

B.C. Broiler Hatching Eggs 2012 Annual Report





Commission Office

180 – 32160 South Fraser Way

Abbotsford, BC, V2T 1W5

Telephone: (604) 850-1854

info@bcbhec.com

www.bcbhec.com

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**B.C. BROILER HATCHING EGG
PRODUCERS' ASSOCIATION
TWENTY-FIFTH ANNUAL GENERAL MEETING AGENDA**

FRIDAY, MAY 24, 2013

Call to Order – 12:00 Noon

Approval of Agenda

Approval of Minutes of the May 10, 2012 Association
Annual General Meeting Minutes

Business Arising from the Minutes

Association President's Report, Allan Cross

Election of Association Directors

Financial Report, Dianne Mulder

New Business

Adjournment



Producer Association President's Report

It was an especially busy year for your Producers Association. Hester Mulder, Dianne Mulder, Bruce Apperloo, and I worked very hard at representing the Hatching Egg Producers of BC in everything we did. I am very proud of the tremendous time and commitment your Producer directors have made.

The year was full of meetings with committees, producers, other boards and agencies, and related industry groups that impact our industry. It is important to manage these relationships successfully to keep our Industry moving forward positively.

Early last summer we spent time informally surveying Producers and Industry Stakeholders about specific issues that were most important to them. We set out to inform, educate, and offer solutions to the Producers in several of these integral areas that have been problematic for us as a group.

We made great progress on informing Producers on many of these issues like imports and how they work, the many pros and cons of different marketing schemes, both reported and unreported (rolling of eggs) surplus removal, and the 'numbers' behind our industry.

We planned and held several meetings with many of our allied lenders and accountants. We shared with them the improvements we have made as producers; better performance, better facilities, our growing forward vision, and the bright future that is ahead of us. We have professionals who are interested and very supportive, and we are thankful!

And of course we are very happy to plan and prepare this year's Producer's Banquet, which celebrates the British Columbia Broiler Hatching Egg Commission's 25th Anniversary. Happy 25th to the Commission!

We have several challenges in the upcoming year with the Avian Influenza Insurance finalization, potential impact from China and Mexico's AI problems, and a new Marketing Scheme proposal from the BCBHEC in September. Be assured that we are prepared to tackle successfully these and other issues as they arise.

It was a privilege to serve my fellow British Columbia Hatching Egg Producers this last year as President.

Allan Cross

BCBHEPA

Income Statement 01/01/2012 to 31/12/2012

Budget 2012

Actual 2012

REVENUE

Revenue

Commission Income	80,000.00\$	81,544.32\$
Miscellaneous Revenue	8,460.00\$	15,491.60
Total Revenue	88,460.00\$	97,035.92
TOTAL REVENUE	88,460.00\$	97,035.92\$

EXPENSE

Payroll Expenses

CPP Expense	1,492.47	
WCB Expense	65.26	
Total Payroll Expense	2,500.00\$	1,557.73\$

General & Administrative Expenses

Secretary	5,760.00\$	7,275.00
Director's Per Diems	37,000.00\$	39,925.00
Travel - KM Reimb.	3,451.74	
Advertising & Promotions	4,254.98	
Special Events	20,000.00\$	20,918.01
Research and Development	5,000.00\$	8,474.95
Memberships	16,000.00\$	12,600.80
Meals	542.55	
Interest & Bank Charges	200.00\$	449.95
Office Supplies	2,000.00\$	869.11
Total General & Admin. Expenses	88,460.00\$	98,762.09
TOTAL EXPENSE	88,460.00\$	100,319.82
NET INCOME		-3,283.90



Committee Reports

Poultry Education Trailer

Dianne Mulder

2012 was a busy year for the Educational Trailer. Different schools throughout the Fraser Valley were visited. The kids were given a short presentation on where your chicken comes from, and they enjoyed viewing the baby chicks, broiler and breeder birds in the trailer. At the end they received a colouring book with crayons in which the story of chicken was told.

Many fairs were once again visited; the public enjoyed viewing the birds and asked many questions. They appreciated the literature they could take home that gave them all kinds of information from industry standards to recipes and nutritional information.

Thanks to the many volunteers who man the trailer and to the farmers and hatcheries that provide the birds for the trailer.

Chamber of Commerce Abbotsford

Bruce Apperloo

My first introduction to the Abbotsford chamber of Commerce was from a owner of a reputable plumbing company. He had mentioned that it was well worth the time to be involved in this organization from a sales perspective and most importantly it provided his company high visibility in Abbotsford.

The high visibility aspect appealed to me and I researched Abbotsford Chamber and found that there was an Agriculture Committee. They have provided some very detailed documents that prove Agriculture is one of the largest employment sectors and one of the largest economic providers in Abbotsford. Needless to say it was an honor to be on this committee.

The committee meets once a month to discuss current issues facing agriculture and this year most of that time was spent on two main topics. The proposed removal of agriculture land from the ALR near Gloucester on the west side of Abbotsford, and the proposed Noise bylaw regarding cannons and bird scare devices. Recommendations were made by the Ag committee and that is as far as things have progressed.

The other activity that takes a fair bit of time is the Ag tour the Chamber puts on. This is where the Mayor and other politicians are invited along with any member of the chamber to take a tour of 3-5 Ag related industries in the lower mainland.

Risk Mitigation Steering Committee

Bruce Apperloo

The Risk Mitigation Steering Committee is currently in the final stages of a very long process. Since the outbreak of AI in 2004 many hours have gone into developing plans to insure the poultry industry against a future outbreak by increasing our biosecurity and plans to assist ourselves financially should an isolated case occur.

I would like to thank producers for taking the time to vote in the recent plebiscite and provide a strong indication of support for proceeding with the initiative. The first steps to incorporate the B.C. Poultry Associations Captive Insurance Company Limited have begun. The ongoing legal and financial aspects of starting this Company are in the beginning stages and many more hours are required to get a product that is suitable for everyone's needs.

The original concept started with the idea of insuring for a minimal AI outbreak with periodic small claims over the course of several years. As the final product is being drafted one concern keeps reoccurring, cleaning and disinfecting. Given the active surveillance by CFIA and mandatory on-farm biosecurity measures, our hope is that we will not have a mass AI outbreak, however, even with a single discovery, the concern from producers is not being able to repopulate because of a neighboring farm being infected and not being able to thoroughly clean and disinfect. Thankfully the Insurance package has addressed this concern, but it does highlight how closely linked all 4 feather groups are, whether we like it or not.

