

ANNUAL REPORT 2019



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**2019 Audited Financial Reports
(Enclosed)**

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ABOUT US



Chicken Farmers of Saskatchewan (CFS) is a farmer-run, non-profit organization representing 68 certified producers who raise broiler chickens in Saskatchewan.

Together, our farmers work to provide fresh, safe, quality chicken for Canadians. CFS works with Chicken Farmers of Canada to ensure that the supply of chicken being produced meets the needs of consumers, and that our chicken farms meet specific national animal care and food safety requirements under the National Raised by a Canadian Farmer Program.

The Chicken Farmers of Saskatchewan Board of Directors seats five producer members who are elected by their peers. It is the responsibility of the Board to set policies, volume, and negotiate a minimum live price with industry partners.

Directors are eligible to serve up to nine years consecutively, (three - three year terms) and must stand down for a minimum of one year before they can become eligible for election again. The directors serve various roles on the board including representation at the national agency, Chicken Farmers of Canada (CFC).

The CFS board office has 4 employees and is located in Saskatoon.



Our Desired Future

- *Chicken continues to be the #1 protein of choice by consumers*
- *Consumers continue to have trust and confidence in the chicken we grow*
- *A healthy and competitive processing industry in Saskatchewan*
- *Strong and viable family farms*
- *Provincial legislation that encourages new/expansion of poultry barns/operation*
- *The Raised by a Canadian Farmer brand that is promoted and recognized in Saskatchewan*
- *Effective Supply Management implementation in Canada with full provincial and federal government support*
- *Growth in production of safe, healthy chicken*
- *Grower friendly relationships with the Saskatchewan Chicken board*
- *Farmers readily committed to and implementing science-based Animal Care & OFF SP programs*
- *Strong relationships with stakeholders*

MESSAGE FROM OUR CHAIR, HENRY VAN EE

The other day I did an interview with a reporter from the Leader Post, who was doing a follow-up story on the recently released Saskatchewan Growth Plan. He was genuinely interested in learning more about the poultry industry here in Saskatchewan. It's pretty tough trying to explain our industry in less than an hour. He asked me a simple question that required a complicated answer. Why do you do what you do as a farmer? Having been in the poultry industry most of my life I thought it was a fair question. First thing to come to mind was to provide our family with a stable income, but after thinking about it for a while, it is much more than just financial. A life style like no other. My parents raised all ten of us on the farm and Carolyn and I raised our 5 children on the farm, one of the best places to raise a family, and then to have the grandchildren return. Similar stories most likely could be told of many of the producers we represent here in Saskatchewan.

There is definitely a great satisfaction of building, owning, managing and growing our operations providing one of the most nutritious foods for the consumer within our poultry industry. We have been blessed with a steady growth and welcomed 3 new producers this past year. We do need to be careful to not be too complacent. We need to be on guard for our industry; people are paying close attention as to how we care for our animals. Challenges are on the horizon with regards to antibiotic use within our operations, meatless products are becoming more common and offer choices even within the poultry aisle of your local grocery and favorite restaurants.

Our industry is much greater than just the primary producers. We are just one part of a much bigger agricultural industry. Our processors come to mind, Sofina and Prairie Pride provide a valuable service for the betterment of the Saskatchewan poultry industry. We need each other, and we need to work together. That doesn't always mean we see eye to eye, yet we have good working relations. Then there are the many other feed, hatchery, equipment suppliers, power, gas, labor and all other aspects of running a successful farm operation needed to work together to build a great farming industry.

The CFS board has chosen a new direction with regards to Senior Management and are actively recruiting for a new Executive Director. More news to follow soon as it becomes available. Many thanks to Kim Hill and the staff for stepping up to the plate during this transition. I would also like to thank my fellow Board Members for their work and commitment to our industry.

See you all during the March meetings,

Henry Van Ee, Chair



MESSAGE FROM CFC DIRECTOR, NICK LANGELAAR



The chicken industry in 2019 had its good news stories as well as its challenges. Chicken continues to be the #1 meat protein with a projected per capita consumption of 35.3 kgs/person in 2019, a gain of 0.7 kgs over 2018. Coupled with a 1.3% population increase (mostly immigration), chicken production increased 2.5%, a slightly lower level than in recent years. The 'Raised by a Canadian Farmer' program has certainly helped more Canadians be aware of Canadian produced chicken and according to surveys, Canadians much prefer to consume chicken that is produced by Canadian farmers.

