

A RELIABLE SOURCE OF INFORMATION FOR ONTARIO CHICKEN FARMERS

CFO welcomes Rob Dougans

Comments from the CEO

I joined CFO at the beginning of October and I'm excited by the opportunity to help CFO provide leadership to a growing and sustainable chicken industry in Ontario. Timing couldn't be better. We're in the midst of planning for 2009; we're undergoing a rebranding of the organization and we're embarking on a strategic planning/visioning exercise with our downstream partners. These are all areas where we carry forward best practices, make changes and adapt where needed, to shape the future of the industry.

These are all indications of the beginning of a new era at CFO, where we build on our strengths to deliver excellence in supply management administration, value chain optimization and effective advocacy – all with the goal of growing consumer confidence in the quality, safety and consistency of Ontario chicken.

The newsletter is a great opportunity to provide regular updates on the progress and developments at the Board, staff and industry levels. I look forward to a regular column where I can share how CFO is taking advantage of these opportunities.

Rob Dougans

Ontario Chicken Farmers' stories worth sharing

New solar heated barn promises lower energy costs while improving environmental impact

First generation chicken farmers Bruce and Jane Lindner of Gads Hill Station, Ontario have gone 'green' with their newest chicken barn. The couple decided to build a new barn after increasing their quota and they were determined to make it as energy-efficient as possible.

Bruce was first introduced to the idea through a friend in the plumbing and heating business. Together they designed an in-floor heating system consisting of fluid filled tubes, 9 inches apart. Where most in-floor heating layouts have individual tubes placed a foot apart, Bruce moved them closer to ensure more even heat distribution.

Bruce erected two Copperhill containerized solar units just outside his new barn. The heat captured in these panels is used to heat fluid that runs through the in-floor tubing. →



This method will both offset heating costs and help the Lindners maintain their 'green' theme.

How the solar panels work

The solar panel unit from Copperhill consists of two sloped banks, for a total of 60 panels. These panels collect energy from the sun, which is then transferred to a collector pipe containing anti-freeze. This pipe leads the heated anti-freeze into the heat exchange tanks found below the panels. Inside the tanks are large copper coils which then transfer the heat to the in-floor heating system in the barn.

By using solar panels and 'free energy' from the sun, Bruce is able to keep his barn warm. The solar system is capable of storing energy for a period of weeks or months so it can be used during the colder months.

Benefits of solar panels and in-floor heating

- In-floor heating reduces humidity so it is not necessary to vent as frequently which in turn reduces heat loss.
- The heat is constant and uniform so there is no longer a need to spike the temperature, which means new chicks are immediately comfortable, resulting in better health and size of the birds.
- This type of system can be retrofitted to existing heating systems.
- In-floor heating runs at a 96 percent efficiency rate as opposed to 65 percent efficiency from radiant heaters.

Environmentally-friendly farm practices are gaining increasing support. With the help of government grants, the solar panel system can pay for itself in approximately 8 years. Information about these grants is available online, and the dealers at Copperhill Alternate Energy Inc. will come to your barn free of charge to conduct an evaluation of your solar requirements and fill out the application for the government rebates that may apply.

Bruce and Jane hosted an Open House in June, which attracted over 600 guests, all interested in seeing how the new 'green' barn would operate. If you would like more information on energy efficient heating solutions please contact CFO.■

Ed Verkley joins the CFO Board of Directors

District 8 Board Director, Andy DeVries, resigned from the CFO Board at the end of June due to health reasons. Andy was only with the Board for a short time, but he will be missed. Our thoughts go out to him and his family.

Producers and DCRs of District 8 put forward Ed Verkley to represent them on the CFO Board. Ed was subsequently appointed to the Board effective July 3, 2008 and will complete the District 8 term to March 2010.

Ed has been a producer since 2000 and a District Committee Representative for 5 years. He lives in Atwood with his wife Nora and they have four sons ranging in age from 14 to 23.

Ed coaches Bantam Baseball, is a Director for the Listowel Minor Hockey Association and is also a member of the Listowel Agricultural Society.

WTO Update

WTO Director General Pascal Lamy currently faces a number of challenges, including a regime change in several member countries, a new EU trade representative, current economic instabilities and the expiry of Ambassador Don Stephenson's tenure as Chair of non-agricultural negotiations. Recent US election results will delay talks while policies are developed and the Obama administration is brought up to speed on trade negotiations. The introduction of a new administration is likely to result in substantive changes in negotiating positions, which will inevitably cause further setbacks. It can be expected that India will experience the same delays due to their upcoming election.

On October 15th, Chief Agricultural Negotiator, Crawford Falconer delivered a report to WTO members on the "walk in the woods" consultations. He convened with several delegations in an attempt to increase understanding of the six areas where the most notable divergences were found: new tariff quotas, tariff simplification, so-called Green Box supports, sensitive products, the special safeguard mechanism and cotton. Falconer indicated that the discussions have been useful in working towards finalized policies. However, a consensus on these issues has not been reached.