In the months to come the four directors along with key individuals from the original Risk Mitigation Steering Committee will be proceeding with establishing the business associated with the new company. In the coming weeks, we will be presenting you with a set of recommendations to finalize the company and the insurance program. During this time there will be many opinions, options and conversation, but you the producers, will always be able to have input. As your independent directors we encourage you to ask questions and we always welcome your feedback. Remember this is your Company.

Bio Security Committee

Hester Mulder

For 2012, it has been a year of finalizing our manuals and bringing them up to date.

The Bio Security Allied Trade manual has been completed and all producers should have received a copy for input into their current Bio Security manual. All four feather groups have given their recommendations for input into the Bio Security Allied Trade Manual. As this manual is not enforceable under any program, it is a guideline with which all producers can feel confident that it parallels the current Bio Security manual. Each producer is responsible to ensure that any allied trade that comes to their farm adheres to the guidelines set out in the manual.

The Emergency Response Committee is a new responsibility of the Bio Security Committee. The manual is currently being updated and will be available at a later date. Any emergency, such as a disease outbreak, will be handled under the Bio security committee.

Sustainable Poultry Farming Group (SPFG)

Hester Mulder

In 2012, the SPFG has undergone significant changes in the past year in selling their building and all of the equipment.

The committee is focused on funding poultry projects relevant to all poultry producers. All reports and findings will be shown on the SPFG website to keep producers up to date on their projects.

The committee continues to look for feedback from poultry producers to provide ideas and recommendations for future projects as they relate to the poultry industry as a whole.



Producer Association President Allan Cross and Commission General Manager Stephanie Nelson

B.C. BROILER HATCHING EGG COMMISSION
TWENTY-FIFTH ANNUAL GENERAL MEETING
AGENDA

Friday, May 24, 2013

Call to Order

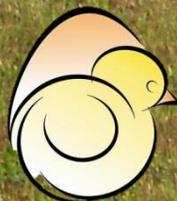
**Reading of the May 10, 2012
Annual General Meeting Minutes**

Business Arising from the Minutes

Auditors & Financial Report, David Guthrie KPMG

New Business

Adjournment



Vision

It is through co-operation with industry stakeholders that our greatest successes will be derived.

Mission

The mission of the British Columbia Broiler Hatching Egg Commission is to oversee the production activities of B.C. broiler hatching egg producers and regulate the marketing of their product and to act as a leader for the B.C. broiler hatching egg producers in dealings with other participants in the chicken meat industry, with stakeholders in the national marketing scheme, and with provincial and municipal government bodies.

The Early Years of British Columbia Broiler Hatching Egg Industry

John Durham

In the Beginning

When the hatching egg industry was first organized, it came under the British Columbia Chicken Marketing Board (BCCMB) scheme. Quotas were issued by the BCCMB and the board managed the industry. Hatching eggs were allocated one position on the board and, often, when hatching egg issues were being dealt with, that representative would be asked to leave the meeting because of potential or perceived conflicts of interest. Producers in the 1970s and 1980's like Paul Every, Laurent Arbor and Irving Reid, who were all active in the industry, struggled for years to get their own board. There were no Cost of Production guidelines in those days, and when interest rates went through the roof in the early 80s, hatching egg producers were having considerable difficulty. The industry was struggling financially and struggling to be heard.

Hope Turns to Reality

By the mid 1980's, the industry was actively lobbying in Victoria for their own board. They were visiting every MLA and MP in the area who would talk to them. In those lobbying endeavours, they had the help and support of related industries who had a vested interest in seeing the industry do better. Finally, by mid 1988 there seemed to be some hope that a board might get established and things were looking up. There were some new young faces in the industry by then and they brought a renewed vigor to the struggle. The Producers Association elected Dave Stauber, Ken Huttema, Lloyd Richardson and Rod Reid as the first members of the soon to be created, they hoped, marketing board. There was renewed hope, plans to organize the operation were a foot, a manager was approached and then everything fell silent. August 1988, nothing, September not much more, then October and Victoria was still dragging its feet. Marketing Boards weren't popular and this would be the first new one in Canada in a long time.

In the meantime things back East were getting critical. The import of hatching eggs was growing, but even more troublesome was the direct import of chicks by growers, bypassing the hatching egg producers and their hatcheries. The East was lobbying hard for import regulation under the GATT, but there was a catch. GATT required a member country to have regulated control of 80% of an agricultural product before regulations could be imposed. BC did not qualify with its original set up. The hatching egg producers association wanted their own board. The rest of the Canadian industry wanted us in the system. Suddenly, and without warning, on October 27, 1988, the BC Broiler Hatching Egg Scheme was in place and the industry was finally on its own. No office, no phone number, no manager and half a dozen or so boxes of history and records on its way from the BCCMB. However, hatching egg producer's expectations were great.

Later there was talk that the then Federal Minister of Agriculture, Don Mazankowski, had made a late night phone call to his counterpart in Victoria and, in effect, said "get on board", and they did.

Operating on a Shoe String and a Prayer

The individual chosen to be the new manager, if and when the producers got their board, had, in the interim, just signed a three month contract to work elsewhere. Producers were not deterred. The operation was to be set up on a part time basis for the first three months. Office space was immediately rented from Coast Agri Fertilizers Ltd. on Riverside Road, a phone was set up in the office with an extension in the manager's home on Everett Street, a family typewriter was pressed into service, some blank paper and minimal office supplies were purchased and the British Columbia Broiler Hatching Egg Commission was in business. It seems the term "marketing board" was no longer in favour.

Phone messages during the day were saved and the office work was done daily after 7 pm until whenever it was finished. Levies started to flow directly to the Commission almost immediately and the BCCMB forwarded the hatching egg funds it was holding. Commission meetings were held after hours in the Coast Agri boardroom with Dave Stauber acting as chair. The first issue was to recruit a suitable Chairman. A couple of candidates were considered and Mr. Barry Peterson was approached and agreed to take on the task. Early on the manager was the first person to attend a meeting in Ottawa and was greeted warmly by his eastern counterparts, because the Canadian hatching egg industry could finally get import regulations. No salaries were paid for work in the first two months and no per diems were paid to directors for the first three months. The result was that the new Commission started 1989 on a solid financial footing

The Commission Hits its Stride

Initially, getting the Commission up and running and dealing with the day to day issues took all the time available. Rod Reid worked with a friend and developed a computer program that allowed us to schedule flocks, forecast egg production, record production then compare the results and make the necessary adjustments to production to meet market demand. For the most part the peaks and valleys in egg production were shifted to meet the peaks and valleys in demand. The system wasn't perfect and hatchery inventory would build at times, but we had a sense of direction and there was not surplus removal.



