

# Everything Chicken

Ontario's Chicken Industry News, Served Fresh.

## Introducing a new era of collaboration

### Ontario farmers and processors visit Queen's Park as **Team Ontario**

On December 8th, Chicken Farmers of Ontario (CFO) teamed up with representatives from the Ontario chicken processing sector to introduce a new vision for Ontario's chicken industry to Ontario's political leaders.

Team Ontario is an advisory committee to the CFO Board comprised of representatives from CFO, Association of Ontario Chicken Processors (AOCP) and Ontario Farm Products Marketing Commission (OFPMC).

Team Ontario will work to collaboratively advance strategies and manage issues relevant to the Ontario chicken industry enabling farmers and processors to profitably grow their business in a socially responsible manner.

"This year marked a turning point for Ontario's chicken industry as Team Ontario hosted this event together," said Murray Booy, Chair CFO. "Farmers and processors aligned for growth, sharing a vision for the long-term profitability and sustainability of the industry."

"We're excited to be here and to be part of Team Ontario and for the opportunity to work more closely with Ontario's chicken farmers" said Reg Cliche, Chair, AOCP. "And, through collaboration, we will make our industry stronger, healthier and even more successful in the future".

Special thanks to Reg Cliche, Vice President Maple Leaf Consumer Foods and Chair AOCP, Michael Burrows CEO Maple Lodge Farms, Jack Vanderlaan Executive Chairman Pinty's Delicious Foods and Kevin Thompson Executive Director AOCP for joining us at Queen's Park and helping us make this our most successful Chicken Day yet!

In 2011 Team Ontario will develop a 3 year industry strategic plan focusing on profitable growth, competitiveness and sustainability.

*Murray Booy Chair, CFO (right) and Reg Cliche Chair, AOCP (left), along with several farmers and processor representatives met with Minister Mitchel, Minister of Agriculture, Food and Rural Affairs (centre) to share their excitement about Team Ontario*



### MARK YOUR CALENDARS > March 7, 2011.

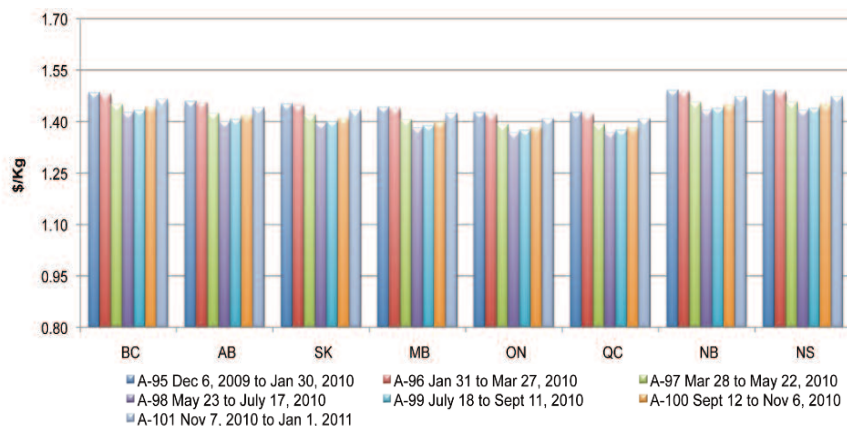
Chicken Farmers of Ontario  
**2011 Annual  
General Meeting**  
Growing Ontario, Together

*Delta Meadowvale Resort and Conference Centre.  
6750 Mississauga Road, Mississauga ON*

- Strategy, Performance, Results
- Valuable information, speakers and networking opportunities
- Details will be available at [www.ontariochicken.ca](http://www.ontariochicken.ca) in the coming weeks.

