



TURKEY FARMERS
OF CANADA

Annual Report 2012



The Thirty-ninth 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 Annual Meeting of TFC Members.



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Message from the TFC Chair



In my six years as Chair of Turkey Farmers of Canada (TFC), twelve years on the TFC Board of Directors, and lifetime on a working farm, I have been struck many times by how fortunate we are to be turkey farmers in this country. Through recessions and amid reports of failed deregulated markets around the world, the supply management system has provided the basis for us to keep pace with ongoing changes in the Canadian marketplace and to weather many storms, without having to rely on government assistance by way of subsidies.

The stability provided by the system allows us to reinvest in our farms and the industry through research, innovation, food safety and higher standards of bird care - work which is detailed in this report. Consumers, in turn, are provided with a wide array of turkey products at a reasonable price, and farm income is generated by the marketplace.

Our farmers make significant contributions to their own local economies, and to the Canadian economy as a whole. According to a recent study by Informetrica Ltd., the total farm gate value of Canadian turkey production in 2011 was \$353.4 million. The same year, Canadian turkey farmers and primary processors contributed more than \$1.1 billion to the Canadian GDP and more than \$230 billion in tax revenues to federal and municipal governments. Canadian jobs directly or indirectly linked to the sector numbered more than 9,600.

In the past few years, various trade negotiations, including those with the European Union and the Trans-Pacific Partnership, have brought increased attention and scrutiny to supply management, compelling those in our industry to address and correct some familiar assumptions, allegations and misperceptions.

Many know that supply management does not inflate the price of food, for example. While it ensures that we, as farmers, receive a fair price for our product, grocery and restaurant prices are set at the retail level. This explains why there are so many large price variations on the same product from region to region and from store to store throughout the year.

What is less commonly known, however, is that averaged over time, the retail price of whole turkey in Canada and the US has been relatively the same since 2001, with Canadian prices actually being lower, on average, than those in the US in six of the past eleven years. These retail prices are much less a function of the industry and policy structure in the two countries, but, again, a function of retail strategies.

Continuing in this direction, the idea that Canadian consumers would pay less for their dairy, poultry and egg products if supply management was dismantled is simply unfounded. In many countries where industries have been deregulated, for instance, farmers' incomes have dropped substantially, while consumer prices have not followed suit.

Canada is a trading nation and may have a lot to gain from international trade deals, but we also have a lot to offer. With a country so rich in natural resources, politically stable and economically fit, Canada is in a strong position to negotiate and has proven in the past that it is able to keep supply management intact and supply managed sectors unharmed by negotiations. Governments at federal and provincial levels have, since 1974, been consistently supportive of supply management marketing in the turkey sector, and they have good reason - I believe we have kept in touch with changes in the market and, together, have responded appropriately.

Indeed, working together has been a key strength of our system and our industry. Our commitment at TFC is to continue on this path, so that our future is strong, our marketing system remains relevant to the Canadian marketplace, and our product grows in importance to Canadian consumers.

It will take all of us, from farm to boardroom, to ensure this can be accomplished.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark Davies', enclosed within a hand-drawn oval.

Mark Davies
Chair



TFC Executive Committee & Board of Directors

Executive Committee



Mark Davies
Chair | Nova Scotia



Bill Mailloux
Vice Chair | Ontario



Wayne Goodsmann
Executive Member | Saskatchewan

Board of Directors



Shawn Heppell
British Columbia



Laurent Mercier, Jr.
Quebec



Michel Pépin
Canadian Poultry and Egg Processors Council



Roelof Meijer
Alberta



Bertin Cyr
New Brunswick



Paul Borg
Further Poultry Processors Association of Canada



Wayne Kroeker
Manitoba



Doug Hart
Canadian Poultry and Egg Processors Council

Alternate Directors

British Columbia	Les Burn
Alberta	Garry Olson
Saskatchewan	Jelmer Wiersma
Manitoba	Rachelle Brown
Ontario	Tyson Schlegel
Quebec	Calvin McBain
New Brunswick	Larry Slipp
Nova Scotia	David Young Lori Ansems
Canadian Poultry and Egg Processors Council	Wayne Urbonas Jamie Falcao
Further Poultry Processors Association of Canada	Gary Martin

Message from the TFC Executive Director



This Report highlights the activities and operations of Turkey Farmers of Canada (TFC) over the course of 2012, as directed by the TFC Board of Directors and guided by the principle elements of the Agency's Business Plan.

Highlights of the year included:

- the launch of the TFC Research Strategy and the June workshop hosted by the Agency (with funding support from the Natural Sciences and Engineering Research Council of Canada), which brought together researchers from across the country, government officials, and TFC Research Committee members;
- the continued development of Agency-consumer relationships through an enhanced TFC social media presence and a precedent-setting investment for the Agency in the development and production of tools to further improve our relationship with consumers;
- continued growth in production for the further processing segment in a competitive market for meat proteins;
- the maintenance of reasonably well-balanced turkey inventories, continuing a trend that emerged in 2011;
- sustained progress in the ongoing development and implementation of the TFC on-farm programs; and,
- an increase in the number of resources for turkey farmers with the crafting of additional Factsheets and Research Notes for the producer website.

Looking to 2013, there remain significant items to which TFC must attend, including:

- deepening and broadening our link to consumers so that turkey meat becomes more top-of-mind;
- addressing the apparent growth lag in the market for whole birds (fresh and frozen), which represent a strong value-proposition for consumers;
- continued refinement of the allocation setting process, building on the strength of the current approach and augmenting it cooperatively with partners in the industry;
- building upon the Research Workshop in order to extend the reach of turkey-specific research; and,
- ensuring that the growing public narrative on supply management is addressed fully, squarely and constructively.

TFC's Balance Sheet continues to be very solid, with the included Statement of Operations detailing trim expenses attributable to the direct link between the Agency's budget and Business Plan priorities. Balancing resources with tangible strategies and goals allows for efficient financial management as demands on resources increase at TFC and everywhere else.

The Agency's mandate stems from the *Farm Products Agencies Act*, Section 21, *Objects of an Agency*, which requires the Agency to "promote a strong, efficient and competitive production and marketing industry ... with due regard to the interests of producers and consumers".

Simply put, TFC has a role in creating a platform where individual enterprises, from the farm throughout the value chain, can continue to develop their own competitive edge in the domestic market. By doing so, we strengthen the Canadian turkey market and position our industry to meet consumer demands and expectations through innovation excellence in turkey production.

The next decade will bring challenges, but also opportunities for the Canadian agriculture and agri-food industry, including the turkey sector. My colleagues and I remain focused in our work with the Board of Directors, member organizations, and other partners, to advance the growth and development of the industry in a manner consistent with legislative mandate, through the conduit of the TFC Mission, Vision and Business Plan.

In submitting this report, we invite and welcome any questions, comments and ideas in regard to the work detailed within, and wish you well in 2013.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Phil Boyd', written over a white background.