An industry Cost of Production Committee was established to review the COP analysis prepared and put forward by the manager. The costs items were well documented and supported but the rate of lay was a contentious issue. Fortunately, the projection program provided the needed data and an agreement on the COP format was finally reached. This initial study was later dovetailed into the linkage with the BCCMB COP and, as the manager said at one of the monthly producer meetings, “finally hatching egg producers had every chicken grower trying to get them more money”.

The BCBHEC was young and looked to Victoria and the British Columbia Marketing Board for guidance at every opportunity, and the Commission enjoyed good working relations with the BCMB, now the farm Industry Review Board. The manager cultivated this working relationship by keeping the BCMB informed on the BCBHEC and industry issues. Sometimes the guidance of the BCMB seemed to take us in questionable directions, but it always worked out, as was the case when the BCBHEC was granted shared pricing authority over broiler chicks.

It was about this time the Commission moved from its upstairs office across the lane to the Old Monsanto office building that had just been vacated and newly renovated. We finally had our own reception area, two private offices a boardroom and service areas. There was a manager, a full time office staff person and a part time inspector. Levies were around \$0.04 per dozen. The hatchery industry had settled down with equal import percentages, product quality was improving and pricing was keeping pace with costs.

Concluding Remarks

As time went, on the Commission matured and Chair Barry Peterson stepped aside having provided the much needed independent guidance and credibility in those early years. Barry took his position very seriously and always worked for the betterment of the industry. Hatching egg producers today should know they owe a debt of gratitude to this true agricultural leader. In those early years, with the benefit of a program that told us when we would need to place more birds, and with the benefit of a strong board and good guidance, a lot of new production was issued to growers and the industry went through a period of amazing growth. There were challenges as the import numbers shifted from primarily one hatchery to all hatcheries. There were egg quality challenges as well and farm management practices were under constant pressure to improve. Our new chair, Ken Huttema, became the chair of the Canadian Broiler Hatching Egg Marketing Agency, now (CHEP), and BC played an even greater role at the national table. Those were the formative years for the Commission. In January 1997 the Commission was well grounded, financially sound, producers were marketing a better quality product and they were doing better financially.

BCBHE Commission Chairman's Annual Report

Casey Langbroek FCGA

CHANGE

“The best thing you can do is the right thing; the next best thing you can do is the wrong thing; the worst thing you can do is nothing.” Theodore Roosevelt

I have been in this Position since November 2011 and am doing my part with Board and Staff to better the B.C. Broiler Hatching Egg Industry. This is through promoting and initiating change, for the benefit of the Producers, by taking one small step at a time.

The Board and Staff have developed a Strategic Plan and Key Initiatives to drive this change. We believe that we must be accountable to the Strategic Plan and Key Initiatives, accordingly, you will hear about where we are at several times between now and September 2013 when a new Strategic Plan and Key Initiatives will be developed. We believe that accountability through more frequent reporting is one of the keys for change in the Hatching Egg Industry but it must be in accordance to a Strategic and Proactive approach.

I thank and give credit to the Board and Staff for their hard work and strong effort in making the changes we all need to make.

New General Manager

The Board was very pleased to be able to appoint Stephanie Nelson to the position of General Manager effective May 1, 2013.

There was an open process to receive resumes from individuals that were interested in applying for the position. After screening the resumes we received and conducting interviews, a decision was made to appoint Stephanie to the position.

The Board thanks Stephanie for her superb work from April 2012 to May 2013 as Acting General Manager and for her excellent and valuable input.



New Staff

Many of you have noticed that you are getting e-mails from some new names and are speaking to new voices at the Commission office. Veronica Kushnerenko joined the staff in November 2012 part time and is now working with Stephanie full time as her executive assistant. Jennifer Powell joined the staff in March 2013 and is in the office part time as the new bookkeeper.

Budget

The Finance Committee, which consists of Brian Bilkes, Stephanie Nelson and Casey Langbroek has prepared budgets that are forward looking for 2013 and 2014. We are in the process of implementing monthly accounting reports that compare actual monthly results to budget and that will give the Board consistent and up to date financial information to base decisions on.

While I will state that this is a work in progress and that the new bookkeeper, Jennifer Powell, is working toward full implementation of this new reporting system we are, regardless, tracking expenditures carefully. I will report that surplus removal to year to date for 2013 is \$0.

I will go out on a limb and say that the Board is on target for a planned levy reduction in January 2014.

Strategic Plan

The Commission is working toward positive change in the hatching egg industry. Change can be difficult and time consuming and may not be accepted by all that are affected by it.

Business works differently than government or, in this case, “pseudo” or “quasi” governmental agencies. A business with an entrepreneur at the helm can poll customers and change course quickly, like a personal watercraft or Jet Ski. A business with an entrepreneur at the helm but with several locations and numerous employees must make change more carefully and will not be able to make the turn as quickly; just imagine a 75 foot yacht as opposed to a Jet Ski.

Government and “pseudo” or “quasi” governmental agencies that must use a consultative process and SAFETI (Strategic, Accountable, Fair, Effective, Transparent and Inclusive) principals to make policy and decisions, must, rightly, take much more care and be more deliberate in decision making and must consider all impacts to its constituents or in this case all Stakeholders which makes changing direction more like a 125,000 ton cruise ship changing its course 360 degrees.

I have been involved directly in all four levels of the illustrations of business, government and now marketing commission.

This kind of change, on this magnitude, can take up to three years. We are doing all we can to shorten the time to do this but we must be realistic and make change one step at a time. This is fundamental and cultural change and any mistake that is made along the way can compound the difficulty of the change.

Key Initiatives

The Consolidated Orders of the BC Broiler Hatching Egg Commission reflects the Commission's purpose and its responsibility clearly. That is to promote; to regulate; to control the production, transportation, packing, storage and marketing of all broiler hatching eggs, saleable chicks and broiler breeders. This responsibility is not taken lightly by your Board. We must ensure that proper process takes place when planning for the future to the benefit and reporting to the Stakeholders in the Industry that is, The Producers; The Hatcheries; BC Farm Industry Review Board.

In October 2012 the Board took a clear step forward and abandoned, for the most part, the Strategic Plan that already, kind of, existed. We revised the Strategic Plan to include the following six high Priority Key Initiatives:

- Squandered Eggs Amendment to the Consolidated Orders
- New Quota Allocation Development
- Specialty System Implementation
- Office Policy and Procedure Development
- Projects with the BC Chicken Marketing Commission
- SE Policy Guidelines

Squandered Eggs Amendment to the Consolidated Orders

The Squandered Eggs Draft Amending Order is currently under Industry Review. A historical timeline and draft of the order has been circulated to the Industry Stakeholders for their input. The Commission has received written submissions from two stakeholders and will be scheduling meetings to discuss their input and concerns. The Squandered Eggs Amending Order is not a single step solution to the domestic/ import situation currently facing BC. It is a step towards getting imports to a firm level of 20%. There are other steps beyond the Squandered Eggs initiative that will and are being worked on. You should not confuse the Squandered Egg initiative with the Quota Allocation System.