# Market Information Snapshot

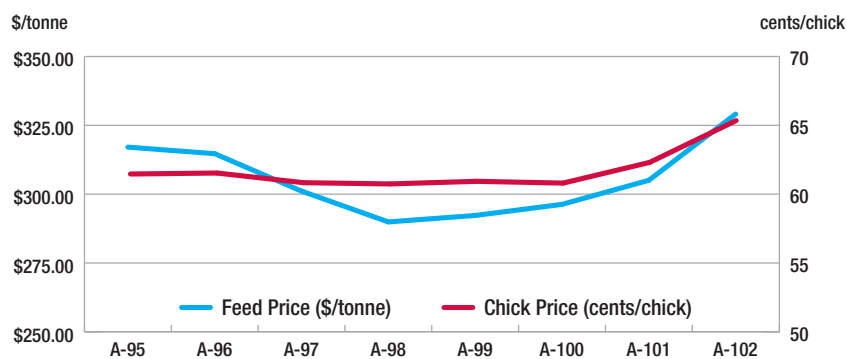
**Live Price** Provincial live prices for the last 7 quota periods have shown stability with levels in a 5-cent range.



	A-95 12/06/09-01/30/10	A-96 01/31/10-03/27/10	A-97 05/22/10-01/30/10	A-98 05/23/10-07/17/10	A-99 07/18/10-09/11/10	A-100 09/12/10-11/06/10	A-101 11/07/10-01/01/11
BC	1.4849	1.4799	1.4502	1.4273	1.4331	1.4416	1.4650
AB	1.4585	1.4535	1.4235	1.4005	1.4065	1.4155	1.4405
SK	1.4510	1.4466	1.4184	1.3955	1.4012	1.4084	1.4334
MB	1.4420	1.4376	1.4060	1.3830	1.3890	1.3980	1.4230
ON	1.4260	1.4210	1.3910	1.3680	1.3740	1.3830	1.4080
QC	1.4260	1.4210	1.3910	1.3680	1.3740	1.3830	1.4080
NB	1.4910	1.4860	1.4560	1.4330	1.4390	1.4480	1.4730
NS	1.4910	1.4860	1.4560	1.4330	1.4390	1.4490	1.4730

## Farmer Costs

Trend of feed and chick prices in 2010.



**Production (Live Kg)** Production volumes in 2010 reflect the seasonality of consumption whereby it is at its highest level during the summer periods.

Period	Start	End	Ontario	Canada
A-95	12/06/09	01/30/10	64,837,963	199,869,596
A-96	01/31/10	03/27/10	67,826,431	212,088,229
A-97	03/28/10	05/22/10	71,339,073	217,369,864
A-98	05/23/10	07/17/10	70,052,444	216,220,373
A-99	07/18/10	09/11/10	68,587,621	211,531,835
A-100	09/12/10	11/06/10	69,895,594	214,001,392

## Storage Stocks (Kg)

While the level of national inventories are showing recent declines, they are exhibiting incremental increases in Ontario.

		Ontario	Canada
OCT	2010	15,265,765	33,167,234
OCT	2009	14,423,299	35,172,443
NOV	2010	16,821,457	35,442,409
NOV	2009	15,273,500	37,555,992

## Sleeves and Levies: A-90 to A-103

Overproduction sleeves and levies have been at the same levels for two years.

Overproduction Sleeves	Overproduction Levy
100% to 104%	No Penalty
>104% to 106%	\$0.50/kg
>106%	\$1.00/kg

## Quota Utilization

The heat waves over the summer months contributed to underutilization of production in 2 of the last 3 quota periods.

	Ontario	Canada
A-98	97.4%	98.8%
A-99	97.6%	98.2%
A-100	100.7%	100.6%

## Quota Facts

YTD as of November 30, 2010

No. of Quota Units Sold	660,999
No. of Transactions	130
No. of New Entrant Farmers	22





# TEAM Ontario

We're aligned for growth



Team Ontario partners joined the Beer and Wings Reception. Left to right – Geri Kamenz Chair, OFFPMC, Rob Dougans CEO, CFO, Murray Booy Chair CFO, Reg Cliche Chair AOC, Arva Machan, General Manager OFFPMC, and Kevin Thompson Executive Director, AOC.



The team met with the Honourable Peter Fonseca, Minister of Labour to share the industries work in the areas of farm worker safety.



Tim Klompaker Board Director District 9, Ernie Hardeman, MPP Oxford, Ryan Van Til Board Director District 7 and Tom Beischlag Board Director District 4.



