

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2009



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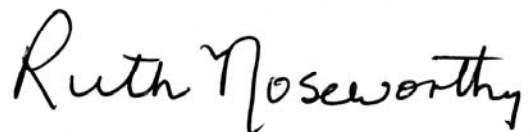
Message from the Chair 2009

Chicken Farmers of Newfoundland and Labrador (CFNL) adheres to a rigorous strategic planning process to provide the Newfoundland and Labrador chicken industry with clear, concise goals and a solid direction and purpose for the future. On behalf of the board of directors I am confident that we have achieved the strategic directions outlined for the Chicken Farmers of Newfoundland and Labrador.

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

The board was successful in achieving the objectives of our activity plan for 2009. As the challenges and opportunities develop in the chicken industry, the board will work to ensure the sustainability and prosperity of the industry. Newfoundland and Labrador's chicken industry continues to grow and expand. 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

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

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

Mission Statement

Consumers are becoming increasingly concerned about the safety of their food supply. CFNL supports producers in delivering quality chicken that consumers can trust through the delivery of programs such as the On-Farm Food Safety Assurance Program and an Animal Care Program. These programs are excellent tools to communicate the proactive nature of the industry and also demonstrate the good production practices being used by chicken producers.

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

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 the *Newfoundland and Labrador Chicken Marketing Scheme*. 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:

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

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

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

Lines of Business:

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

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

Activities

On-Farm Food Safety Assurance Program

Food safety continues to be one of consumers' top concerns. In response to this concern and our commitment to provide consumers with safe, quality chicken, CFNL is responsible for the implementation and monitoring of the food safety program for the Newfoundland and Labrador chicken industry. All commercial chicken producers participate in the program. 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. Commercial chicken producers only receive certification on the program if they have complied with all the elements required by the program. This will ensure that Canadian chicken farmers continue to produce a safe and high quality product, as they have been doing for generations. The On-Farm Food Safety Assurance Program identifies hazards, sets critical limits, establishes standard operation procedures and determines corrective actions to ensure farmers provide consumers with the best possible product.

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

Objective One:

The 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:

Implementation of the program requires commercial chicken producers to undergo an annual audit, the process for achieving certification requires the board to undertake this activity on a continual basis, to ensure the On-Farm Food Safety Assurance program is complied with. This may be seen as somewhat repetitive but it provides the necessary documentation to ensure producers are implementing the program and producing a safe, quality product.

Auditing process is activated at differing levels on farms:

In 2009, the CFNL was successful with implementing the On-Farm Food Safety Assurance Program. A certified commodity specific food safety auditor has conducted audits on each farm. All chicken producers have been audited and follow-up audits are underway for the 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 while a partial audit reviews selected areas of the program. In 2009 four full audits and three partial audits were performed. The program combines good production practices and internationally recognized Hazard Analysis Critical Control Point principles into chicken production.

Annual Internal Management audit completed:

Again in 2009, CFNL has undergone an internal management audit conducted by Chicken Farmers of Canada (CFC) regarding the On-Farm Food Safety Assurance Program to ensure proper procedures have been implemented. The management audit conducted by CFC reviews the documentation and record keeping on file at CFNL regarding the On-Farm Food Safety Assurance Program. The internal management audit ensures that the board is compliant with the program. Stringent record keeping is an important component of On-Farm Food Safety and allows Canadian chicken farmers to participate in quality control, traceability, and disease control. CFC intends to have the *Safe, Safer, Safest* program undergo a third party audit to ensure that the program is being implemented in accordance with Federal Provincial Territorial (FPT) standards for On-Farm Food Safety programs. Once completed, CFC will be able to apply to the Canadian Food Inspection Agency for full program recognition.

Program is monitored and completed:

CFNL has monitored and ensured that the parameters of the On-Farm Food Safety Assurance Program have been implemented and complied with. Food safety audits were scheduled for each farmer and corrective actions that may have been necessary were followed. Cleaning and/or disinfecting of barns and water lines and removal of litter from the barns are just a few of the documented procedures producers must follow to comply with the program. In 2009, CFNL began measures to make the On-Farm Food Safety Assurance Program mandatory for all commercial chicken production in Newfoundland and Labrador.

Disease Strategies

The poultry industry is proud to have established an emergency operational management plan and Emergency Operations Centre (EOC) in 2008. The Emergency Operational Plan includes all activities, such as plans, procedures, contact lists and exercises, undertaken in anticipation of an emergency. The EOC is intended to be the

base of operations in the event of an emergency. It is the first and only EOC designed for agricultural emergencies in Newfoundland and Labrador. The poultry industry realizes that the establishment of mechanisms to prepare for emergencies is never static. Efforts are ongoing to enhance the preparations for emergencies that may occur in the poultry industry. The emergency management operational plan and EOC are essential to ensure coordination with stakeholders in the event of disease outbreaks or other emergencies that may occur in the poultry industry.