New Quota Allocation Development

The Board has received submissions regarding new quota allocation system development. It is the Commission's intention to undergo an intensive consultation process. When a more fully developed plan is drafted a careful review will take place which will include the industry

stakeholders to consider their opinions, questions and concerns. It is the Commission's goal to be able to have a fully developed Quota Allocation System in place with an implementation date by September 30, 2013; this may be somewhat aggressive based upon what we know today.

Specialty System Implementation

The Consolidated Orders have been revised to include the Taiwanese and Silkie breeders. The revised draft has been sent for industry consultation. The Commission has received written submissions. Following the deadline, the Commission will be reviewing the submissions, considering any changes, meeting with stakeholders that have made submissions.

Our goal is to fully implement the Specialty System by August 31, 2013.

Office Policy and Procedure Development

This project is on track. Policies and procedures have not existed to date. Drafts of the policies have been completed and reviewed by the Finance Committee and are under further construction. The implementation date is July 1, 2013.

Projects with BC Chicken Marketing Commission

The Commission has been working with the BC Chicken Marketing Commission at a higher level of cooperation and effectiveness to review and update our common interests. Due to the current demands imposed on both boards, attempts at finding mutually agreeable times to meet have been challenging. Regardless, informal discussions always take place.

SE Policy and Guideline

The latest version of the Canadian Food Inspection Agency draft document is under review at the Staff and Ministry level which has put the development of these policies on hold temporarily.

Other Comments

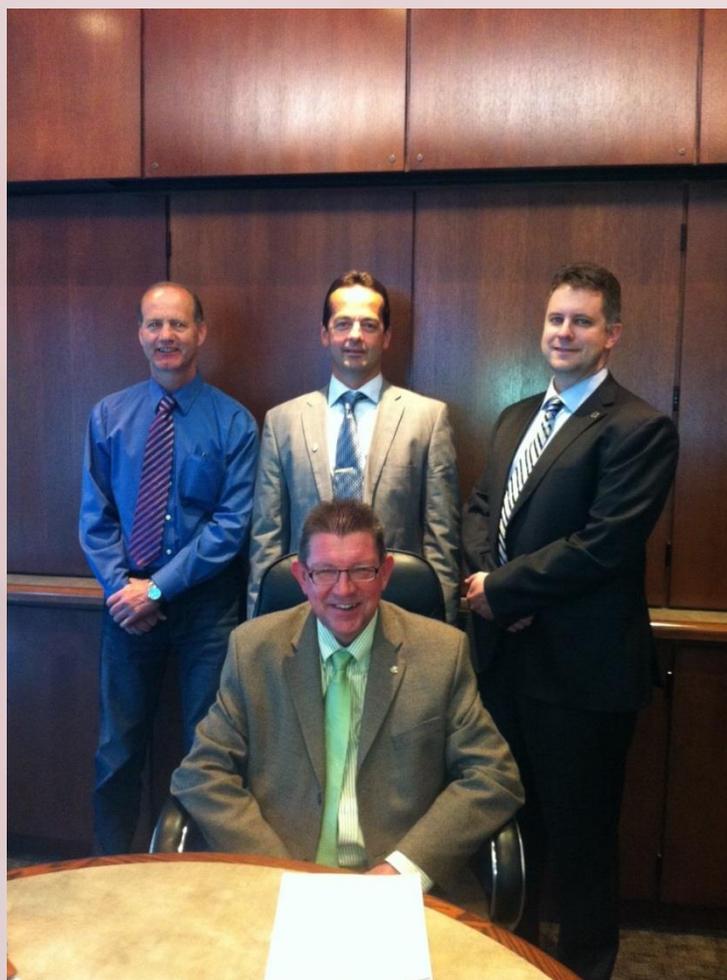
I had the opportunity to attend the Canadian Hatching Egg Producers Meetings in Ottawa in March 2013. It was challenging and educational. What impressed me is the leadership that Calvin Breukelman, Brian Bilkes and Stephanie Nelson are providing on the National scene and the respect that is given to the BC Broiler Hatching Egg Commission Members and the Commission, as Leaders in the Hatching Egg Industry Canada wide. That is very evident and I was proud to be there.

Thank those who appointed me to this position. I am passionate about making change and am challenged by this responsibility with the Board. While it is time consuming, I can see opportunities to make change and have that change be the new reality.

I urge you to be open-minded and not singular focused and to support the dedicated Producers who serve as Board Members. Conflict is a healthy part of any organization but the only way that anyone can use conflict to bring about healthy change is to be open minded, to listen, and to not be singular focused.

2012 Board Chair and Directors

Joe Neels Director, Calvin Bruekleman Vice Chair, Brian Bilkes Director
Casey Langbroek – Chair



General Managers Report

Stephanie Nelson

The office has had a busy year.

Sarah joined our team in April 2012 and has continued to do an excellent job with the On-Farm Program Coordinator position and field work. Veronica originally started part time in October 2012 but her assistance to me has been so valuable she moved into a full time position in February 2013. Jennifer started as our part time book keeper in February 2013. Marona continues with the superb job she does as the production coordinator. Lori Gress retired after 16 years of service in March 2013. In May 2013 I was appointed as the General Manager; I look forward to this role and continuing to serve the Commission. With the new team in place the goal will be to strengthen office policies and procedures, as a part of the key initiatives, and to ensure Producers are aware of important things happening in the industry.

The production team has worked hard to handle the domestic supply this year. With historical issues of surplus removal and low kill ages, the production team started to meet with the hatchery managers monthly and also individually to discuss supply and imports. And to begin to track a more accurate picture of the changes that needed to be made to the Official Flock Schedule. I am pleased to say, most of the hatchery managers rose to the occasion and attended meetings faithfully. Production was successfully moved in several instances, sometimes temporarily other times permanently, to manage the hills and valleys and smooth out the requirements of each hatchery. 2013 will serve the office as a correction year and Producers should be aware that placements maybe shifted and production units may be moved to another hatchery to ensure domestic supply meets the hatchery requirement.



