

Annual Report 2018



TURKEY FARMERS[®]
OF CANADA



*THE FORTY-FIFTH ANNUAL REPORT OF THE
CANADIAN TURKEY MARKETING AGENCY
(C.O.B. TURKEY FARMERS OF CANADA) IS
PREPARED FOR PRESENTATION TO THE
FEDERAL MINISTER OF AGRICULTURE AND
AGRI-FOOD, THE FARM PRODUCTS COUNCIL
OF CANADA AND THE TFC MEMBERS.*

Turkey Farmers of Canada

7145 West Credit Avenue, Building 1, Suite 202
Mississauga, ON L5N 6J7
Tel: (905) 812-3140
Fax: (905) 812-9326

turkeyfarmersofcanada.ca
canadianturkey.ca
facebook.com/CanadianTurkey
twitter.com/Cdn_Turkey
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instagram.com/CanadianTurkey

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Turkey Farmers of Canada (TFC) represents Canada's 500+ turkey farmers. Created in 1974 under the federal *Farm Products Agencies Act (FPAA)*, the Agency encourages cooperation throughout the Canadian turkey industry, promotes the consumption of turkey meat, and oversees the supply management system for turkey in Canada.

Mandated by federal Proclamation, TFC's 11-member Board of Directors is comprised of eight farmer-elected provincial board representatives, along with two appointed members of the primary processing sector and one from the further processing sector. Together, the Board sets national turkey production levels in response to market activity and market forecasts, as well as expectations regarding imports and competing protein and input markets, to ensure that consumers have access to a secure supply of

high-quality Canadian turkey products, and that farmers earn a fair return on their investments.

The Board provides direction to national office staff and also makes decisions on matters such as research, on-farm food safety, flock care and the promotion of Canadian turkey, all in order to further promote a strong, efficient and competitive turkey production and marketing industry (as per S.21 of the *FPAA*).

TFC operations are funded by production-level levies remitted on each kilogram of turkey marketed.

The Agency is accountable to its members and partners, and reports annually to Parliament through the Minister of Agriculture and Agri-Food Canada, and the Farm Products Council of Canada.

FARM PRODUCTS AGENCIES ACT

OBJECTS

S. 21. The objects of an agency are:

- (a) to promote a strong, efficient and competitive production and marketing industry for the regulated product or products in relation to which it may exercise its powers; and
- (b) to have due regard to the interests of producers and consumers of the regulated product or products.

OUR VISION

Turkey Farmers of Canada is recognized for its collaboration with all stakeholders in creating a sustainable turkey industry that ensures a healthy, year-round food choice for Canadians.

OUR MISSION

To promote research, knowledge sharing, efficiencies, and consumer awareness – the cornerstone of a thriving Canadian turkey industry – to contribute to the wellbeing of farmers, processors, the industry and partners.

OUR VALUES

The members of Turkey Farmers of Canada, guided by the *Farm Products Agencies Act*, S. 21, believe in:

- A national, orderly marketing system working towards growth of output and profitability for investors in the sector.
- A competitive and profitable economic model that benefits producers across Canada.
- Transparency of farm management practices, meeting the highest standards for health, safety, and animal welfare.
- Keeping pace with ongoing competitive changes in the Canadian marketplace.
- Satisfying the evolving expectations of the Canadian consumer through innovation and excellence in turkey production and processing, providing a high-quality and safe product to consumers at a fair price.
- An organization that operates ethically, respectfully, with integrity, and valuing employees, partners, and stakeholders.

PRINCIPLES OF GOVERNANCE

The following principles guide TFC's efforts in fulfilling its mandate in a manner that is professional, efficient and transparent:

1. Manage a viable supply management system that provides market stability, encourages growth and investment, and maintains profitability for stakeholders.
2. Administer a supply management system that remains flexible enough to address changing markets, competition, and societal demands.
3. Operate under a disciplined governance model, while maintaining anti-deferral strategies, underpinned by training and orientation sessions for both the Board and staff, together with clear succession plans.
4. Maintain a strong, transparent management team, and secure financial status for Agency operations.
5. Continue to build on strong, positive relationships with each member organization and signatories to the *Federal-Provincial Agreement (FPA)*.
6. Promote an innovative and efficient industry through increased value per bird for producers and processors, due to increased value added for consumers.
7. Be equipped with emergency response plans and resources in the event of a bird health crisis or other critical or emerging issue.



*DELIVERING VALUE
ON THE FARM AND
BEYOND*



The challenges of 2018 were significant. Trade deals that will provide a considerable increase in access to our domestic market under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Canada-United States-Mexico Agreement (CUSMA) will have a detrimental impact on the Canadian turkey sector. The Canadian turkey market has been lacklustre for the past three years, although stock inventories moved in the right direction over 2018.

Changing circumstances required action. Our Board of Directors is adapting to the shifting market with the approval of a strategic plan that includes a proactive campaign in partnership with the processing sector to reach new consumers and strengthen the turkey sector value chain. The five-year national marketing campaign is designed to increase overall consumption by:

- Encouraging Canadians to think of turkey year-round to drive consumer demand;
- Growing the presence of turkey on retail shelf spaces;
- Enlisting influential allies to promote turkey;
- Demonstrating the ease and convenience of turkey meals;
- Raising awareness and educating Canadians about the benefits of turkey; and
- Appealing to new and evolving demographic markets.

The investment in future growth, cost-shared equally by producers and primary processors, will be a marketing program to complement those of provincial marketing boards and turkey processing companies. Zeno Group Inc. has been retained as the marketing agency of record.

We are well positioned to expand and meet the appetite for Canadian turkey across our nation. A rising tide will raise all ships across our value chain.

Our industry has been creative in providing new turkey products that appeal to smaller families and people looking for a meal that can be conveniently prepared. We need to meet the foreign import challenge head on and grow our market well beyond holiday traditions by encouraging Canadians to "think turkey" as meals are planned, and increase public awareness of the high nutritional value of turkey, as well as the high quality, mandatory standards by which they are raised.

I am honoured and privileged to be the Chair at Turkey Farmers of Canada, since March 2018, following Mark Davies of Nova Scotia who served as chair for 11 years. I thank him for his accomplishments and contribution, and look forward to continuing to work with a Board passionately committed to a thriving turkey industry.

Respectfully submitted,



Darren Ference
Chair





DARREN FERENCE
Chair
Alberta



CALVIN MCBAIN
Vice Chair
Quebec



BRIAN RICKER
Executive Member
Ontario



VIC REDEKOP
British Columbia



JELMER WIERSMA
Saskatchewan



RACHELLE BROWN
Manitoba



BERTIN CYR
New Brunswick



STEVEN EADIE
Nova Scotia



DOUG HART
Canadian Poultry
and Egg Processors
Council (CPEPC)



MICHEL P  PIN
Canadian Poultry
and Egg Processors
Council (CPEPC)



ADAM POWER
Further Poultry
Processors
Association of
Canada (FPPAC)

ALTERNATE DIRECTORS

Les Burm, British Columbia
Scott Olson/David Mandel, Alberta
Todd Clarke/Aaron Janzen, Saskatchewan
Steve Hofer, Manitoba
Matt Steele, Ontario
Andr   Beaudet/Guillaume C  t  , Qu  bec

Joshua Hayes/Hugo Therrien, New Brunswick
Marc Sproule, Nova Scotia
Wayne Urbonas, CPEPC
Jamie Falc  o/Tony Tavares, CPEPC
Kohl Horbow, FPPAC

Nominating Committee

Doug Hart, Chair
Rachelle Brown, Director
Jelmer Wiersma, Director

Audit & Finance Committee

Calvin McBain, Chair
Rachelle Brown, Director
Jelmer Wiersma, Director

Managers' Committee

Sonya Lorette, NS
Louis Martin, NB
Marie-Ève Tremblay, QC
Ryan Brown, ON
Helga Wheddon, MB
Cinthya Wiersma, SK
Maryann Urbanowski/Cara Prout, AB
Michel Benoit, BC