Phil Boyd
Executive Director



TFC Staff



GOVERNANCE

Phil Boyd
Executive Director

Janice Height
Director - Corporate Services

CONSUMER RELATIONS

Allyson Marcolini
Lead - Consumer Relations

CORPORATE COMMUNICATIONS

Robin Redstone
Lead - Corporate Communications

OPERATIONS

Mabel Seto
Finance Administrator

Lorna Morris
Executive Services Administrator

Cathy Lane
Corporate Services Administrator

VALUE CHAIN

Sateesh Ramkissoosingh
Manager - Policy & Trade

John Sheldon
Manager - Markets Information

Elise Mereweather
Policy & Data Administrator

SCIENCE & RESEARCH

Colleen McElwain
Associate Manager - Technical Affairs,
Science & Regulation
(Certified PAACO Poultry Welfare Auditor)

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

Graham Duggan
On-Farm Programs Assistant
(2012 Contract Position)

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

Committees, Appointments, Affiliations & Memberships



COMMITTEES

Executive*

Mark Davies, Chair
Bill Mailloux, Vice Chair
Wayne Goodsman, Executive Member

Nominating*

Doug Hart, Chair
Bertin Cyr
Bill Mailloux

Audit & Finance*

Mark Davies, Chair
Bertin Cyr
Shawn Heppell

Managers*

Michel Benoit, BC
Cara Dary, AB
Rose Olsen, SK
Helga Wheddon, MB
Janet Schlitt, ON
Pierre Fréchette, QC
Louis Martin, NB
Sonya Lorette, NS

Research*

Rachelle Brown, Chair
Doug Hart
Roelof Meijer
David Young

On-Farm Programs*

Wayne Goodsman, Chair
Vic Redekop, BC
Joni Rynsburger-Rathwell, SK
Brent Royce, ON
Guy Jutras, QC
Lori Ansems, NS
Erica Charlton, CPEPC

Supply Policy*

Mark Davies, Chair
Tyson Schlegel, Producer - East
Calvin McBain, Producer - East
Shawn Heppell, Producer - West
Wayne Kroeker, Producer - West
John Flaherty, Processor
Gary Martin, Further Processor

Turkey Market Development Committee*

Mark Davies, Chair
Cameron Lavallee, Producer - East
Dion Wiebe, Producer - West
Wendy Harris, Processor - East
Jason Wortzman, Chef/Processor - West
Annie Langlois, Registered Dietitian
Alison George, Canadian Foodie
Rory Bates, Retail Representative

Turkey Market Advisory*

Bill Mailloux, Chair
Jamie Falcao, CPEPC - Central
Michel Pépin, CPEPC - East
Doug Hart, CPEPC - West
Gary Martin, FPPAC
Shawn Heppell, Producer - West
Ingrid DeVisser, Producer - East
Canadian Restaurant and Foodservices
Association
John Groenewegen, Third-Party Analyst
Retail Council of Canada

APPOINTMENTS

Canadian Federation of Agriculture (CFA)

Wayne Kroeker, Director
Mark Davies, Alternate



Avian Biosecurity Advisory Council (ABAC)

Appointment pending

National Farm Animal Care Council (NFACC)

Lori Ansems

Bill Mailloux

Canadian Poultry Research Council (CPRC)

Roelof Meijer

AFFILIATIONS

Turkey Research & Resource Bureau*

Mark Davies, Chair, NS

Shawn Heppell, BC

Roelof Meijer, AB

Wayne Goodsman, SK

Wayne Kroeker, MB

Bill Mailloux, ON

Laurent Mercier, Jr., QC

Bertin Cyr, NB

David Young, Alternate, NS

***Resource - TFC staff.**

MEMBERSHIPS

Alberta Farm Animal Council

Canadian 4-H Council

Canadian Agricultural Hall of Fame

Canadian Animal Health Coalition

Canadian Federation of Agriculture

Canadian Partnership for Consumer Food Safety
Education

Canadian Poultry Research Council

Canadian Restaurant and Foodservices Association

Canadian Supply Chain Food Safety Coalition

Farm & Food Care Ontario

Farm Animal Council of Saskatchewan

George Morris Centre

National Farm Animal Health and Welfare Council

Poultry Industry Council

World's Poultry Science Association - Canada Branch

ASSOCIATE MEMBERSHIPS

Canadian Poultry and Egg Processors Council

Further Poultry Processors Association of Canada

National Turkey Federation (US)





Business Planning

TFC's Business Plan is reviewed and updated on an annual basis by the Board of Directors to determine short and long-term priorities for the Agency. By aligning Board priorities with tangible strategies and goals, the planning process sets out work plans and resource allocations in a manner that links performance to the direction provided by the Board.

The following Key Result Areas (KRAs) were identified by the TFC Directors in 2012 as the six primary areas in which the Agency would focus its goals, activities, tactics and operational planning. They also serve as the structural framework for this Report.

- 1) Governance
- 2) Consumer Relations
- 3) Corporate Communications
- 4) Operations
- 5) Value Chain
- 6) Science & Research

Vision, Mission & Values

Vision

Canadian turkey will be readily available every day, everywhere in Canada, in the form consumers desire.

Mission

The mission of TFC is to develop and strengthen the Canadian turkey market through an effective supply management system that stimulates growth and profitability for economic stakeholders.

Values

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

- 1) A national, orderly marketing system working towards growth of output and profitability for investors in the sector.
- 2) Keeping pace with ongoing competitive changes in the Canadian marketplace.
- 3) Maintaining the 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 market price.
- 4) An organization that functions ethically, respectfully, with integrity and valuing employees, partners and stakeholders.



Governance

Governance is about responsibility, accountability, and relationships both within and outside the Agency.

Corporate Social Responsibility

Turkey Farmers of Canada places a high premium on contributing to the well-being of the communities in which we live and work.

2012 marked TFC's fourth year of partnership with Food Banks Canada, during which the Agency donated another \$50,000 to rural food banks in ten provinces and three territories. Additional donations from the Turkey Farmers of New Brunswick, Manitoba Turkey Producers and Turkey Farmers of Ontario raised the total donation to \$62,000. Together with the activities of all member boards and associates over the year, the turkey sector is making a tangible difference in the lives of thousands of Canadians.

In May, the Agency also sponsored Food Banks Canada's 'Breakfast on the Hill', an event geared to mark the organization's first ever Hunger Awareness Week. From sunrise to sunset on May 9th, more than 140 federal parliamentarians and parliamentary staff fasted to experience just one day of what hundreds of thousands of Canadians experience on a regular basis. On May 10th, participants came together to share their experiences in the parliamentary restaurant; TFC sponsored this event to thank the participants and to salute Food Banks Canada staff and volunteers for

their ongoing commitment to helping an expanding client base.

Turkey Farmers of Canada also supported Federal Agriculture Minister Gerry Ritz in his "Movember" campaign in November 2012, which successfully drew in more than \$36,000 in support of prostate cancer research and men's mental health awareness.

Dispute Settlement Procedure (DSP)

As part of a commitment to maximize effectiveness through the implementation of disciplined practices, the TFC Board of Directors adopted an alternative Dispute Settlement Procedure (DSP) in November 2012.