BC Broiler Hatching Egg Commission Staff

General Manager - Stephanie Nelson

Placement Co-ordinator – Marona Wiebe

On Farm Program Co-ordinator – Sarah Zonneveld

Executive Assistant – Veronica Kushnerenko

Bookkeeper – Jennifer Powell

Transport Operator – Barry Harder



Committee Reports

On-Farm Program Coordinator's Report 2012

Sarah Zonneveld

CHEQ & Biosecurity Audits

All 2012 audits were completed as of December 2012. Producers have kept great records and all farms were clean and tidy during the audits. Keep up the great work!

BC Biosecurity Program Update

The biosecurity program was updated in December 2012. The update, regarding composting, is currently being followed by all producers who compost their mortalities. Mortality storage areas have all been well managed and are enclosed to prevent the entry of pests; all producers who compost go above and beyond with regards to their composting systems.

Over the Counter Drug Use Survey

A big thank-you to all producers who participated in the Over the Counter Drug Use Survey; a total of 50 farms completed the survey during their 2012 CHEQ and Biosecurity audit. I am proud to say that hatching eggs was the first feather commodity to finish and submit their surveys to the BC Ministry of Agriculture. I am also proud to say that in general hatching egg producers use very little antimicrobials and when antimicrobials are employed on farm they are for specific problem, very little routine use was found in the industry. This is a testament to the excellent management and care producers put into their flocks year after year.

Chick Placements

Beginning at the end of 2012 I started attending each producer's chick placement. All producers have been very welcoming and have made this inspection a joy to complete.

Thank you to all the hatching egg producers for making my first year on the job a great and rewarding learning experience.



COGA (Centre for Organizational Governance in Agriculture)

Brian Bilkes

Two year IAF funding extension to March 31 2015 has been approved. There were 4 programs presented in 2012 / 2103 that were generally well attended and well received. On October 26, 2012, Leadership in a Regulated Environment – how to Move Agriculture Forward, November 20, 2012, Moving Agriculture Forward with Innovation, February 5, 2013, Moving Agriculture Forward with Accountability, March 1, 2013, In Your Best Interest: Building Effective Government Relations. Brian Bilkes was appointed as Chair of COGA.

Election Services

All 8 Boards and Commissions now use the COMB service. The past season was quite busy for us as both the Chicken Board and the Milk Board had elections. Some are transitioning to online voting which we hope will increase participation and reduce COMB costs.

Board Evaluations

FIRB is requiring Boards and Commissions to conduct annual evaluations and suggests using the COMB service. Some reporting by Boards and Commissions, to the FIRB is also now required. Based on feedback, the COMB survey has been modified and improved. We have completed evaluations for 5 Boards so far this calendar year with 2 more planned in the next month.

Chairs and Managers Meetings

This program provides the opportunity for Boards and Commissions to share experiences and issues. We ask members to suggest topics and we convene the group when there is a consensus to meet and issues to discuss.

Other Organization Services

Some COMB services are available to our industry associations. Notably in the past year we conducted the election for Directors of the BC Dairy Association, we did a Board evaluation for the BC Chicken Growers Association and we conducted the Avian Influenza Insurance Plebiscite for the poultry industry.



The Canadian Broiler Hatching Egg Producers Association (CBHEPA)

Brian Bilkes, Chair

The Canadian Hatching Egg Producers Association (CBHEPA) financially assisted three young farmers to acquire and broaden their knowledge of the hatching egg industry. James Malda of Alberta, Benjamin van Steenberg and Timothy van Steenberg of Saskatchewan travelled to Huntsville, Alabama to the Aviagen facilities.

The tour was an opportunity for the three young farmers to learn more about the US poultry industry and receive information about latest management advice and best practices including nutritional advice, veterinary, biosecurity objectives, production planning, shipping and export processes, as well as the latest Ross parent stock and broiler performance data. To get a close look at management practices, Canadian Technical Manager Mark Belanger accompanied the visitors on a tour of the Aviagen hatchery, the company's Egg Depot, pullet and breeder farms, and a customer facility.

The CBHEPA Young Farmers Program is a great opportunity to help prepare the next generation of production managers for future success in the global poultry industry. These young farmers have been working alongside their families in the poultry business from very young ages and plan to pursue careers in the poultry industry.

Timothy van Steenberg has been invited to share his experience with the CHEP Board of Directors at its Summer Meeting in July 2013 in Saskatchewan.

CBHEPA 2011 Producer of the Year

Jack and Christine Greydanus were presented with the 2011 Producer of the Year Award at the Canadian Hatching Egg Producers summer meeting in July 2012 in Huntsville, Ontario. The Greydanus' are from Petrolia, Ontario.

CBHEPA 2012 Drawing Contest

We received 25 entries amazing drawings for the contest this year!

The members selected the drawing of Tianna Notenbomer 13 years old from Monarch, Alberta for this year's contest.

Tianna's drawing was the cover of the Christmas card sent to the Prime Minister of Canada the Honourable Stephen Harper.



Thank you to all the participants for their entries as they became the face of the CHEP 2012 Christmas Card Collection. From *Alberta*: Jessica Hofman, Ashley Ijtsma, Jayden Ijtsma; *British Columbia*: Joshua Apperloo, Rebecca Apperloo, Annette Bilkes, Claire Bilkes, Janes Bilkes, John Bilkes, Olivia Kunze, Richard Kunze, Brayden Lubach, Jacob Zylstra, Jessica Zylstra, Logan Zylstra and from *Ontario*: Angie Jones, Ben Sinnige, Joëlle Sinnige, Sabine Sinnige, Samantha Van Rooyen, Robert Van Rooyen, Nicole Van Rooyen, Victoria Van Rooyen, Matthew Ypma.

The members of the Producer Association modified the November meeting to commit more time for allocation discussion, review the by-laws and the distribution of TRQ of Hatcheries Based on Domestic Hatching Egg Sets. The focus of future meetings is to strengthen the Producer Association.

I would like to take this opportunity to thank my Committee Members for their work and support.

APPEAL PROCESS

FILING A REGULATED MARKETING APPEAL WITH THE BRITISH COLUMBIA FARM INDUSTRY REVIEW BOARD

A person aggrieved or dissatisfied with an order, decision or determination of the following commodity marketing boards and commissions may appeal to the British Columbia Farm Industry Review Board:

British Columbia Broiler Hatching Egg Commission
British Columbia Chicken Marketing Board
British Columbia Cranberry Marketing Commission
British Columbia Egg Marketing Board
British Columbia Hog Marketing Commission
British Columbia Milk Marketing Board
British Columbia Turkey Marketing Board
British Columbia Vegetable Marketing Commission

What is the British Columbia Farm Industry Review Board?

