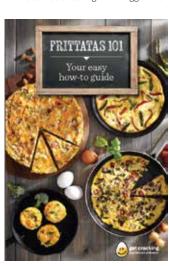
Below: EFO's monthly newsletter introduced a fresh new look in November.





Above: Carol Harrison shares frittata tips during her appearance on CTV Ottawa.

Below: The Frittatas 101 booklet was made for distribution during World Egg Month.



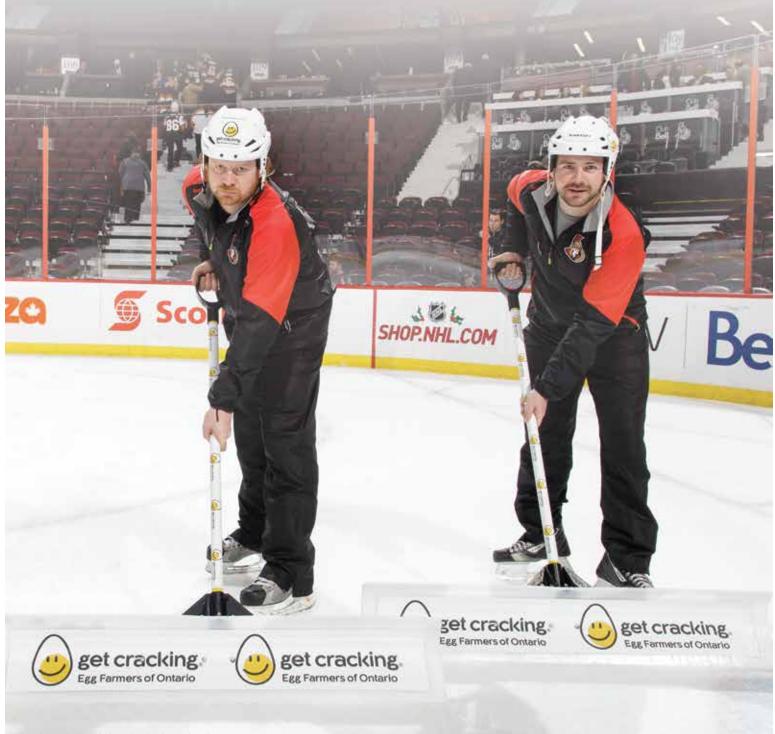


Sponsorships

Each Zone was provided \$15,000 in 2016 to support local programs, including sports teams, community and lifestyle events and egg donations.

The partnership between EFO and the Ottawa Senators National Hockey League team continued in 2016. Once again, eggs were the *Official Breakfast Protein* of the team and the collaboration included advertising on the Jumbotron and digital ads throughout the Canadian Tire

Centre and community centres affiliated with the Senators. The *Get Cracking*® logo was displayed on the jackets and shovels of the Ice Crew during home games. Activation during the *Hometown* and *Fanfest* events was updated for 2016, with a photo booth area for attendees to take and share their pictures on social media for a chance to win a pair of game tickets. The *Fanfest* event also included a hard-cooked egg station for fans to enjoy an egg with garnishes of their choice. Egg farmers were on-hand at all events to connect with consumers.



Once again, EFO sponsored *The Egg Man Inc.*, Toronto's first breakfast food truck, owned and operated by Chef Tom Januszewski.

Together with Fédération des producteurs d'oeufs du Québec, EFO proudly sponsored Alpine Canada's downhill skier Valerie Grenier, Zone 10 egg farmer, with the *Get Cracking®* logo prominently displayed on her helmet. In addition, a stats "ski card" with EFO's logo was created for distribution at events, along with a promotional video shared on YouTube and social media channels.

had an enriched colony housing system on display. The fall edition of the open house was held in conjunction with the Kitchener-Waterloo *Oktoberfest*. EFO was a presenting sponsor and again had local farmers available to tell their story.

Together with Farm and Food Care (Ontario), Ontario Federation of Agriculture and Ontario Sheep Marketing Agency, EFO sponsored the October segment of *Fields to Forks* – a year long program created to showcase agriculture to consumers through video segments on CTV (London),





Top: EFO was proud to sponsor, in part, the October segment of *Fields to Forks*.

Above: Judy Scott Welden shares affordable egg meal ideas on CTV Ottawa News at Noon.

Left: EFO proudly sponsored Alpine Canada's downhill skier Valerie Grenier, Zone 10 egg farmer.



EFO was the Official Breakfast Protein and Presenting Sponsor for the 2016 Canadian Men's and Women's Junior Curling Championships, held January 23-31 in Stratford. This sponsorship included scoreboard identification, hack signs, in-ice signs, ice level rink boards, on-site signage and giveaways in the players' welcome bags.

EFO teamed up with Curling Canada for the *Rocks and Rings* program which visits elementary schools across Canada to introduce students to the sport of curling. Eight provincial and one territorial egg board joined EFO as the official breakfast protein of the program in their respective province/territory.

EFO sponsored the Ontario Summer Games, held August 11-14 in Mississauga where provincial-level athletes, aged 12-18, competed in the sport of their specialty. Athletes were provided with breakfast each morning, courtesy of EFO.

Farm and Food Care's 2016 *Breakfast on the Farm,* was held June 11 at Veldale Farms and EFO was a presenting sponsor of the event. Zone 3 farmers



Above: EFO's logo was prominently featured on the rink and score board during the 2016 Canadian Curling Championships in Stratford.

online advertising and radio segments on CJBK News 1290. The October video highlighted egg farmer Megan Veldman and EFO's radio spot featured Tonya Haverkamp and Gary West.

