

A photograph of a hard-boiled egg in a white ceramic egg cup. The egg is positioned in the cup, and the top of the egg is cracked open, revealing a bright yellow yolk. The egg cup is white and has a flared base. The background is a plain, light color. The title 'The Honest Egg' is written in a large, bold, yellow font across the middle of the image, partially overlapping the egg and the cup.

The Honest Egg

BC Egg Marketing Board—2013 Annual Report

A white egg is positioned on the left side of the frame, resting on a light-colored wooden surface. The egg is in sharp focus, while the background, which appears to be a blurred indoor setting with a window, is out of focus. The lighting is soft and natural, coming from the left, creating a gentle shadow of the egg on the surface.

The Honest Egg

With an egg, what you see is exactly what you get. We think our industry should work the same way. Pure. Simple. And always honest.

Contents

06

Chairman's
report

08

Director's
report

10

Industry at
a glance

16

Feature stories

30

Reports

38

Financial
statements





Richard R. King

Richard R. King, P.Ag., Chair

In 2013, we saw many critical events and decisions affecting the egg industry, which nonetheless continued to grow and develop to the benefit of both producers and consumers.

BC Egg showed significant growth in revenue, exceeding \$150 million for the first time ever. This increase was thanks to higher prices, a greater volume of all eggs and a higher percentage of specialty products.

The BC Dairy, Egg and Poultry Industries (BCDEPI) report published in 2013 showed how important our industry's revenue is to BC's economy, generating \$440.6 million in economic activity and contributing 2,185 jobs directly created by table egg producers and processors.

Certification of free-run and free-range farms was initiated in 2013 so that consumers can be assured that eggs from registered farms are

in fact produced according to the stringent standards established for each category. At the same time, an expanded marketing and branding program is underway so that by the end of 2014, the board expects that all of our eggs will be identified so that consumers can trace the specific source of every individual egg.

The SE insurance program was established to compensate producers for loss if testing determines that their flock has *Salmonella enteritidis*. Producers will be compensated fairly when affected eggs are removed from market to ensure consumer safety.

The industrial egg market continues to grow and can no longer be supplied with surplus fresh market eggs alone. Industrial eggs are not as high-value as fresh market eggs; therefore, the challenge for the industry going forward will be to service this market in a manner that is fair to producers, consumers and processors.

For several years now, there has been increasing consumer scrutiny of animal welfare. People want assurance that their eggs are produced under the most humane systems possible. Part of the industry's plan to provide this confidence is to continue auditing producers for compliance with specific standards of care for laying hens. The board also believes that the industry needs an updated housing policy that will result in the gradual phasing out of conventional cages, and we have been working with producers in BC and across the country to determine how best to do this.

Thank you to the management and staff of the BC Egg Marketing Board for their continuing support of producers and for their ability to adapt to ever-changing circumstances. Thank you also to the directors, who have debated respectfully and reached clear decisions on the many challenging issues in front of us.



Fred Krahn, EFC Director

It was a privilege to represent British Columbia on the Board of Directors for the Egg Farmers of Canada (EFC) in 2013 and to collaborate with colleagues from coast to coast.

Over the course of many board meetings and conference calls, we dealt with substantial issues, pondered our past, present and future, and charted new directions for our industry. This year's major issues included international trade deals, cost-cutting demands, media responsiveness, and interventions that attracted many observers to our business.

We can be thankful that our farm operations are rooted in the system of supply management. Our commitment to domestic- and market-focused policy provides consumers with fresh, local and high-quality Canadian eggs. Our industry is guided by good governance and a robust strategic

plan. Each year, EFC staff guide the board through a process of strategic business planning to enable us to deliver on our mission to optimize the supply of eggs through traditional and new markets while always ensuring a fair return to egg farmers.

Sustainability of the industry
This year, one of the most substantial accomplishments was the work done to find new cost savings and additional revenues in our Industrial Products Program (IPP).

We fast-tracked three projects in 2013, following extensive consultations and a workshop with the EFC Board and the chairs of the provincial boards, all looking at the sustainability of the IPP. In the fall, project teams were formed with regional representation from all levels of the industry, and the working groups' project charters were

approved in November to guide our work in the coming years.

In December, we presented our quota allocation request to council and received prior approval for EFC Board quota increases for 2013 (held in abeyance) and for 2014 for the equivalent of 582,127 layers.

As we moved our efficiency measures forward, we were pleased to see a 3% increase in national retail sales, which was 1.5% beyond our target and marked the seventh straight year of growth. However, provincial retail sales continue to see challenges as a result of cross-border shopping.

Also in 2013, our EFC Chair in Poultry Welfare, Dr. Tina Widowski, shared preliminary research about the merits of enriched housing. This aided directors in forming a motion on hen housing that was passed in July, so

that farmers looking to transition to enriched housing could adjust their operations with guidance from the national board. Similarly, we expedited planned enhancements to the national Animal Care Program, such as third-party auditing, in recognition of the need for greater accountability.

None of our progress in these complex areas would be possible if it weren't for quality relationships between EFC, the provincial egg boards, our supply chain, oversight bodies, and government at all levels, as well as other national organizations that have a stake in our industry.

Public support and social licence
It is essential that the EFC Board of Directors provides leadership in promoting the value of a vibrant egg industry. To this end, staff—with support from our farmers—undertook many new initiatives in 2013 to raise the profile of supply management with key audiences.

For example, expanded media relations led to unprecedented levels of earned media including letters to the editor, articles, and broadcast coverage. A highlight was our Federation of Canadian Municipalities annual conference sponsorship. Together with the chairs of the poultry groups, Chairman Peter Clarke presented research into Canadians' grassroots support for supply management.

The increased profile was timely, given the federal government's assertive and expanding international trade agenda after a long period of dormancy. The year culminated with an agreement on a mini-package at the World Trade Organization meeting in Bali, and an important agreement in principle for the Comprehensive Economic Trade Agreement between Canada and the European Union.

As the finer details of this unprecedented agreement—which included some Canadian market access for European cheese—are completed, all attention has turned to the Trans-Pacific Partnership. We anticipate increased policy debates and demands for our participation and expertise from within the supply-managed commodity groups as these key trade negotiations unfold in 2014.

Growth and innovation
In 2013, the Research Committee of the Board of Directors developed a new business plan with a focus on growth in the research chair program, revitalization of our research project funding initiatives, and options for leveraging our international partnerships for the benefit of Canadian egg farmers. EFC also continued to nurture relationships by supporting projects at institutions across Canada.

Organizational excellence
The EFC Board has long endorsed an ethic of continuous development and pursuit of excellence in management, organizational practices and governance. Some notable accomplishments for 2013 included being named a finalist for Canada's Top 100 Employers and being named as one of the National Capital Region's Top Employers.

For the third consecutive year, egg farmers, farm families and our employees proudly joined Canadians as the Official Nutritional Sponsor of the CIBC Run for the Cure. Our national run team participated at over a dozen sites across the country.

I'll conclude by saying that I appreciate the diligence, expertise and advice of my colleagues and the staff at BC Egg who support my work at the national level. The demands on the directors are significant, and our effectiveness on behalf of the whole industry is made possible through the hard work of the staff at each provincial board and at the national office.

I am looking forward to 2014 and to working with my fellow BC producers, my colleagues and the staff at the national board as we continue to champion and shape this amazing industry.