The use of a DSP is consistent with the Farm Products Council of Canada (FPCC) Guidelines on Complaint Procedures, providing Agency members with an internal option to address and resolve disputes in a timely and resource-efficient manner via an independent, third-party mechanism. The DSP is a mediation-based procedure based on the rules of the Alternative Dispute Resolution (ADR) Institute of Canada.

Consumer Relations



Formally encompassed within a broader communications strategy, Consumer Relations has been identified by the TFC Board as a separate and distinct priority for the Agency. The move allows for greater precision regarding operational planning and budgets, and paves the way for stronger and more interactive consumer relationships.

Turkey Market Development Committee

Commencing work in 2012, TFC's Turkey Market Development Committee (TMDC) has been mandated to encourage and develop the consumption of turkey parts and products; to research consumers' desires; to educate consumers on the benefits of eating turkey and the ease of preparing turkey; and, to influence the retail sector to increase turkey meat representation in-store. Committee members include a foodie, chef, registered dietitian, farmers, processors, and representation from TFC's Executive Committee.

Many of TFC's new consumer-directed projects, detailed below, were supported by the TMDC; more Committee-driven initiatives will be launched in 2013.

TFC Online

TFC's consumer website numbers continue to climb, with the total number of visitors to the site more than doubling over the year. Additions to the recipe and food preparation video sections drew the most interest, indicating that these are, by far, the most visited pages on the TFC site.

Social Media

Facebook:

The Tasty Turkey Facebook page more than doubled its fan-base in 2012 as a direct result of contests asking fans to develop recipes using turkey parts at key non-festive times of the year, such as "barbeque season" or "back to school".



Twitter:

Tasty Turkey's following on Twitter also doubled in 2012 as a result of increased interactions with foodies, moms, dietitians, farmers and other agricultural commodity groups.



For the first time, Tasty Turkey sponsored three hour-long 'chats' over the year, during which Twitter users tweeted on a topic and shared recipes and ideas. A Tasty Turkey sponsored barbeque chat in June encouraged everyone to try turkey parts for their summer grilling; in August, the talk turned to school snacks and lunches; and, November's chat focused on "making over" favourite comfort food recipes with turkey, to achieve a healthier outcome. Tasty Turkey Twitter topics trended in Canada during each chat, meaning that the topics were 'tagged' more often (became more popular) than other topics being discussed on Twitter at that time.

Pinterest:

Pinterest burst onto the social media scene in 2010 and has grown exponentially since then, with more than 10 million users - 80% of those being female. With a high level of engagement from families (50% of Pinterest users have kids), TFC was compelled to have a presence on this third most popular social media platform. A virtual pinboard was launched in the fall of 2012, pinning TastyTurkey's 'Turkey 101' videos and recipe photos. Efforts will be made in 2013 to grow a greater Pinterest audience.



YouTube:

TFC first launched a YouTube channel in 2011, when the original 'Turkey 101' videos were produced. To date, the videos on the CdnTurkeyFarmers channel have been viewed by more than 20,000 people. TFC's video producer has had over 600,000 views of the 'Turkey 101' videos through syndication.



Recipe and Video Development

A total of 24 new turkey recipes were developed in 2012. The broad range of recipes call for turkey sausage, turkey bacon, ground turkey, drumsticks, thighs, scaloppini, bone-in and boneless breast meat, and leftover cooked turkey. Many of the recipes feature international flavours and cover everything



Corporate Communications

from appetizers, sandwiches, and elegant dinners to leftover comfort food casseroles and take-out style meals made at home.

Six more videos were produced, four of which were additions to the 'Turkey 101' video series, geared toward dispelling the stress that consumers feel about preparing a whole bird for festive occasions. The entire 'Turkey 101' library of videos has been added to the TFC website under the Whole Turkey recipe section, for easy viewing by consumers.

The other videos promote different ways to use turkey breast meat and ground turkey, and demonstrate the versatility of each for every day meal planning.

Consumer e-Newsletter

In publication for two years, *The Turkey Club* continues to gain interest from Canadian consumers. Each monthly issue features one or two of TFC's newest recipes and extols the merits of incorporating turkey parts into a family's weekly meal plan.

Past issues can be viewed at www.turkeyfarmersofcanada.ca/newsletter.

Dietitian Communications

TFC reminded over 5,000 registered dietitians across Canada of the great nutritional benefits of both turkey breast meat and ground turkey by mailing two summer

barbeque recipes for their use and for distribution to their clientele. The mailing supported the use of turkey parts during grilling season in an effort to get dietitians to think of turkey at non-festive times of the year.

TFC also distributed an e-newsletter in November featuring a guest article by a reputable dietitian, espousing the benefits of recommending turkey to dietetic clients.

Consumer News & Views

Ongoing insight into consumer wants and behaviours, along with industry trends and updates, are shared in each monthly issue of *Consumer News & Views*. TFC's Directors, Alternate Directors, Provincial Board Managers and the marketing representative for each Provincial Board, as well as industry affiliates, receive the monthly summary report.

TFC's Corporate Communications plan focuses on increasing the profile and effectiveness of the Agency, building and strengthening government and stakeholder relations, and defending the supply management system.

Industry/Stakeholder Relations

TFC Agency Performance Survey:

Turkey Farmers of Canada conducted a survey of all Agency Directors, Alternate Directors, Provincial Board Managers and Processor Managers early in the year, in order to gauge member satisfaction with the Agency's work and communications. Results of the survey were used to help evolve the channels and methods of communication at TFC, in order to provide more targeted and pertinent messaging to members.

Agriculture More Than Ever Campaign Partnership:

TFC became official partners of the *Agriculture More Than Ever* campaign in the latter part of the year, a multi-year initiative created by Farm Credit Canada (FCC) to improve perceptions of the agriculture industry in Canada.

A website launched at www.agriculturemorethanever.ca provides a forum for visitors to share their stories about agriculture. The campaign can also be followed on Twitter at [@agmorethanever](https://twitter.com/agmorethanever) and Facebook at www.facebook.com/agriculturemorethanever.

Corporate Communications *(cont'd...)*



Advocacy & Government Relations

One of TFC's primary responsibilities is to represent the interests of turkey farmers and the Canadian turkey industry, both domestically and internationally, when important agriculture, food safety, regulatory and trade policy decisions are made. To do this, TFC engages with parliamentarians and their staff, and monitors the House of Commons and a number of House of Commons and Senate Standing Committees.

TFC also continues to work with our national supply management partners in the dairy, chicken, egg and hatching egg sectors on a number of domestic and international files. Together, these groups ensure that Canada's politicians and the media hear a factual, consistent and unified voice from the supply management sector.

Turkey Industry Information Package for MPs:

To further Agency relationships with government leaders, and to increase understanding of the Canadian turkey industry and supply management, TFC distributed an information package to key Members of Parliament and members of the Senate Standing Committee on Agriculture and Forestry in early March.

Information about the Agency and supply management, including turkey industry statistics, import and export numbers, economic contribution data, and background information on some of the

sector's key concerns, including trade and the use of antimicrobials on-farm, were included.

There are plans to continue this initiative going forward.