The Ontario Home Economics Association held their annual conference in April and EFO was a sponsor which included sponsorship of the emcee, Mairlyn Smith, and giveaways for the registration packages.

EFO was proud to be a network level sponsor for the Advancing Women in Agriculture conference in Toronto. Zone 2 Director Dianne McComb attended the event with egg farmer Laura Buys, while Tonya Haverkamp was a session speaker for the Women Talk panel.

As one of 20 commodity groups, EFO supported the *Six by Sixteen* food literacy site developed by the Ontario Federation of Agriculture. The site is designed to teach young people to cook and make healthy choices while supporting locally grown food.

Media Relations

Starting in the new year, EFO exercised a strong media presence throughout 2016. In January, Home Economist Judy Scott Welden represented EFO on CTV News at Noon (Kitchener) with our Easy Chocolate Cake and Egg Drop Soup recipes and Registered Dietitian Carol Harrison appeared on a Rogers TV (Toronto) segment themed "make it once, eat it twice" that highlighted eggs as an affordable, high-quality protein.

In April, our recipe outreach continued with CTV News at Noon (Kitchener) April 1 and two segments on CTV News at Noon (Ottawa) April 22. Segments featured EFO's Crustless Chai-Coconut Pie and Maple Walnut Pie and the second Ottawa segment focused on affordable egg meal ideas.

To celebrate the arrival of summer, EFO released two summer-friendly recipes in June, *Egg Mac'n Cheese Salad* and *Frozen Raspberry Mousse*, through traditional and social media outlets.

Finally, in December, EFO released two recipes for holiday entertaining - *Egg Custard Tarts* and *Easy Festive Brunch Bake*. Outreach included TV appearances by Carol Harrison on CTV Ottawa, CKWS Kingston, Rogers Richmond Hill and CTV Kitchener.

Issues Management

The CBC television program *Marketplace* focused on egg farming on March 11. The program was quite well-balanced in the treatment of our issues. EFO staff devoted significant time to answer their questions, build relationships and offer a tour of the Veldman farm, which was helpful in creating balance and was critical to the positioning we achieved on the program. A social media team of active farmers and industry partners already on social media was selected to engage in online discussions following the broadcast.

In July, the animal activist group Mercy for Animals released a video with footage allegedly

taken at a Gray Ridge farm near Listowel. As a result, EFO received media calls which were interested in farm inspections and hen housing. EFO staff monitored online and traditional media for any related activity and responded, where appropriate.

Government Relations

Throughout 2016, various EFO members including the Chair, Vice Chair, Board Directors, General Manager and staff attended a wide range of political events, including golf tournaments, dinners and silent auctions.

Once again, EFO participated in the Premier's Ontario Public Service (OPS) Food Drives held March 21 and again on October 27. The two events combined provided 9,000 dozen eggs to the Daily Bread Food Bank in Toronto.

The annual *Queen's Park Farmers' Market,* in conjunction with *Local Food Week,* took place June 9th on the lawn of Queen's Park and EFO participated with 21 other commodity groups. Scott Graham, EFO Chair, and Dianne McComb, Zone 2 Director, along with EFO staff, handed out 1,000 samples of EFO's popular recipe *Crustless Chai-Coconut Pie* to attendees.

Below: Premier Kathleen Wynne chats with Zone 3 Director Dan Veldman and Zone 2 Director Dianne McComb at the OPS food drive.



The annual omelette breakfast was held at Queen's Park on September 27. More than 45 Members of Provincial Parliament (MPPs), as well as legislative staff, enjoyed omelettes cooked by EFO Board Directors. The Honourable Jeff Leal, Minister of Agriculture, Food and Rural Affairs also attended the event and provided greetings.

Awards

The Canadian Agri-Marketing Association (CAMA) held their Best of CAMA awards gala November 4 in Calgary, where EFO received four awards for our Who Made Your Eggs Today? marketing campaign. The winning categories were: Campaigns over \$500,000; Other Outdoor; and Print Ads (French). EFO also won the Best of Show – Advertising Vehicles Award.

Get Cracking® Re-branding

After testing of various logos, results indicated the Get Cracking® logo resonated well with consumers and a return to using it on all branding in conjunction with the egg mark and Egg Farmers of Ontario name should be implemented. To continue capitalizing on this strong brand recognition, all materials created after the November announcement featured this logo.

DIGITAL

During 2016, EFO amalgamated all existing websites under the www.getcracking.ca domain to further improve performance, user engagement and ranking with Google. A new recipe platform was also built and launched in December that allows users

to create a personal account, save their favourite recipes, and create meal plans and grocery lists.

Social Media

Renewed priority to social media was a goal of 2016 and a newly implemented content calendar was created in January to ensure regular and relevant posts across several social media platforms. In May, a full-time staff member dedicated to digital and social media was hired to carry out these tasks. The result has been increased engagement and activity on Facebook, Twitter, Instagram, Pinterest and also the addition of Snapchat to EFO's social media program. The new staff member is also responsible for updates to EFO's blog to cross-pollinate our social accounts with website activity. Together with The Egg Man, EFO implemented the Stuff Your Selfie twitter contest which ran from May 16 to June 30. Participants had to purchase a Crispy Breakfast Quesadilla and take a selfie with it in front of the food truck, post it on twitter and tag EFO, The Egg Man and use the #EggMan hashtag. One random winner of an egg gift basket was selected each week.

FOODSERVICE

Tim Hortons launched its Grilled Bagel Breakfast Sandwich promotion on July 13, which incorporated the Get Cracking® logo and "made with 100% Canadian eggs" tagline. The promotion ran across Canada in 3,800 stores. In-restaurant creative on their menu boards and Tim's TV was also included and ran for 10 weeks.