Research Committee

Rachelle Brown, Chair
Steven Eadie, TFNS
Vic Redekop, BC (CPRC)
Wayne Urbonas, CPEPC

Turkey Market Advisory Committee

Sateesh Ramkissoonsingh, Chair
Robert de Valk, FPPAC
John Groenewegen, Third-Party
Market Analyst
Nicolas Paillat, CPEPC
John Sheldon, TFC

On-Farm Programs Committee

Vic Redekop, Chair
Scott Olson, AB
Matt Steele, ON
Jennifer Paquet, QC
Lori Ansems, NS
Wayne Urbonas, CPEPC

Supply Policy Committee

Calvin McBain, Chair
Brian Ricker, Eastern Region
Bertin Cyr, Eastern Region
Rachelle Brown, Western Region
Vic Redekop, Western Region
Doug Hart, Processor Representative
Adam Power, Processor Representative

TFC Allocation Policy Review Committee

Darren Ference, Chair
Bertin Cyr, NB
Calvin McBain, QC
Scott Olson, AB
Michel Benoit, BC
Helga Wheddon, MB
Jelmer Wiersma, SK
Adam Power, FPPAC
Nicolas Paillat, CPEPC
Wayne Urbonas, CPEPC
Tony Tavares, CPEPC
Steven Eadie, NS
Matt Steele, ON

National Marketing Working Group

Calvin McBain, QC
Brian Ricker, ON
Vic Redekop, BC
Tony Tavares, CPEPC
Craig Evans, CPEPC
Adam Power, FPPAC
Nicolas Paillat, CPEPC
Mathieu Turcotte, CPEPC
Phil Boyd, TFC
Janice Height, TFC
Celia de Grave, TFC

EXTERNAL APPOINTMENTS

Canadian Federation of Agriculture

Brian Ricker, Director
Calvin McBain, Alternate Director

Avian Biosecurity Advisory Council

(As required)

National Farm Animal Care Council

Lori Ansems

Canadian Poultry Research Council

Vic Redekop, TFC Director

Animal Care Assessment Framework (ACAF)

Vic Redekop
Lori Ansems
Greg Lansink
Jennifer Paquet
Darren Kornelson
Greg Morrison
Joni Rynsburger
Dr. Karen Schwean-Lardner
Kaley Pugh
Dr. Ben Schlegel
Henry Kanters
Wayne Urbonas

Poultry Sustainability Value Chain Roundtable

Brian Ricker

AFFILIATIONS

Turkey Research & Resource Bureau

Darren Ference, Chair
Vic Redekop, BC
Scott Olson, AB
Jelmer Wiersma, SK
Rachelle Brown, MB
Brian Ricker, ON
Calvin McBain, QC
Bertin Cyr, NB
Steven Eadie, NS

MEMBERSHIPS/PARTNERSHIPS

Agriculture More Than Ever
Canadian 4-H Council
Canadian Agricultural Hall of Fame
Canadian Federation of Agriculture
Canadian Federation of Independent Grocers
Canadian Poultry and Egg Processors Council
Canadian Poultry Research Council
Canadian Supply Chain Food Safety Coalition
Farm & Food Care Canada

Further Poultry Processors Association of Canada
National Farm Animal Care Council
National Farmed Animal Health and Welfare Council
National Turkey Federation (US)
Nutrient Rich Foods Alliance
Poultry Industry Council
Restaurants Canada
World's Poultry Science Association – Canada

STAFF

Phil Boyd
Executive Director

Janice Height
Director - Corporate Services

Sateesh Ramkissoonsingh
Manager - Policy & Trade

John Sheldon
Manager - Markets Information

Mark Kotipelto
Senior Policy Analyst

Elise Mereweather
Policy & Data Administrator

Celia de Grave
Manager - Consumer Communications

Alan Sakach
Manager - Corporate Communications

Malenka Georgiou
Associate Manager - Technical Affairs,
On-Farm Programs, Certified PAACO
Poultry Welfare Auditor

Caroline Gonano
Associate Manager - Technical Affairs,
Science & Regulation, Certified PAACO
Poultry Welfare Auditor

Mabel Seto
Finance Administrator

Lorna Morris
Executive Services Administrator

Cathy Lane
Corporate Services Administrator

Charles Akande
Canadian Dairy, Poultry and Egg
Producers' Representation to the WTO
Geneva, Switzerland



STAFF MISSION STATEMENT

AS A TEAM, WE ARE COMMITTED TO PROVIDING SERVICE AND SUPPORT TO THE TFC MEMBERS, TURKEY FARMERS, INDUSTRY PARTNERS AND CONSUMERS WITH ACCOUNTABILITY AND INTEGRITY. TOGETHER, WE ARE DEDICATED TO BEING PROUD AMBASSADORS OF CANADIAN TURKEY.

We are pleased to submit to the members of the Turkey Farmers of Canada, the Minister of Agriculture and Agri-Food Canada, and the Farm Products Council of Canada, the 45th annual report of the Turkey Farmers of Canada (TFC). 2018 was a milestone year on a number of priorities and challenges on TFC's agenda. The key results accomplished over the year are included in this report.

Below are specific highlights on some notable items, each of which speak to the manner in which the Executive Committee, Board of Directors, and the general membership, are together meeting the TFC's mandate as per Section 21, of the *Farm Products Agencies' Act*.

Quota System:

I. Setting quota volumes in 2018 continued to be challenging, focussing on levels that would create a drawdown in inventories. The results of the last three years of setting lower-than-wanted volumes is evident in reduced inventory levels. While that is good news, the market continues to be lacklustre as the consumer dynamic is shifting, which the TFC Board is addressing with our partners.

II. The National Commercial Allocation Policy Review has been rigorous and will be ongoing in 2019. The current Policy has been in place for more than 10 years. Some modifications have been made over the years, including some augmenting measures implemented in 2018. There will be more to follow in 2019.

III. The first year of the application of the Specified Procedures on reporting and record retention in the Agency office, Provincial Board offices, and primary processing establishments was successfully completed by audit firm Grant Thornton, that undertook the process. We appreciate the cooperation of all involved parties and look forward to their ongoing cooperation going forward.

Consumer Outreach:

Section 22 1) d), of the *Act* provides that the Agency "may undertake and assist in the promotion of the consumption of the regulated product". Please note the positive results shown later in the report with Canadian consumers and partners, after the last few years of focussed activity. There has been significant progress. At the end of 2018, the TFC Board, after months of work and deliberation, approved an innovative national marketing initiative co-funded equally by farmers and processors.

This is an investment: the Canadian consumer is changing; the market has been less than buoyant; we expect the new Canada Food Guide to lead Canadians unnecessarily away from meat protein. This decision represents a cost to the industry partners, but a necessary one for the longer-term vitality of the sector. It is a big, bold imperative.

Farm Programs:

I. TFC received full Federal/Provincial Recognition under the Food Safety Recognition Program, for the development, implementation and management of the TFC On-Farm Food Safety Program[®]. Achieving this recognition is an extensive process and TFC is only the fourth national group to be so recognized. A word of congratulations is due to our staff leaders in on-farm programming, the TFC On-Farm Programs Committee, the TFC Board, and each of our Provincial Board colleagues: this is another milestone of 2018.

II. Implementation of the On-Farm Food Safety and Flock Care Programs has proceeded. Third party audits of the Flock Care Program implementation have been in place for two full years. The TFC AMU strategy continues in 2019. Each of these present another important element in maintaining the public trust in the domestic turkey sector. These programs tend to land on farmers' shoulders and add a certain load to the farm community. Again, looking to the future and the expectations of consumers, we need a long-term view. We are pleased with the way the programs have been embraced and, quite proud of Canadian turkey farmers for moving progressively forward.