Annual Poultry Reception:

TFC, Chicken Farmers of Canada (CFC), Egg Farmers of Canada (EFC), and the Canadian Hatching Egg Producers (CHEP) again hosted a joint industry reception in Ottawa in March. This year's reception also marked 40 years of the Farm Products Agencies Act (FPAA), the legislation that provides the legal foundation for national marketing agencies and the Farm Products Council of Canada (FPCC).

Mr. Pierre Lemieux, M.P. from Glengarry-Prescott-Russell, Ontario, and Parliamentary Secretary to the Minister of Agriculture spoke at the reception, bringing greetings on behalf of Minister Ritz and congratulating the industry on 40 years of supply management.

The event provided an excellent opportunity for industry to meet with government and staffers in a casual setting to celebrate and promote the supply management system.

Appearances before the Senate Standing Committee on Agriculture and Forestry:

TFC appeared before the Senate Standing Committee on Agriculture and Forestry (AGFO) twice in 2012: once in early February, and again in late October. Both times, the Agency was asked to make presentations on research and innovation in the Canadian turkey sector, particularly as it relates to the development of new markets, the enhancement of agricultural sustainability, and improvements in food diversity and security.

TFC's February presentation described the Agency's role in fostering competitiveness in the industry, which focuses on priorities such as: on-farm food safety, flock care, disease surveillance, scientific research, market research, promotion activities and market segmentation. The October meeting provided the opportunity for TFC to detail a number of developments and initiatives that had taken place since February, and also allowed for greater elaboration on a number of discussion points that had emerged.

Meetings of Note:

Members of the TFC Executive Committee and senior TFC staff held several meetings with federal government officials and their staffers over the course of 2012.



Operations

In January, TFC Chair, Mark Davies and Chairs from the chicken, egg, dairy and hatching egg industries, took part in a meeting with Liberal Leader, Bob Rae, Liberal Agriculture Critic, Frank Valeriote, Liberal Trade Critic, Wayne Easter, and New Brunswick Senator, Fernand Robichaud, who sits on the Senate Agriculture Committee, to communicate the importance of constructive support for supply management.

A similar meeting was held with NDP Leader, Thomas Mulcair, NDP Trade Critic, Don Davies, NDP Agriculture Critic, Malcolm Allen, and NDP MP Ruth Ellen Brousseau in November.

Briefings on various trade negotiations were also a common occurrence between TFC Chair, Mark Davies, Executive Director, Phil Boyd, Agriculture Minister, Gerry Ritz, Trade Minister, Ed Fast, and lead negotiators from the federal government, among others.

The goal of TFC's Operations Plan is to maintain and develop effective business practices that support the Agency's vision, and to enable TFC to operate effectively on a day-to-day basis. This 'Key Results Area' encompasses all TFC policies, financial planning, human resource management and the execution of the TFC Business Plan.

TFC Policies

December 2012 marked the sixth anniversary of the Agency's National Commercial Allocation Policy, which was implemented in 2006. Although the Policy was under review between the fall of 2010 and 2012, no major changes were proposed. The Policy, which segregates the national allocation for young turkeys according to two market segments (whole bird and further processed) has the support of Agency members and continues to provide flexibility to respond, in a timely manner, to sudden demand shifts in consumer preference.

During the Policy review, monitoring of whole bird and further processed allocations was identified as an area where improvement in administration was required. In this regard, the Agency will be working closely with the processing sector to collect and analyze marketing data on a provincial and regional basis beginning in 2013.

In March 2012, TFC completed its review of Section 1 of the Export Policy - Replacement Production, to assess

whether this section was still meeting the needs of the industry. As allocation utilization under this Section of the Policy is based on the marketing decisions of individual processors, this section is very responsive to market changes, including prevailing supply and demand, domestic and world prices, and exchange rate fluctuations. The completed review provided no compelling rationale to revisit the Section in the near future.

Policy & Trade - Import Pillar

Despite renewed efforts in 2012 by TFC and Chicken Farmers of Canada (CFC) to facilitate the implementation of the 2011 Chicken Import Working Group (CIWG) recommendations, movement has not been as rapid as initially envisioned by industry, the Minister of Agriculture and Agri-Food, or government officials. The recommendation pertaining to the Specially Defined Mixture (SDM) rule, in particular, will require additional consultations with the Department of Finance. As a result, the revised expectation is for movement on the SDM recommendation early in 2013.

The summer and early fall of 2012 brought an unusual and uncharacteristically high number of supplementary import applications for boneless breast meat under the market shortage provisions, particularly in light of the processor-driven allocation request process for further processing implemented by TFC in 2006. Some delay in live marketings and procurement issues were seen to have been contributing factors with

Operations (cont'd...)



respect to the number of applications received by the Department of Foreign Affairs and International Trade (DFAIT).

Supply Management & Trade

TFC works together with Chicken Farmers of Canada, Egg Farmers of Canada, Dairy Farmers of Canada, and the Canadian Hatching Egg Producers, to closely monitor the trade negotiations undertaken by the Government of Canada and to ensure that government representatives are aware of the expectations of the Canadian poultry, dairy and egg industries.

In 2012, representatives of the Canadian dairy, poultry and egg industries travelled to Geneva, Brussels, and Auckland, New Zealand, to meet with trade officials and other like-minded agricultural groups at the World Trade Organization (WTO), Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and Trans-Pacific Partnership (TPP) negotiations, respectively.

General Managers and staff of these organizations also continue to take part in regular conference calls to discuss strategy on trade-related matters, and Chairs met on several occasions over the year to discuss key issues and developments.

To stay up-to-date on trade file developments, the five Canadian dairy, poultry and egg organizations continue to jointly employ a full-time staff member

in Geneva; his regular *Geneva Watch* trade updates are posted at

www.turkeyfarmersofcanada.ca/internationaltrade.

World Trade Organization (WTO)

As anticipated, 2012 was a quiet year for the WTO agricultural negotiations, with little progress made on any of the remaining unresolved technical matters from the December 6, 2008 revised draft modalities text. With the next WTO Ministerial meeting scheduled for December 2013 in Bali, Indonesia, many feel that negotiations will need to heat up in 2013 if there is any hope of putting together a package.

The Chair of the Agricultural negotiations, New Zealand's ambassador to the WTO, John Adank, held a meeting in November 2012 to see if there are any subjects in agriculture that could be included in an early harvest package; tariff rate quota administration, special treatment for poor farmers in developing countries to enhance food security, and export subsidies were identified by some members. No concrete decisions were made, however, and some countries are hesitant to move forward on a short list of subjects as it potentially undermines their negotiating leverage elsewhere in the Doha negotiations.

Bilateral and Plurilateral Agreements

Canada continues to pursue a number of preferential trade agreements outside of the WTO. At the end of

the year, negotiations were actively underway or in an exploratory phase with the following countries and regions: Caribbean Community (CARICOM), Dominican Republic, European Union (EU), India, Japan, South Korea, Morocco, Ukraine, Turkey, Thailand, MERCOSUR and the Trans-Pacific Partnership (TPP).

Of the trade negotiations listed above, the most important from a Canadian agricultural and time-frame perspective is the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the TPP. Although it is anticipated that these negotiations will be completed while maintaining the over-quota tariffs and market access levels currently in effect for supply managed commodities, the pressure on Canada to provide concessions is significant.

