

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2008



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Message from the Chair 2008

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

In fulfilling the activities outlined in the three-year activity plan the board continually considered the strategic directions outlined by the Minister and recognized that the board is responsible for the results achieved in pursuing implementation of the three-year activity plan.

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

Yours Sincerely,



Ruth Noseworthy
Chair
Chicken Farmers of Newfoundland and Labrador

Mandate

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

Under the *Newfoundland and Labrador Regulations and Scheme*:

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 to achieve its mandate.

Mission Statement

Consumers are becoming increasingly concerned about the safety of their food supply. Chicken Farmers of Newfoundland and Labrador 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.

Mission: By 2010, the Chicken Farmers of Newfoundland and Labrador 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.

Overview

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

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

Chairperson – Mrs. Ruth Noseworthy
Vice-Chairperson – Mr. Ed O’Reilly
Director – Mr. Davis Noel
Director – Mr. Andy Larner
Manager – Mr. Ron Walsh

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

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

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

Lines of Business:

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

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

The financial statements included in this report present fairly, in all material respects, the position of the board as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Activities

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

Auditing process is activated at differing levels on farms:

In 2008 the Chicken Farmers of Newfoundland and Labrador was successful with implementing the On Farm Food Safety Assurance Program. A certified commodity specific food safety auditor has conducted audits on each. All chicken producers have been audited and follow-up audits are underway for the On Farm Food Safety Assurance 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.

Annual Internal Management audit completed:

Chicken Farmers of Newfoundland and Labrador has undergone an internal management audit conducted by Chicken Farmers of Canada regarding the On Farm Food Safety Assurance Program to

ensure proper procedures have been implemented. The management audit conducted by Chicken Farmers of Canada reviews the documentation and record keeping on file at Chicken Farmers of Newfoundland and Labrador 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 are planned and annual management audits of the On Farm Food Safety Assurance Program at the Chicken Farmers of Newfoundland and Labrador are also being planned.

Program is monitored and completed:

Chicken Farmers of Newfoundland and Labrador has monitored and ensured that the parameters of the On Farm Food Safety Assurance Program have been implemented and complied with. Food safety audits were scheduled for each farmer and corrective actions that may have been necessary were followed.

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

Objective Two:

The Chicken Farmers of Newfoundland and Labrador will have contributed to the development of the operational management plan and the development of an emergency operations centre for the poultry industry.

Measure: Continued development of the operational management plan and the set up of an Emergency Operations Centre (EOC)

Indicators:

Consulted with industry stakeholders, provincial and federal agencies:

In 2008 the operational management plan of the Emergency Preparedness Plan has been developed and updated frequently; as the Emergency Preparedness Plan is a living document and requires continuous updates as circumstances evolve. A management team consisting of industry and government personnel has been established to provide direction and an avenue to keep all sectors of the chicken industry informed on the

progress of the Emergency Preparedness Plan. Several consultations were held with chicken producers and stakeholders in the industry to provide an opportunity for input and collaboration throughout the year. Chicken producers and stakeholders in the industry have received copies of the plan and receive updates as they are incorporated into the operational management plan. We realize the plan will continually evolve and have mechanisms in place to ensure the latest developments and procedures are placed into the document and that all stakeholders receive the revisions to the plan. An Emergency Management Team (EMT) is responsible for reviewing and updating the plan as new information becomes available to improve the Emergency Preparedness Plan.

Participated in a simulation of the provincial emergency preparedness plan:

A simulation exercise has been coordinated and scheduled to be delivered on February 17, 2009. The purpose of the simulation is to test the emergency plan we have developed by simulating a disease outbreak. The session is divided into five phases; working with the steering committee, augmenting information, session preparation, delivery of the session and finally the evaluation of the outcomes resulting from the session. Postponing the simulation until 2009 was required to allow for appropriate coordination and maximum participation by the various stakeholders that would be required to be involved.

Secured resources and supplies for the functioning of an emergency operations centre:

The emergency operations centre is established and is situated at the Egg Producers of Newfoundland and Labrador office. It contains resources and materials to mitigate any disaster that might occur in the poultry industry. 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 emergency operations centre. 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.

Chicken Farmers of Canada (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 our 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 Chicken Farmers of Newfoundland and Labrador 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 implementation of the Animal Care Program in Canada is expected in 2009. 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 Chicken Farmers of Canada (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:

Chicken producers attended a session held by the Chicken Farmers of Newfoundland and Labrador which explained the various components of the Animal Care Program. Feedback was supplied by the producers and explanations provided for areas that required clarification. The Animal Care Program is a significant communication tool for the industry in response to challenging questions regarding the care and handling of chickens in Canada.

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

The Chicken Farmers of Newfoundland and Labrador 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. A certified auditor that has undergone and successfully completed the Animal Care Program training course; provided by the Chicken Farmers of Canada, was secured in 2008 to perform audits for the Animal Care Program in 2009.