The British Columbia Farm Industry Review Board (BCFIRB) is an administrative tribunal that has statutory responsibility for exercising regulatory and adjudicative functions independent of government in its general supervision of BC regulated marketing boards and commissions and in hearing regulated marketing appeals and farm practices complaints.

Originally known as the British Columbia Marketing Board (“BCMB”), BCFIRB was created in 1934 under the NPMA to supervise the commodity boards. Over the years, the role has been expanded and its authority redefined to address changes in the regulated marketing sector.



BCFIRB is composed of up to ten members appointed by Lieutenant Governor-in-Council (LGIC). There are presently six part-time appointees, with experience in production, marketing, law and education related to agricultural issues.

How Long Do I Have to Appeal?

BCFIRB must receive your written notice of appeal not more than thirty **(30) days** after the order, decision or determination of the commodity board or commission is made. BCFIRB may extend this deadline, but only in what it considers special circumstances.

Do I Need Legal Counsel?

Only if you want or think you need it. It is your decision to make, and you will be responsible for paying your own lawyer.

Where Do I Send the Appeal?

Mail:

Attention: Executive Director
British Columbia Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5

Courier:

Attention: Executive Director
British Columbia Farm Industry Review Board
780 Blanshard Street
Victoria BC V8W 2H1

Email: firb@gov.bc.ca

Fax: 250-356-5131

What Should Be Included in the Notice of Appeal?

The notice of appeal must be accompanied by a non-refundable \$100.00 filing fee. Cheque or money orders should be made out to the "Minister of Finance".

The notice of appeal must include the following:

- be in writing and signed
- identify the decision being appealed
- state why the decision should be changed
- state the outcome requested from BCFIRB
- include your name, address, telephone number, email (or the contact information of the person handling appeal for you)
- include an address for delivery of any notices related to the appeal



What Happens When the British Columbia Farm Industry Review Board Receives the Appeal?

BCFIRB will send you a letter acknowledging the receipt of your appeal. This letter will also contain information which explains the appeal process in greater detail. At the same time, BCFIRB will notify the commodity board or commission concerned that an appeal has been filed and instruct them of their responsibilities as outlined in the *Rules of Practice and Procedure*. BCFIRB will also ensure that the commodity board or commission has received a copy of your notice of appeal.

BCFIRB will issue notice to the parties requiring them to attend a pre-hearing conference call. The purpose of the pre-hearing conference will be to clarify the issue on appeal and determine the position of each party as well as the remedies sought by the appellant. The pre-hearing conference call will also be used to confirm hearing dates and directions for the appeal hearing.

BCFIRB encourages parties to consider ADR alternatives to facilitate settlements of the matter under appeal and will assist the parties in establishing an ADR process. Parties can apply to BCFIRB requesting ADR. Discussions about possible ADR alternatives will also be an agenda item for the pre-hearing conference.

The hearing of your appeal will normally be held not more than 60 days after BCFIRB first receives your notice of appeal; however, these timelines will be dependent upon the circumstances of all the parties to the appeal.

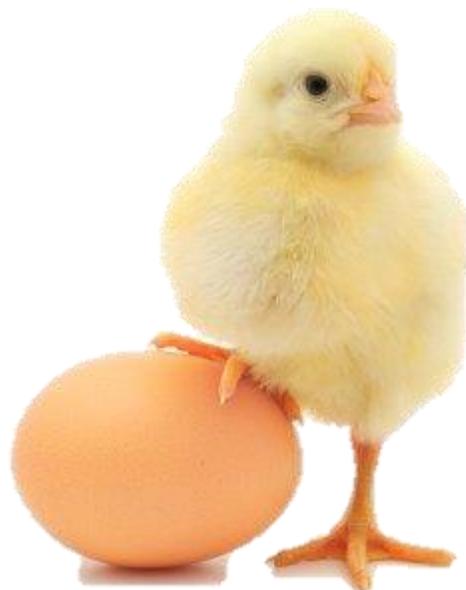
What is the Most Important Thing to Remember?

BCFIRB must receive your written notice of appeal within **30 days** of an order, decision or determination of the commodity board or commission. Failure to meet this deadline may result in BCFIRB not hearing your appeal.

How Can I Get More Information?

For further information please refer to the *Rules of Practice and Procedures*. Section 8 of the *Natural Products Marketing (BC) Act*, and the *Administrative Tribunals Act* further describe the appeal process and are available on BCFIRB's website at: www.firb.gov.bc.ca.

The standing orders of the commodity board or commission involved may also contain information.