2019 was a very active year for international trade agreements. The Canada-U.S.-Mexico (CUSMA) Agreement (or USMCA if you listen to American politicians) was struck and at the time of this writing, is on the verge of ratification. This trade deal replaces NAFTA and the most significant change is that it will give the United States exclusive access to the Canadian market place. Other countries can still export into Canada but then under the World Trade Organization (WTO) regulations. The level of American access will also change from a percentage of the previous year production to actual hard numbers. This could prove to be a challenge when other future trade deals such as MERCOSUR (Brazil, Argentina, Paraguay, Uruguay) are being negotiated because Brazil is a major low cost producer of chicken and would like to access more of the Canadian market as well.

The CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) needs ratification from Chile as yet but once this is accomplished, 10.8% of the chicken in Canada will be imported. That makes Canada the highest importer of chicken worldwide on a per capita basis and only proves that the supply managed poultry industry is not anti-trade. That message needs to be heard! The federal government has been notified and they have committed to no more access in future deals because the import pillar cannot continue to be eroded if supply management is to remain effective.

The federal government has committed to mitigation measures for CPTPP and CUSMA and the poultry sectors have asked the government to plug the border loop holes and initiate government programs for farm efficiencies which will help keep chicken producers whole.

Another 'feather in our cap' is the fact that between 1976 and 2016, the carbon footprint for Canadian chicken dropped 37%. That means we produce far more chicken much more efficiently and use less energy than before. No credits are given for that fact as yet. In fact, we are being assessed a carbon tax and this reality is unacceptable, especially when greenhouse production (food and cannabis) are exempt from the carbon tax. On April 1, 2020 it will have been a whole year since the implementation of this tax in Saskatchewan and federal Agriculture Minister Bibeau has asked for proof that chicken farmers are being disadvantaged by the tax. We need to supply her with that information!

There have been a number of incidents of activism against animal agriculture across Canada this past year and that needs to be more closely monitored here in Saskatchewan as well. Unlike in our neighbouring provinces, there were no farm incidents in Saskatchewan although Prairie Pride was picketed recently. We as growers need to be very prudent as to how we raise and market our live chickens because Saskatchewan is not immune to activism and what happens here, affects the whole industry from coast to coast.

The AMU (antimicrobial use) continues to be an ongoing issue. The decision to ban Category III antibiotics (which contains Bacitracin) was delayed until June 2020, pending further study on the financial impacts that it will have on growers.

Also, Health Canada is concerned about the increasing incidents of salmonella poisoning among Canadian consumers. This year 282 farms from across Canada (16 from Saskatchewan) will be tested for salmonella enteritis (SE) and this will be done by sampling litter. Do remember though, that the most effective way to avoid SE poisoning is to cook your chicken well.

Thank you for your support and it has been a pleasure serving on Chicken Farmers of Canada this past year. Certainly CFC is a well-run board with an excellent staff supporting it.

Nick Langelaar



Top row: CFS Board of Directors: L to R : Wally Sloboshan, Ben Middleton (Vice Chair), Henry Van Ee (Chair) , Nick Langelaar (CFC Director), George Hofer (CFC Alternate)

Bottom row: CFS Staff L to R : Adam Berenik (Producer Programs Manager), Jenny Nolasko (Production Manager), Kim Hill (Operations Manager)

Chicken Farmers of Saskatchewan Board of Directors and Staff

OUR VISION

*A profitable
and sustainable Saskatchewan chicken industry for our farmers
and stakeholders.*

OUR MISSION

*To grow the
Saskatchewan chicken industry by working with our partners and
providing safe, high quality chicken to Canadians.*

2019

68 licensed producers

74 farms

36,290,283 birds

64,233,802 kgs

STRATEGIC PRIORITIES

01 PRICING

To receive a fair and defensible return on cost of production.

02 CONSUMER TRUST

To continue to build consumer confidence that our chicken is a safe, nutritious food and that chicken farmers raise chickens in a caring and stewardly manner.

03 NATIONAL ALIGNMENT

To recognize CFC/National programs and work to ensure alignment with CFC and other provinces on national issues including OFF SP, Animal Care and RBCF programs.

04 A STRONG, COMPETITIVE VALUE CHAIN

To encourage a healthy, competitive value chain for Saskatchewan Chicken Farmers.

05 FARMER SERVICES

To support farmers to be successful with their farm operations.

06 STAFF AND BOARD DEVELOPMENT

To continue to develop CFS staff and directors.