Objectives, Measures & Indicators 2009

Issue One: On Farm Food Safety Assurance Program

Food safety is a priority. Consumers, government, food processors and farmers all have a role to play. In an effort to be proactive in the area of food safety we are implementing a food safety program on farms called the On Farm Food Safety Assurance Program. Safe, Safer, Safest! That is the name of the On Farm Food Safety Assurance Program (OFFSAP) that all Canadian chicken farmers follow. This program 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 following objective applies to the 2009 and 2010 fiscal years and will be reported on in the annual report. In order to remain compliant with the On Farm Food Safety Assurance Program an audit (full or partial) must be performed each year and therefore the indicators are carried forward for each subsequent year.

Objective One:

The Chicken Farmers of Newfoundland and Labrador will continue to ensure the procedures and requirements of the On Farm Food Safety Assurance Program are satisfied and complied with.

**Measure:
Indicators:**

Delivered program

- Auditing process is activated at differing levels on farms
- Annual Internal Management audit completed
- Program is monitored and completed

Issue two: Disease Strategies

As a result of concerns related to the outbreaks of Avian Influenza (AI) in British Columbia (2004), Saskatchewan (2007) and British Columbia (2009) work continues on developing an emergency response plan for Newfoundland and Labrador. Preparations are also underway to establish an emergency operating centre to assist the poultry industry in mitigating any emergency that might occur. Being prepared and having resources to mitigate disasters that may occur in the poultry industry will likely decrease the overall effect of any disaster that might occur. The following objective applies to the 2009 and 2010 fiscal years and will be reported on in the annual report.

Objective Two:

The Chicken Farmers of Newfoundland and Labrador will have continued to contribute to the development of the operational management plan and the development of an emergency operations centre for the poultry industry.

Measure: Continued development of the operational management plan and the set up of an emergency operations centre.

Indicators:

- Consulted with industry stakeholders, provincial and federal agencies
- Participated in a simulation of the provincial emergency preparedness plan
- Secured resources and supplies for the functioning of an emergency operations centre

Issue Three: Animal Care Program

Animal care is an important issue for Canadian chicken farmers. Chicken Farmers of Canada has developed a comprehensive Animal Care Program designed to demonstrate the level of care given to Canadian chickens. The program will complement the On Farm Food Safety Assurance Program and provide assurances 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: chicken, turkeys and breeders from hatchery to processing plant*. The following objective applies to the 2009 and 2010 fiscal years and will be reported on in the annual report. Chicken Farmers of Canada mechanisms for implementing and monitoring the Animal Care Program are in place nationally; Chicken Farmers of Newfoundland and Labrador will work on implementing mechanisms to complement the Chicken Farmers of Canada's Animal Care Program on a provincial level.

Objective Three:

The Chicken Farmers of Newfoundland and Labrador 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

- Farmers are informed with the various aspects of the Animal Care Program
- Mechanisms for the delivery and monitoring of the program are installed

Opportunities and Challenges

The Newfoundland and Labrador Chicken Industry enjoyed a good year in 2008, despite an unprecedented increase in feed costs during the year due to a surge in corn, soybean and grain prices. Our challenge to set reasonable growth levels considering the elevated cost of feed will not be a short term issue; a long term approach will be necessary. Feed prices are expected to remain elevated, which undoubtedly will have a direct influence on the profitability of the industry. Strategies to offset these increased feed costs will be pursued.

In 2008, Newfoundland and Labrador chicken production once again surpassed 18,000,000 kilograms (live weight). The increase in production over 2007 is approximately 1% with production expected to be at the same level for 2009.

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

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



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2008

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Grant Thornton

Auditors' report

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To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the statement of financial position of Chicken Farmers of Newfoundland and Labrador at December 31, 2008, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board at December 31, 2008, and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the year ended December 31, 2007 were audited by another firm of accountants.

St. John's, Newfoundland and Labrador

Grant Thornton LLP

February 2, 2009

Chartered Accountants

Chicken Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Net Assets

Year Ended December 31	Actual 2008	(Note 8) Budget 2008	Actual 2007	(Note 8) Budget 2007
Revenue				
Levies	\$ 274,177	\$ 258,000	\$ 271,675	\$ 268,500
Government funded projects	-	-	28,000	-
Interest and miscellaneous	<u>20,835</u>	<u>270</u>	<u>1,054</u>	<u>-</u>
	295,012	258,270	300,729	268,500
Other costs				
Costs for Government funded projects	<u>-</u>	<u>-</u>	40,774	<u>-</u>
	295,012	258,270	259,955	268,500
Expenses				
Depreciation	1,101	-	1,100	-
Donations	1,842	-	10,075	-
Federation of Agriculture	12,805	12,000	12,000	12,000
Honorariums	12,000	12,000	7,400	2,000
Insurance	1,798	1,750	818	1,300
Interest and bank charges	1,507	1,000	1,594	1,000
Levy – Chicken Farmers of Canada	99,606	75,680	79,631	78,760
Miscellaneous	724	1,500	818	1,500
Office and postage	11,826	5,000	6,758	9,500
Per diems	7,700	4,000	3,850	16,000
Professional fees	18,665	10,000	12,137	5,200
Promotion	3,557	9,000	12,265	22,750
Rent	2,464	2,650	2,325	3,000
Telephone	9,005	7,500	7,513	7,513
Training	3,986	-	-	-
Travel and meetings	27,811	44,000	24,182	24,812
Wages, benefits and severance	<u>64,156</u>	<u>64,315</u>	<u>100,225</u>	<u>100,225</u>
	280,553	250,395	282,691	264,010
Excess of revenue over expenses (expenses over revenue)	<u>\$ 14,459</u>	<u>\$ 7,875</u>	<u>\$ (22,736)</u>	<u>\$ 4,490</u>
Net assets, beginning of year	\$ 61,588	\$ 61,588	\$ 84,324	\$ 84,324
Excess of revenue over expenses (expenses over revenue)	<u>14,459</u>	<u>7,875</u>	<u>(22,736)</u>	<u>4,490</u>
Net assets, end of year	<u>\$ 76,047</u>	<u>\$ 69,463</u>	<u>\$ 61,588</u>	<u>\$ 88,814</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Financial Position