The online portal for foodservice operators – Egg Chef – was redesigned and relaunched at the



Above: An information flyer for new *Egg Chef* portal was created to promote the site.

Left: The Honourable Jeff Leal, Minister of Agriculture, Food and Rural Affairs joins Scott Helps, EFO Vice Chair at the annual MPP Omelette Breakfast.

Below: Scott Graham, EFO Chair, Minister Leal and Dianne McComb, Zone 2 Director at the Queens' Park *Farmers' Market*.

Bottom: Tim Hortons breakfast bagel promotion which featured the *Get Cracking*® logo.







March 2016 Restaurants Canada Show. The site was redeveloped by the same digital company used for EFO's website. The new user-friendly site can now handle chain requests and has eliminated some of the previous site issues. New promotional items were created to help promote the site.

Foodservice staff attended the Restaurants Canada Show to engage operators in EFO programs and *Egg Chef.* As part of this, EFO sponsored the Breakfast with Champions media event featuring an egg station with seven egg menu options.

Engagement with independent and chain foodservice operators continues to be a high priority for EFO. During 2016, over 60 individual promotions were held at over 40 different locations using EFO-branded materials. In addition, the foodservice e-newsletter was distributed quarterly to operators and saw an average 40 per cent read rate.

The Ontario Ingredients for Success project, initiated by Gordon Food Service with partial funding from the Green Belt Fund, aims to strengthen connections between foodservice operators and farmers, growers and processors in Ontario and provides support for promotional restaurant campaigns that highlight Ontario options for consumers. Participating commodities include Egg Farmers of Ontario, Grain Farmers of Ontario, Ontario Greenhouse Vegetable Growers, Turkey Farmers of Ontario and Mushrooms Canada. Minister Leal attended the kick-off to the campaign on October 3 to announce the project – a first-time collaboration of this kind.

SOCIAL RESPONSIBILITY

EFO continued cultivating its partnership with the Ontario Student Nutrition Programs Network in our three-year commitment of \$150,000 to provide Ontario schools with funding to purchase eggs and/or the equipment needed to serve them.

EFO is currently in the third year of operation of the Food Bank Donation Program, in association with the Ontario Association of Food Banks (OAFB) and two Ontario egg graders. The program features an annual donation of \$250,000 worth of eggs, distributed by the OAFB to its member food banks across the province, providing about 12,000 dozen eggs per month through the year. Eggs are provided through the participation of Burnbrae Farms and Gray Ridge Eggs.

A shared contest between EFO and the OAFB during October gave Ontarians a chance to vote for their community food bank to win up to an extra 600 dozen eggs. Participants could vote once per day and more than 75,000 votes were cast. The Inn of the Good Shepherd in Sarnia was the winner of 600 dozen eggs; in second place was the Salvation Army Community and Family Services, Owen Sound winning 400 dozen eggs; and in third place, The Agape Centre in Cornwall won 250 dozen eggs. These donations were over and above the monthly donation provided through EFO's Food Bank Donation Program.

In addition to our regular monthy donations, thanks to a \$62,500 donation from the French's Food Company, EFO's Food Bank Donation Program was able to distribute an additional 35,000 dozen eggs.

EFO was the proud recipient of four *Best of CAMA* awards.



CONSUMER CHOICE ENGAGEMENT STRATEGY - TAKING BACK THE HIGH GROUND ON HEN WELFARE

During 2016, Egg Farmers of Ontario (EFO) embarked on a multi-year campaign to proactively engage stakeholders and egg consumers to preserve their choice of eggs in the marketplace from the various approved hen housing systems in Canada.

This strategy is designed to engage stake-holders and consumers alike in discussions on different housing systems – in terms of economics, sustainability and hen well-being – to help inform their purchasing decisions. The overall objectives of the Consumer Choice Engagement Strategy include:

- Proactively tell the real story of egg farming to take back the high-ground on hen welfare.
- Provide consumers transparent access to credible information about all types of hen housing included in Canada's newly updated Code of Practice for the Care and Handling of Pullets and Laying Hens.
- Empower egg farmers, graders and stakeholders to promote consumer choice with accurate facts about hen welfare.
- Support grocery retailers and foodservice operators by engaging them with perspectives and materials to understand the truth about hen housing and welfare, understand what drives consumer egg purchasing decisions and demonstrate how the consumer preference for choice could be exercised through consumer purchasing power.

In order to meet these objectives, a number of key tactics have been developed and will be initiated through the course of the strategy. These include:

- Leveraging the collaborative network of connections of EFO, egg farmers and egg graders, in a coordinated approach, to engage with a variety of stakeholders concerned about hen housing and choice
 primarily retailers, restaurants, media and influential consumers.
- Demonstrating the prevailing commitment and passion of farm families and industry employees by capturing and sharing their stories with transparency of on-farm practices.
- Presenting hen housing from a variety
 of perspectives, including impacts on
 hen well-being, food safety, the
 environment, egg affordability and other
 economic impacts (for farmers, consumers
 and retailers).
- Engaging thought-leading, influential consumers with real farm stories that promote consumer choice and leads them to understand enriched colony housing is a preferred housing option for hen welfare, sustainability and affordability.

- Empowering graders and brands to engage with retailers/egg customers, using the campaign's strategic plans and resources provided for such engagement.
- Supporting retailers by providing perspectives and materials that demonstrate consumers' continuing strong preference for choice, and to enable informed conversations with consumers about choice in hen housing.