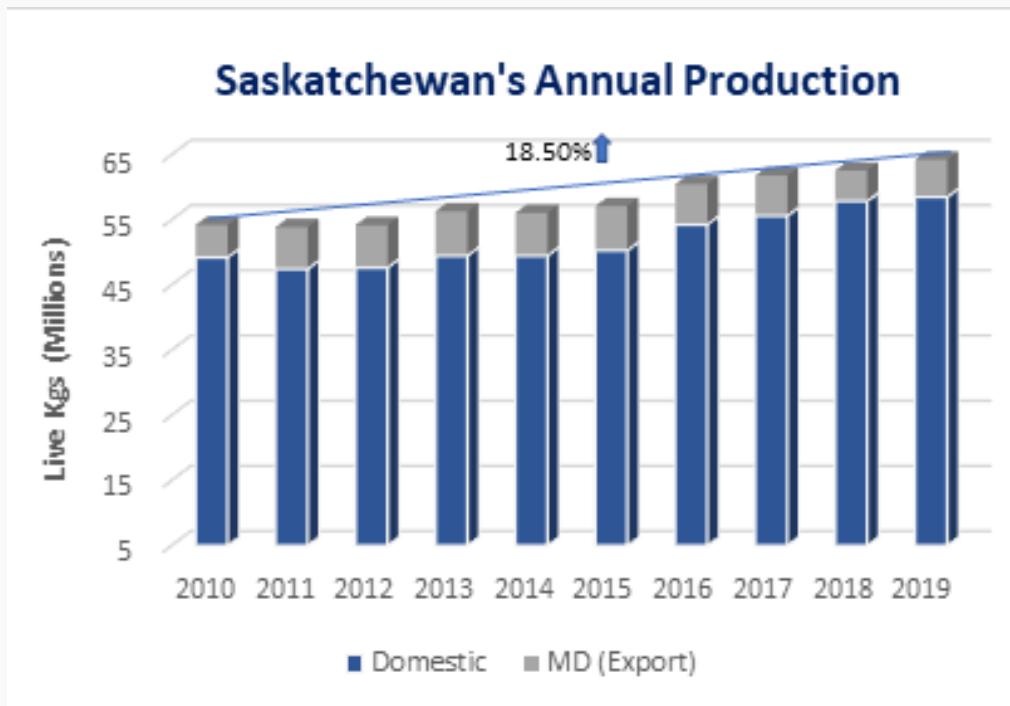
As CFS continues to move forward, it is important to recognize some of the success and achievements from the past:

- Expansion of quota
- New Entrants
- Healthy industry/organization
- Board office support of growers
- Density on a whole farm basis
- Two SK processors
- Working relationship with SK Agri-Food Council



**2019
MARKET REVIEW**

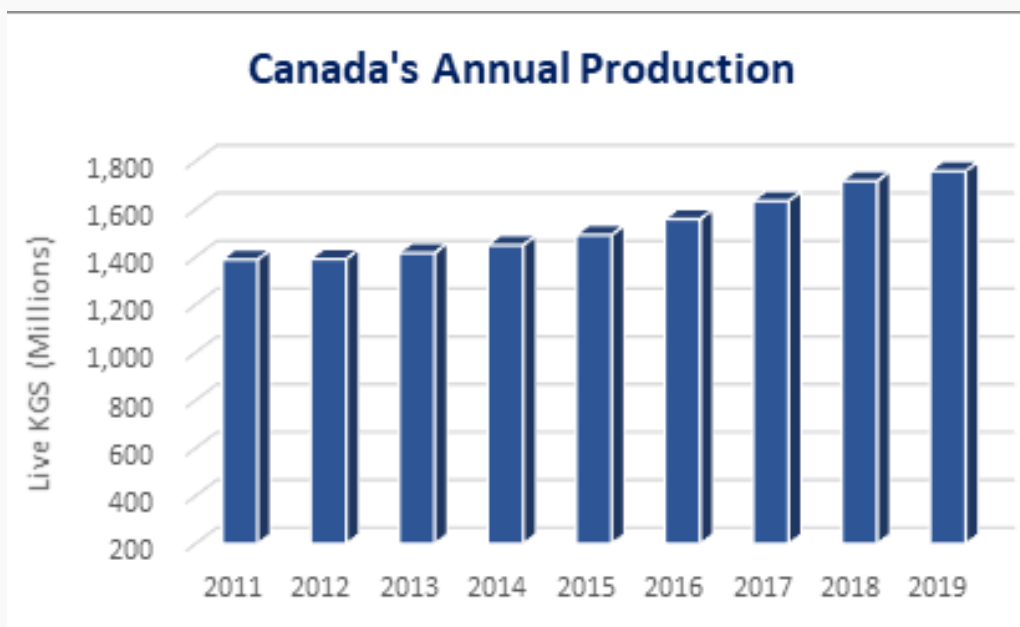
2019 MARKET REVIEW



Saskatchewan's 2019 production was 64,233,802 million live kilograms, an increase of 2.32% or 1,675,883 kgs compared to last year's (2018) production.