Industry at a glance

Industry at a glance

Egg production by type

Regular eggs

2007

2008

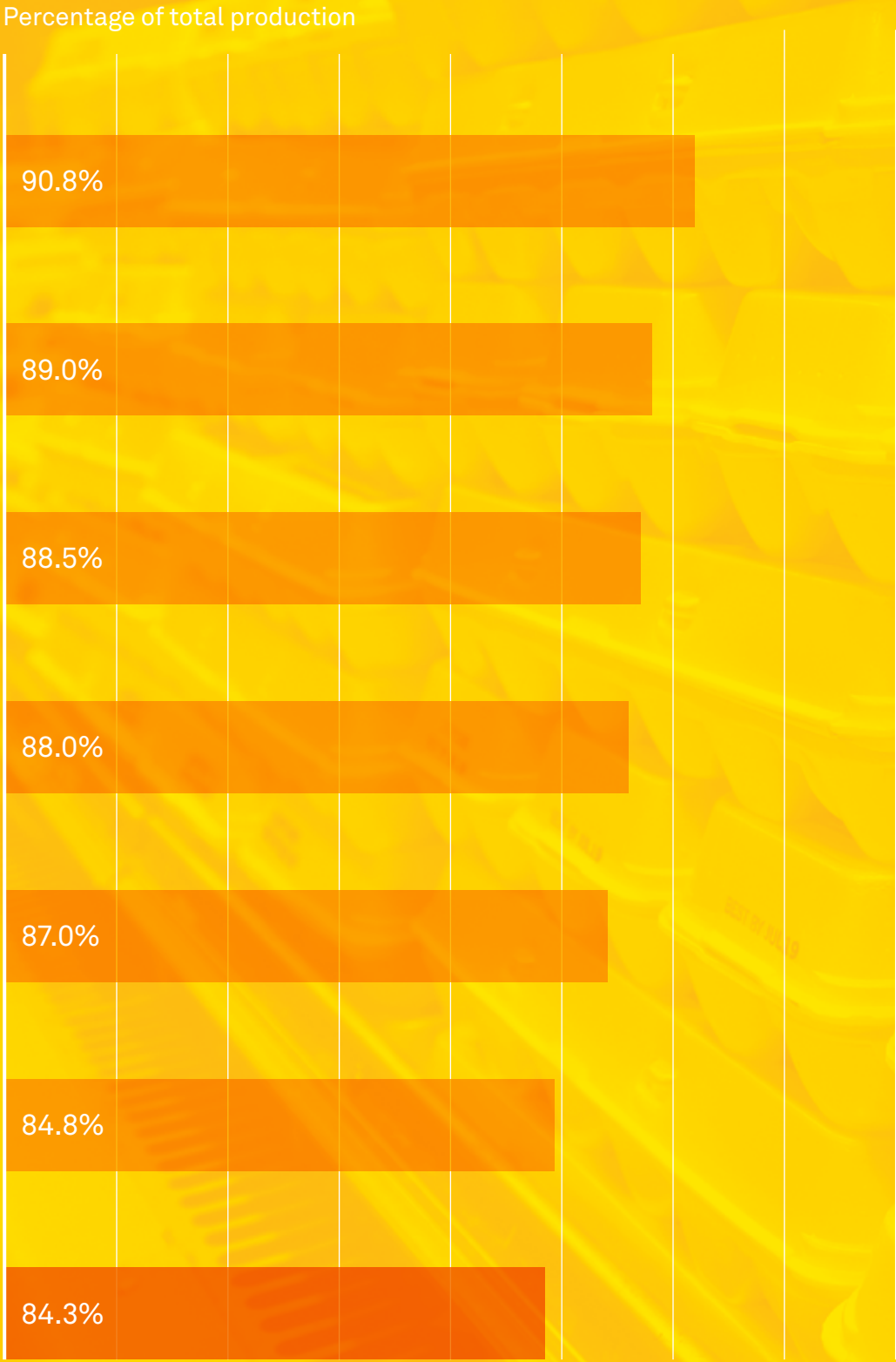
2009

2010

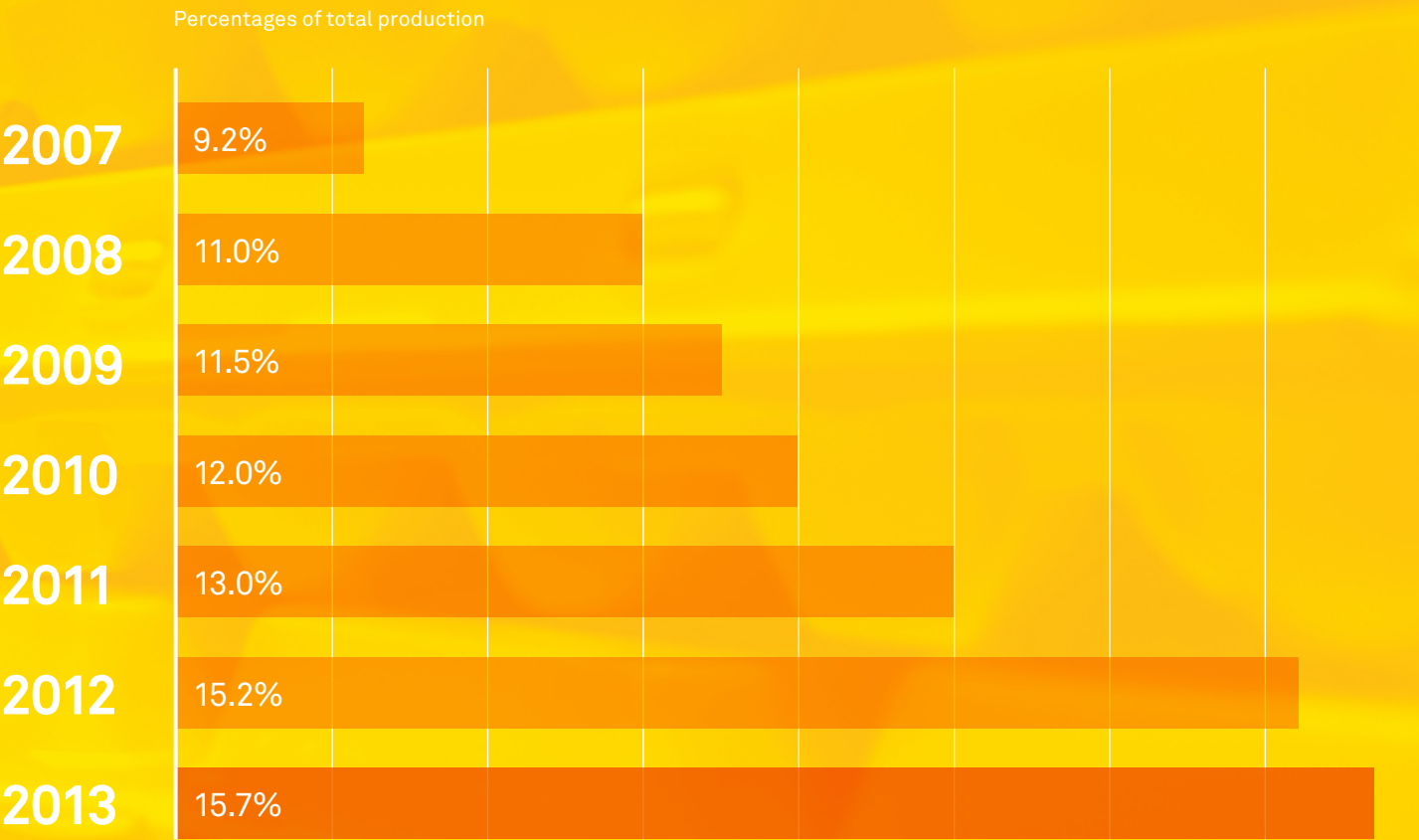
2011

2012

2013