Crawford is expected to continue the "walk in the woods" talks in order to achieve a consensus that would warrant a broader consultation of WTO members and the development of a new draft text. However, it is unlikely that he will complete a new draft modalities before his departure in December.

While little progress is expected before the end of the year, CFO will continue to monitor and report on any developments made at the General Council Meeting of all members which is scheduled for December 19th.

Bilateral Negotiations Underway:

- Concluded negotiations with Peru and EFTA (Norway, Switzerland, Lichtenstein and Iceland) are awaiting parliamentary approval.
- Legal texts are being prepared to conclude the negotiations with Columbia and Jordan.
- Canada is still negotiating with Korea, CA-4 (El Salvador, Guatemala, Honduras and Nicaragua), and begins talks with Panama this month.
- Morocco, India and the EU are the other partners for potential trade negotiations in the coming months.■

Economics

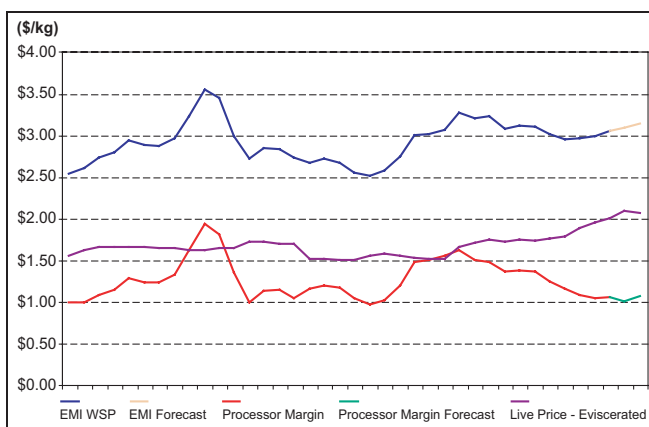
Processor Margin

How is gross processor margin determined?

Processor margin is calculated as the difference between the Express Markets Inc. (EMI) estimate of the market composite wholesale price (WSP) and the live price eviscerated (LPE) for chicken. Each component of the processor margin formula is susceptible to the fluctuations of different market factors. The movements, stable or erratic, of these factors contribute to the volatile nature of the processor margin.

Why does processor margin fluctuate?

The weekly variation of the WSP makes it a stronger contributing factor in determining the processor margin than the LPE, which is constant for eight weeks at a time. When the WSP experiences significant changes, so does the processor margin. For example, in 2004 during the avian influenza outbreak, there was a lack of fresh chicken in the market and this led to a WSP of \$3.46/kg while the LPE was static at \$1.62/kg for quota period A-59. This caused the average processor margin to reach \$1.98/kg. Conversely, the market conditions in A-70 resulted in WSP falling to \$2.51/kg. This is below the norm while the LPE increased by about six cents, resulting in a processor margin of \$0.96/kg. Following A-70, WSP began to rise reaching a peak of \$3.26/kg with a corresponding processor margin of \$1.62/kg. It is not clear what impact each market factor, such as imports, storage stocks and prices of competing meats, had in pushing up the WSP, but it is clear that the Canadian price was highly correlated with the wholesale price in the U.S.

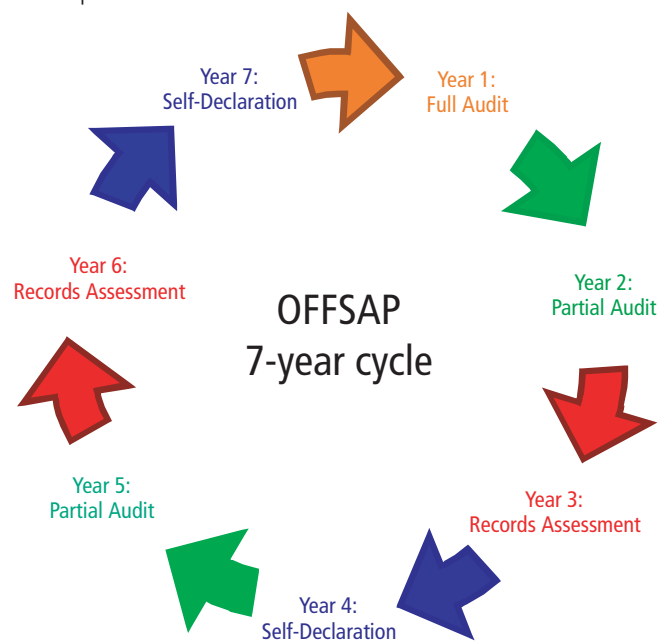


The last six quota periods have shown that the WSP has reached a new equilibrium in the \$2.95 to \$3.10 range. At the same time feed prices have been rising steadily before showing gradual decreases in the last two periods. This rise in feed prices has driven up the LPE. Consequently, the processor margin has fallen to an average of \$1.04/kg and \$1.05/kg in A-85 and A-86, respectively.