2016 ACCOMPLISHMENTS

Research

In order to better understand the online discussions surrounding hen housing, an online ethnography was conducted. This research analyzed over 18,500 online discussions and resulted in segmenting consumers into five distinct groups, based on their digital footprint and belief systems. This information will be used to help guide future message and tactic development. Consumer research conducted as part of this program also included message testing to determine effective consumer and stakeholder messages and consumer purchasing habits to quantify the key factors for consumers' egg purchase decision in grocery stores and for out-of-home meals.

Engagement Strategies

Using research conducted earlier in the year, a comprehensive stakeholder plan, consumer plan, engagement strategies and message blueprints were developed and tested for use with many different audiences. These will serve as the building blocks as we further develop and refine this program.



Left: Ontario influential food writers toured Burnbrae Farms as part of the *Consumer Choice Engagement Strategy*.

Housing Videos

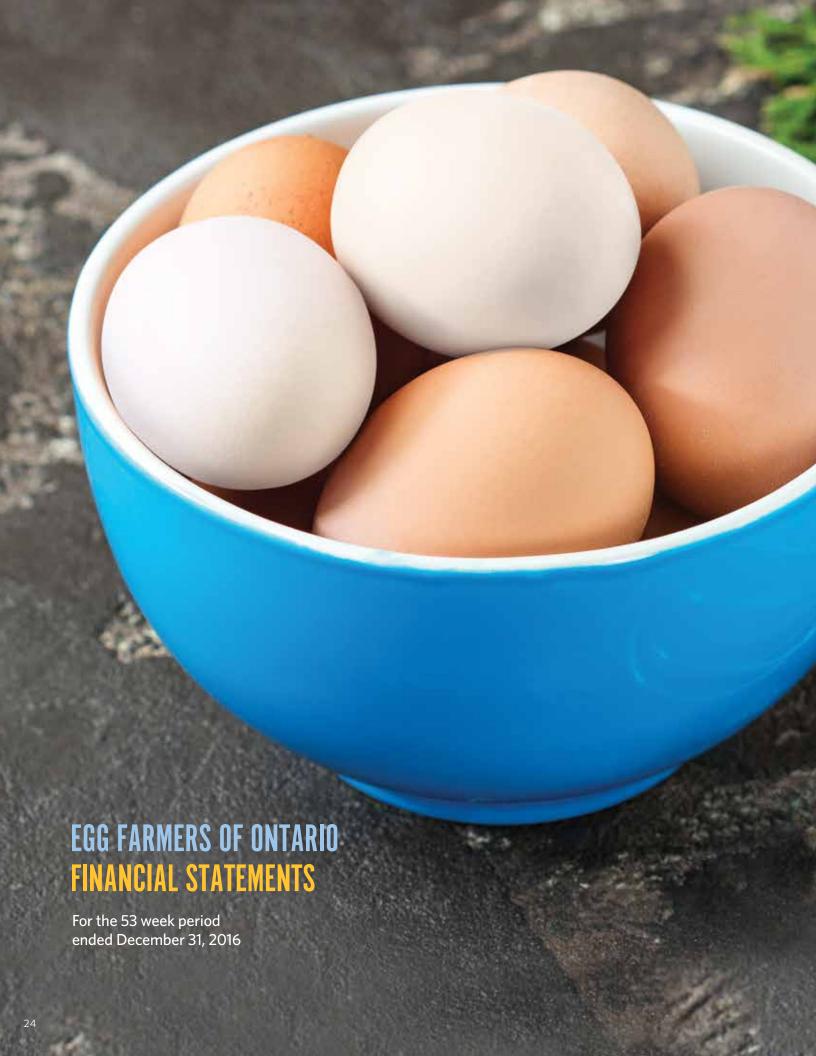
EFO also conducted seven on-farm photo shoots, gathering still photography and video footage. Shoots were conducted across the province in both official languages, and feature enriched colony, free range, free run and aviary housing systems. Footage was compiled and will result in the production of eight videos and social media shorts to be used in consumer engagement strategies.

Upcoming in 2017

Future initiatives for this project include new digital assets to engage with consumers, additional farm tours for influential groups and stakeholders, egg ambassador training, one-on-one stakeholder engagement, continued media monitoring, toolkit and resource development, issues management, development of a certification program and proactive media outreach.

Influencer Tours

In conjunction with Farm and Food Care (Ontario), two farm tours were held during the fall of 2016. A south western Ontario event saw over 40 registered dietitians tour Roger Pelissero's farm, while over 40 influential eastern Ontario food writers toured Burnbrae Farms. Both tours provided an excellent opportunity to engage with influential digital and print media writers. Egg farmer Megan Veldman holds a hen to demonstrate the care provided by Ontario egg farmers



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EGG FARMERS OF ONTARIO

We have audited the accompanying financial statements of Egg Farmers of Ontario, which comprise the statement of financial position as at December 31, 2016, as well as the statements of changes in net assets, operations and cash flows for the 53 weeks then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the financial position of Egg Farmers of Ontario as at December 31, 2016, and the results of its operations as well as the statements of changes in net assets, operations and cash flows for the 53 weeks then ended, in accordance with Canadian accounting standards for not for profit organizations.