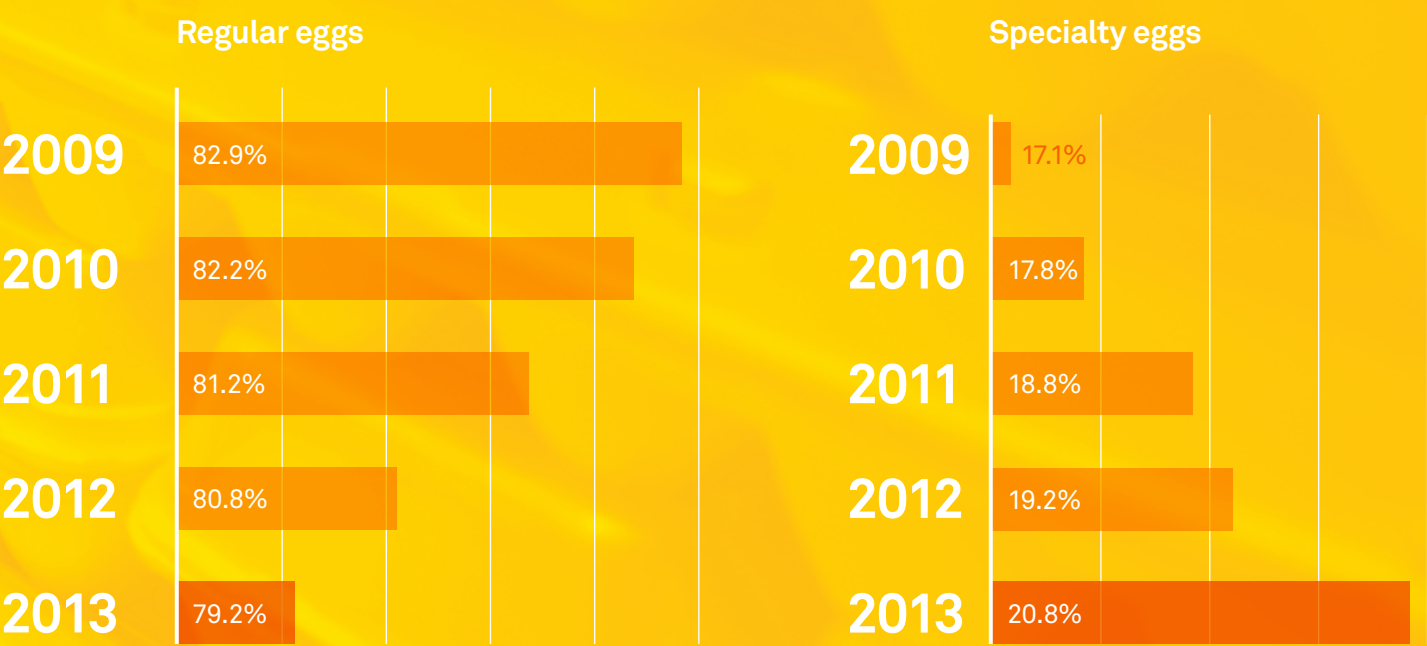


Specialty eggs: free-run, free-range and organic



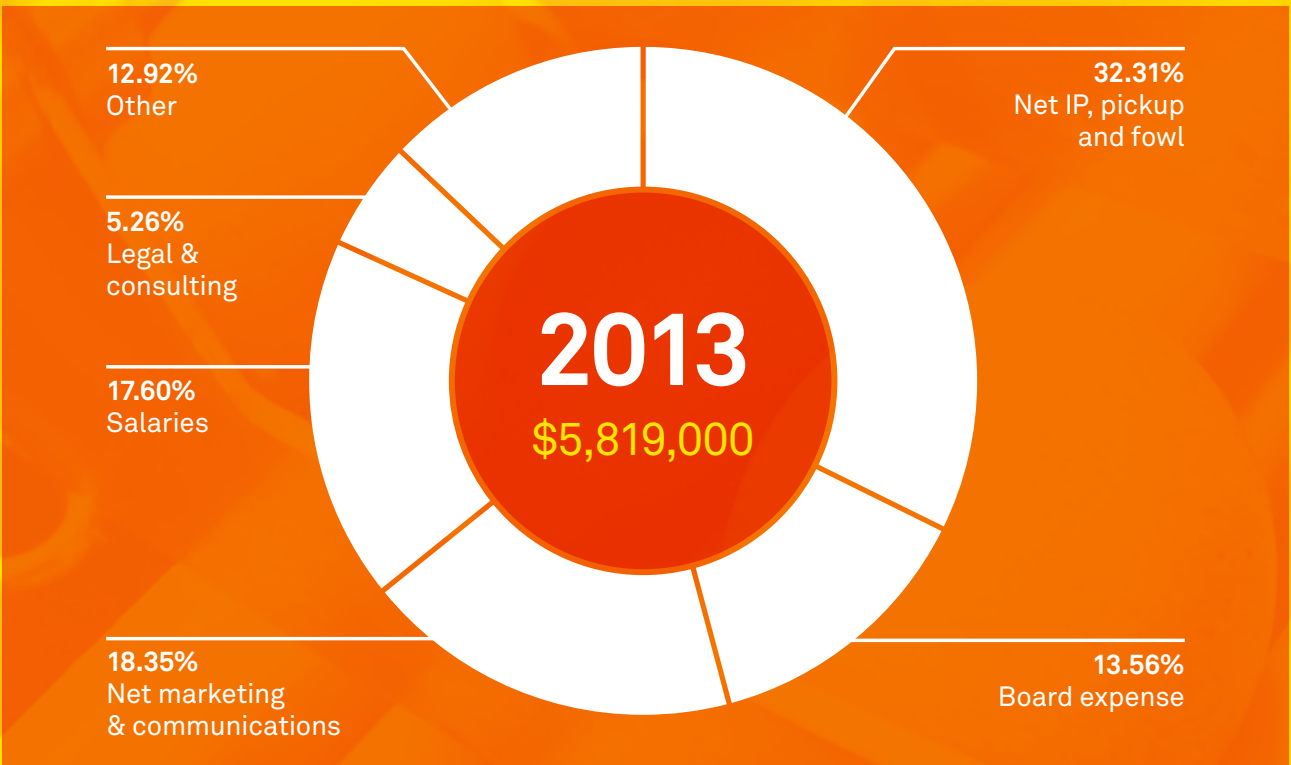
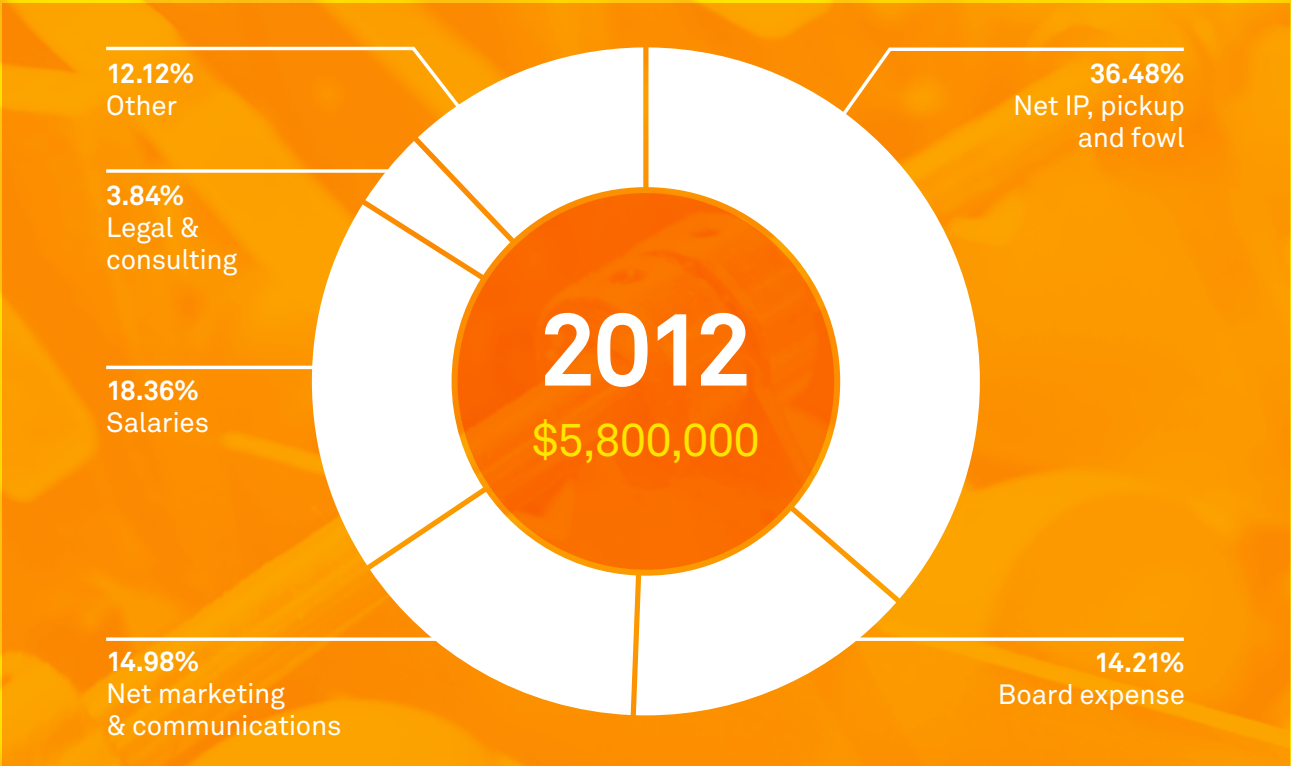
Total farm gate cash receipts