The team met with the Honourable John Wilkinson, Minister of Environment. Left to Right – Ed Verkley Board Director District 8, Tom Beischlag Board Director District 4, Minister Wilkinson, John Maaskant Board Director District 2, Kevin Thompson Executive Director AOC



Team Ontario with opposition leader Tim Hudak, MPP Niagara West-Glanbrook at the Beer and Wings Reception.

## Broiler Chicken Industry Safe Work Practices – Effective January 1, 2011

Ensuring that your farm is a safe place to work is the right thing to do.

The implementation deadline for the new Broiler Chicken Industry Safe Work Practices (BCISWP) is January 1, 2011. The chicken industry – CFO, catchers, transporters and processors - are aligned to ensure the standards on farm and in the catching and loading process are met. The standard has been given to all Ontario chicken farmers, catching crews, hatcheries, and trucking companies and will be given to the Ministry of Labour for use by Inspectors as of January 1, 2011.

All parties will be expected to comply with the standard. The only exception is the completion of retrofitting live haul trailers to incorporate solids roofs or the installation of safety rail systems which will be required by July 1, 2011.

As a part of the effort to ensure compliance across the industry, processor organizations are contacting their farmers to ensure they are meeting the standards. We strongly encourage any farmers who are not currently meeting the

standards to make the necessary changes in the coming weeks.

The BCISWP can be found online at [www.ontariochicken.ca](http://www.ontariochicken.ca) under the Farmer Resources section. If you have any questions about how to use the BCSWP please contact your Farm Service Representative or John Neil at 289.288.4241.

# Report from the CFO Board



As Ontario chicken farmers, we are fortunate to be a part of one of the best food systems in the world. As a Board, we are responsible for the future profitability and sustainability of Ontario's chicken industry and this means investing in the future by identifying and developing future farmer leaders. It takes a variety of people, experiences and perspectives to move the industry forward and over the years, our industry has been well served by many passionate, committed individuals. CFO encourages all farmers to participate in their future by considering more active involvement in the industry's future – whether as a Board Director, District Committee Representative or as a more engaged voice on the issues and opportunities we face.

## Nomination Meetings

District meetings were held in the 9 districts over the last 6 weeks. Board Director nominations

were held for districts 1-5. Board Director Elections as well as DCR Nominations and Elections will take place in February of 2011 – dates and locations will be available in the coming weeks.

## Districts 1-5 Board Director Nomination Results:

**District 1:** Adrian Rehorst  
acclaimed for his 5th term.

**District 2:** John Maaskant  
acclaimed for his 11th term

**District 3:** Murray Booy  
acclaimed for his 7th term

**District 5:** Henry Zantingh and Marty Loomans  
were nominated for Board Director in District 5.

**District 4:** Tom Beischlag, Board Director, has announced his retirement from the Board. The

Board would like to thank Tom for his 10 years of service to CFO and the industry. We look forward to giving a formal farewell at the 2011 AGM on March 7.

Henk Lise was nominated and acclaimed as the District 4 Board Director and his 2 year term will begin after the 2011 Annual General Meeting. "I have learned a lot in my role as District Committee Representative for the past 6 years and I am looking forward to the opportunity to be even more engaged in my industry as I take on the role of District 4 Board Director" explained Henk Lise.

## Don't forget

If you are unable to attend your election meeting, you can designate a proxy as long as the request is submitted in writing to the CFO Head Office in advance of the meeting. If you have any questions about this process please contact Michele Drake at 289-288-4263.

## Ontario chicken farmer runs Modular Loading trial on his farm

Tim Klompmaker, a chicken farmer from Eastern Ontario, recently participated in a modular loading trial on his farm to see first-hand how modular loading works. He, along with his value chain partners, Moore's Produce (a transportation company), Moonfleet Poultry (a catching company) and processor Farm Fresh Poultry experienced the process and learned more about the modifications that will be required on farm, during the loading and transport process and at the plant.