Advocacy:

Our advocacy has up-ticked over the last several years and remains a high priority emerging from the Directors' Business Planning deliberations held in April and September 2018, and with good reason. Food Guide developments, the Safe Food for Canadians regulations, work with associates on anti-microbial strategies, trade negotiations and agreement implementation terms are amongst the more important areas of advocacy and consultation. Members of the Executive Committee and staff engagement has typically been high, but it lifted in 2018. It will continue to do so in 2019, particularly as we focus together on the commitments to mitigation measures from the federal government, given the negative implications of the CPTPP and the new NAFTA. Moreover, as negotiations advance in other areas, TFC and the other supply management groups need a commitment that there will be no more give-aways of market access.

Please read through this report in its entirety. We are open-doored here at the TFC office and welcome any comments or questions. Please feel free to connect with us.

As Chair Darren Ference noted in his letter, our immediately preceding Chair, Mark Davies, stood down in 2018 after 11 years as Chair and 21 years of involvement at TFC in one capacity or another. My colleagues and I want to thank Mark for his hard work and commitment over those years and wish him the very best in the years ahead.

Finally, as much as we had a productive 2018 with the direction of the TFC Board and the guidance of relatively newly elected leadership, we are committed as organization staff to further advancing the interests of TFC members and the sector in 2019.

Respectfully submitted, on behalf of my TFC office colleagues,



Phil Boyd
Executive Director



Supporting Canadians

Food Banks
Canada



TFC has proudly partnered with Food Banks Canada since 2009, providing more than \$500,000 to make a difference in Canada's rural communities.

Additional contributions from Provincial Turkey Boards (BC - \$500; AB - \$3,000; SK - \$1,000; MB - \$500; NB - \$1,000) on top of TFC's \$10,000 donation mean that \$16,000 provided turkey meals to Canadians living with food insecurity in 2018.

THE WORD IS OUT ON TURKEY!

In 2018, TFC continued to raise the profile of its Canadian Turkey and Canadian Raised Turkey brands. The goal was threefold: to create awareness and educate consumers about turkey as a tasty, nutritious and versatile meat protein for special occasions and everyday; to encourage purchase in-store; and, to educate consumers on the farming standards of turkey in Canada.



Under the banner of versatility, we continued the dialogue with consumers, messaging about:

- Turkey as the centrepiece for all special occasions, not just Thanksgiving and holidays.
- The variety and availability of turkey cuts.
- Turkey's flexibility as an easy sub-in for everyday meals whether breakfast, lunch or dinner.
- Turkey's adaptability to any flavour profile.
- Turkey as an economical choice for meal planning and leftovers.

In addition to its unique taste, 2018 messaging also focussed on education about turkey's nutritional properties. Through monthly blog posts, our dietitian of record Shannon Crocker, MSc, RD covered all the ways in which turkey is a lean, nutrient-rich meat protein option for everyday living.



Canadianturkey.ca

THE go-to-resource for all things turkey



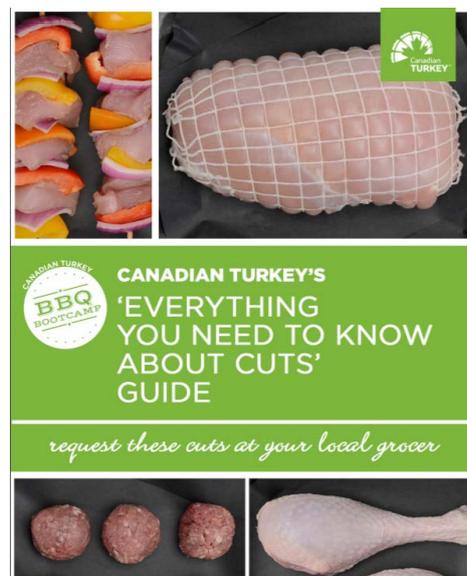
The Canadian Raised Turkey logo was featured alongside brand labels such as:

Grannys, Yorkshire Valley Farms, McSweeney's, Smoke's Poutinerie and Chefs Plate.

Social media was the driver for reaching out to consumers in 2018, but we did things a little differently. While we kept our seasonal approach to programs in order to position turkey in the minds of consumers all year long, we armed our influencer partners with key messaging, practical meal prep solution tools they could share with their communities and created a substantial body of new and on-trend recipes and videos they could choose from. New in 2018 was the development of tools offering consumers meal prep solutions, like our series of Canadian Turkey's own make-at-home spice blends, sauces and marinating tips.

The enviable position turkey holds as a star for special occasions and its versatility day-to-day was well demonstrated with:

- 7 new whole bird recipes
- 12 monthly newsletters featuring 12 new recipes
- 12 new recipe videos shared on social media
- 18 new recipes developed for our various programs
- 40 new turkey recipes developed and shared by our influencers with their communities
- 6 new seasonal cooking guides
- 11 new resource assets
- 12 new nutrition focussed blog posts
- 5 new seasonal cooking guides
- 4 program polls to blogger communities
- 18 contests



Seven (7) seasonal influencer programs were executed throughout the year with an average of 12 blogger communities per program, and through various social media platforms including: Facebook, Twitter, Instagram, YouTube and Pinterest.

Nutrition (January and February) – “Cooking wholesome turkey at home”

Spring (March and April) – “Turkey a centrepiece for your table for any occasion”

Summer BBQ Bootcamp Series (May through August) – “Grilling options for whole and turkey cuts”

Back to School (mid-August to mid-October) – “Everyday meals, lunches, snacks and dinners”

Thanksgiving (September and October) – “Celebrate Canadian Turkey Month”

Holiday (November and December) – “Entertaining with Turkey”

South Asian (June – August and December 2018) – “Try Turkey”



In addition to monthly contests, TFC ran four (4) weekly contests in both July and October. In total, the contests generated a total of 95,943 entries and 199,167,325 hashtag impressions, which directly supported subscriptions to the “Get Cooking with Canadian Turkey” eNewsletter.

Canadianturkey.ca saw an increase of 71% and 88% respectively in new and return users to the site. Results also show that consumers are not only reaching out organically but that the traffic is also generating from our blogger communities and mainstream social media platforms making **canadianturkey.ca** a recognized go-to resource.

Promotions and Partnerships

Dietitians of Canada

TFC sponsored the Dietitians of Canada 2018 national conference in Vancouver. Shannon Crocker, MSc RD, TFC's nutrition spokesperson, and Jill Wheaton, RD represented TFC "Talking Turkey" to over 700 participants at the conference.



Chefs Plate

TFC partnered with Chefs Plate, the largest national meal kit service delivering to over 450,000 households monthly.

The Canadian Raised Turkey brand was featured on **chefsplate.com** partners page (commencing mid-April) and was included on each turkey SKU product shipped to customers, to a total of almost 70,000 SKUs sold (commencing August).



Weight Watchers & Subway

Our promotion with Weight Watchers (WW) featured the Canadian Turkey brand in the new Freestyle® Guide with two members' eNewsletters extolling the virtues of leftovers and lean, versatile turkey meat.



Canada Bread, Walmart and Sopexa Avocados

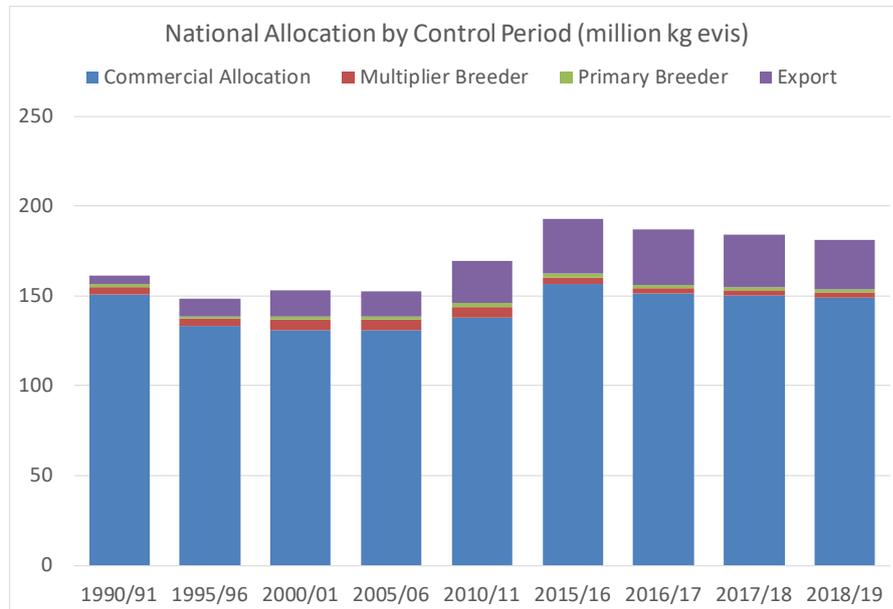
This co-partnership ran nationally from May to August under the "Better Together" campaign, which included 410 in-store displays with couponing and a targeted digital campaign on **walmart.ca**. 1.84M impressions were tallied with an eFlyer, which generated over 6.4M views, 15K clicks and 9,123 add-to-shopping list for all products. The ground turkey SKU generated 30% of the total clicks and 18% of the total add-to-shopping list categories.