Necessary equipment and information to properly mitigate emergencies in the poultry industry are being introduced to the emergency operational manual and EOC as time and resources permit. Improvements such as: purchasing of auxiliary power sources, and two-way radio communication will be necessary in the future to allow proper responses to emergencies.

Objective Two:

CFNL 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 (EOC)

Indicators:

Consulted with industry stakeholders, provincial and federal agencies:

In 2009 the Operational Management Plan of the Emergency Preparedness Plan has been developed and updated regularly as this is a living document and requires continuous updates as circumstances evolve. CFNL continued consultations with the Canadian Food Inspection Agency (CFIA) to review movement restrictions that will be placed on poultry, poultry products and by-products in the event of a disease outbreak. The restrictions placed on the movement of poultry during an outbreak of a disease are commonly known as the Control Area Limits. Meetings were held with industry stakeholders such as: producers, government officials, emergency personnel and poultry organizations frequently and provided significant opportunity for enhancement of the measures to be taken in the case of emergencies such as flooding or fires.

Bio-security protocols established by CFIA have been reviewed and distributed to stakeholders in order to allow them to take proper precautions to prevent disease transmission.

In 2009, a website was established to provide producers and stakeholders up-to-date information regarding emergency

procedures and contacts. The website can be viewed at <http://www.nlpoultryindustryemergencyplan.ca>. In addition, a website portal dedicated to producers has been established to provide producers with accurate and timely information in the event of an emergency.

Participated in a simulation of the provincial emergency preparedness plan:

On February 17, 2009 a simulation of the provincial Emergency Preparedness Plan was conducted. The purpose of the simulation was to test the emergency plan that was developed by simulating a disease outbreak. The session was 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. The outcome of the simulation exercise identified gaps in the poultry industry's emergency preparedness. These gaps are being addressed and efforts to implement solutions are underway. Further simulations are planned to permit enhancement of the preparations the poultry industry has established.

Secured resources and supplies for the functioning of an Emergency Operations Centre (EOC):

In 2009 an emergency coordinator was again hired to assist the poultry industry with the enhancement of the EOC. Technical assistance was obtained to structure the format of the Geographical information and provide a system that is compatible with agencies that would request the information in times of emergencies. The EOC contains resources and materials to mitigate any disaster that might occur in the poultry industry. Examples of some of the information housed at the emergency operations centre include: geographical information (farm location), size of poultry operations, emergency contact information for personnel, provincial and federal agency contacts, policy and procedures to be implemented during emergencies. Premise identification, traceability, and training resources are essential for the effective control and containment of any disease outbreak. The centre will be utilized to collaborate with the CFIA during an emergency and will also be vital for emergencies that require the industry to act independently to mitigate emergencies that may occur. Proper operation for an Emergency Operations Centre requires that a needs assessment be conducted at regular intervals to determine any gaps that may exist. When needs assessments are completed and gaps are identified, the poultry industry will implement the various strategies to fill any gaps that were identified. Filling these gaps may require the purchase of

equipment, training of personnel or modification of the operational manual.

Animal Care Program

CFC has developed a comprehensive Animal Care Program designed to demonstrate the level of care given to Canadian chickens. The program is designed to complement the On-Farm Food Safety Assurance Program already in place on Canadian chicken farms and provides assurance through documentation that farmers are meeting appropriate animal care standards. CFC sought and received support for the implementation of the program from both the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association.

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:

CFNL will have begun preparations for delivering and monitoring an animal care program.

Measure: Preparations for delivery of program

Indicators:

The program has been communicated to stakeholders:

On March 18, 2009 Animal Care Program manuals were given to additional producers and their employees (over 2008) in order to provide producers with the program guidelines and objectives. Support from the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association for implementation of the Animal Care Program has been provided. Support comes after a thorough review process by the two organizations and is the culmination of the development process by CFC and the CFC Animal Care Committee in consultation with each of the provincial chicken boards. Having third party support for the implementation of the Animal Care Program is important for the credibility of the program and 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:

On December 4, 2009 chicken producers attended a training session held by the CFNL in cooperation with CFC which demonstrated the various components of the Animal Care Program. Producers used the training session to obtain clarification on the program. 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. The Animal Care Program will document that chickens in Canada are raised in clean, well-ventilated, climate-controlled barns, where they roam freely. Heating, ventilation, humidity and other environmental levels are verified constantly using technology to ensure that the chickens are comfortable and stress-free. Feeding systems are checked daily to ensure that birds always have unrestricted access to food and water.