The CETA negotiations, originally scheduled for completion in 2012, are now expected to stretch into early 2013, with agriculture being one of the most sensitive areas for both parties.

As long as Canadian Governments continue to pursue an aggressive trade agenda, supply managed commodities will be targeted by other countries, either offensively or as a defensive tactic to shelter their own agricultural sensitivities. This means that Canadian turkey, chicken, egg and dairy farmers may expect, as witnessed over the last year, ongoing coverage and attention in the public arena.

**Canadian Turkey Marketing Agency c.ob.
Turkey Farmers of Canada
Financial Statements
For the year ended December 31, 2012**

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Chartered Accountants
and Business Advisors

People Count.

Independent Auditors' Report

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

We have audited the accompanying financial statements of Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and 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 audit. We conducted our audit 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 the auditors' 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, the auditors 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, these financial statements present fairly, in all material respects, the financial position of Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada 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.

Guelph, Ontario
March 21, 2013

A handwritten signature in black ink that reads 'RLB LLP'.

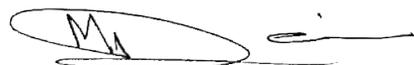
Chartered Accountants
Licensed Public Accountants

Statement 1

Turkey Farmers of Canada Statement of Financial Position as at December 31, 2012

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
CURRENT			
Cash	\$ 554,655	\$ 498,568	\$ 508,395
Investments (Note 4)	2,513,983	2,489,348	2,299,835
Accounts receivable (Note 5)	359,050	340,861	376,129
Prepaid expenses (Note 6)	80,725	97,314	99,559
	3,508,413	3,426,091	3,283,918
PROPERTY AND EQUIPMENT (Note 8)	67,075	83,159	85,628
	\$ 3,575,488	\$ 3,509,250	\$ 3,369,546
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 124,328	\$ 81,219	\$ 69,427
Government remittances	50,119	70,444	45,924
	174,447	151,663	115,351
NET ASSETS			
INTERNALLY RESTRICTED FUNDS	2,542,993	2,751,926	2,586,256
UNRESTRICTED FUND	790,973	522,502	582,311
FUNDS INVESTED IN PROPERTY AND EQUIPMENT	67,075	83,159	85,628
	3,401,041	3,357,587	3,254,195
	\$ 3,575,488	\$ 3,509,250	\$ 3,369,546

ON BEHALF OF THE BOARD:



Mark Davies, Chair



Bill Mailloux, Vice Chair

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement 2

Turkey Farmers of Canada Statement of Operations For the year ended December 31, 2012

	2012	2011
REVENUE		
Producer levies	\$ 3,138,729	\$ 3,098,462
Investment income	27,518	81,989
	<u>3,166,247</u>	<u>3,180,451</u>
EXPENSES		
Administration (Schedule 1)		
Other administrative	519,676	531,374
Remuneration to Directors and staff	1,167,618	1,128,299
Directors and staff expenses	604,238	622,990
	<u>2,291,532</u>	<u>2,282,663</u>
Marketing (Schedule 2)		
Provincial marketing programs	400,001	400,001
Market development	181,155	155,596
Public relations and communications	250,105	238,799
	<u>831,261</u>	<u>794,396</u>
	3,122,793	3,077,059
	<u>3,122,793</u>	<u>3,077,059</u>
EXCESS OF REVENUE OVER EXPENSES, for the year	<u>\$ 43,454</u>	<u>\$ 103,392</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement 3

Turkey Farmers of Canada Statement of Changes in Net Assets For the year ended December 31, 2012

	Internally Restricted Funds	Unrestricted Fund	Funds Invested in Property and Equipment	2012 Total	2011 Total
BALANCE , beginning of year	\$ 2,751,926	\$ 522,502	\$ 83,159	\$ 3,357,587	\$ 3,254,195
Excess (deficiency) of revenue over expenditures for the year	9,655	63,290	(29,491)	43,454	103,392
Appropriations	71,000	(71,000)	0	0	0
Transfer of funds	(289,588)	289,588	0	0	0
Transfer of funds required to purchase property and equipment	0	(13,407)	13,407	0	0
BALANCE , end of year	\$ 2,542,993	\$ 790,973	\$ 67,075	\$ 3,401,041	\$ 3,357,587

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement 4

Turkey Farmers of Canada Statement of Cash Flows For the year ended December 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 43,454	\$ 103,392
Adjustments required to reconcile net excess of revenue over expenses with net cash provided by operating activities		
Amortization of property and equipment	28,975	29,083
Loss on disposal of property and equipment	216	0
	<u>72,645</u>	<u>132,475</u>
Changes in non-cash working capital balances		
Accounts receivable	(18,189)	35,268
Prepaid expenses	16,589	2,245
Accounts payable and accrued liabilities	43,109	11,792
Government remittances	(20,325)	24,520
	<u>93,829</u>	<u>206,300</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(13,407)	(26,614)
Purchase of investments, net	(24,635)	(189,513)
Proceeds on sale of property and equipment	300	0
	<u>(37,742)</u>	<u>(216,127)</u>
INCREASE (DECREASE) IN CASH, during the year	56,087	(9,827)
CASH, beginning of year	498,568	508,395
CASH, end of year	<u>\$ 554,655</u>	<u>\$ 498,568</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Turkey Farmers of Canada

Notes to the Financial Statements

For the year ended December 31, 2012

1. NATURE OF ORGANIZATION

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 corporate body 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".

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements were prepared in accordance with Part III of the CICA Handbook-Accounting ("Part III").

The Turkey Farmers of Canada's first reporting period using Part III is for the year ended December 31, 2012. As a result, the date of transition to Part III is January 1, 2011. The Turkey Farmers of Canada presented financial statements under its previous Canadian generally accepted accounting principles ("CGAAP") annually to December 31st of each fiscal year up to, and including, December 31, 2011.

As these financial statements are the first financial statements for which the Turkey Farmers of Canada has applied Part III, the financial statements have been prepared in accordance with the provisions set out in Section 1501 of Part III, First-time Adoption by Not-for-Profit Organizations.

The Turkey Farmers of Canada is required to apply Part III effective for periods ending on December 31, 2012 in:

- (a) preparing and presenting its opening statement of financial position at January 1, 2011; and
- (b) preparing and presenting its statement of financial position for December 31, 2012 (including comparative amounts for 2011), statement of operations, statement of changes in net assets, and statement of cash flows for the

year ended December 31, 2012 (including comparative amounts for 2011) and disclosures (including comparative information for 2011).

There have been no adjustments resulting from the adoption of Part III, including the use of exemptions under section 1501, as at January 1, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) 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. The financial position and results of operations of TRRB are not significant and are not disclosed in these financial statements.

(b) 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.

(c) 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

Turkey Farmers of Canada

Notes to the Financial Statements

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying value of a long-lived asset is considered impaired when the undiscounted cash flow from such asset is estimated to be less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset.

(d) 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 \$2,211,000 (2011 - \$2,140,000), decreasing to \$2,029,000 in 2013.