Year Ended December 31	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 80,671	\$ 80,321
Receivables (Note 5)	24,472	46,975
Prepays	<u>2,173</u>	<u>3,091</u>
	107,316	130,387
Capital assets (Note 6)	<u>4,404</u>	<u>5,505</u>
	<u>\$ 111,720</u>	<u>\$ 135,892</u>
Liabilities		
Current		
Payables and accruals	\$ <u>22,173</u>	\$ <u>60,804</u>
Net Assets		
Contributed surplus	13,500	13,500
Net assets	<u>76,047</u>	<u>61,588</u>
	<u>89,547</u>	<u>75,088</u>
	<u>\$ 111,720</u>	<u>\$ 135,892</u>

Commitments (Note 7)

On behalf of the Board

Ruth Noseworthy Chair Ed O'Leilly Director

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31	2008	2007
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses (expenses over revenue)	\$ 14,459	\$ (22,736)
Depreciation	<u>1,101</u>	<u>1,100</u>
	15,560	(21,636)
Change in non-cash working capital		
Receivables	22,503	37,408
Prepays	918	(699)
Payables and accruals	<u>(38,631)</u>	<u>17,153</u>
	<u>350</u>	<u>32,226</u>
Investing		
Purchase of capital assets	<u>-</u>	<u>(2,214)</u>
Net increase in cash and cash equivalents	350	30,012
Cash and cash equivalents		
Beginning of year	<u>80,321</u>	<u>50,309</u>
End of year	<u>\$ 80,671</u>	<u>\$ 80,321</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2008

1. Nature of operations

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

2. Canadian Chicken Marketing Agency

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (C.F.C) imposes levies on individual producers. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to C.F.C. There were \$99,606 of levies collected in 2008 (2007 - \$79,631).

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 recognition

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 and balances with banks. Bank borrowings are considered to be financing activities.

Capital assets

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

Furniture and equipment	20%	declining balance
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Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2008

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

Accounting standards and policies adopted during the year

(i) Accounting changes

In July 2006, the Canadian Institute of Chartered Accountants ("CICA") issued section 1506 of the CICA Handbook, "Accounting Changes", which describe the criteria for changing accounting policies, along with the accounting and disclosure for changes in accounting policies, changes in accounting estimates and correction of errors. These changes are applicable for the Board's year ended December 31, 2008.

(ii) Financial instruments

On January 1, 2008, the Board implemented the CICA Handbook Sections 3855, "Financial Instruments - Recognition and Measurement" and 3861, "Financial Instruments – Disclosure and Presentation".

This new standard, Section 3855, "Financial Instruments - Recognition and Measurement", requires the Board to revalue all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent 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.

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.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2008

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

In accordance with the new 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
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids and capital assets, are not within the scope of the new accounting standards 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. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair values of cash approximated its carrying value.

4. Liquid damages assessment

The Chicken Farmers of Newfoundland and Labrador has entered into an Agreement with the other provincial boards known as the Liquidated Damages Assessment Agreement. This Agreement provides for penalties should a province over produce its allocation from C.F.C. As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to C.F.C in respect of any possible penalties assessed. The letter of credit as at December 31, 2008 was \$28,658 (2007 - \$28,658).

5. Receivables	<u>2008</u>	<u>2007</u>
Levies	\$ 14,676	\$ 21,928
Accrued interest	634	718
Grants receivable	-	18,551
Other	3,881	5,778
Travel advances	<u>5,281</u>	<u>-</u>
	<u>\$ 24,472</u>	<u>\$ 46,975</u>

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2008

6. Capital assets			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	<u>\$ 31,841</u>	<u>\$ 27,437</u>	<u>\$ 4,404</u>	<u>\$ 5,505</u>

7. Commitments

The Board has a commitment under an operating lease for a photocopier. Maximum payments for the next three years are as follows:

2009 - \$2,700; 2010 - \$2,700; and 2011 - \$1,350

8. Budget comparative figures

The 2008 and 2007 budget figures presented in the statement of income are figures provided by management and have not been audited. These figures are included for convenience of the reader only.