RLB LLP

Chartered Professional Accountants Licensed Public Accountants Guelph, Ontario February 24, 2017

RUS LLP

	2016	2015
Assets		
CURRENT		
Cash	\$ 7,128,401	\$ 8,950,627
Cash in trust - QTS	7,242,696	1,605,174
Short term investments - due in less than 12 months (note 6)	2,605,334	2,305,180
Accounts receivable levies	4,609,502	3,970,727
Accounts receivable from EFC	5,822,428	4,216,794
Per bird levy receivable	119,201	582,386
Accounts receivable investments - PIE	0	164,884
Accrued interest receivable	6,020	7,846
Industrial product receivables	1,362,279	1,639,385
Prepaid expenses, inventory and other receivables	2,525,567	1,452,355
	31,421,428	_24,895,358
LONG TERM INVESTMENTS - due in more than 12 months (note 6)	6,457,529	<u>6,490,596</u>
CAPITAL ASSETS (note 7)	466,108	483,778
	\$ 38,345,065	<u>\$ 31,869,732</u>
Liabilities		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,616,845	\$ 4,956,684
Accounts payable in trust - QTS	7,242,696	1,605,174
Accounts payable to EFC	8,558,410	5,842,427
Producers' payable - EFP	1,903,805	2,404,565
Per bird levy payable	2,565,265	2,237,103
	<u>26,887,021</u>	17,045,953
Net Assets		
Net assets invested in capital assets	466,108	483,778
Internally restricted for bacteria control (note 8)	1,743,779	1,704,657
Internally restricted for special projects (note 9)	1,824,252	1,824,252
Internally restricted pullet quota sales (note 10)	726,098	447,893
Internally restricted for layer leasing (note 11)	0	2,379,992
Internally restricted for $Rellidep^{TM}$ project (note 16)	0	1,000,000
Internally restricted for disease initiative (note 17)	1,748,064	1,896,729
Unrestricted net assets	4,949,743	5,086,478
	11,458,044	14,823,779
	\$ 38,345,065	\$ 31,869,732

see notes to the financial statements

APPROVED ON BEHALF OF THE BOARD:

Scott Graham, Chair Scott Helps, Vice Chair

EGG FARMERS OF ONTARIO STATEMENT OF CHANGES IN NET ASSETS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED FOR BACTERIA CONTROL (note 8)	INTERNALLY RESTRICTED FOR SPECIAL PROJECTS (note 9)	INTERNALLY RESTRICTED FOR PULLET QUOTA SALES (note 10)	INTERNALLY RESTRICTED FOR LAYER LEASING (note 11)	INTERNALLY RESTRICTED FOR RELLIDEP™ PROJECT (note 16)	INTERNALLY RESTRICTED FOR DISEASE INITIATIVE (note 17)	Unrestricted	53 WEEKS 2016 TOTAL	52 WEEKS 2015 TOTAL
BALANCE										
Beginning of period	\$483,778	\$1,704,657	\$1,824,252	\$447,893	\$2,379,992	\$1,000,000	\$1,896,729	\$5,086,478	\$14,823,779	\$15,600,097
(Deficiency) excess of revenue over expenditures	(81,548)	39,122	0	11,334	54,621	0	(148,665)	(3,240,599)	(3,365,735)	(776,318)
Invested in capital assets (net)	63,878	0	0	0	0	0	0	(63,878)	0	0
Transfers (note 18)	0	0	0	266,871	(2,434,613)	(1,000,000)	0	3,167,742	0	0
BALANCE										
End of period	\$466,108	<u>\$1,743,779</u>	<u>\$1,824,252</u>	<u>\$726,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,748,064</u>	\$4,949,743	<u>\$11,458,044</u>	<u>\$14,823,779</u>

EGG FARMERS OF ONTARIO STATEMENT OF OPERATIONS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

	BUDGETED 53 WEEKS 2016 (note 5)	ACTUAL 53 WEEKS 2016	ACTUAL 52 WEEKS 2015
REVENUE			
Levies and licence fees	\$ 60,913,427	\$ 67,112,682	\$ 68,451,084
Less			
National IP fees (note 12)	39,966,896	43,868,981	49,778,176
EFC administration levies (note 12)	7,216,245	7,623,640	7,005,319
Per bird levy rebate	2,000,000	2,567,504	1,614,736
Levies and licence fees retained	11,730,286	13,052,557	10,052,853
Investment and other income	75,100	247,560	147,287
Layer leasing revenue (note 11)	(138,293)	2,064,484	3,923,542
EFP program (schedule I)	50,000	50,000	50,000
	11,717,093	15,414,601	14,173,682
EXPENDITURES			
IP program (schedule II)	4,760,575	5,885,405	4,330,797
Public Affairs	3,250,000	2,717,294	2,871,641
Consumer Choice Engagement Strategy	0	597,873	0
Administrative expenses (schedule III)	6,120,254	5,602,992	5,445,065
Research, grants, scholarships and memberships (note 15)	757,250	363,303	613,667
EFC layer service fee (note 11)	0	3,836,752	1,543,550
	14,888,079	19,003,619	14,804,720
TOTAL OPERATING DEFICIENCY OF			
REVENUE OVER EXPENDITURES for the fiscal period	<u>\$ (3,170,986)</u>	\$ (3,589,018)	\$ (631,038)
INTERNALLY RESTRICTED ASSET REVENUE (EXPENDITURES)			
Bacteria control (note 8)		39,122	(9,672)
Pullet quota sales (note 10)		278,205	12,056
Disease initiative (note 17)		(148,665)	(176,862)
Layer leasing (note 11)		54,621	29,198
		223,283	(145,280)
DEFICIENCY OF REVENUE OVER EXPENDITURES			
for the fiscal period		<u>\$ (3,365,735)</u>	<u>\$ (776,318</u>)