Percentages of total farm gate cash receipts — 2009: \$102.9 million; 2013: \$151.3 million



Industry at a glance

Distribution of expenses



	Net IP, pickup and fowl	Board expense	Net marketing & comm.	Salaries	Legal & consulting	Other
2012	\$2,116,000	\$824,000	\$869,000	\$1,065,000	\$223,000	\$703,000
2013	\$1,880,000	\$789,000	\$1,068,000	\$1,024,000	\$306,000	\$752,000

Gradings report

2012			2013		
	Dozens	Dollars		Dozens	Dollars
Regular	59,385,754	122,543,157	Regular	58,370,969	119,781,074
White	52,917,935	107,646,265	White	52,557,178	107,257,264
Brown	6,467,819	14,896,892	Brown	5,813,791	12,523,810
Specialty	10,662,166	29,144,761	Specialty	10,868,013	31,556,511
Free-run	3,633,493	7,790,323	Free-run	4,036,164	9,718,522
Free-range	3,697,413	10,290,048	Free-range	3,368,638	9,768,852
Organic	3,331,260	11,064,390	Organic	3,463,211	12,069,137
Total	70,047,920	151,687,918	Total	69,238,982	151,337,585

Levy paid by registered producers





Good governance makes our industry stronger, quicker and more responsive

- Good governance isn't just about policies and procedures.
- It's about being open and transparent when it comes to how our resources are being managed, how value is being created and where our industry is going.
- It's about making sure that everyone who has a stake in our industry also has a voice in it.
- It's about having a responsive, adaptable system in place that gives us the power to embrace new opportunities, tackle new challenges and keep growing well into the future.

All of this is why the BC Egg Marketing Board is committed to meeting the standards of good governance established by the Office of the Auditor General and the British Columbia Farm Industry Review Board (BCFIRB).

Back in the 1990s and early 2000s, the regulated marketing system in BC was not quick enough to respond to the growing opportunities around specialty products like organic and free-range eggs. As a result, some producers decided to sell outside the system, leading to an extended period of confusion and legal wrangling. Worse yet, during this period we lost potential sales by failing to meet market demand.

The board has been working hard to build on these lessons and make sure that nothing like this happens in the industry again.

In the past year, we have started a Core Review of our quota-management policies to give our industry the flexibility we need to keep evolving.

We've also started the transition to a new kind of stakeholder engagement that will guarantee a voice for everyone invested in and affected by egg farming.

And we have responded to the rapidly changing concerns of our largest corporate buyers with new hen housing standards that will keep us well ahead of our competitors.

Markets and consumers are constantly changing. In this report, we look at just three of the ways that we're putting tools in place to continue changing along with them.

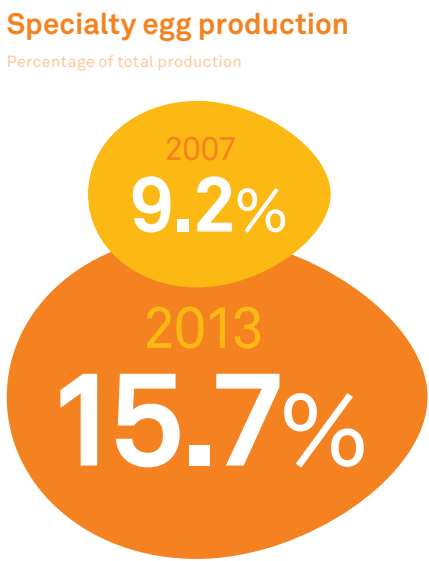
Core review



We're reviewing how quota is managed and sold so that we have the flexibility to grow and respond to future change.

Looking back

In 2004, consumers were demanding a different kind of egg, and the Specialty Review allowed BC to lead the way.



BC dominates in specialty market

32.1

Percentage of Canada's total specialty egg production from British Columbia in 2013.

Initiated in October 2013, the Core Review is looking at alternative quota-management policies to give our industry more flexibility to meet the opportunities and challenges of a changing marketplace.

As BC Egg Director Aryn Alibhai explains, the focus of this review is the restrictions around how quota is sold, and how those restrictions limit our ability to change alongside the marketplace.

“The active buying and selling of quota is fundamental to the growth and development of our industry,” says Alibhai. “We’re really looking to improve quota liquidity so the industry can stay agile. Producers need to be able to see new market opportunities, and they need the flexibility and capital to take advantage of them as quickly as possible.”

In recent years, the limitations have been felt particularly strongly by farmers who are actively expanding or diversifying their production with large capital projects.

“If we’re going to keep responding to the changing demands of consumers, we need to be able to make regular investments,” says BC Egg Producers’ Association President Dan Kampen, whose Abbotsford operations produce Born 3 and regular eggs.

“Investment can mean anything from new buildings, to new housing types, to new environmental and feed technologies,” says Kampen. “If it’s too difficult or too unfavourable to sell excess quota, then finding the capital for these kinds of projects can be a huge challenge.”

Past successes, future challenges

Back in 2004, following the uncertainty and legal battles around specialty egg production, the Specialty Review sought to bring organic, free-run and free-range eggs into the supply management system and to create room for new entrants.

As a part of this, the Province set the broad policy and BCFIRB set specific directives to ensure that specialty quota is available to satisfy the market while at the same time minimizing any speculative use of new quota allocations.

These measures included:

- Reserving unallocated and temporary quota for specialty production.
- Recapturing quota through transfer assessments whenever quota is sold.
- Restricting the sale of new quota with a declining rate of assessment based on how many years the quota was held.

A decade later, it’s clear that these measures have been very successful in bringing new entrants to the system, and in allowing BC to lead the country in meeting specialty market demand.

However, as the industry has evolved over the last 10 years, there is a growing belief among producers and the board that aspects of the 2004 measures are now limiting other kinds of investment and growth.

The ultimate purpose of the Core Review is to balance our ongoing success in specialty markets with new tools that strengthen our ability to keep adapting and growing.





Stakeholder engagement

By talking to a wider range of stakeholders, we're creating conversations that will mean better policies, smarter strategies, and more supportive communities.

Talking to pullet growers

In developing British Columbia's submission on the Pullet Growers of Canada's request for agency status, we naturally consulted with egg producers—as we always have.

However, to add credibility and breadth to our submission to the Farm Products Council of Canada, we also sought out the views of pullet growers who do not hold layer quota, as well as the views of the allied trades.

For Abbotsford-based pullet grower Harry Froese, the engagement process was more than he expected.

“Initially, I was not on the invitation list and I brought it to their attention. What happened next was a surprise: they reached out to me, listened to my concerns and included my feedback in the submission,” he says.

“I was definitely satisfied that my voice was heard and that the Board lived up to their responsibility to talk to those impacted by the proposal,” he says.

As part of our commitment to good governance, BC Egg is actively expanding the variety of industry and non-industry stakeholders that we formally consult with when making key policy decisions.

This year, the board has taken this new approach in relation to the Pullet Growers of Canada's request for agency status. We are also in the process of applying it to the Core Review as well as to the 2013 quota allocation.

Over the years, the range of issues being managed by the board has grown, and so too has the range of interested parties: from local communities and health agencies, to environmental agencies and animal welfare interests.

The Ministry of Agriculture Regulated Marketing Economic Policy states that the “regulated marketing sector must demonstrate that it is operating in the interests of all British Columbians”.

As John Les, Chair of the BC Farm Industry Review Board explains, BC Egg's mandate includes an obligation to consider the public interest in its decision-making.

“With the regulated marketing system, producers benefit a great deal from the ability to control imports and production and set prices. In exchange, it's expected that the industry always serves a broader public interest,” says Les. “Talking to stakeholders outside of the industry is an important part of making sure policies support both industry and public interests.”

Increasingly, this formal engagement process is seen by members of the board as an opportunity for the industry, as much as an obligation.

“For us, this isn't just a matter of fulfilling a political or community responsibility,” says board member Ken Vanderkooi. “It really gives us a chance to hear a broader range of opinions and get strategic insight from as many people as possible.”