A research fund was established by the Board of Directors to accumulate funds for future research needs. The balance in this fund is \$311,993 (2011 - \$305,303).

An incident fund was established by the Board of Directors to accumulate funds for unique incidents that may occur. In 2012, the Board of Directors derestricted cash in the incident fund, with incidents to be funded through unrestricted equity. A monetary reward of \$20,000 set up in 2004 for information related to a tamper incident remains restricted.

(e) UNRESTRICTED FUND

The unrestricted fund reports resources available for the Agency's general operating activities.

(f) REVENUE RECOGNITION

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

(g) FINANCIAL INSTRUMENTS

The Agency utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant

interest, liquidity, currency or credit risks arising from these financial instruments. The extent of the Agency's exposure to these risks did not change in 2012 compared to the previous period.

(i) Measurement of financial instruments

The Turkey Farmers of Canada initially measures its financial assets and financial liabilities at fair value.

The Turkey Farmers of Canada subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments including bonds and equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments in bonds.

(ii) Impairment

At the end of each reporting period, Turkey Farmers of Canada assesses whether there are any indications that a financial asset measured at amortized cost may be impaired.

When there is an indication of impairment, Turkey Farmers of Canada determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When a significant adverse change is identified, Turkey Farmers of Canada reduces the carrying amount of the asset to the highest of the following:

Turkey Farmers of Canada

Notes to the Financial Statements

For the year ended December 31, 2012

(ii) **Impairment (continued)**

- a) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- b) the amount that could be realized by selling the asset at the statement of financial position date; and
- c) the amount Turkey Farmers of Canada expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

(iii) **Transaction costs**

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at an amortized cost.

(h) **MANAGEMENT ESTIMATES**

The preparation of these financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant estimates include those used when accounting for amortization and accruals. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

4. INVESTMENTS

Investments consist of strip bonds guaranteed by the Government of Canada with interest rates ranging from 1.45% - 5.0% that have maturity dates ranging from September 2013 - September 2016.

5. ACCOUNTS RECEIVABLE

	2012	2011
Producer levies	\$ 349,342	\$ 325,944
Recoverable from On-Farm Food Safety Program	0	14,657
Miscellaneous accounts receivable	9,708	260
	\$ 359,050	\$ 340,861

Turkey Farmers of Canada

Notes to the Financial Statements

For the year ended December 31, 2012

6. PREPAID EXPENSES

	2012		2011	
Insurance	\$	6,193	\$	6,401
Other		74,532		90,913
	\$	80,725	\$	97,314

7. BANKING FACILITIES

At December 31, 2012, the Agency has an unused demand instalment loan of \$595,000 that is due on demand and bears interest at the bank's prime rate plus 1%, calculated and payable monthly. It is secured by all present and subsequently acquired personal property of the Agency.

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2012	Net 2011
Furniture and equipment	\$ 108,709	\$ 77,372	\$ 31,337	\$ 25,487
Computer equipment	136,528	107,492	29,036	40,511
Leasehold improvements	104,591	97,889	6,702	17,161
	\$ 349,828	\$ 282,753	\$ 67,075	\$ 83,159

9. COMMITMENTS

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

2013	\$	139,307
2014		99,089
2015		99,089
2016		99,089
2017		96,539

10. 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 \$2,542,993 are subject to internally imposed capital restrictions.

Schedule 1

Turkey Farmers of Canada Schedule of Administration Expenses For the year ended December 31, 2012

	2012	2011
OTHER ADMINISTRATIVE		
Amortization	\$ 28,975	\$ 29,083
Audit	15,500	13,800
Contract projects and external consulting	65,722	49,919
Insurance	8,964	9,796
Legal	22,155	26,067
Loss on disposal of property and equipment	216	0
Loss on foreign exchange	0	292
Office leases and supplies	32,877	52,330
OFFSP/Flock Care	7,607	9,969
Postage and courier	16,348	10,412
Rent, property tax and utilities	132,840	132,840
Sundry administration	828	1,087
Telephone	16,044	17,022
Trade consultations	64,065	78,802
Translation and interpretations	107,535	99,955
	<u>519,676</u>	<u>531,374</u>
REMUNERATION TO DIRECTORS AND STAFF		
Directors' fees	108,292	117,175
Employee benefits	168,317	163,807
Staff salaries	891,009	847,317
	<u>1,167,618</u>	<u>1,128,299</u>
DIRECTORS AND STAFF EXPENSES		
Directors, Alternates and Board Managers' expenses	351,334	413,993
Meeting rooms	71,477	63,805
Staff expenses	180,379	144,148
Travel insurance	1,048	1,044
	<u>604,238</u>	<u>622,990</u>
	<u>\$ 2,291,532</u>	<u>\$ 2,282,663</u>

Schedule 2

Turkey Farmers of Canada Schedule of Marketing Expenses For the year ended December 31, 2012

	2012	2011
PROVINCIAL MARKETING PROGRAMS		
TFC Provincial Marketing Supplement	\$ 400,001	\$ 400,001
MARKET DEVELOPMENT		
Canadian Poultry Research Council	35,000	35,000
Market research	83,026	87,971
Turkey research	63,129	32,625
	<u>181,155</u>	<u>155,596</u>
PUBLIC RELATIONS AND COMMUNICATIONS		
Marketing and communications	93,278	71,655
Memberships	71,084	71,134
National sponsorships and promotions	58,522	61,737
Subscriptions	4,356	5,070
TFC publications	22,865	29,203
	<u>250,105</u>	<u>238,799</u>
	<u>\$ 831,261</u>	<u>\$ 794,396</u>



Value Chain

Activities defined under 'Value Chain' focus on identifying both opportunities within the turkey market and costs within the system that can be reduced, within reason, to add growth.

2012 Market Review

Turkey production in 2012 was 160.1 million kg (Mkg), an increase of 1.2 Mkg from 2011. Domestic disappearance was 141.6 Mkg, a decrease of 1.8 Mkg from 2011. Per capita consumption was 4.1 kg. Closing stocks were 12.7 Mkg, an increase of 2.6 Mkg from year earlier.

Imports were up 1.3 Mkg from 2011, due in part to supplementary imports, an increase in the use of Tariff Rate Quota (TRQ) to bring in whole birds, and a corresponding decrease in the amount used for the importation of breast meat.

Control Period Results

The rest of the 2012 Market Review looks at the Turkey Farmers of Canada (TFC) control period, which runs from the last Sunday of April/first Sunday of May to the last Saturday in April of the following year. This provides a clear perspective of supply and demand, as seasonal variability is minimized.