EGG FARMERS OF ONTARIO STATEMENT OF CASH FLOWS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

	53 WEEKS 2016	52 WEEKS 2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (3,365,735)	\$ (776,318)
Add: Items not involving cash		
Amortization of capital assets	81,548	95,636
	(3,284,187)	(680,682)
Net change in non-cash operational balances		
Accounts receivable levies	(638,775)	985,312
Accounts receivable from EFC	(1,605,634)	(628,977)
Per bird levy receivable	463,185	(178,103)
Accounts receivable investments - PIE	164,884	279,000
Accrued interest receivable	1,826	2,405
Industrial product receivables	277,106	(343,250)
Prepaid expenses, inventory and other receivables	(1,073,212)	(728,451)
Government remittances payable (HST)	0	(280,544)
Short term investments	(300,154)	1,558,693
Accounts payable and accrued liabilities	1,660,161	441,904
Accounts payable to EFC	2,715,983	1,432,380
Accounts payable in trust - QTS	5,637,522	(2,141,166)
Producers' payable - EFP	(500,760)	821,654
Per bird levy payable	328,162	(599,611)
	7,130,294	621,246
	3,846,107	(59,436)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Long term investments	33,067	(3,650,986)
Purchase of capital assets	(63,878)	(69,147)
Other investments - PIE	0	1,000,000
	(30,811)	(2,720,133)
CHANGE IN CASH	3,815,296	(2,779,569)
CASH, beginning of fiscal period	10,555,801	13,335,370
CASH, end of fiscal period	<u>\$ 14,371,097</u>	\$ 10,555,801
Cash includes the following:		
Cash	7,128,401	8,950,627
Cash in trust - QTS	<u>7,242,696</u>	1,605,174
	<u>\$ 14,371,097</u>	<u>\$ 10,555,801</u>

EGG FARMERS OF ONTARIO NOTES TO THE FINANCIAL STATEMENTS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

1. ACTIVITIES OF EGG FARMERS OF ONTARIO

Egg Farmers of Ontario (EFO) is engaged in the control and regulation of the production of eggs and pullets in Ontario, the collection of levies and licence fees, the promotion of eggs and the purchase and sale of industrial product.

2. LEGISLATION RELEVANT TO OPERATIONS

Egg Farmers of Ontario receives its authority from the Farm Products Marketing Act (Ontario) and The Commodity Boards and Marketing Agencies Act, 1978 (Ontario). Egg Farmers of Ontario is a not for profit organization and is exempt from tax under Section 149(1)(e) of the Income Tax Act.

Egg Farmers of Ontario acts as an agent for Egg Farmers of Canada (EFC) in collecting EFC's administrative levies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

The deferral method of accounting is used in determining revenues and expenditures.

(b) CAPITAL ASSETS

Expenditures made for the purchase of capital assets are capitalized. Amortization is recorded at rates estimated to charge the original cost to operations over the estimated useful lives of the assets as follows:

Office Equipment - 20% declining balance basis
Building - straight-line over 40 periods
Automobiles and promotional trailers - 30% declining balance basis
Computer equipment - straight-line over 4 periods

Amortization is taken at 100% of the above rates in the period of addition.

(c) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the 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 the carrying value of the asset over its fair value.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management 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 the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of management estimates and assumptions relate to accounts receivables, accounts payable and accrued liabilities, and useful life of capital assets. Actual results could differ from those estimates.

(e) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities, besides investments, at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and all accounts receivables.

Financial liabilities measured at amortized cost include all accounts payable and accrued liabilities.

The organization's financial assets measured at fair value include short and long term investments.

<u>Impairment</u>

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The organization recognizes its transaction costs in net surplus in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(f) REVENUE RECOGNITION

Ontario levies for egg quota

Egg Farmers of Ontario is empowered under the enabling legislation to collect levies and licence fees on all eggs marketed in Ontario. Levy revenue is based on dozens of eggs marketed, and is recognized when eggs are shipped from the producer. The levy is collected based on marketings and reconciled annually against quota issuance and the difference is paid to or collected from the producer.

With respect to grading stations and producers over a prescribed flock size, Egg Farmers of Ontario operates a system of requiring regular reports of marketings affected by these registered parties and monitors the validity of these reports by reference to known flock sizes and estimated rates of lay. Egg Farmers of Ontario includes in income levies and licence fees on marketings reported by registered grading stations and producers.

With respect to smaller producers, some of which are not covered by the system described above, it is considered by Egg Farmers of Ontario that their marketings are not significant and that the amount of additional levies and licence fees, which might be collectible, would not be sufficient to justify the cost of instituting the additional controls required to identify and monitor the marketings by unregistered producers. Egg Farmers of Ontario has alternative methods in place to help monitor these smaller producers.

Layer leasing revenue

Layer leasing revenue is generated through the leasing of quota to producers that have capacity. Producers apply to lease the quota from Egg Farmers of Ontario. Once the producers' requests are approved, Egg Farmers of Ontario has earned the revenue. Layer leasing revenue is recorded when earned and collected.

(g) IN TRUST ACCOUNTS

The organization is required to maintain separate trust accounts for any cash, receivable and payable in respect of monies collected on behalf of the quota transfer system. Thus, \$7,242,696 (2015 - \$1,605,174) is restricted from current use other than for the payment of trust liabilities.

4. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2016 compared to the previous period.

BUDGETED FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Board of Directors on November 30, 2015, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed by the auditor.

EGG FARMERS OF ONTARIO NOTES TO THE FINANCIAL STATEMENTS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

6. INVESTMENTS

Egg Farmers of Ontario has invested surplus cash in bonds, Guaranteed Investment Certificates (GICs) and fixed income Exchange-Traded Funds maturing at various dates from 2017 - 2022, administered by RBC Dominion Securities and BMO Nesbitt Burns. Bond and GIC interest rates vary from 0.5% to 3.57%. Investments are accounted for at fair market value.