“Stakeholder engagement also makes it easier to get a solid alignment of interests from producers to graders to processors to retailers and, finally, to the consumer,” he says.

Multiple viewpoints add complexity and credibility

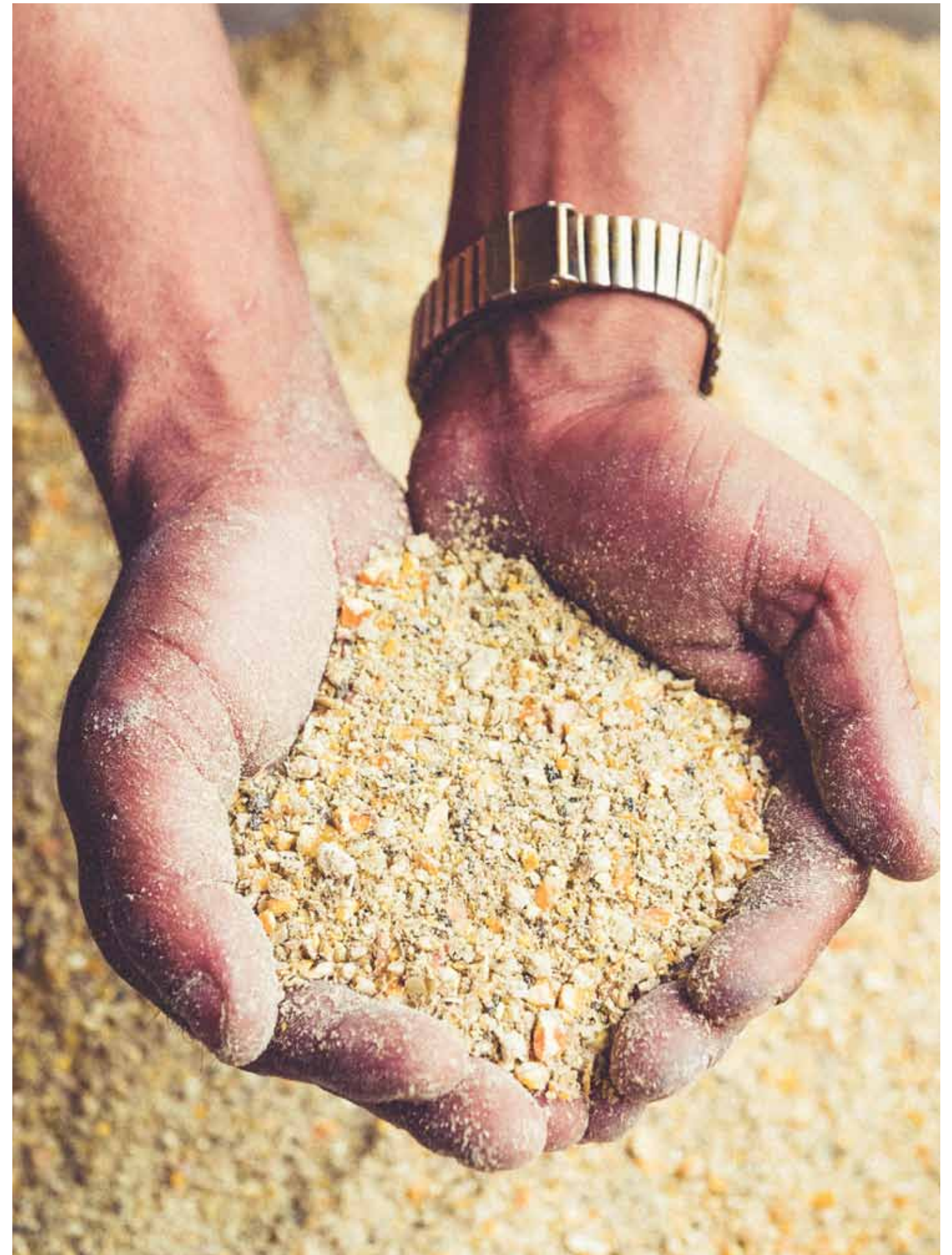
Historically, BC Egg has turned to the Egg Industry Advisory Committee, the

Specialty Market Advisory Committee and the BC Egg Producers' Association and to graders for input on policy direction. With an expanded list of potential stakeholders, timelines for complex decisions are likely to be longer.

On top of the added complexity, some in the industry have shared concerns that non-industry participants will be given too much weight in decision-making. The Board maintains that producers and other industry participants will remain very well represented in the process, and that the industry as a whole will benefit from outside perspectives.

“It gets us into a dialogue with people who depend on us and who can have either a positive or negative impact on our industry,” says Vanderkooi. “And in the end, it lends us credibility and creates more of a feeling of goodwill in our communities. That makes all of our jobs easier in the long run.”

Stakeholder engagement for the Core Review and the 2013 quota allocation are still in progress, and we will look at the results in subsequent reports.





Housing standards

Our buyers' standards are evolving quickly, and we're moving just as quickly to meet their needs.

“Although we lead the country in cage-free production, our customers’ standards for regular eggs are changing very quickly”

Faced with stricter sourcing policies from some of the Canada’s largest corporate egg buyers, BC Egg is moving aggressively toward an enriched hen housing standard for new and expanded facilities.

Tim Hortons, McDonald’s, A&W and Costco are among those who have announced their intention to transition to new standards, accelerated by recent negative press in Alberta’s egg industry.

Although BC Egg believes that our current animal care programs and housing systems are effective, there is growing pressure from customers and government to guarantee that every producer is meeting minimum standards. In addition, there have been serious discussions about when BC will follow Europe and many US regions with a total phase-in of enriched cages as a base housing standard.

As a result, the board believes that there is an urgent strategic need to move toward enriched housing, as well as to enforce existing standards more rigorously.

“Although we lead the country in cage-free production, our customers’ standards for regular eggs are changing very quickly,” says board member Walter Siemens. “Alberta, Saskatchewan, Manitoba and Ontario already have a major head start with enriched housing production. If we wait, we’re in real danger of being unable to meet the standards of these buyers, which could mean losing them to other provinces.”

“We need to move quickly here, because we don’t want BC to be left behind. Our

vision is for BC to continue leading the various markets in innovation and adaptation,” he says.

BC is currently the only province west of Quebec that does not have provisions for enriched housing. Since BC has always been short in production relative to market demand, the likelihood of other provinces stepping in to meet the new demand is very high.

As scrutiny increases, compliance is also becoming more critical. We are currently reviewing enforcement options and will work with producers to make sure that the industry is in full compliance. A new code of conduct is in development and is expected to take around 18 months to fully implement.

Producers feeling uncertainty
The board has been closely following discussions and developments around hen housing standards, and is very aware of its potential to be a contentious issue, both with community stakeholders and within our industry.

Egg producers have been vocal in expressing their uncertainty about the changing standards. Ray Nickel is one such producer. He believes that BC should wait and follow the Egg Farmers of Canada’s lead on this issue.

“EFC is making a national policy proposal, but BC is trying to mandate one system over another,” says Nickel. “Egg producers will be at a disadvantage if each province mandates a housing system on their own agenda.”

“We are part of a national supply system, and I think we should be working in

coordination with the national system and watching what US producers are doing,” he says.

The Egg Farmers of Canada established a new standard in the summer of 2013 that will take effect January 1, 2015.

The board believes that waiting would expose BC’s industry to unnecessary risk, especially since the transition to enriched housing now looks inevitable.

“The lead time required to adapt production systems means that other provinces already have their systems operational and will be able to meet the market demand,” says Siemens. “BC producers are only just now starting the transition, and it’s too risky to delay that transition any further.”

Other producers have echoed the concerns over costs, and have also expressed uncertainty over the standards changing again in the future.

The cost premium for enriched housing is expected to fall in the range of five to 10 cents per dozen; the board is currently studying pricing options as well as other ways to assist in cost recovery.

As for future change, the industry must always continue adapting to changes in consumer demand. The board’s role is to guarantee that our industry has the tools it needs to stay agile. It remains up to individual producers—working with their graders—to choose from the spectrum of housing standards, from the baseline cage standard all the way up to cageless systems.