"Modular loading is a practice used broadly in other provinces and around the world," said Tim Klompmaker, Ontario chicken farmer and Board Director District 9. "Its benefits to the entire industry in the areas of animal welfare and worker safety are clear but I wanted to understand how this would impact my farm and the modifications we'll need to contemplate in the future."

"We experienced first-hand the modular loading process and it was a learning opportunity from the farm, catcher, transporter and processor perspective – highlighting the benefits and challenges involved in switching" explained Fred McCaughey, General Manager Moore's

Produce. "Overall I was really pleased with the results."

"The trial at Tim's farm reinforced many of the benefits of switching to a module system" explained Dave Ottens, Co-Owner Moonfleet Poultry. "The catchers are working in a much safer environment and the process is much easier on the birds."

While the industry as a whole conducted a feasibility study lead by Association of Ontario Chicken Processors (AOCP), it will be up to each individual processing company to identify how this opportunity fits within their business working with farmers, catchers and transporters.



*During the trial, the group loaded 6 Anglia modules.*



# The Feed Price Lag

The feed prices, calculated and reported by Ontario Agri-Business Association (OABA), have a direct correlation with the Ontario live price for chicken. Consequently, as feed prices fluctuate, the live price also fluctuates. As well, the live price formula operates in a manner such that changes in feed prices over time are fully incorporated in to the live price, even though for any given quota period, there is a feed price lag.

It is important to note that the OABA feed price is a weighted average price of prices from four independent feed mills. It is used to track changes in feed prices and is not meant to directly reflect current feed prices. Depending on the feed mill, the size of birds marketed and the feed program that their farmers use, the

feed price farmers pay may be higher or lower than the OABA weighted average.

## What is the feed price lag?

The feed price lag is the amount of time between the periods in which changes in feed prices are experienced and when they are reflected in the live price. The feed price used to calculate the live price is the average feed price from the last four weeks of two quota periods previously and the first four weeks of the previous quota period. This average is compared to the average feed price of the preceding eight weeks to determine the price change. Essentially, the transmission of price changes in feed to the live price is delayed by four to twelve weeks. The impact on farmers would depend on the magnitude of this difference. The chart below illustrates the feed lag phenomenon in quota periods A-50 to A-100 whereby the movements of quota period feed prices are mirrored exactly one to two quota periods later by feed prices in the live price.

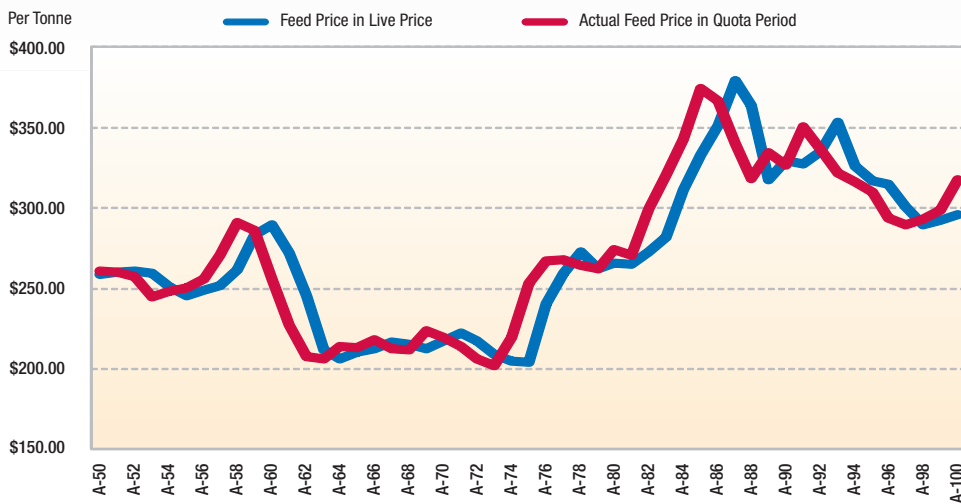
When feed prices are stable, the lag impact is insignificant since the feed price changes in the live price would be similar to those experienced

during the quota period. This relative stability was experienced by Ontario chicken farmers during the A-50 to A-56 (2003) and A-63 to A-73 (2005-2006) quota periods when the average difference in feed price changes in the formula and the quota period was less than \$15 per tonne.