Policy

Pursuant to its Marketing Plan, Turkey Farmers of Canada annually establishes a quota system by which federal quotas (for interprovincial and export trade) are assigned to all producers to whom provincial quotas (for intra-provincial trade) are assigned by the appropriate provincial Commodity Board. The quotas assigned by the Agency originate from the administration of four allocation policies: National Commercial Allocation Policy, Export Policy, Primary Breeder Policy and the Multiplier Breeder Policy.



National Commercial Allocation Policy

A review of the Policy initiated in the fall of 2016 continues to advance at a steady pace. The Review Committee, which includes member representation from all eight provinces and the two processor associations, tabled a number of preliminary recommendations in June. One of those recommendations, to verify that further processed (FP) commercial allocation requests are used for their intended purpose, was implemented by the TFC Directors commencing with the 2018/19 control period. The Review Committee is currently in the process of drafting a number of final recommendations, stemming from its June report and the work undertaken to the end of November. It is anticipated that the TFC Directors will provide an amended mandate to the Review Committee early in 2019.

Multiplier Breeder Policy

TFC, in response to questions about the Policy's foundations and objectives, mandated in September 2017 that a comprehensive consultation and review process be conducted by the Agency's Supply Policy Committee (SPC). The Committee tabled its final report in November, noting that no factors had been identified that would warrant an amendment to the Policy at that time. The Committee did recommend that TFC look further at the Policy to ensure it will allow the multiplier breeder industry to expand and evolve in a sustainable manner, and that any potential for industry expansion under the Policy be consistent with orderly marketing.

Primary Breeder Policy

Initially slated for review in 2017-18 by the SPC, it was postponed pending completion of the Multiplier Breeder Policy review. A comprehensive stakeholder engagement with the industry is foreseen in 2019 to better understand the immediate and long-term opportunities and threats faced. A comprehensive understanding of where the industry is going is seen as a prerequisite to initiating a Policy review.

Export Policy

A complaint was made to the Farm Products Council of Canada (FPCC) in 2017 regarding amendments made in March 2016 to Section 2 of the Policy (Production for Export Markets), which were effective with the 2016/17 control period. An in-person hearing was held July 17, 2018, with the Complaint Committee's decision posted on the FPCC's website on October 30, 2018. The Council dismissed the complaint after the recommendation of the Complaint Committee.

Trade Negotiations

In order to ensure that the three pillars of supply management – production planning, import controls and producer pricing – are not undermined, TFC in collaboration with the chicken, egg and dairy sectors monitors and engages with federal officials on the free trade negotiations into which Canada enters.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): After the U.S. pulled out from the Trans-Pacific Partnership (TPP) in early 2017, the remaining 11 member countries agreed in principle on January 23, 2018 to a revised trade agreement. The CPTPP agreement was signed March 9, 2018 and implemented on December 30, 2018. The signatories of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam represent 494 million people and 14 per cent of the world's economy. In the case of turkey, the new CPTPP tariff rate quota (TRQ) results in a market access increase of 71.0 per cent or 4.0 Mkg, which is expected to be filled by Chilean exports once that country ratifies the agreement.

Under the original TPP agreement, the Canadian government of the day had committed to support mitigation measures and remedies for trade irritants. The current government on October 29, 2018 announced a new working group comprised of poultry and egg farmers, processors and government officials to develop strategies to fully and fairly support farmers and processors, and discuss support to reflect the impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This working group initiated its work in early December and is expected to table its recommendations and findings with the Minister of Agriculture and Agri-Food Canada in early 2019. TFC's representation on the working group consists of TFC Chair Darren Ference, Executive Member Brian Ricker as an Alternate, and Saskatchewan Director Jelmer Wiersma, along with senior TFC staff.

Renegotiation of the North American Free Trade Agreement (NAFTA): Canada and the United States reached an agreement to modernize bilateral trade, within their trilateral arrangement with Mexico, on September 30, 2018.

The new trilateral deal, called the Canada-United States-Mexico Agreement (CUSMA) by Canada; United States-Mexico-Canada Agreement (USMCA) by the U.S., and Tratado México-Estados Unidos-Canadá (TMEUC) by Mexico, was signed by the three countries on November 30, 2018.

Under CUSMA, the market access commitment calculation for turkey will be modified. The agreement will result in a 29% increase in new market access for the U.S. into Canada and allow the U.S. to export an additional 1,000 metric tonnes (1.0 Mkg) of turkey products each year for the next 10 years above current access levels, with potentially more in the future.

As there will be an impact on domestic production, the mandate of the new working group announced by the government includes the development of strategies to fully and fairly support farmers and processors to help them adjust.

World Trade Organization (WTO): Since Ambassador John Deep Ford of Guyana was appointed as the new Chair of the WTO farm trade talks in April, agriculture talks were held on export subsidies, market access and domestic support, which comprise the three key pillars of the agricultural negotiations.

Although it has been very difficult to reach a multilateral agreement on agriculture since the WTO commenced the Doha Round negotiations in 2001, there appears to be an increased sense of urgency to make meaningful progress between now and the next Ministerial meeting scheduled for June 2020 in Kazakhstan (Central Asia). In this regard, the WTO negotiations will bear close scrutiny by TFC as the negotiations proceed on such matters as: tariff reduction formulas, tariff simplification, tariff peaks, TRQs, tariff escalation and the Special Agricultural Safeguard (SSG), each of which may have an impact on the supply management system in Canada.

JOINT ANNUAL RECEPTION (JAR)

Turkey Farmers of Canada and industry partners raised awareness of the value and contributions of supply management to Canada by meeting with federal Members of Parliament, Senators and government staff at the SM4 Joint Annual Reception in Ottawa on March 21st. The event was co-hosted by TFC, Chicken Farmers of Canada (CFC), Egg Farmers of Canada (EFC), and the Canadian Hatching Egg Producers (CHEP).



The Hon. Scott Brison, President of the Treasury Board, delivered remarks at the Joint Annual Reception after being greeted by the poultry sector Chairs.

FEDERATION OF CANADIAN MUNICIPALITIES (FCM)



Nova Scotia turkey farmer Lori Ansems greeted delegates arriving for a farm tour during the FCM Conference.

The same groups, along with Dairy Farmers of Canada, joined together again at two prominent events to celebrate Canadian food and raise awareness of how supply management benefits everyone in the value chain from producer to consumer.

For the sixth year in a row, TFC worked with our supply-managed partners to host an industry-themed booth at the Federation of Canadian Municipalities (FCM) Annual Conference and Trade Show.

This year's conference in Halifax, from May 31st to June 2nd, had the highest attendance ever with approximately 2,000 senior municipal officials from across Canada present.

DOWNTOWN DINER

The annual Downtown Diner in Ottawa drew a large attendance, including the Prime Minister, the Minister of Agriculture and Agri-Food Canada, and more than 40 MPs from all political parties.

TFC's Manitoba Director, Rachele Brown, participated in a discussion with the Prime Minister on Canada's relationship with the U.S. with regard to supply management.