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

A 'flock sheet', a mandatory set of forms used by the poultry industry, follows the chickens from the hatchery to the processing plant and is used to record information about the chickens, including the use of any medicine. As stated above Animal Care Program manuals were distributed to additional recipients to 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. Audits for the Animal Care Program were initially scheduled for 2009 but have been delayed in order to provide producers and employees an opportunity to participate in training programs related to the Animal Care Program. Programs like this one provides the NL chicken industry with the tools needed to ensure optimal animal care and to ensure that our industry is a leader in animal care.

Objectives, Measures & Indicators 2010

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!** which 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 2010 fiscal year and will be reported 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:

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

Measure:

Delivered program

Indicators:

- 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 and 2009) and Saskatchewan (2007) work continues on developing an emergency response plan for Newfoundland and Labrador. An emergency operating centre to assist the poultry industry in mitigating any emergency that might occur has been established. 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 2010 fiscal year

Objective Two:

CFNL 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 and 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. CFC 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 2010 fiscal year. CFC mechanisms for implementing and monitoring the Animal Care Program are in place nationally; CFNL will work on implementing mechanisms to complement the CFC's Animal Care Program on a provincial level.

Objective Three:

CFNL will have begun preparations for delivering and monitoring an animal care program.

Measure: Preparations for delivery of program

Indicators:

- The program has been communicated to stakeholders
- Farmers are informed with the various aspects of the Animal Care Program
- Mechanisms for the delivery, monitoring of the program are installed

Opportunities and Challenges

The Newfoundland and Labrador Chicken Industry experienced some growing pains in 2009, due to the unprecedented economic downturn and high fuel prices. The challenge for provincial and national chicken boards was to set reasonable growth levels while considering producer and processor viability. All partners in the chicken industry must be economically viable for the effective management of the industry. As a result, allocations were slightly lower to accommodate the uncertain economic environment.

In 2009, Newfoundland and Labrador chicken production was approximately 17.8 million kilograms (live weight). Production for the 2010 period is expected to increase in the range of 1% if market conditions remain stable.

Chicken consumption levels are hovering at over 30 kilograms per person in Canada and efforts to encourage consumers to continue selecting chicken as a healthy 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 talks are continuing and the poultry industry is concerned that a deal using the current language will be implemented. Lobbying efforts are underway to make improvements that better reflect the needs of the poultry industry.

Canada reaffirmed its support for supply management and its position of no reductions in over-quota tariffs and no additional market access. Regardless of the slow progress, it must be stated that 80% of agriculture modalities are probably already completed, and as such, approximately 20% need to be resolved. Thus, when the final push comes, things could move quickly and completion may be achieved in a matter of days or weeks and not the months or years that we have come to expect from the WTO. CFNL will support the activities of CFC to ensure a fair and equitable trade agreement is achieved.

Financials



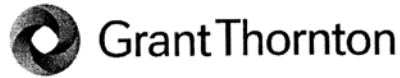
Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2009

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Auditors' report

Grant Thornton LLP
167 Kenmount Road
St. John's, NL
A1B 3P9
T (709) 722-5960
F (709) 722-7892
www.GrantThornton.ca

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, 2009, 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, 2009, 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.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

St. John's, Newfoundland and Labrador

February 22, 2010

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

Chicken Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Net Assets

Year Ended December 31	Actual 2009	(Note 11) Budget 2009	Actual 2008	(Note 11) Budget 2008
Revenue				
Levies	\$ 267,929	\$ 270,000	\$ 274,177	\$ 258,000
Government funded projects	26,618	-	-	-
Workshop revenue	2,500	-	-	-
Interest and miscellaneous	<u>1,498</u>	<u>398</u>	<u>20,835</u>	<u>270</u>
	298,545	270,398	295,012	258,270
Other costs				
Costs for Government funded projects	<u>29,118</u>	-	-	-
	<u>269,427</u>	<u>270,398</u>	<u>295,012</u>	<u>258,270</u>
Expenses				
Depreciation	881	-	1,101	-
Donations	945	-	1,842	-
Federation of Agriculture	12,450	12,000	12,805	12,000
Honorariums	12,000	12,000	12,000	12,000
Insurance	1,650	2,000	1,798	1,750
Interest and bank charges	1,463	1,000	1,507	1,000
Levy – Chicken Farmers of Canada	78,593	79,200	99,606	75,680
Miscellaneous	162	1,500	724	1,500
Office and postage	9,671	5,000	11,826	5,000
Per diems	8,475	4,000	7,700	4,000
Professional fees	36,611	10,000	18,665	10,000
Promotion	3,923	9,000	3,557	9,000
Rent	2,603	2,950	2,464	2,650
Telephone	6,811	7,500	9,005	7,500
Training	5,177	-	3,986	-
Travel and meetings	33,979	44,000	27,811	44,000
Wages, benefits and severance	<u>74,641</u>	<u>62,900</u>	<u>64,156</u>	<u>64,315</u>
	<u>290,035</u>	<u>253,050</u>	<u>280,553</u>	<u>250,395</u>
Excess of (expenses over revenue) revenue over expenses	<u>\$ (20,608)</u>	<u>\$ 17,348</u>	<u>\$ 14,459</u>	<u>\$ 7,875</u>
Net assets, beginning of year	\$ 76,047	\$ 76,047	\$ 61,588	\$ 61,588
Excess of (expenses over revenue) revenue over expenses	<u>(20,608)</u>	<u>17,348</u>	<u>14,459</u>	<u>7,875</u>
Net assets, end of year	<u>\$ 55,439</u>	<u>\$ 93,395</u>	<u>\$ 76,047</u>	<u>\$ 69,463</u>