ASSOCIATES

Financial

Ms. Lana Dueck

BMO Bank of Montreal

Legal Counsel

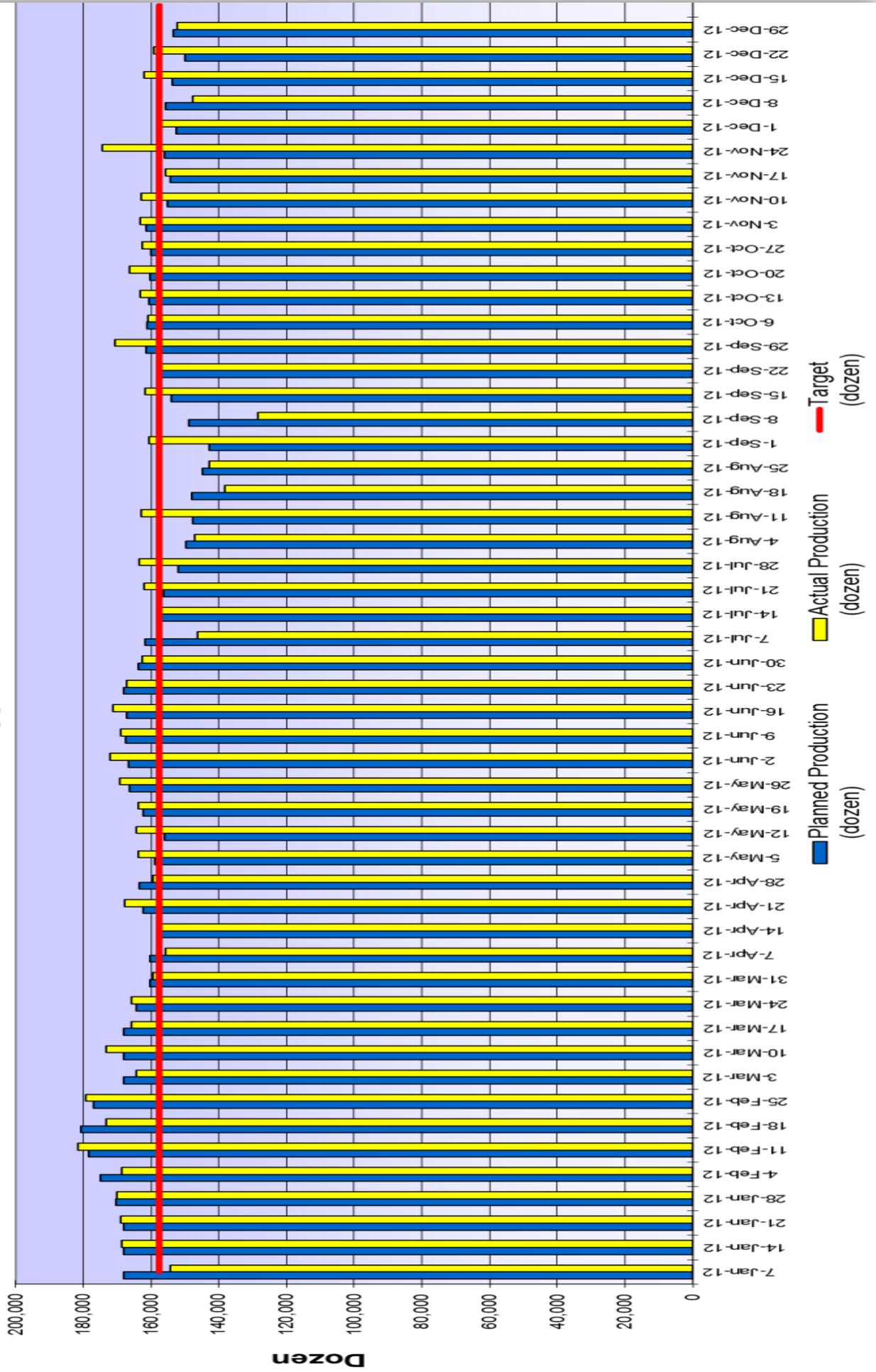
Mr. Robert Hrabinsky

Affleck, Hira, Burgoyne LLP

Auditors

David Guthrie KPMG, LLP

Egg Production



Financial Statements of
**BRITISH COLUMBIA
BROILER HATCHING EGG
COMMISSION**

Years ended December 31, 2012 and 2011



KPMG LLP
Chartered Accountants
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada

Telephone (604) 854-2200
Fax (604) 853-2756
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia Broiler Hatching Egg Commission

Report on the Financial Statements

We have audited the accompanying financial statements of British Columbia Broiler Hatching Egg Commission, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of revenues and expenditures, net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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 audits. We conducted our audits 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 our 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, we consider 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 in our audit 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 British Columbia Broiler Hatching Egg Commission as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

Abbotsford, British Columbia
May 16, 2013

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

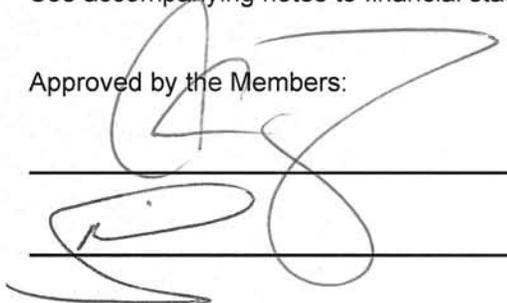
	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash and short-term deposits (note 3)	\$ 1,432,250	\$ 2,062,539	\$ 1,680,021
Accounts receivable	1,127,051	329,497	221,342
Prepaid expenses	-	-	10,000
	2,559,301	2,392,036	1,911,363
Equipment and leasehold improvements (note 4)	37,479	53,329	54,037
	\$ 2,596,780	\$ 2,445,365	\$ 1,965,400

Liabilities and Net Assets

Current liability:			
Accounts payable (note 5)	\$ 1,115,340	\$ 535,165	\$ 100,886
Due to Avian Lab (note 6)	91,921	55,832	253,533
Net assets:			
Invested in capital assets	37,479	53,329	54,037
Internally restricted (note 3)	1,179,249	1,179,249	1,179,249
Surplus	172,791	621,790	377,695
Contingency (note 9)	1,389,519	1,854,368	1,610,981
	\$ 2,596,780	\$ 2,445,365	\$ 1,965,400

See accompanying notes to financial statements.

Approved by the Members:



BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Statements of Revenues and Expenses

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Producer levies (note 7)	\$ 1,737,221	\$ 1,830,649
Non-hatching egg revenue (note 8)	485,376	489,054
Quality assurance revenue	319,097	75,086
Interest and miscellaneous	40,252	75,155
Licenses and fees	500	1,000
	<u>2,582,446</u>	<u>2,470,944</u>
Avian lab: (note 6)		
Revenues - Animal Health Lab	151,981	179,515
Expenses - Animal Health Lab	<u>(221,981)</u>	<u>(249,515)</u>
	(70,000)	(70,000)
	<u>2,512,446</u>	<u>2,400,944</u>
Expenses:		
Advertising and promotion	15,256	23,297
Amortization	8,200	10,793
B.C.B.H.E.P. Association	80,000	79,841
Canadian Hatching Egg Producers Levy	285,769	278,725
Chairman and members' per diems	174,375	141,552
Interest and bank charges	4,954	6,616
Legal and accounting	75,189	59,005
Non-hatching egg expenses (note 8)	474,161	434,832
Office and miscellaneous	30,259	33,429
Office rent	29,433	24,152
Price committee expense	10,500	15,625
Professional services	4,787	35,012
Quality assurance expenses	1,090,852	302,563
Research and development	(7,857)	41,339
SE project expenses (recovery)	5,034	(15,186)
Telephone	12,390	12,285
Travel	39,846	58,437
Wages and benefits (note 10)	<u>644,147</u>	<u>615,240</u>
	2,977,295	2,157,557
Excess (deficiency) of revenues over expenses	\$ (464,849)	\$ 243,387

See accompanying notes to financial statements.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

December 31, 2012	Invested in capital assets	Internally restricted	Surplus (deficiency)	Total
Net assets, beginning of year	\$ 53,329	\$ 1,179,249	\$ 621,790	\$ 1,854,368
Deficiency of revenue over expenses	(15,850)	-	(448,999)	(464,849)
Balance, end of year	\$ 37,479	\$ 1,179,249	\$ 172,791	\$ 1,389,519

December 31, 2011	Invested in capital assets	Internally restricted	Surplus (deficiency)	Total
Net assets, beginning of year	\$ 54,037	\$ 1,179,249	\$ 377,695	\$ 1,610,981
Excess (deficiency) of revenue over expenses	(21,283)	-	264,670	243,387
Change in investment in capital assets	20,575	-	(20,575)	-
Balance, end of year	\$ 53,329	\$ 1,179,249	\$ 621,790	\$ 1,854,368