TFC Director Rachele Brown highlighted the importance to Canada of protecting supply management during trade negotiations.

CANADIAN TURKEY FARMERS CONTINUED TO EARN THE TRUST OF CANADIANS WITH RESPECT TO FOOD SAFETY, QUALITY AND ANIMAL CARE IN 2018 AS PROGRAMS, STANDARDS AND PRACTICES WERE DILIGENTLY FOLLOWED AND ENHANCED.

TFC On-Farm Programs

Implementation of the mandatory TFC On-Farm Food Safety Program® (OFFSP) and Flock Care Program® (FCP) continued in 2018 across provinces. Ninety-seven (97) per cent of commercial turkey farmers were certified under the TFC OFFSP and FCP by December 2018.

Over the course of 2018, TFC worked on updating the TFC On-Farm Programs Producer Manuals that reflect changes made to align the TFC Flock Care Program® with the new Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys. The content of the new manuals will be streamlined and include additional edits to strengthen the biosecurity and animal health requirements of the TFC On-Farm Food Safety Program®.

Program binders for both commercial production and turkey breeders will be re-published, with their release expected early in 2019. The updated program versions will also become available on the TFC On-Farm Programs Portal (tfconfarmprograms.ca). The target implementation dates are June 30 and December 31, 2019 for the new commercial turkey and turkey breeder programs, respectively.

In September 2018, the TFC Board of Directors approved changes to the TFC On-Farm Programs audit cycle, aiming to increase the credibility of the TFC On-Farm Programs audit and certification system. The new cycle will be a two-year cycle consisting of full audits and records review audits. It will be implemented across provinces in 2019, and replace the current TFC audit cycle, which is a combination of full, partial, record review and self-declaration audits.

Additional activities related to the TFC On-Farm Programs in 2018 included:

- training of new on-farm auditors, provincial program administrators and certification agents;
- witness audits of current on-farm auditors; and,
- internal audits of two provincial program administrators and the TFC national office.

Funding for the TFC On-Farm Programs has been provided under Growing Forward 2 and the Canadian Agricultural Partnership, a federal, provincial, territorial initiative.



Full Government Recognition for the TFC On-Farm Food Safety Program®

In April 2018, Turkey Farmers of Canada received full government recognition for the TFC On-Farm Food Safety Program® (OFFSP) under the Food Safety Recognition Program (FSRP). The process entailed a full system audit by a third-party audit provider and subsequent review of the audit results by the Canadian Food Inspection Agency (CFIA) and participating federal, provincial and territorial (FPT) governments, to verify the effective implementation of the TFC OFFSP and its management system.

The recognition serves as a formal declaration that the TFC On-Farm Food Safety Program®:

- Meets the requirements of the FSRP;
- Is technically sound in that it promotes the production of safe food at the farm level and adheres to Hazard Analysis Critical Control Point (HACCP) principles; and,
- Supports the effective implementation, administration, delivery and maintenance of this technically sound food safety program.

With full recognition, TFC is able to demonstrate national consistency in terms of on-farm food safety practices and provide added assurances regarding the implementation of the TFC OFFSP.

TFC would like to thank Agriculture and Agri-Food Canada for its funding contribution under Growing Forward 2, used towards the costs associated with the full recognition process.

TFC On-Farm Programs Portal

New information was added to the TFC On-Farm Programs Portal over the course of 2018. The Portal (tfconfarmprograms.ca) is designed as a tool for farmers, on-farm auditors and Provincial Boards to access essential information and help implement the TFC On-Farm Programs. It provides the ability to complete program forms online and is compatible with smartphones and tablets.

The site hosts the electronic version of:

- TFC On-Farm Programs
- Turkey Farming Info Sheets
- Research Resources
- Information on Disease and Flock Health
- Medication References
- Antimicrobial Use Resources
- Industry Statistics

Third-Party Audits for the TFC Flock Care Program® (FCP)

Third-party audits for the TFC Flock Care Program® (FCP) continued in 2018 through NSF Canada Agricultural Certification Company, an internationally-recognized, third-party certification body with Professional Animal Auditor Certification Organization (PAACO) certified auditors. Third-party audits were initiated to demonstrate transparency and provide further assurance to retailers, restaurants, and consumers that turkeys in Canada are raised humanely, and that the TFC FCP is an effective national standard to represent animal care on-farm. The third-party audits are on-farm verification audits, which are carried out in addition to annual provincial certification audits and represent a statistically valid random sample of farms across Canada.

It was concluded by third-party auditors that:

1. The National Flock Care Program has been implemented effectively and maintained on an on-going basis. Animal Care measures have been consistently applied.
2. No instances of willful acts of abuse were observed.

Animal Care Assessment Framework

TFC completed the revisions to the TFC Flock Care Program® (FCP) using the National Farm Animal Care Council (NFACC) Animal Care Assessment Framework (ACAF). The process was used to align the TFC FCP with the Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys (2016), and to add turkey breeders to the scope of the TFC FCP to ensure complete coverage for animal care on turkey farms across Canada and for all Canadian turkey meat entering the market.

The ACAF provides a credible, nationally coordinated process for developing or updating animal care assessment programs based on the Codes of Practice. The TFC FCP update was undertaken with a diverse range of stakeholders, including turkey farmers (commercial and breeder), auditors, researchers, veterinarians, retailers, processors, genetics companies, Provincial Board staff, and animal welfare group representation.

In June 2018, the TFC FCP received the support of the NFACC and recognition of the use of the NFACC ACAF process. NFACC conducted a review of the Programs against the Code of Practice and the principles of the ACAF process.

TFC would like to thank Agriculture and Agri-Food Canada for its funding contribution under Growing Forward 2 used towards the costs associated with the ACAF process.



Catching and Loading

In 2018, a Turkey Load-Out Report was approved by the TFC Board of Directors to ensure consistent application of oversight of the catching and loading process across the Canadian turkey industry. The Load-Out Report collects information on the catching crew, barn and flock conditions, and reviews the catching and loading process. As of January 2019, the Load-Out Report is mandatory, filled out for each flock shipment, submitted to the processor and kept on file for review during annual TFC FCP audits.

Canadian Poultry Research Council (CPRC)

In 2018, CPRC submitted the poultry science cluster application to Agriculture and Agri-Food Canada (AAFC) under the Canadian Agricultural Partnership (CAP) AgriScience Program. The application consisted of 30 projects that address CPRC member priorities covering antimicrobial stewardship, food safety, poultry health and welfare, and sustainability. As part of the Cluster, a knowledge translation and transfer (KTT) component has been included to help ensure that research results reach the industry.

Also in 2018, CPRC updated the CPRC Sponsorship Program to include a graduate student scholarship component to increase company interest in supporting CPRC. Scholarship funds are part of the sponsorship and are named after the sponsor and address a specific topic area.

Antimicrobial Use (AMU) and Resistance

The Canadian turkey industry continued work in 2018 towards the implementation of the strategy for the reduction of antibiotic use across the industry that still focuses on preserving options to maintain health and welfare of turkeys. A strong turkey industry reduction strategy is important to uphold and build consumer confidence in Canadian turkey and to meet the needs of government, processors, retailers, and restaurants.

The strategy has set timelines to eliminate the preventive use of antibiotics important in human medicine by eliminating the preventive use of Category II antibiotics by the end of 2018 and Category III antibiotics by the end of 2019. The strategy builds on the current Category I initiative, in place since 2014. To ensure the well-being of birds, the strategy will permit the use of all categories of antibiotics for treatment and the use of ionophores (Category IV antibiotics: not used in human medicine) and chemical coccidiostats. The strategy will be enforced through the TFC OFFSP.

To help facilitate the implementation of the Strategy, TFC worked in 2018 to develop communication tools to distribute to industry stakeholders. The *Guidelines for Antimicrobial Use in Turkey Production* were developed in consultation with a range of poultry veterinarians and provide background on AMU and AMR, the AMU Strategy, and roles within the Strategy. The Guidelines provide clarity to the definitions for disease prevention and treatment, outline common flock health situations on-farm, and management

tools to aid with implementation. TFC also developed a presentation providing an overview of the strategy. The presentation was made available to Provincial Boards to use to communicate in their province. TFC also travelled to a number of provinces to deliver the presentation. The presentation outlined background information on antimicrobials and the spread of resistance, the need for an AMU strategy, the details of the strategy, and moving forward with implementation.