7. CAPITAL ASSETS

G/1117/E7/33E13		Соѕт		CCUMULATED MORTIZATION		Nет 2016		Nет 2015
LAND	\$	162,000	\$	0	\$	162,000	\$	162,000
Office Equipment		1,352,492		1,248,428		104,064		98,553
Building		646,672		511,321		135,351		151,518
AUTOMOBILES		85,953		67,937		18,016		25,737
Promotional trailers		42,755		41,388		1,367		1,952
Computer equipment	_	475,962	_	430,652	_	45,310	_	44,018
	\$	2,765,834	<u>\$</u>	2,299,726	<u>\$</u>	466,108	<u>\$</u>	483,778

8. INTERNALLY RESTRICTED FOR BACTERIA CONTROL

The bacteria control assets are utilized for payments for claims from Salmonella-infected flocks that include the cost of vaccines and compensation for birds that are destroyed. The current period's investment income earned totalled \$39,122 (2015 - \$22,066). Expenses paid from the bacteria control account during 2016 totalled \$nil (2015 payment - \$31,738) for a net increase of \$39,122.

9. INTERNALLY RESTRICTED FOR SPECIAL PROJECTS

The special projects account is for the funding of egg research and other special projects. During 2016, there were no transfers from the unrestricted net assets to the internally restricted special projects account (2015 transfers - \$500,000).

10. INTERNALLY RESTRICTED FOR PULLET QUOTA SALES

The pullet quota sales account is an account which represents sales of pullet quota to producers that have made a request for an increase in quota or over quota assessments. In 2016, \$266,870 was transferred from pullet leasing pool to pullet quota fund (2015 - \$6,358). During the period, \$18,335 of interest has been earned on this revenue (2015 - \$5,698) and has been allocated to the pullet quota sales account. Expenses paid from the pullet quota fund during 2016 totalled \$7,000 (2015 payment - \$nil) for a net increase of \$278,205 (2015 - \$12,056).

11. INTERNALLY RESTRICTED FOR LAYER LEASING

The *Layer Leasing Program* is for the leasing of quota to producers that have capacity. During the year, \$2,434,613 was transferred to the unrestricted net assets from the internally restricted *Layer Leasing Program* (2015 - \$2,275,162). The current period's layer leasing revenue in excess of EFC layer service fees was nil (2015 - \$2,379,992) and the current period's investment income totalled \$54,621 (2015 - \$29,198).

During the year, the internally restricted Layer Leasing Program had the following expenditures in excess of revenue:

	2016
Layer leasing revenue	\$ 2,064,484
EFC layer service fee	(3,836,752)
Investment and other income	54,621
Deficiency of revenue over expenditures	<u>\$ (1,717,647)</u>

12. ALLOCATION OF LEVIES AND LICENCE FEES

Egg Farmers of Ontario is responsible for the collection of levies and licence fees from producers on eggs marketed in Ontario. The levies and licence fees paid by the producers were allocated as follows:

	CENTS PE	CENTS PER DOZEN			
	December 31, 2016	December 26, 2015			
NATIONAL IP FEE	22.50	22.50			
EFC ADMINISTRATIVE LEVY	3.25	3.25			
Ontario administrative and research levy	2.60	2.60			
Ontario reserve	1.00	(2.00)			
Provincial IP Levy	2.90	2.90			
TOTAL PRODUCER PORTION	32.25	29.25			
Grading station portion (voluntary)	0.02	0.02			
TOTAL LEVY COLLECTED	32.27	29.27			

THE LEVY IS 1 CENT LESS FOR NORTHERN ONTARIO PRODUCERS (ZONE 9N).

13. CONTINGENCY

At the date of the issuance of the financial statements, there is a lawsuit outstanding against Egg Farmers of Ontario. Neither the amounts nor the outcome of this action is determinable, therefore the financial statements have not accrued an amount for possible losses resulting from these actions.

14. COMMITMENTS

Egg Farmers of Ontario has made various commitments for the next five periods:

2017	\$	2,099,650
2018		396,400
2019		105,000
2020		105,000
2021	_	105,000
	\$	2.811.050

15. RESEARCH, GRANTS, SCHOLARSHIPS AND MEMBERSHIPS

DESCRIPTION	RECIPIENT	2016	2015
RESEARCH PROJECTS AND ADMINISTRATION	Poultry Industry Council	\$ 94,263	\$ 155,650
Farm and Food Care (Ontario)		38,850	88,850
Advanced Agricultural Leadership Program		10,000	10,000
Ontario Chamber of Commerce		4,000	4,000
Ontario Agri-Food Technologies		2,500	2,500
Ontario Agricultural Hall of Fame		1,000	1,000
OTHER SPONSORSHIPS/MEMBERSHIPS		3,977	3,750
IEC MEMBERSHIP		1,375	1,589
CENTRE FOR FOOD INTEGRITY		0	12,255
PIC LRIC AND RESEARCH		62,138	10,000
President's Council Outreach		6,000	0
Pullet Growers of Canada Membership		94,323	83,004
Scholarship for Graduate Student	University of Guelph	5,000	5,000
Farm & Food Care (Canada)		10,000	0
CANADIAN POULTRY AND EGG PROCESSORS COUNCIL		1,355	0
McGill Project		 28,522	 236,069
		\$ 363,303	\$ 613,667

16. INTERNALLY RESTRICTED RELLIDEP™ PROJECT

This account represented a pledge from Egg Farmers of Ontario to $Rellidep^{TM}$. During the year, \$1,000,000 balance was transferred from the internally restricted for $Rellidep^{TM}$ project fund to the unrestricted fund.