On the other hand, feed prices experience fluctuations periodically resulting in differences in feed price changes used in the live price formula and in the quota period. For periods when the feed price change used in the formula is greater than the quota period feed price change, it would imply that there has been a decrease in feed prices in the current quota period relative to the previous period. Thus, the live price is reflecting a lower feed price change than the actual change in feed prices in the current quota period.

This has happened several times over the years. Most notably from A-60 to A-63, the average feed price change in the live price was \$30 per tonne lower than the average feed price change in those quota periods. Conversely, from A-82 to A-86, the opposite situation occurred whereby feed price increases in those quota periods were \$30 per tonne higher on average than the feed price changes reflected in the live price. This discrepancy was offset over the next two quota period when the feed price decreased by \$42 per tonne more in the live price than feed prices in the quota period.

It is important to note that these situations are common occurrences due to the volatile nature of feed prices. The consequences of the feed price lag could be beneficial or detrimental to farmers' returns in the short run. However, these short term fluctuations even out over the long run. Since 2003, from A-50 to A-100, the average difference in feed price changes resulting from the lag has been less than \$0.50 per tonne which corresponds to about \$0.001 per kilogram transmission to the live price.



## Canada's chicken industry shares Emergency Management best practices

As we work to ensure the highest standards in food safety and farm operations here in Ontario, we recognize there is a significant opportunity to grow our collective knowledge by sharing with and learning from the experiences and expertise of our counterparts across the country.

At this year's National Food Safety and Farm Operations Forum, Emergency Management was a key topic. CFO invited Martin Pelletier, Emergency Management Coordinator, Équipe québécoise de contrôle des maladies avicoles (ÉQCMA) to share Quebec's Emergency Management Plan.

ÉQCMA is a non-profit corporation with a Board consisting of 7 partners from across Quebec's poultry industry including small and large processor associations, the 4 feather boards and feedmill suppliers with over 40 associate members. ÉQCMA was formed in 2009 and was created to deal with management of federally reportable poultry diseases. More recently, their Board approved that they will also manage Infectious Laryngotracheitis (ILT) and Mycoplasma Gallisepticum (MG) disease outbreaks in Quebec. This system is unique to Quebec and provided an excellent learning opportunity for other poultry sectors across the country and for Ontario's other feather boards who also participated. Because Ontario shares a border with Quebec there is crossover of trucks, supplies, chicken etc making emergency management coordination between the two provinces crucial.

"ÉQCMA's board structure provides the strength of having all members of the value chain involved in emergency preparedness and management" explained Gwen Zellen, VP Food Quality, Operations and Risk Management, CFO. "Ontario will look to Quebec and other provincial models in reviewing how to strengthen our own industry response."



# A-103 Allocation

Ottawa, Ontario. On November 24, 2010, Chicken Farmers of Canada (CFC) set the allocation for quota period A-103 at 3% over the adjusted base. The corresponding year over year domestic production growth for Canada is 1.3%. In Ontario, the allocated volume of 49.24 million kilograms is virtually the same as the prior year during the same weeks as A-103.

CFO's approach to the allocation process entails fact-based analysis of market factors to determine

market needs by forecasting demand, using a replenishment model, having a disciplined performance analysis, engaging in meaningful information sharing and constantly searching for best business practices, from other industry domains, in striving for industry efficiency. This supports CFO's primary responsibility to ensure that farmers produce the right amount of fresh, safe, high quality chicken to meet consumer needs and with a goal for industry stability and profitable growth.

The analysis for A-103 indicated that low inventory levels, high wholesale prices and improving consumption supported the rationale for national growth.