Market Development (export) production of Saskatchewan in 2019 was 5.76 million live kgs, an increase of 22.2.2% or 1,044,374 from last year's (2018) export.

In 10 years, Saskatchewan's production has increased 18.50% or 10.01 million kgs .



Canada's production in 2019 is approximately 1.76 billion live kilograms, an increase of 2.52% or 43.24 million live kilograms compared to last year's (2018) production.

2019 MARKET REVIEW

Saskatchewan Quota Allocation			
Cycle	Range of Days	Allocation of A Quota	Base Price per Kilogram
A-154 - 2019	Dec 23, 2018 to Feb 16, 2019	94.90 %	\$ 1.5771
A-155 - 2019	Feb 17, 2019 to April 13, 2019	96.00 %	\$ 1.5999
A-156- 2019	April 14, 2019 to June 08, 2019	99.10 %	\$ 1.5846
A-157- 2019	Jun 09, 2019 to Aug, 03 2019	97.80 %	\$ 1.5796
A-158- 2019	Aug 04, 2019 to Sep 28, 2019	101.30 %	\$ 1.6306
A-159- 2019	Sep 29, 2019 to Nov 03, 2019	101.60 %	\$ 1.6506
A-160- 2019	Nov 24, 2019 to Jan 18, 2020	95.80 %	\$ 1.6456

Average live price for Saskatchewan in 2019 was \$1.6097/kg, a difference of \$0.0294/kg (2.94 cents) from 2018 average of \$1.5803/kg. In the past 2 years, highest live price for Saskatchewan is in cycle A-159 at \$1.6506/kg and lowest in cycle A-148 at \$1.5272/kg.

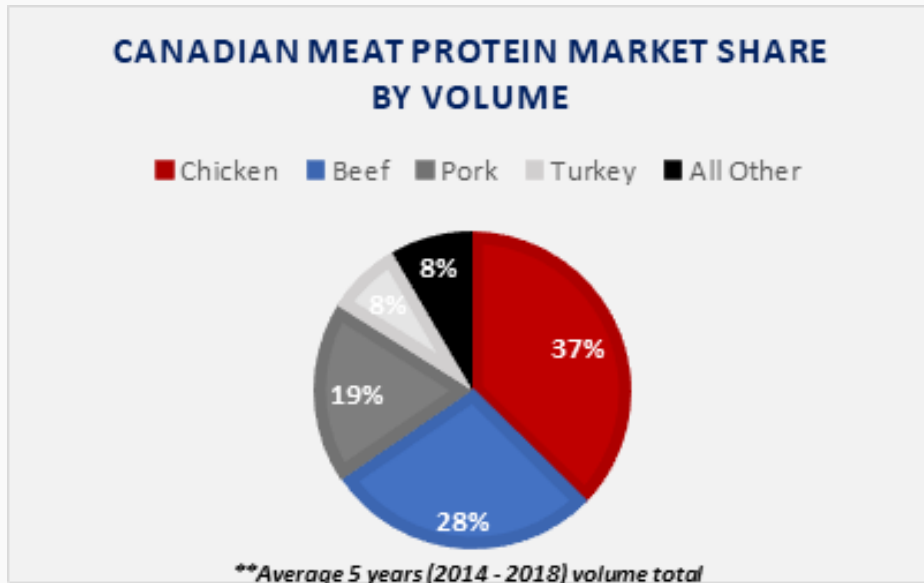
Saskatchewan Quota Utilization			
Cycle	Allocation (kgs live)	Production (kgs live)	Utilization
A-154	9,553,845	9,603,242	100.5%
A-155	9,730,933	9,532,763	98.0%
A-156	9,957,629	9,939,368	99.8%
A-157	9,985,158	9,881,191	99.0%
A-158	9,937,503	9,796,938	98.6%
A-159	9,968,352	10,118,318	101.5%
A-160	9,693,506	9,862,028	101.70%

In 2019, Saskatchewan's average utilization rate was 99.9% and Canada's average utilization rate was 100.5%.