See accompanying notes to financial statements.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ (464,849)	\$ 243,387
Item not involving cash:		
Amortization	15,850	21,283
Change in non-cash operating working capital:		
Accounts receivable	(797,554)	(108,155)
Prepaid expenses	-	10,000
Accounts payable	580,175	434,279
	(666,378)	600,794
Financing:		
Advances (from) to Avian Lab	36,089	(197,701)
Investments:		
Purchase of equipment	-	(20,575)
Increase (decrease) in cash position	(630,289)	382,518
Cash position, beginning of year	2,062,539	1,680,021
Cash position, end of year	\$ 1,432,250	\$ 2,062,539

See accompanying notes to financial statements.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

General:

British Columbia Broiler Hatching Egg Commission (the "Commission") was incorporated under an Order of the Lieutenant Governor in Council of the Province of British Columbia on October 27, 1988. The Commission's functions include setting production policy, pricing, processing and marketing of broiler hatching eggs within British Columbia. It also represents the Canadian Hatching Egg Producers in the administration of eggs in interprovincial and export trade.

On January 1, 2011, the Commission adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Commission has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There are no adjustments to net assets as at January 1, 2011 and excess (deficiency) of revenue over expenses for the year ended December 31, 2011 as a result of the transition.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. The significant accounting policies are as follows:

(a) Revenue recognition:

The Commission follows the deferral method of accounting for contributions which include levies and other revenues. Contributions for specific purposes or programs are deferred and subsequently recognized as revenue at the time the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(b) Equipment and leasehold improvements:

Equipment and leasehold improvements are recorded at cost. Amortization has been recorded as follows:

Asset	Basis	Rate
Computer hardware	Declining balance	30%
Automotive equipment	Declining balance	30%
General equipment and supplies - non-hatching egg program	Declining balance	20%
Office equipment	Declining balance	20%
Leasehold improvements	Straight-line	10 years

Amortization of \$7,650 (2011 - \$10,490) related to non-hatching egg assets is included in non-hatching egg expenses.

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Employee future benefits:

The Commission has a defined contribution plan providing pension benefits for its employees. The cost of the plan is recognized based on the contributions required to be made during each period.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Capital management:

The Commission receives its principal source of capital funds from fees and levies assessed on producers. The Commission defines capital to be net assets.

The Commission's main objective when managing capital is to manage the supply of broiler chicks to the broiler industry. The Commission manages the capital structure by making operational and financing adjustments based on available funding. Currently, the Commission's strategy is to retain a base level of net assets to fund operating expenditures.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Restricted cash:

Cash and short-term deposits is restricted as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Internally restricted	\$ 1,179,249	\$ 1,000,796	\$ 788,420
Due to Avian Lab	91,921	55,832	253,533
Cash available for operations	161,080	1,005,911	638,068
	<u>\$ 1,432,250</u>	<u>\$ 2,062,539</u>	<u>\$ 1,680,021</u>

The internally restricted fund is restricted by the members of the Commission for specific purposes.

Included in the funds due to Avian Lab of \$91,921 (December 31, 2011 - \$55,832; January 1, 2011 - \$253,533) is in a separate bank account restricted for Avian Lab expenditures in accordance with the agreement as disclosed in note 6.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Equipment and leasehold improvements:

December 31, 2012	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 64,928	\$ 51,561	\$ 13,367
Truck - non-hatching egg program	95,840	83,708	12,132
General equipment and supplies - non-hatching egg program	37,457	27,657	9,800
Office equipment	34,157	31,977	2,180
Leasehold improvements	19,278	19,278	-
	\$ 251,660	\$ 214,181	\$ 37,479

December 31, 2011	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 64,928	\$ 45,832	\$ 19,096
Truck - non-hatching egg program	95,840	78,508	17,332
General equipment and supplies - non-hatching egg program	37,457	25,207	12,250
Office equipment	34,157	31,432	2,725
Leasehold improvements	19,278	17,352	1,926
	\$ 251,660	\$ 198,331	\$ 53,329

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Equipment and leasehold improvements (continued):

January 1, 2011	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 44,352	\$ 37,649	\$ 6,703
Truck - non-hatching egg program	95,840	71,080	24,760
General equipment and supplies - non-hatching egg program	37,457	22,145	15,312
Office equipment	34,157	30,749	3,408
Leasehold improvements	19,278	15,424	3,854
	\$ 231,084	\$ 177,047	\$ 54,037

5. Accounts payable:

Included in accounts payable are government remittances payable of \$103,568 (December 31, 2011 - \$56,717; January 1, 2011 - \$8,784), which includes amounts payable for HST and payroll related taxes.

6. Due to Avian Lab:

The Commission has the authority and responsibility to conduct avian tests in the province and has entered into an agency agreement (effective April 1, 2009) with the Ministry of Agriculture and Lands. The Commission is committed to annual funding of laboratory operations in the amount of \$70,000 plus the amount of lab revenues. Any unspent surplus is payable to the lab for future expenditures.

7. Producer levies:

The total levy assessed to registered producers was 19.2 cents per dozen eggs or 2.0 cents per saleable chick from January to October 2012. The levy changed in November 2012 to 30 cents per dozen eggs or 2.5 cents per saleable chick (2011 - 19.2 cents per dozen eggs or 2.0 cents per saleable chick).

Included in the total levy is a national levy of 0.29 cents per egg set (2011 - 0.29 cents per egg set) paid or payable to the Canadian Hatching Egg Producers.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

8. Non-hatching egg program:

	2012	2011
Non-hatching egg revenue	\$ 485,376	\$ 489,054
Expenses:		
Amortization	7,650	10,490
Cooler rent	7,088	9,040
Miscellaneous supplies	13,433	6,482
Producer payments	317,412	250,062
Truck maintenance	31,065	19,439
Wages and benefits	97,513	139,319
	474,161	434,832
	\$ 11,215	\$ 54,222

9. Contingency:

The Canadian Hatching Egg Producers requires that the Commission have sufficient funds or letters of credit to cover potential future assessments of liquidated damages at 17.5 cents per egg for production greater than allocation on a province by province basis. At present, the Commission has a \$165,000 letter of credit with their bank (2011 - \$165,000). Production levels for the year ended December 31, 2012 indicate the Commission is within the allowed 1% sleeve of over production, and accordingly no draw has been required on the letter of credit.

10. Employee pension plan:

During the prior year, after reviewing the employees' wages, the Commission established a defined contribution pension plan for its full time employees. Annual contributions to the plan are based on 10% of annual salaries for each employee.