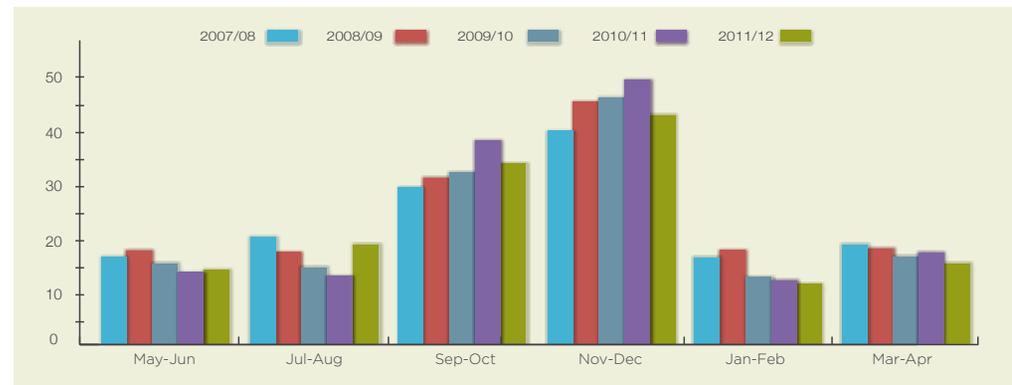
One of the primary responsibilities of TFC is to ensure that production volumes meet market requirements. When setting production allocations, the Agency takes forecast opening supplies, imports, exports and closing stocks into consideration. From 2005/2006 to 2008/2009, allocations steadily increased in response to rising demand and reasonable stock levels, but in 2008, the downturn in consumption brought about by the recession, amongst other factors, necessitated a reduction in output. In response to signs of rebound, production in 2012/13 is forecast at 165.5 Mkg, an increase of 7.0 Mkg from 2011/2012.

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

	2001	2005	2008	2010	2011	2012
Opening Stocks	14,413	11,731	15,373	18,322	11,964	10,143
Production	148,455	154,828	179,023	158,082	158,874	160,080
Imports	3,511	6,927	3,902	3,706	4,053	5,362
Total Supply	166,379	173,487	198,298	180,111	174,891	175,585
Total Disappearance	147,159	161,063	176,131	168,147	164,748	162,870
Exports	18,854	22,385	25,581	22,681	21,379	21,254
Domestic Disappearance	128,306	138,678	150,550	145,466	143,369	141,616
Closing Stocks	19,220	12,424	22,167	11,964	10,143	12,716
Change in Stocks	4,807	692	6,794	(6,358)	(1,821)	2,573
Per Capita Consumption (kg)	4.1	4.3	4.5	4.3	4.2	4.1

SOURCES: Turkey Farmers of Canada and Agriculture and Agri-Food Canada

Bi-Monthly Domestic Disappearance of Turkey (million kg, eviscerated)



SOURCES: Turkey Farmers of Canada and Agriculture and Agri-Food Canada



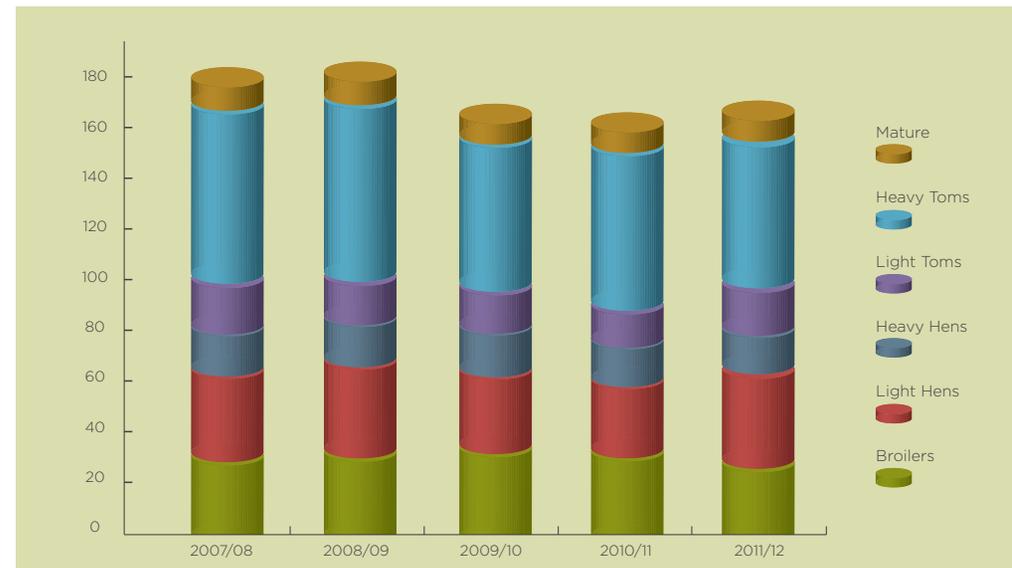
Value Chain (cont'd...)

Looking at domestic disappearance in two-month periods provides insights into the key seasons for turkey consumption: Easter (March-April); Thanksgiving (September-October); and, Christmas (November-December). While there is some variation in disappearance from one year to the next, the market for turkey generally grows in tandem with the growth in population. Christmas continues to be the most important time of year for the whole bird market, with Thanksgiving following close behind. The market for further processed products is more evenly spread throughout the year.

Demand for whole birds is fairly consistent year after year. Since 2007/08, the production of all turkeys under 9 kg (broilers, light hens and heavy hens) - which are primarily used for bagging and tray-packed parts - has ranged from 74.3 Mkg to 80.2 Mkg.

From 1999/2000 to 2008/2009, production of toms (light and heavy) increased in response to growing demand for further processed turkey products, rising from 60.1 Mkg in 1999/2000 to 86.0 Mkg in 2008/2009. When the market for breast meat/further processed products softened with the onset of the recession in late 2008, tom production declined, eventually settling to 71.7 Mkg by 2011/2012. In both the 2012/2013 and 2013/2014 control periods, however, allocations for further processing have increased, and production of toms is recovering.

Turkey Production
(million kg, eviscerated)



SOURCES: Turkey Farmers of Canada and Agriculture and Agri-Food Canada



Value Chain

Feed price volatility continues to plague all livestock sectors. As shown in the corresponding chart, feed costs declined from September 2011 to March 2012. In the spring of 2012, there was good reason to expect that feed prices would decline further when new crop supplies became available in the fall. Planting conditions in the spring had been ideal and the area planted to corn in the US was the highest since 1937. Heat-wave and drought, however, pushed feed prices sharply skyward with the threat of reduced yields. While the corn harvest across much of North America was significantly reduced, it became apparent in late fall that soybean yields held up better than expected.

Given tight supplies of feed grains, erratic weather conditions and inelastic demand for corn used to produce ethanol, feed price volatility will likely continue for some time.

Average Feed Costs and Live Prices (\$/kg live)



SOURCES: Turkey Farmers of Canada and Agriculture and Agri-Food Canada

Science & Research



Through science and research, Turkey Farmers of Canada seeks to keep pace with ongoing competitive changes in the Canadian marketplace, maintain the expectations of the Canadian consumer through innovation and excellence in turkey production, and provide a high-quality and healthy product to consumers.

TFC On-Farm Programs

Implementation of science-based food safety programs and standardized bird welfare guidelines continues through the TFC On-Farm Food Safety Program® (OFFSP) and TFC Flock Care Program® (FCP). Participation in both programs is expected to approach 100 percent in 2013, as Provincial Boards increasingly move toward mandatory implementation.

Scheduled reviews of the on-farm programs by the TFC On-Farm Programs Committee resulted in only a small number of edits to the Frequently Asked Questions section of the manual, which will be distributed to farmers following review by the Canadian Food Inspection Agency (CFIA).