## Growing Forward - Poultry Farm Biosecurity Workshops

### 2011 Dates and Locations (10am- 3pm)

**London - Feb. 16** • The Best Western Stoneridge Inn, 6675 Burtwistle Lane (401/Hwy 4)

**Brodhagen - Feb. 17** • Brodhagen Community Centre, 6708 Perth Line 44

**Orangeville - Feb. 23** • Monora Park Pavilion, 633220 Hwy 10

**Mt. Forest - Feb. 24** • Mt. Forest and District Sports Complex, 850 Princess Street

## A message from our CEO – Rob Dougans

### High Performance, Delivered

I'm very proud of what we do and what we've accomplished in 2010.

In 2010, business improvements continue in CFO and across our Ontario chicken industry. Some elements of success are,

- Top line growth: in volume and revenue produced and processed in Ontario
- continuing CFO core business transformation
- Strategic initiatives well underway focused on value-creation: growth, quality, customer service and positive industry relationships
- Better capabilities: people, processes, and technology, to support our business operations
- Ongoing disciplined cost management and higher productivity
- High levels of corporate governance and responsibility

### Poised for Strategic Growth and Execution

Moving into 2011 with momentum, we are entering into an important new stage of CFO's and our Ontario industry's quest to accelerate profitable growth, competitiveness and sustainability.

To achieve our goals, we have carefully planned for "Must Do" 2011 priorities including,

- Co-developing and executing an Ontario industry strategic plan for profitable and sustainable growth
- Building a customer- focused (farmers and primary processors) organization
- Improving the effectiveness and efficiency of CFO operations
- Communicating and strengthening CFO employees commitment to CFO values
- Continuing to enhance Board governance, active leadership and change practices

### Farming and Food, Stronger Together

In this issue, there are a number of articles documenting how CFO and the Ontario industry has been working together in 2010 to advance the goals of economic growth, safe work practices, and emergency management. We are passionate about building

our business through strategic action and positive, productive industry relations.

In 2011, we will drive collaborative efforts forward as "*Team Ontario*", focused on three primary goals,

1. Developing aligned farmer and processor strategic and operating priorities
2. Developing and implementing practical, integrated value chain solutions that deliver profitable volume growth, enhance quality, lower costs, enhance competitiveness and sustainability
3. Creating a sensible, stable business and policy environment

Team Ontario will be a valuable planning platform to identify quality growth opportunities. It will also improve effectiveness and efficiencies through ever-improving work processes and by leveraging technologies. Through the sharing of best practices we will improve our combined competitiveness even more.

Everyone at CFO is excited about collaboratively working with the AOCP and OFPMC as a team. The combined strengths of our three organizations will provide strong stakeholder value creation.

### High Performance Customer Service

We can learn a lot by listening to the farmers and processors we serve. We can be better by evaluating and adapting policies and services to better meet their needs. Following formal customer: farmer and processor research this summer, CFO is advancing a comprehensive customer service training initiative to ensure we have a team of CFO customer service associates who understand how to build and execute solutions around your needs.

Fundamentally, we believe that our service success is about treating customers fairly, having meaningful and easy-to-understand policy and regulatory "technical product", providing prompt and efficient response to problems, and having knowledgeable and courteous staff support. It's about helping our customers make better decisions for their businesses. It's the little things that make the difference.

"*Your CFO*" is all about passionate, motivated CFO

people delivering a proven customer partnership model supported by an efficient business platform; systems, processes and technology. It will take us some time to meet all your expectations but we're underway!

Our customer service business platform is built around three primary pillars; 1) our "technical product"- designing, developing and delivering continually-improving policy, regulations and programs that promote growth, quality, efficiency, safety and sustainability; 2) our customer community relations- creating authentic, personal relationships through understanding, proactive communications, and easy-to-use business connectivity such as a new 2011 project CFO Online; and 3) our CFO staff training and culture-building a culture of education, personal responsibility and goal setting.

CFO's goal is to elevate its customer service to its farmer and processor customer communities. We recognize that we will earn success, every day.

In future newsletters I'll keep you advised of our progress.

### Thank You!

We run a demanding business. It's a business that is constantly changing. In 2010, I believe that we have meaningfully improved the value of our farmers' and industry' businesses, and further built a foundation of better performance in 2011.

**As we close 2010 and prepare for the holiday season, I would like to personally thank all my staff colleagues and the Board for their support.**