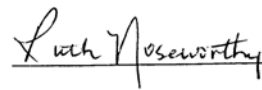
See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

Year Ended December 31	2009	2008
Assets		
Current		
Cash and cash equivalents	\$ 61,367	\$ 80,671
Receivables (Note 7)	23,126	24,472
Prepays	<u>2,173</u>	<u>2,173</u>
	86,666	107,316
Long-term investment	15,043	-
Equipment (Note 8)	<u>3,523</u>	<u>4,404</u>
	\$ 105,232	\$ 111,720
Liabilities		
Current		
Payables and accruals	\$ 22,213	\$ 22,173
Deferred grant revenue (Note 9)	<u>11,965</u>	<u>-</u>
	34,178	22,173
Accrued severance pay	<u>2,115</u>	<u>-</u>
	<u>36,293</u>	<u>22,173</u>
Net Assets		
Contributed surplus	13,500	13,500
Net assets	<u>55,439</u>	<u>76,047</u>
	<u>68,939</u>	<u>89,547</u>
	\$ 105,232	\$ 111,720

Commitments (Note 10)

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31	2009	2008
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of (expenses over revenue)	\$ (20,608)	\$ 14,459
revenue over expenses	881	1,101
Depreciation	2,115	-
Accrued severance pay	(17,612)	15,560
Change in non-cash working capital	1,346	22,503
Receivables	-	918
Prepays	40	(38,631)
Payables and accruals	11,965	-
Deferred grant revenue	(4,261)	350
Investing		
Purchase of investment	(15,043)	-
Net (decrease) increase in cash and cash equivalents	(19,304)	350
Cash and cash equivalents		
Beginning of year	80,671	80,321
End of year	<u>\$ 61,367</u>	<u>\$ 80,671</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2009

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 (CFC) imposes levies on individual producers. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were \$78,593 of levies collected in 2009 (2008 - \$99,606).

3. Summary of significant accounting policies

Use of estimates

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

Levies

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

Grant revenue

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

Cash and cash equivalents

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

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2009

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

Equipment

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

Furniture and equipment	20%, declining balance
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Accrued severance pay

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

Financial instruments

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

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

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

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.

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Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
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3. Summary of significant accounting policies (cont'd.)

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

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Long term investment	Held to maturity	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 accounting standard as they are not financial instruments.

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

Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments - Presentation" replaces Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risk associated with financial instruments such as credit risk and market risks, liquidity risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity.

Accounting standards and policies adopted during the year

Capital Disclosures

Beginning on January 1, 2009, the Board adopted CICA Handbook Section "Capital Disclosures." Under this Section, the Board is required to disclose its objectives, policies and procedures for managing capital, as well as its compliance with any externally imposed capital requirements.

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4. Risk Management

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

Liquidity risk

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

Credit risk

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

5. Capital Management

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

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

6. 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, 2009 was \$28,658 (2008 - \$28,658).

7. Receivables	<u>2009</u>	<u>2008</u>
Levies	\$ 21,342	\$ 14,676
Accrued interest	222	634
Travel advances	1,562	5,281
Other	-	3,881
	<u>\$ 23,126</u>	<u>\$ 24,472</u>

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8. Capital assets			<u>2009</u>	<u>2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 31,841	\$ 28,318	\$ 3,523	\$ 4,404

9. Deferred grant revenue			<u>2009</u>	<u>2008</u>
Chicken Farmers of Canada Provincial Promotion Project				
Revenue				
Grants			\$ 30,200	\$ -
Expenses				
Project costs			<u>18,235</u>	<u>-</u>
Balance, end of year			<u>\$ 11,965</u>	<u>\$ -</u>

10. Commitments

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

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

11. Budget figures

The 2009 and 2008 budget figures presented in the statement of operations are provided by management and have not been audited. These figures are included for convenience of the reader only.