Reports

Audit Committee Report

The Audit Committee is responsible for overseeing the integrity of the BC Egg Marketing Board's financial statements, its independent auditor and its internal audit function. The committee's primary duties are to advise the Board of Directors and to make recommendations that support and protect producer-members by:

- Reviewing the annual financial statements as prepared by the auditor.
- Ensuring that an effective system of internal controls has been established and implemented by management.
- Reviewing and approving the auditors' annual audit plan and any other non-audit work performed.

- Ensuring compliance and reviewing any other policies that protect the organization and manage its exposure to risk.
- Making a recommendation to the Board of Directors whether to accept the auditor-prepared financial statements.

Respectfully submitted,



Aryn Alibhai
Audit Committee Chair

Production Management Committee Report

The Production Management Committee (PMC) comprises five egg producers whose role and mandate are to act as proponents and fellow advisors to BC egg farmers in matters pertaining to production practices and related farm issues.

The PMC will assist in any formal complaints regarding production practices, and is involved in encouraging producers to fully comply with the industry's best management practices.

As responsible caregivers, BC egg farmers strive to observe the standards and programs established by provincial and national regulators for on-farm food safety, animal care, environmental stewardship, and biosecurity. Such challenges reflect the responsibilities that our producers shoulder on a daily basis.

Ensuring these challenges are met has a significant bearing on positive community relationships. This is becoming more evident in British Columbia as residential development is encroaching on agricultural operations. Maintaining a good relationship with our neighbours is important to our producers, and so the PMC also facilitates positive relationships with those non-farming neighbours who may not fully understand farming operations.\

Over the last several years, there has been increased focus and attention given to production standards, animal care requirements and specialty production guidelines. If any proposed amendments are made by the Egg Farmers of Canada regarding the national food safety or animal care programs, the PMC would also have an opportunity to review and comment on any specific changes in these areas.

Start Clean—Stay Clean
Consumers can be assured that they receive the highest quality eggs from healthy, well-cared-for flocks. *Start Clean—Stay Clean™* (SC-SC) is a national food safety program based on Hazard Analysis Critical Control Points (HACCP). It focuses on sound management practices and operating procedures to reduce, prevent or eliminate potential hazards in the Canadian egg industry.

There are three distinct parts to the SC-SC program. The first two parts of the SC-SC program are delivered by BC Egg's Producer Liaison Officers. The third part of the SC-SC program involves an audit by an Egg Farmers of Canada field officer to determine whether a producer qualifies for certification of this program.

Production Management Committee Report (continued)

Recognizing Egg Farmer Excellence


There are now 95 farmers who qualified for the Producer of the Year Award—an increase of 24 farmers over the last year.

Registered BC egg farmers who excel in food safety and animal care practices are honoured with the award. Producers of the Year must be in good standing with BC Egg, and are recognized for their excellence in the following areas:

- A minimum of 95% on the SC-SC (Layers) Program.
- A successful SC-SC (Part 3) audit with accompanying HACCP certification.
- A minimum of 95% on the Animal Care Program.

BC egg farmers have continued to improve in all facets of animal husbandry, food safety, environmental stewardship, and biosecurity. Producers have taken proactive measures to ensure that the industry continues to provide comprehensive health management and care to animals while offering safe and nutritious eggs to all consumers.

Respectfully submitted,



Aryn Alibhai
PMC Chair

Community support & outreach 2013

Through sponsorships and direct participation, BC Egg supported a range of events and organizations in 2013, with the goal of connecting the public with egg farmers, educating people about egg nutrition and encouraging healthy, active lifestyles for all British Columbians.

Physician Education Program

January 2013

This program supports a pharmaceutical sales team to visit physicians and provide them with the facts about cholesterol. Since the public searches out physicians for advice about their health, BC Egg wants to ensure that the information they depend on is accurate and complete. Since the program began in 2009, we are seeing more physicians advising their patients that “an egg a day is OK”.

Pacific Agriculture Show

January 24–26, 2013

Our egg farmers again volunteered to staff the booth in the annual Pacific Agriculture Show in Abbotsford. This event provides an excellent opportunity for the public to ask real farmers questions about eggs and supply management. Recipes and other informational materials were also handed out.

The Islands Agriculture Show

February 1–2, 2013

This was the first year that a volunteer group of Vancouver Island farmers were in attendance at the local agriculture show. Farmers met with the public and furthered consumer education about eggs and farming. The feedback received from our farmers was enthusiastic, and although materials ran out before the end of the show, everyone recognized this as an incredible opportunity to chat with customers, build relationships and provide accurate information about egg supply in Canada.

Community support & outreach 2013 (continued)

BMO Vancouver Marathon & Kids 1-Mile Fun Run May 5, 2013

As an official sponsor of the marathon, BC Egg was right there with thousands of participants and spectators on another warm and sunny day. Named a Top 10 Destination Marathon by Forbes.com and one of the world’s most exotic marathons by CNN Travel, the race is a Boston Marathon qualifier that takes runners on a 42.2-kilometre journey past beaches, through parks and along Vancouver’s Seawall.

This year, BC Egg also sponsored the new Kids 1-Mile Fun Run. The race, which took place in Stanley Park on May 4, was developed to inspire children at all fitness levels to get moving and make healthy choices.

BC Lions Football June to November 2013

Sports provide an excellent opportunity to reach a large audience, and there are few audiences in Canada as passionate as CFL fans.

As a preferred partner of the BC Lions Football Club, BC Egg presents at Fanfest, the BC Lions training camp and the Punt, Pass & Kick skills competition program. These events offer children the opportunity to meet and train with their favourite football stars while their families receive educational materials and recipes. Staff were on hand to answer questions about eggs and our industry.

BC Lions Quarterback Travis Lulay also represented BC Egg at a number of youth football clubs, speaking about what it takes to be a successful athlete. Mirroring the message on BC Egg signage and collateral, he explained the importance of good nutrition and how “every play begins with eggs”.

Vancouver Canadians Baseball June 28, 2013

BC Egg sponsored a Friday night baseball game at Scotiabank Field at Nat Bailey Stadium, with a rain poncho giveaway for the first 1,000 visitors. A BC Egg producer had the honour of throwing the first pitch. Our 30-second Good Morning BC spots were played throughout the evening to offer spectators a glimpse of how egg farmers show that they care by providing hot breakfasts around the city.

Pacific National Exhibition (PNE) August 17 – September 2, 2013

Once again, BC Egg set up an egg barn at the Kidz Discovery Farm at Vancouver’s PNE. Our own farmers were on hand to answer questions and speak with families about eggs and farming. Children enjoyed their happy egg stickers and a chance to gather eggs. According to PNE officials, about 25,000 visitors pass through the display every weekend of the event.

BC Turkey and Eggs Charity Golf Tournament August 28, 2013

The BC Turkey Association and the BC Egg Producers’ Association hosted their annual charity golf tournament. This joint fundraiser event raises food and funding for the Union Gospel Mission with turkey meat and eggs from local BC farms. Feeding people is what farmers do best, and this year producers raised \$85,213.05—the largest amount ever! BC Egg submitted a number of auction items that contributed significantly to the fundraising.

CIBC Run for the Cure, Vancouver and Abbotsford October 6, 2013

The CIBC Run for the Cure is Canada’s largest single-day volunteer-led event dedicated to raising funds for breast cancer research.

As an Egg Farmers of Canada-sponsored event, BC Eggs again supported the national board by providing two volunteers to man the booth in Vancouver. BC Egg staff also manned a booth in Abbotsford for the first time.

EFC supplied T-shirts for the warm-up crew and giveaways such as recipe cards, egg cookers and information about eggs. We were proud to represent eggs as a healthy, wholesome food choice for runners at the event.

BC Culinary Team November 2013

We again supported the BC Culinary Team in Basel, Switzerland as they took a silver medal in another culinary competition this year. The team wears the BC Egg logo on the sleeves of their chef coats. They also supported the Good Morning BC campaign by cooking breakfasts from 4:00 a.m. to noon for hungry people at 34 locations around Vancouver.

Take a Bite of BC November 2013

For the fourth year, BC Egg sponsored Take a Bite of BC—a BC Agriculture in the Classroom Foundation program—with donations of egg products to 73 teaching kitchens in secondary schools across the province. The program encourages culinary arts students to become more informed about BC agriculture and to experience cooking with eggs and new egg products in preparing a lunch menu for fellow students.