In addition, TFC put efforts into communicating the December 1, 2018 regulatory and policy changes by Health Canada to ensure that turkey farmers were prepared for the changes. One of the changes is the move to prescription status for medically important antimicrobials (Category I, II and III), which aims to promote the responsible use of antibiotics in animals to address the risk of antibiotic resistance. Farmers are now only able to purchase medically important antimicrobials with a prescription from a veterinarian, a pharmacist, or as a medicated feed from a feed mill.

Surveillance activities for turkey continued through the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) of the Public Health Agency of Canada (PHAC). The data generated from on-farm and retail surveillance, highlight the importance of turkey-specific surveillance in informing and monitoring the effectiveness of industry initiatives.

TFC Involvement in Regulatory Modernization and Policy Initiatives

TFC monitored and contributed to several regulatory and policy initiatives consultations, including:

- Fee Proposal for Drugs and Medical Devices
- World Organization for Animal Health (OIE) Avian Influenza Chapter
- Enhancing Openness and Transparency at the CFIA
- Proposed Safe Food for Canadians Regulations
- Veterinary Drugs Regulatory Modernization
- Proposed changes to Health of Animals Regulations regarding animal transportation
- Renewal of the Canadian Feeds Regulations
- Initiatives to revise Canada's food labelling system
- Review of the Canadian Hatchery Regulations

TFC remained involved in the joint government-industry Working Group on the Control of Salmonella and Campylobacter in Poultry, which focuses on developing action plans to reduce Salmonella and Campylobacter in live poultry and poultry products, as well as the Avian Biosecurity Advisory Council (ABAC) Committee, who undertook a review of the National Avian On-Farm Biosecurity Standard for re-publication in August 2018. TFC also continued its participation in the Poultry Sustainability Value Chain Roundtable Research Coordination and AMR/AMU Working Groups, and in the Canadian Animal Health Surveillance System (CAHSS).

TFC welcomes CFIA's and Health Canada's efforts to streamline and update existing regulations and policies, and is committed to maintain its engagement as the various initiatives further progress.

Domestic Disappearance

Domestic disappearance of turkey in 2018 was 155.4 Mkg, an increase of 0.2 million kg from 2017.

Periodic Stocks, Supply and Disappearance of Turkey Meat in Canada
(Calendar year, millions of kg, eviscerated)

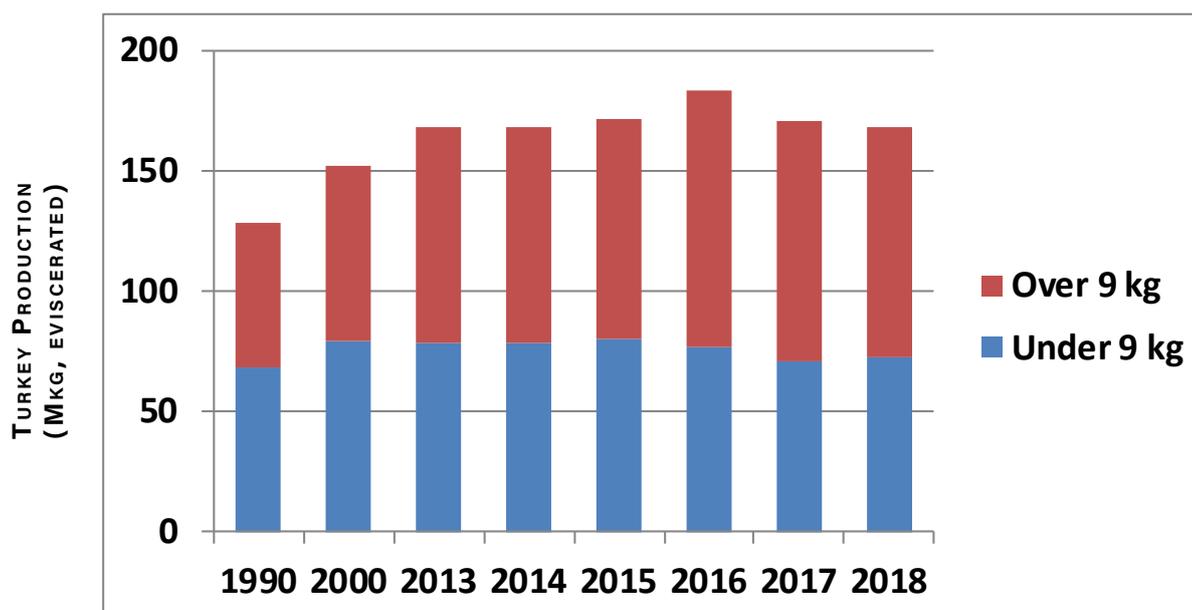
Calendar Year	1990	2000	2010	2014	2015	2016	2017	2018
Opening Stocks	11.3	9.2	18.3	13.3	14.7	18.9	24.8	21.1
Production	128.2	151.8	158.1	167.6	171.0	183.3	170.8	168.0
Imports	3.2	3.6	3.8	2.7	2.8	3.1	2.8	2.7
Total Supply	142.8	164.6	180.2	183.6	188.5	205.3	198.5	191.8
Total Disappearance	128.4	150.2	168.3	168.9	169.6	180.5	177.3	174.7
Exports	5.3	19.3	22.7	21.9	19.2	26.1	24.2	19.3
Domestic Disappearance	123.1	130.9	145.6	147.1	150.4	154.4	153.2	155.4
Closing Stocks	14.3	14.4	12.0	14.7	18.9	24.8	21.1	17.2
Per Capita Consumption (kg)	4.45	4.27	4.28	4.1	4.21	4.28	4.19	4.19

Sources: Agriculture and Agri-Food Canada; Statistics Canada

Turkey Production

Production of turkey in 2018 was 168 Mkg, a decrease of 2.8 Mkg from 2017.

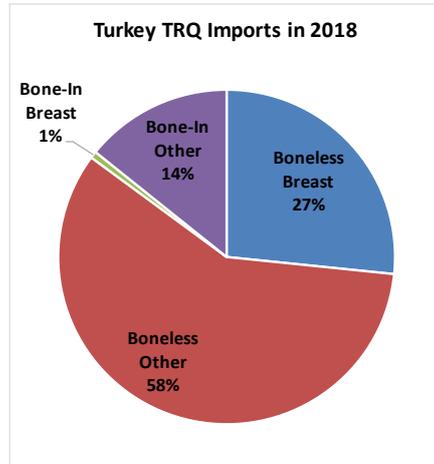
In 2018, production of turkey weighing under 9 kg was 72.1 Mkg, an increase of 1.2 Mkg. Production of turkey over 9 kg was 95.9 Mkg, a decrease of 4.0 Mkg from 2017.