EGG FARMERS OF ONTARIO NOTES TO THE FINANCIAL STATEMENTS

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

17. INTERNALLY RESTRICTED DISEASE INITIATIVE

This account represents funds received from EFC to cover S.e. related matters. A total of \$217,588 was paid during 2016 (2015 - \$202,798) for expenses related to the disease initiative. A total of \$27,446 was received during 2016 (2015 - \$nil) related to the disease initiative. During the period, \$41,477 (2015 - \$25,936) of interest has been earned on this revenue and has been allocated to the disease initiative account for a net decrease of \$148,665 (2015 - \$176,862 decrease).

18. TRANSFERS

Transfers are made between unrestricted net assets and invested in capital assets to fund capital purchases. Transfers are made between unrestricted net assets, internally restricted for $Rellidep^{TM}$ project and internally restricted for layer leasing projects. The transfer from the internally restricted for layer leasing fund was a transfer of the prior year balance and its related interest to the unrestricted net assets fund. The transfer from the internally restricted $Rellidep^{TM}$ project was to eliminate the fund balance as the project is not expected to be funded.

EGGS FOR PROCESSING PROGRAM

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

COLLEDITIET	53 WEEKS	52 WEEKS
SCHEDULE I	2016	2015
Revenues		
Producer EFP revenue	\$ 30,795,690	\$ 28,988,634
EFP producer refund	(15,503,480)	<u>(13,491,536</u>)
	15,292,210	15,497,098
EFP sales to breakers	<u> 16,018,262</u>	16,273,340
	31,310,472	31,770,438
Costs		
Egg purchases	28,968,618	29,515,199
EFP administration costs	49,410	47,165
Transportation	518,069	466,424
Packaging	181,513	178,068
Grading handling allowance	1,542,862	1,513,582
	<u>31,260,472</u>	31,720,438
EFP program revenue	\$ 50,000	\$ 50,000

INDUSTRIAL PRODUCT PROGRAM

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016	BUDGETED	53 WEEKS	52 WEEKS
	53 WEEKS	2016	2015
SCHEDULE II	(note 5)		
Revenues			
Producer IP revenue	\$ 76,235,200	\$ 96,931,622	\$ 73,729,825
Costs			
Egg purchases	76,493,900	97,051,686	73,823,803
Packaging	461,100	591,074	435,765
Labelling and other costs	3,600	6,409	2,395
Grading handling allowance	3,919,350	5,024,131	3,704,007
Field supplies and S.e. testing	117,825	143,727	94,652
	80,995,775	102,817,027	78,060,622
IP program loss	<u>\$ (4,760,575</u>)	<u>\$ (5,885,405</u>)	<u>\$ (4,330,797</u>)

EGG FARMERS OF ONTARIO ADMINISTRATIVE EXPENSES

FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 2016

	Вирдетер 53 week 2016	ACTUAL 53 WEEKS 2016	ACTUAL 52 WEEKS 2015
SCHEDULE III	(note 5)		
Administrative Expenses			
Salaries support	\$ 2,658,082	\$ 2,577,991	\$ 2,439,511
Employee benefits	575,530	526,869	506,940
Staff professional development and travel	187,225	147,237	155,422
Travel - fieldstaff	256,830	264,587	261,679
Annual and producer meetings	315,550	384,523	389,899
Directors			
Per diem	425,000	421,201	404,885
Expenses	344,000	298,052	270,334
Trade	20,230	0	11,555
FarmGate5	4,000	0	224
HACCP/ACP Third-Party Audit	262,000	20,167	59,000
Amortization	92,495	81,548	95,636
Office supplies and printing	49,475	49,744	44,402
Building expenses	139,537	131,430	130,642
Equipment rental and maintenance	105,280	99,151	93,193
Professional fees			
Legal	192,800	180,859	151,199
Audit	30,400	28,500	30,500
Consulting	65,490	61,422	59,930
Councillors' grants	56,800	25,200	24,600
Telephone and fax	21,500	22,604	18,592
Postage	27,500	23,521	23,451
Insurance	31,000	29,308	28,856
Bank charges	8,530	7,951	6,466
Bad debts	1,000	0	0
Food Bank donations	250,000	221,127	238,149
	\$ 6,120,254	\$ 5,602,992	\$ 5,445,065

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Vice Chair

Scott Helps

Secretary-Treasurer

Harry Pelissero

Egg Farmers of Canada Representative

Roger Pelissero

Egg Farmers of Canada Alternate

Scott Helps

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Roger Pelissero

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Dianne McComb

Poultry Industry Council Representative

Brian Miller

Pullet Growers of Canada Representative

Andrew DeWeerd

Pullet Growers of Canada Alternate

Dan Veldman



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Director of Corporate Affairs

Jennifer Correa

Corporate Affairs Executive Assistant

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Corporate Affairs Coordinator

Tiffany Hughes

Director of Policies & Quota Affairs

Judy Kean

Data Quality & Quota System Analyst

Elizabeth Ladner

Ouota Pullet Coordinator

Sheena Welsh

Ouota Administrator

Sara Burchell

Quota Transfer System & Industrial Product Manager

Julie Cangiano

Director of Finance

Lee Hickey

Accounts Receivable & Marketings/Levy Coordinator

Suzanne Walton

Accounts Payable & EFP Coordinator

Joan Davies

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Investigation Unit Manager

Steve Calma

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