Financial statements

Management's responsibility for financial reporting

To the members of BC Egg Marketing Board:


Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.


In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems

and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The BC Egg Marketing Board and Finance and Audit Committee of BC Egg Marketing Board are composed primarily of members who are neither management nor employees of the board. The board is responsible for overseeing management in the performance of its financial reporting responsibilities, by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The committee is also responsible for recommending the appointment of the organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the committee and management to discuss their audit findings.


Al Sakalauskas
Executive Director
February 13, 2014


Anne-Marie Butler
Director, Finance and Administration
February 13, 2014

Independent auditors' report

To the members of BC Egg Marketing Board:

We have audited the accompanying financial statements of BC Egg Marketing Board, which comprise the statement of financial position as at December 28, 2013, and the statement of operations, changes in net assets and cash flows for the period ended December 28, 2013, 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.

Auditors' 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 auditors' 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of BC Egg Marketing Board as at December 28, 2013 and the results of its operations, changes in net assets and its cash flows for the 52-week period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Abbotsford, British Columbia
February 5, 2014


Chartered Accountants


BC Egg Marketing Board

Statement of financial position


As at December 28, 2013

Assets	2013	2012
Current		
Cash	3,377,832	5,568,558
Accounts receivable	6,291,846	4,397,464
Prepaid expenses and deposits	133,224	111,132
Government remittances receivable	3,721	—
	9,806,624	10,077,155
Capital assets (Note 3)	829,096	967,400
Long-term investment (Note 4)	2,675,605	2,710,822
	13,311,324	13,755,376
Liabilities		
Current		
Accounts payable	5,554,840	6,112,767
Accrued liabilities	318,638	167,428
Levies transferable to Egg Farmers of Canada	914,317	970,872
Government remittances payable	—	9,856
	6,787,795	7,260,923
Commitment (Note 5)		
Guarantee (Note 6)		
Net Assets		
Invested in capital assets	829,096	967,400
Unrestricted	5,694,433	5,527,053
	6,523,529	6,494,453
	13,311,324	13,755,376

Approved on behalf of the Board



Fred Krahn, Director



Ken Vanderkooi, Director

BC Egg Marketing Board

Statement of operations

For the 52-week period ended December 28, 2013

	2013	2012
Revenues		
Levies and license fees (Note 8)	4,957,930	5,275,217
Less: transferred to Western Pool	(35,064)	(2,145)
	4,922,866	5,273,072
Sale of eggs to grading stations	151,337,585	140,275,525
Purchase of eggs from producers	(151,337,580)	(140,271,907)
Interest and sundry income	89,044	80,718
Total revenues	5,011,915	5,357,408
Expenses (Schedule 1)	1,972,696	1,951,644
Administrative expenses	898,500	864,741
Board expenses	856,038	635,227
Marketing expenses	211,884	231,983
Communication expenses	1,880,150	2,116,431
Provincial industrial product and post farm gate costs		
Total expenses	5,819,268	5,800,026
Deficiency of revenue over expenses before other items	(807,353)	(442,618)
Other items		
Other income	836,429	36,628
Excess (deficiency) of revenue over expenses	29,076	(405,990)

BC Egg Marketing Board

Statement of changes

in net assets

For the 52-week period ended December 28, 2013

	Invested in capital assets	Unrestricted	2013	2012
Net assets, beginning of period	967,400	5,527,053	6,494,453	6,900,443
Excess (deficiency) of revenue over expenses	(228,149)	257,225	29,076	(405,990)
Change in invested in capital assets	89,845	(89,845)	—	—
Net assets, end of year	829,096	5,694,433	6,523,529	6,494,453

BC Egg Marketing Board

Statement of

cash flows

For the 52-week period ended December 28, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	29,076	(405,990)
Amortization	228,149	193,219
Equity loss on investment	74,217	68,174
Interest charged on advances to CAFL	(39,000)	(39,000)
Gain on sale of capital assets	—	(25,283)
	292,442	(208,880)
Changes in working capital accounts		
Accounts receivable	(1,894,382)	(116,068)
Prepaid expenses and deposits	(22,092)	(82,099)
Accounts payable and accruals	(463,272)	2,812,293
Government remittances payable	(13,577)	(31,774)
	(2,100,881)	2,373,472
Investing	(89,845)	(505,930)
Purchase of capital assets	—	32,540
Proceeds on disposal of capital assets		
	(89,845)	(473,390)
Increase (decrease) in cash resources	(2,190,726)	1,900,082
Cash resources, beginning of year	5,568,558	3,668,476
Cash resources, end of year	3,377,832	5,568,558

BC Egg Marketing Board

Notes to the financial statements

For the 52-week period ended December 28, 2013

1. Incorporation and commencement of operations

The BC Egg Marketing Board (the “Board”) was established in 1967 under the Authority of the *Natural Products Marketing (BC) Act*. The Board operates under the British Columbia Egg Marketing Scheme, 1967, respecting the control, management and promotion of the marketing of eggs in British Columbia.

The Board purchases eggs from producers for resale and acts as the BC agent for the Egg Farmers of Canada (“EFC”) for collection of EFC’s administration levies and industrial product removal levies, and administers various national egg movement programs.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Investments

The Board accounts for its 50% interest in Central Agricultural Facility Limited (“CAFL”) using the equity method. Under the equity method, the investment is recorded at original cost plus the Board’s share of undistributed earnings (loss) since inception. The statement of operations includes the Board’s share of investee income or loss for the year.

The Board has designated its advances to CAFL as loans and receivables and records them at amortized cost, which is equal to the carrying amount.

Capital assets

Capital assets are recorded at cost.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Years
Automotive	3
Office equipment	5
Computer equipment	2–5
Leasehold improvements	10

Revenue recognition

Revenue from sales of eggs, including associated levies, are recognized on a weekly basis as the grading process is completed.

Marketing levies collected on the special permit birds are recognized as revenue when the associated services are provided and the related expenditures are incurred. Prepaid levies that have been collected for producers in advance of the related production week are recognized as revenue when the production week occurs.

Income taxes

The Board is a not-for-profit organization and is exempt from income taxes pursuant to subsection 149(1)(e) of the *Income Tax Act*.

Employee future benefits

The Board’s employee future benefit program consists of a defined contribution plan. Contributions are expensed as required.

Measurement uncertainty (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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Financial instruments

The Board recognizes its financial instruments when the Board becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. Fair value is approximated by the instrument’s initial cost in a transaction between unrelated parties due to their short-term nature. Transactions to purchase or sell these items are recorded on the trade date and transaction costs are immediately recognized in the statement of operations and changes in net assets. The Board subsequently measures all financial assets and liabilities at amortized cost.

BC Egg Marketing Board

Notes to the financial statements

For the 52-week period ended December 28, 2013

3. Capital assets	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
Automotive	66,820	26,426	40,394	57,099
Office equipment	856,500	398,822	457,677	512,502
Computer equipment	179,330	154,160	25,170	41,906
Leasehold improvements	502,552	196,698	305,854	355,893
	1,605,202	776,106	829,096	967,400

4. Long-term investment

The Board’s investment in Central Agricultural Facility Limited (“CAFL”) includes the following:

	2013	2012
Shares–50% interest	1	1
Advances without fixed terms of repayment or interest	1,908,530	1,869,530
Advances without fixed terms of repayment, including interest at prime less 3%	1,300,000	1,300,000
Equity loss since inception	(532,926)	(458,709)
	2,675,605	2,710,822

The Board used CAFL’s December 31, 2013 financial statements, which are audited by another firm of public accountants, to report its equity interest.

BC Egg Marketing Board

Notes to the financial statements

For the 52-week period ended December 28, 2013

5. Commitment	2013	2012
Total levies and licence fees collected from producers	27,411,010	27,489,107
Less: levies remitted to EFC	(22,453,080)	(22,213,890)
	4,957,930	5,275,217

The Board is committed to an operating lease for a photocopier with yearly lease payments of \$6,362 per year, with the lease expiring 2017.