Source: Agriculture and Agri-Food Canada

Imports

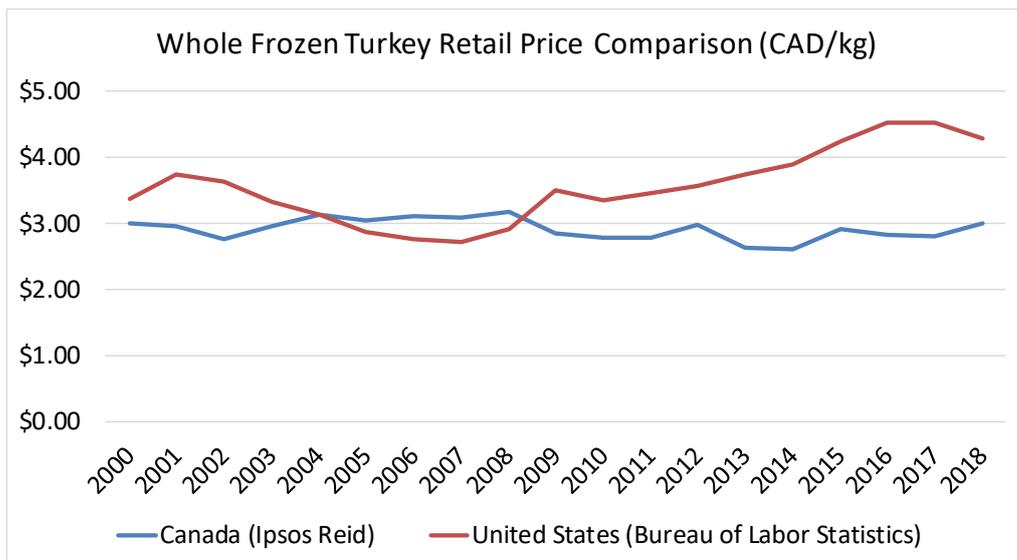
Imports of turkey on the Import Control List (ICL) of 2.7 Mkg were similar to previous years. Boneless, skinless breast meat accounted for more than half the total volume imported in 2018.



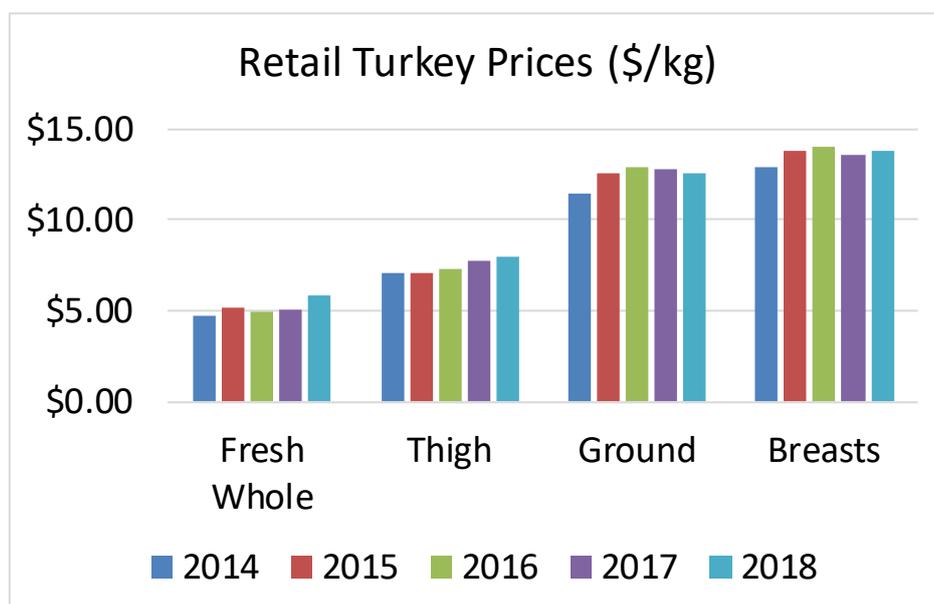
Source: Agriculture and Agri-Food Canada

Sales

Sales of cut-up and further processed turkey products at retail increased from 10.1 Mkg in 1990 to 14.7 in 2018. The main ingredient in many of these products is breast meat, which drives the production of heavier turkeys. The value of these products at retail increased from \$77 million in 1990 to \$215 million in 2018.



Sales



Source: Agriculture and Agri-Food Canada

**Sales of Whole Turkeys, Cut-Up and Further Processed Products at Retail
(Calendar year, millions of kg, eviscerated, does not include sales through foodservice channels)**

Calendar Year	1990	2000	2010	2014	2015	2016	2017	2018
Sales - Millions of kg								
Whole Bird	51.8	54.4	61.4	51.7	44.5	44.8	43.2	36.6
Cut-Up and Further Processed	10.1	16.8	17.5	18.2	16.3	14.0	14.4	14.7
Average Price/ kg								
Whole Bird	\$2.81	\$3.19	\$2.99	\$2.92	\$3.16	\$3.10	\$3.07	\$3.27
Cut-Up and Further Processed	\$7.62	\$9.95	\$13.24	\$13.05	\$14.65	\$14.85	\$14.45	\$14.58
Sales - Millions								
Whole Bird	\$145.5	\$173.5	\$183.6	\$150.9	\$140.6	\$138.9	\$132.7	\$119.7
Cut-Up and Further Processed	\$77.0	\$166.7	\$232.1	\$237.3	\$239.5	\$207.7	\$207.4	\$214.6

Source: Ipsos

**Canadian Turkey Marketing
Agency c.o.b. Turkey Farmers
of Canada**
Financial Statements
For the year ended December 31, 2018

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Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Members of Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada

Opinion

We have audited the financial statements of Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada (the "Agency"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(signed) "BDO Canada LLP"

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
February 11, 2019

Turkey Farmers of Canada Statement of Financial Position

December 31 **2018** **2017**

Assets

Current

Cash	\$	924,195	\$	1,235,065
Short-term investments (Note 2a)		545,380		2,669,273
Accounts receivable (Note 3)		385,696		451,984
Prepaid expenses		67,373		59,789
		<u>1,922,644</u>		<u>4,416,111</u>

Long-term investments (Note 2b)

2,162,816 -

Property and equipment (Note 4)

86,215 113,496

\$ 4,171,675 \$ 4,529,607

Liabilities and Net Assets

Current

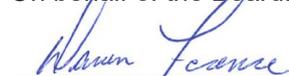
Accounts payable and accrued liabilities	\$	76,521	\$	165,394
Government remittances		60,797		28,779
		<u>137,318</u>		<u>194,173</u>

Net assets

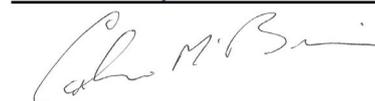
Internally restricted funds (Note 1)	3,202,585		3,244,614
Unrestricted fund	745,557		977,324
Funds invested in property and equipment	86,215		113,496
	<u>4,034,357</u>		<u>4,335,434</u>

\$ 4,171,675 \$ 4,529,607

On behalf of the Board:



Darren Ference, Chair



Calvin McBain, Vice-Chair

Turkey Farmers of Canada Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Producer levies	\$ 3,675,503	\$ 3,750,563
Investment income	45,004	22,247
Project funding	25,934	74,536
	3,746,441	3,847,346
Expenses		
Administration (Schedule 1)		
Other administrative	784,581	806,551
Remuneration to Directors and staff	1,505,162	1,409,878
Directors' and staff expenses	597,151	624,323
	2,886,894	2,840,752
Marketing (Schedule 2)		
Provincial marketing programs	400,001	400,001
Market development	207,167	209,070
Public relations and communications	407,726	473,511
	1,014,894	1,082,582
Special projects (Note 8)		
	24,843	17,110
Special promotions (Note 8)	120,887	87,939
	4,047,518	4,028,383
Deficiency of revenue over expenses for the year	\$ (301,077)	\$ (181,037)

The accompanying notes are an integral part of these financial statements.

Turkey Farmers of Canada Statement of Changes in Net Assets

For the year ended December 31

	Internally Restricted Funds	Unrestricted Fund	Funds Invested in Property and Equipment	2018 Total	2017 Total
Balance, beginning of year	\$ 3,244,614	\$ 977,324	\$ 113,496	\$ 4,335,434	\$ 4,516,471
Deficiency of revenue over expenses for the year	(116,029)	(157,767)	(27,281)	(301,077)	(181,037)
Appropriations	74,000	(74,000)	-	-	-
Balance, end of year	\$3,202,585	\$745,557	\$ 86,215	\$ 4,034,357	\$ 4,335,434

The accompanying notes are an integral part of these financial statements.