The processor margin forecasts for A-87 and A-88 are \$0.99/kg and \$1.07/kg. With the LPE currently at \$2.08/kg in A-87, the WSP will need to recover to at least \$3.08 to maintain an average processor margin of \$1.00/kg. The market is currently in the first of two periods where allocations are significantly below base and the WSP has so far responded by showing gradual weekly increases. Based on the recent declines in feed prices and a review of the future grain markets, it is expected that the LPE will decrease in future periods, leading to an increase in processor margins in A-88 and A-89. It is still too early to tell if these current trends will continue or if these are just short-term fluctuations.■

OFFSAP Program Review

For continued certification in the OFFSAP program, each year your farm will undergo one of the four types of audits listed below. At the end of the 7 years, the cycle will repeat.



OFFSAP 7-year cycle includes 1 full audit, 2 partial audits, 2 records assessments and 2 self-declarations. Each farm will undergo some form of audit each year depending where you're at in the audit cycle.

For details on each audit type please refer to your CFC Safe, Safer, Safest OFFSAP Manual.

Top 5 mandatory on-farm corrective actions issued:

1. Outdated / Unacceptable Water Analysis
2. Outdated Visitors Log Book
3. Outdated GPP/CCP Flock Forms
4. Outdated SOP's
5. Dedicated Boots in RA

CFO takes promotion and education to the road this summer

CFO's events and promotions efforts have been in full force since June. With the aid of various educational materials, delicious chicken recipes and our mobile chicken barn, CFO is doing its part to keep consumers, students and the general public informed about how chickens are raised in Ontario.

CFO participated in the following events:

- Brooklyn Spring Fair and Education Day (June 6-8)
- Poultry Fest Niagara (June 28)
- The Canadian National Exhibition
- OAFE Food Farm and Fun Day (Aug.15 to Sept.1)
- Western Fair (Sept. 5-14)
- International Plowing Match (Sept. 16-20)
- Orangeville Tour (Sept. 27)
- Norfolk County Fair and Plowing Match (Oct. 7-13)
- Norwood Thanksgiving Day Fair (Oct. 17-19)
- OFAC Farm Tour for culinary students (Oct. 23)
- Grocery Innovations Fair (Oct. 26 and 27)
- International Women's Show (Nov. 7-9)
- The Royal Agricultural Winter Fair (Nov. 7-16)

From the feedback and questions we get on the road, it's clear consumers are increasingly interested in understanding how chicken farmers ensure a safe, quality product. Specifically, questions on biosecurity and automated feeding seem to be on the rise.■



International Plowing Match in Teeswater, Ontario

We'd like your feedback!

We've asked Ontario chicken farmers to share their thoughts about the CFO newsletter. Below are the first comments of what we hope will be continual feedback and suggestions from both veteran and new chicken farmers.

Brian Whyte, from Seaforth, tells us that he reads most issues to find out what's going on in the industry. "I would be very interested in reading about the chicken industry from a global perspective. A few years ago we would not have known or cared about how chickens are raised in Brazil or China but now we need to know details about these areas. We need a picture of what the world is doing".

Don and Diane Harris from Puslinch read every issue of the newsletter. Don likes to keep up-to-date on industry information while Diane would like to see articles focused on the future of the chicken industry and what we might expect.

Tell us what you think: We'd like the newsletter to provide information you're interested in reading. Email your comments/ suggestions to newsletter@cfo.on.ca or call Communications Coordinator Megan McCune at (289) 288-4206.

CFO begins review and development of its Corporate Identity

Earlier this year we began a rebranding exercise to help us better understand how our stakeholders currently view CFO and the value we offer. This is the first step in developing the future vision for the organization and its position in the industry. CFO serves a very dynamic industry here in Ontario and we will continue to advocate on behalf of our 1,050 successful, independent chicken farmers in a market responsive, supply managed system. We expect to officially launch our rebranding in early 2009.■

New faces at CFO

- Rob Dougans, CEO
- Mai Saleh-VanDeventer, Senior Administrative Assistant (Policy and Economics)
- Maddie Kovacs, Communications Coordinator/Office Services Support
- Megan McCune, Communications Coordinator
- Leslie O'Rourke, Supply Management Administrative Support

Chicken

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CHICKEN FARMERS OF ONTARIO

P. O. Box 5035, 3320 South Service Rd., Burlington, ON L7R 3Y8
Tel: (289) 288-4206 • Email: megan.mccune@cfo.on.ca
Or visit: www.cfo.on.ca