6. Guarantee

As at December 28, 2013, the Board has guaranteed a mortgage of Central Agricultural Facility Limited (“CAFL”), up to a maximum amount of \$2,000,000 (2012–\$2,000,000). Payment under this guarantee, which will remain in place until the maturity date of December 29, 2036, is required should CAFL default on its obligations. As at December 28, 2013, no liability has been recorded associated with this guarantee as CAFL has complied with the requisite mortgage payments.

7. Line of credit

The Board carries an operating line of credit with the Royal Bank of Canada. The operating line entitles the Board to borrow a maximum of \$500,000 with interest at the bank prime rate, and is secured by all assets of the Board. The operating line was not utilized as of December 28, 2013.

8. Levies and licence fees

Levies are imposed on egg producers by the Board and EFC. The Board acts as an agent to collect and remit levies to EFC. These levies are not included in revenue of the Board.

9. Related party transactions

During the year the Board paid rent in the amount of \$131,718 (2012–\$129,160) to Central Agricultural Facility Limited (“CAFL”). In addition, the Board received interest income in the amount of \$39,000 (2012–\$39,000) from CAFL.

During the year the Board paid membership fees in the amount of \$35,391 to BC Poultry Association.

The Board provides operating grants to various Egg Producer Associations.

10. Financial instruments

The Board, as part of its operations, carries a number of financial instruments. It is management’s opinion that the Board is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The Board is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. In addition, there is a concentration of transactions carried out with entities with similar economic conditions such that they could be similarly affected by changes in economic conditions. The Board does not directly hold any

collateral such as security for financial obligations.

The Board believes that credit risk and concentration of credit risk are limited due to the quality of the parties’ extended credit and the history the Board has with these entities. The Board maintains allowances for potential credit losses and any such losses to date have been within management’s expectations. These allowances are determined by consideration of economic conditions, historical information, and accounts past. The allowance is calculated on a specific identification basis. Amounts subsequently recovered, which were written off, are credited to the allowance accounting in the period of recovery.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Board is exposed to interest rate cash flow risk with respect to the prime plus advances made to the Central Agricultural Facility Ltd.

11. Pension plan

The Board’s pension plan is administered by the Teamsters Union and is a defined contribution plan. Pension expense of \$64,765 (2012–\$40,881) has been included in salaries and benefits.

BC Egg Marketing Board

Schedule 1 –

schedule of expenses

For the 52-week period ended December 28, 2013

	2013	2012
Administrative expenses		
Administrative travel	121,932	158,413
Amortization	228,149	193,219
Insurance	22,854	23,762
Legal	48,624	82,608
Miscellaneous	29,123	28,418
Professional development administrative	27,069	29,346
Professional services	146,521	98,556
Rent	131,718	129,160
Repairs and maintenance	2,176	1,276
Salaries and benefits	1,024,649	1,065,734
Supplies and postage	19,108	22,409
Systems and network	152,191	91,027
Telephone	18,582	27,716
	1,972,696	1,951,644
Board expenses		
Annual general meeting	46,881	51,521
Association grants	92,730	72,180
Board members	399,590	416,230
Committees	37,817	33,511
Events	75,857	51,538
Memberships	52,945	52,603
Professional development board	4,051	2,745
Professional services	109,916	40,580
Research and scholarships	78,713	143,832
	898,500	864,740
Marketing expenses		
Education	1,962	1,241
Marketing programs	772,380	566,819
Promotions	63,888	50,748
Marketing travel	17,566	16,419
Memberships	242	—
	856,038	635,227

	2013	2012
Communication expenses		
Miscellaneous	2,790	3,275
Communication programs	103,799	126,575
Spot promotions	91,228	92,197
Communication travel	14,067	9,936
	211,884	231,983
Provincial industrial product and post farm gate costs		
Industrial products costs	28,093,096	25,537,115
Farm pickup costs	936,159	936,000
Fowl removal	121,155	185,220
EFC recoveries	(26,820,928)	(24,165,546)
Fowl removal recoveries	(454,927)	(384,745)
Other	5,595	8,387
	1,880,150	2,116,431

Board of directors



Aryn Alibhai

Aryn has been a Director of the BC Egg Marketing Board since 2010 and represents the BC Interior region. As a member of the board, he serves as Chair of the Audit Committee and Chair of the Production Management Committee.

Aryn grew up on his family’s poultry farm in the Fraser Valley. In 2000, Aryn joined his father in managing the Alibhai family’s egg layer farms and also operated their egg grading business in Kamloops. Aryn has since been involved in many different areas of the industry’s production and grading sectors. He has been President and Director of both the BC Interior Egg Producers Association and the BC Egg Processors Council, and he has served on various industry committees.



Ken Vanderkooi

Ken was elected as a Director of the BC Egg Marketing Board in 2002 and represents the Vancouver Island region.

The Vanderkooi family has been involved in supply management since 1971, initially in the dairy industry. In 1994, Ken and his wife Henrietta purchased an egg farm in Abbotsford. In 2002, they purchased another farm on Gabriola Island and have since expanded their production on Vancouver Island. Ken has extensive knowledge of egg production, and has an interest in all aspects of the industry.

Today, their son Dwayne manages the farms on Vancouver Island, while their son Jon manages the farm in Abbotsford.



Fred Krahn

Fred is a Director and Vice-Chair on the BC Egg Marketing Board, and serves on the Executive Committee and as First Vice-Chair for the Egg Farmers of Canada.

Fred was raised on a berry and poultry farm. Together with his brother, they expanded their layer operation to include broilers and turkeys. Eventually, they moved into the feed and feed processing business, then diversified into real estate, construction and land development.

Motivated by his desire to see the BC egg industry become effective at the national level, Fred has been involved in various marketing boards since their inception. He has served in a number of capacities with the BC Egg Marketing Board, the BC Chicken Marketing Board and the Egg Farmers of Canada.

Fred and his wife Judy have three sons, one daughter and numerous grandchildren. They are very pleased that the sons are all involved in the family business.



Richard King

Richard was appointed as the Chair of the BC Egg Marketing Board in October 2008.

Born in Penticton, Richard grew up in Victoria and Kelowna, where he lives today. With a BSc (Agriculture) from UBC, he began his career in forestry before joining BC Tree Fruits as a production and market planner in 1973.

During his career, Richard has held various management and executive positions with the fruit packing and marketing sector of the tree fruit industry, including General Manager of BC Fruit Packers, President of Okanagan Federated Shippers Labour Relations Association, President of the Tree Fruit Industry Research Group, Director of the Canadian Horticultural Council, and Director of the Fruit and Vegetable Dispute Resolution Corporation.

Richard retired from the corporate side of the tree fruit industry in 2005 to operate his 10-acre apple orchard and complete a Master’s Degree in Environmental Science, Economics and Political Science at UBC Okanagan.



Walter Siemens

Walter has been an egg producer since 1986. Walter has served in various capacities and committees within the poultry industry and was actively involved in the BC Poultry Emergency Response Committee, acting as Lead Industry Command in the last three emergency responses. He has served both the BC Egg Marketing Board and the Egg Farmers of Canada while serving on the Executive Committee. Additionally, he participated in the Investment Agriculture Foundation of BC and currently is also representing egg producers on the CIERA Insurance Board of Directors, serving on both the Claims and Ethics committees.

Walter and his wife Annette have four children, two sons (now married) along with two girls—ages 26, 23, 21 and 15, respectively. Annette and Walter have recently become grandparents to Joab and Caynan, who are bringing them both much joy and excitement as they enter a new chapter in their lives.

Officers & committees

CHAIR Richard King	FINANCE COMMITTEE Aryn Alibhai, Chair Art Friesen Bodo Goetzke Teari Preast
VICE-CHAIR Fred Krahn	
SECRETARY Ken Vanderkooi	PRODUCTION MANAGEMENT COMMITTEE Aryn Alibhai, Chair Bodo Goetzke Scott Janzen Rob Martens Dwayne Vanderkooi
EFC DIRECTOR Fred Krahn	
EFC ALTERNATE Walter Siemens	COUNCIL OF MARKETING BOARDS Walter Siemens

Industry partners

AD AGENCY OF RECORD DDB
AUDITORS Meyers Norris Penny LLP
BANK Royal Bank of Canada
LEGAL COUNSEL Affleck Hira Burgoyne LLP
PUBLIC RELATIONS NATIONAL Public Relations

Gold sponsors

www.bcegg.com