Turkey Farmers of Canada Statement of Cash Flows

For the year ended December 31 2018 2017

Cash provided by (used in)

Operating activities

Deficiency of revenue over expenses for the year	\$ (301,077)	\$ (181,037)
Adjustments required to reconcile deficiency of revenue over expenses with cash provided by operating activities		
Amortization of property and equipment	27,281	27,289
Loss on disposal of property and equipment	-	2,329
Changes in non-cash working capital balances		
Accounts receivable	66,288	(33,139)
Prepaid expenses	(7,584)	17,230
Accounts payable and accrued liabilities	(88,873)	88,058
Government remittances	32,018	(23,659)
	(271,947)	(102,929)

Investing activities

Purchase of property and equipment	-	(8,683)
Purchase of investments, net	(38,923)	(18,608)
	(38,923)	(27,291)

Decrease in cash during the year (310,870) (130,220)

Cash, beginning of year 1,235,065 1,365,285

Cash, end of year \$ 924,195 \$ 1,235,065

Turkey Farmers of Canada Notes to Financial Statements

December 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Agency

In fiscal 2009, the Agency adopted the name Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada ("TFC" or the "Agency"). TFC is a tax-exempt body corporate established under the *Farm Products Marketing Agencies Act* (Canada) to promote a strong, efficient and competitive production and marketing industry for turkey in Canada.

As at March 26, 2009, the Canadian Turkey Marketing Agency operates under the name "Turkey Farmers of Canada."

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Turkey Research and Resource Bureau

The Agency is deemed to control The Turkey Research and Resource Bureau ("TRRB") by virtue of TFC's right to appoint the eight provincial producer member Board of Directors. The Agency does not consolidate the financial statements of TRRB. TRRB is a not-for-profit organization established to facilitate turkey related research. At present, TRRB maintains several escrow accounts on behalf of some provincial boards as security for liquidated damage obligations under the Promotion Agreement. The financial position of TRRB reflects assets of \$399,532 (2017 - \$399,076), liabilities of \$397,821 (2017 - \$397,274), and net assets of \$1,711 (2017 - \$1,802). The results of operations of TRRB are total member contributions of \$1,200 (2017 - \$1,200), total expenses of \$1,291 (2017 - \$1,224), and deficiency of contributions over expenses of \$91 (2017 - \$24). Cash inflows (outflows) from operating activities is (\$91) (2017 - \$56).

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and equipment	-	20	% declining balance basis
Computer equipment	-	30	% declining balance basis
Leasehold improvements	-		straight line basis over ten years

Funds Invested in Property and Equipment

Funds Invested in Property and Equipment represent funds provided for the acquisition and financing of property and equipment. The financing of investments in property and equipment is transferred from the unrestricted fund on an annual basis. All amortization of property and equipment is charged to this account.

Turkey Farmers of Canada Notes to Financial Statements

December 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Internally Restricted Funds

The Board of Directors has approved the restriction of a portion of the Agency's net assets as a contingency to cover six months of operations. The Board of Directors has proposed that this restricted amount will be \$2,368,000 (2017 - \$2,294,000), decreasing to \$2,156,000 in 2019.

A special marketing fund was established in 2016 by the Board of Directors to segregate funds related to an arbitration award reached with Turkey Farmers of Ontario. All future liquidated damages will also be included in this fund. These funds are internally restricted and mandated by the Board of Directors to be used for incremental marketing expenses that promote the consumption of turkey meat in Canada. The balance in this fund is \$496,536 (2017 - \$617,424).

A research fund was previously established by the Board of Directors to accumulate funds for future research needs. The balance in this fund is \$338,049 (2017 - \$333,190).

Revenue Recognition

Producer levies are accrued monthly based on the live weight of turkey production submitted by Agriculture and Agri-Food Canada.

Investment income relates to interest earned on investments and is recognized as it is earned.

Project funding relates to funding received for specific projects and is recognized as it is earned.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost, except for investments, which are measured at fair value. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Turkey Farmers of Canada Notes to Financial Statements

December 31, 2018

2. Investments

(a) Short-term investments consist of \$22,679 (2017 - \$1,883,577) in cash and mutual funds held in RBC Investment Savings and \$522,701 (2017 - \$785,696) in strip bonds guaranteed by the Government of Canada with interest rates of 1.49% (2017 - 1.49% to 1.91%), maturing December 2019 (2017 - June 2018 to December 2019).

(b) Long-term investments consist of \$2,162,816 (2017 - \$Nil) in strip bonds guaranteed by the Government of Canada with interest rates ranging from 1.79% to 2.07% that have maturity dates ranging from December 2020 to December 2023.

3. Accounts Receivable

	2018	2017
Producer levies	\$ 381,715	\$ 376,404
Recoverable from projects	3,672	74,536
Miscellaneous accounts receivable	309	1,044
	\$ 385,696	\$ 451,984

4. Property and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 132,795	\$ 117,173	\$ 132,795	\$ 113,267
Computer equipment	117,332	80,639	117,332	64,913
Leasehold improvements	176,809	142,909	176,809	135,260
	\$ 426,936	\$ 340,721	\$ 426,936	\$ 313,440
Net book value		\$ 86,215		\$ 113,496

Turkey Farmers of Canada Notes to Financial Statements

December 31, 2018

5. Commitments

The minimum annual lease payments for rent, office equipment, automobile and funding commitments for the next five years are as follows:

2019	\$	218,595
2020		217,683
2021		208,145
2022		203,933
2023		<u>167,063</u>
	\$	<u>1,015,419</u>

6. Credit Facility

The Agency has a revolving demand facility of \$595,000 that is due on demand and bears interest at the bank's prime rate plus 1%. It is secured by all present and after acquired personal property of the Agency. As at December 31, 2018, this facility has not been used (2017 - \$Nil).

7. Capital Management

The Agency's capital consists of its net assets. The Agency's primary objective of capital management is to ensure that it has sufficient resources to continue to provide services to its members. Annual budgets are developed and monitored to ensure the Agency's capital is maintained at an appropriate level. The Agency is not subject to any externally imposed capital requirements. The Agency's restricted funds of \$3,202,585 (2017 - \$3,244,614) are subject to internally imposed capital restrictions.

8. Special Projects and Special Promotions

Special projects expense represents one-time special projects.

Special promotions expense represents promotions and marketing expenditures incremental to normal operating promotion and marketing activities, utilizing segregated funds from liquidated damages.

9. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.

Turkey Farmers of Canada Schedule 1 - Administration Expenses

For the year ended December 31	2018	2017
Other administrative		
Amortization	\$ 27,281	\$ 27,289
Audit	21,400	21,520
Contract projects and external consulting	163,435	166,016
Insurance	8,397	7,833
Legal and accounting	83,190	60,505
Loss on disposal of property and equipment	-	2,079
Office leases and supplies	62,781	38,706
OFFSP/Flock Care	36,210	47,391
OFP projects	25,934	74,536
Postage and courier	3,603	9,153
Rent, property tax and utilities	161,932	175,205
Sundry administration	748	949
Telephone	9,082	9,463
Trade consultations	104,042	73,721
Translation and interpretations	76,546	92,185
	784,581	806,551
Remuneration to Directors and staff		
Directors' fees	155,450	148,258
Employee benefits	225,868	197,308
Staff salaries	1,123,844	1,064,312
	1,505,162	1,409,878
Directors' and staff expenses		
Directors, Alternates and Board Managers' expenses	322,702	358,765
Meeting rooms	92,086	76,121
Staff expenses	181,281	188,375
Travel insurance	1,082	1,062
	597,151	624,323
	\$ 2,886,894	\$ 2,840,752

Turkey Farmers of Canada
Schedule 2 - Marketing Expenses

For the year ended December 31	2018	2017
Provincial marketing programs		
TFC provincial marketing supplement	\$ 400,001	\$ 400,001
Market development		
Canadian Poultry Research Council	45,445	44,376
Market research	88,086	87,169
Turkey research	73,636	77,525
	207,167	209,070
Public relations and communications		
Marketing and communications	304,362	304,857
Memberships	81,293	90,572
National sponsorships and promotions	15,217	60,548
Subscriptions	6,854	8,257
TFC publications	-	9,277
	407,726	473,511
	\$ 1,014,894	\$ 1,082,582