Canada Quota Utilization			
Cycle	Allocation (kgs live)	Production (kgs live)	Utilization
A-154	254,795,826	257,237,043	101.0%
A-155	261,695,272	265,870,152	101.6%
A-156	271,878,392	271,916,818	100.0%
A-157	274,072,385	271,780,967	99.2%
A-158	271,837,247	271,265,825	99.8%
A-159	272,097,010	275,618,671	101.3%
A-160	261,367,827	263,207,469	100.7%

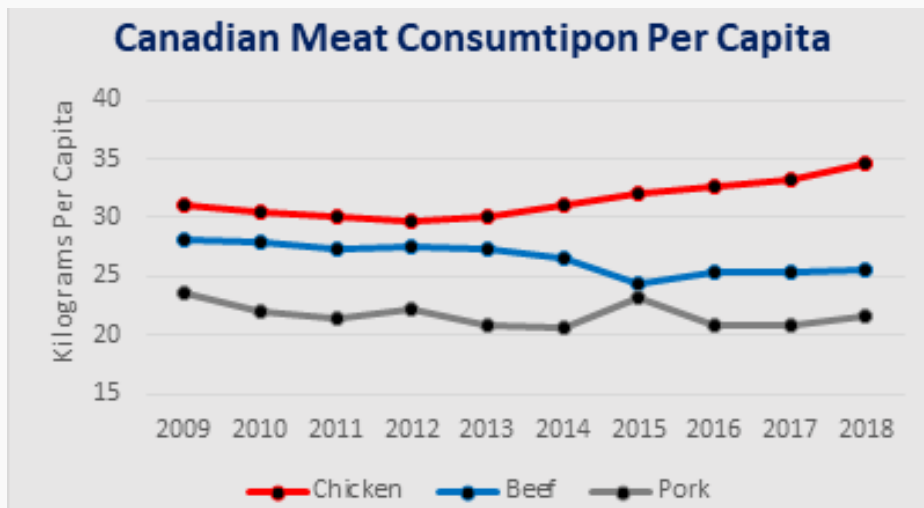
The utilization rate shows a positive display in the performance of Chicken Farmers of Saskatchewan production and national allocation.

2019 MARKET REVIEW



From 2014 to 2018, a 5 year average, shows chicken has the highest market share by volume in Canadian meat protein resulting in 37%, followed by beef with 28%, pork at 19% and turkey and all others at 8% each.

(SOURCE: NIELSEN RETAIL SCAN SALES – FRESH TRACK DATA)



Canadians consumed 34.6 kgs of chicken per capita in Canada in 2018 versus beef at 25.4 kgs and pork at 21.7 kgs. Chicken is showing a positive trend as it continues to climb compared to other meats. Chicken has stayed the highest consumed protein in Canada.

(SOURCE: STATISTICS CANADA)

CHICKEN FARMERS OF SASKATCHEWAN BUDGET - 2020

Chicken Farmers of Saskatchewan 2020 Budget

	2020	2019
	<u>Budget</u>	<u>Budget</u>
INCOME		
Board Levies	1,087,570	\$ 1,075,250
Less: CFC Levies	-356,163	-341,550
Net CFS Levies	731,407	733,700
Monetary Enforcement	0	0
Quota Transfer Fee	3,500	3,500
Bank Interest	3,000	3,000
Administration Revenue	0	50,000
License Income	19,000	17,000
Other Income	<u>15,000</u>	<u>15,000</u>
Total Income	\$771,907	\$822,200
EXPENSES		
Administration Salary	345,450	300,000
Administration Benefits	69,400	50,000
Advertising & Promotion (Donations)	10,000	10,000
Amortization	11,000	11,000
Audit Fees	6,500	10,000
Legal Fees	20,000	20,000
Bank Charges	3,500	3,500
Computer (program & hardware)	80,000	95,000
Director Per Diem/Comm & Stipend Expense	75,000	75,000
Director Travel & Meals	25,000	35,000
Insurance	15,000	12,000
Janitor	3,000	3,000
Repairs/Maintenance/Security	2,500	1,500
OFFSP/ACP	38,000	35,000
Outside Services	500	500
Management Expense	25,000	24,000
Meeting Expense	20,000	30,000
Office Supplies & Equipment	8,000	15,000
Postage	1,000	2,000
Building Rent/Condo Fees	10,000	9,500
Building Property Taxes	6,000	5,000
Subscriptions/Memberships	2,500	2,500
Miscellaneous:	0	0
Telephone/Internet/Utilities:	11,500	10,000
Training	<u>10,000</u>	<u>10,000</u>
Total Expenses	\$798,850	\$769,500
Surplus (Deficit)	-\$26,943	\$52,700

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