A number of administrative requirements associated with the implementation of the OFFSP Management Manual were undertaken over the year, including the training of new on-farm auditors, witness audits of a number of existing on-farm auditors, and an initial internal audit of a Provincial Turkey Marketing Board office. Moving forward, all TFC On-Farm Programs

administrators, including TFC and Provincial Board offices, will become subject to internal audits every five years.

The development of a new turkey breeder module was also initiated in 2012 as part of the TFC OFFSP, in order to ensure that all turkey meat destined for human consumption is covered by a HACCP-based on-farm food safety program. The new module is expected to be submitted to the Canadian Food Inspection Agency (CFIA) for Technical Review in 2013.

Review of the Poultry Code of Practice

A review of the Poultry Code of Practice continues through the National Farm Animal Care Council (NFACC). By the end of December 2012, a review of the scientific literature was completed by the Scientific Committee to be presented to the Code Development Committee, composed of producers, transporters, processors, veterinarians, animal welfare organizations, animal welfare enforcement bodies, academics, retail and food service organizations, and government officials. The Code Development Committee will begin draft revisions in early 2013, with a final release of a new Poultry Code of Practice anticipated for 2014.

New Developments Regarding Animal Care in the Supply Chain

The *Recommended Best Practices for Bird Care in the Canadian Poultry Supply Chain from Farmer to Processor* was released in April and posted on the TFC's farmer website at www.tconfarmprograms.ca. This document was drafted by the Canadian Poultry and Egg Processors Council (CPEPC) Animal Welfare Sub-Committee, of which TFC is a member, to better define how each link in the poultry supply chain is connected and carries responsibilities with respect to poultry care and welfare. It was drafted in response to the revisions in the Canadian Food Inspection Agency (CFIA) *Meat Hygiene Manual of Procedures* related to animal welfare, which will come into force on January 1, 2013. Templates that will assist farmers in implementing bird care recommendations related to catching and loading are posted on the farmers-only website.

PAACO Poultry Welfare Course – Canadian Version

TFC, along with the other national poultry groups, contributed funding towards the development of a Canadian version of the Professional Animal Auditor Certification Organization (PAACO) Poultry Welfare Auditor Course, and provided input regarding the TFC Flock Care Program® (FCP) requirements. The first Canadian course, administered by the Poultry Industry Council (PIC), was held in Mississauga, Ontario, in September 2012.



Science & Research

Regulatory Modernization Initiatives

TFC participated in consultations regarding several regulatory modernization initiatives that unfolded throughout the year as a result of the Multi-Year Regulatory Modernization Plan released by the Canadian Food Inspection Agency (CFIA) in December 2011. Through this plan, CFIA has started a systematic review of its regulatory frameworks for food safety, plant and animal health, including the review of Canada's food inspection system and the renewal of the *Feeds Regulations*. TFC welcomes CFIA's efforts to streamline existing regulations and is committed to continuing its participation in the consultation process as it progresses next year.

TFC also monitored the introduction of the *Safe Food For Canadians Act* (Bill S-11), first released by the federal government in June 2012 and passed by the House of Commons in November 2012. The new Act will consolidate the authorities of the *Fish Inspection Act*, the *Canada Agricultural Products Act*, the *Meat Inspection Act*, and the food provisions of the *Consumer Packaging and Labelling Act*. The intent is to simplify the current requirements, improve inspection consistency and import controls, impose tougher fines and penalties, and strengthen food traceability.

Canadian Turkey Research Workshop

A one-day workshop was hosted by TFC in June, with funding support from the Natural Sciences and Engineering Research Council of Canada (NSERC). The primary objective of the workshop was to identify ways and means to increase the amount of turkey research in Canada, as well as to present the *TFC Research Strategy*. Attendees represented Canadian research institutions, the federal government, primary turkey breeders, and supply chain members of the turkey industry. Issues raised included a lack of research funding, difficulties specific to turkey research, impediments to federal funding administration, and the lack of turkey industry-researcher coordination. All participants agreed on the value of holding face-to-face meetings between industry and the research community to overcome these barriers. Work stemming from the workshop will help to provide greater focus for turkey research and to reinvigorate the interest in turkey science at Canadian universities.

Canadian Poultry Research Council

The Canadian Poultry Research Council (CPRC) finalized a *National Research Strategy for Canada's Poultry Sector* in August to promote discussion and coordination between all funders of poultry research in Canada. The goal of the Strategy is to enhance the long-term viability of the Canadian poultry industry through research, and it includes nine priority areas

that span the entire research continuum, from fundamental research to application on the farm. The priority areas are: economic viability, genetics, food safety, animal health products, poultry health, poultry welfare, environmental sustainability, functional and innovative products, and poultry feedstuffs.

As a part of the process for moving the Strategy forward, CPRC is coordinating an application to Agriculture and Agri-Food Canada (AAFC) for a new Poultry Science Cluster in early 2013. Research Clusters bring together research expertise from across Canada to address industry defined priorities that are relevant to commodity groups. The current Poultry Science Cluster will end on March 31, 2013, and the intent is to carry as much of the work already completed forward to the new Cluster to promote further innovation on-farm, and to increase knowledge transfer opportunities.

TFC Research Notes and Turkey Farming Fact Sheets

New for release in 2013, TFC has developed a number of *TFC Research Notes*, which are aimed at providing information regarding turkey research projects to farmers. Each volume will describe a project that was supported by TFC, either directly or through its membership at the Canadian Poultry Research Council (CPRC). Combined with the existing library of *TFC Turkey Farming Fact Sheets*, these new publications meet TFC's commitment to provide increased value to turkey industry stakeholders through the provision of

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knowledge transfer materials. These two publications support innovation in the turkey industry as mandated by the TFC Research Strategy and reinforce the scientific basis of the TFC On-Farm Food Safety Program® requirements. The *TFC Research Notes* and the *TFC Turkey Farming Fact Sheets* are easily accessed through the TFC farmer website at www.tfconfarmprograms.ca.

Antimicrobial Use and Resistance

The TFC Board of Directors adopted the *Antimicrobial Use in the Poultry Industry White Paper* in November 2012, which outlines a number of antimicrobial use recommendations.

In 2013, the Agency will conduct a preliminary Antimicrobial Use Survey, in cooperation with other supply chain partners, in order to better understand the amount of antimicrobial use in the turkey industry and the decisions related to use by farmers, feed mills, and veterinarians.

The Agency has also joined a Poultry Industry Antimicrobial Use Working Group, which promotes discussions between industry partners on antimicrobial use, and will participate in a proposed industry/government committee whose work is to promote improved information sharing between industry partners and the Public Health Agency of Canada (PHAC).

Ractopamine-Free Poultry Protocol

TFC, the Canadian Poultry and Egg Processors Council (CPEPC), the Animal Nutrition Association of Canada (ANAC), and the Chicken Farmers of Canada (CFC) have been in discussion with the Canadian Food Inspection Agency (CFIA) over the course of the year regarding the development of a ractopamine-free turkey protocol. Ractopamine hydrochloride (Paylean®) was approved for use in heavy hen and tom production in 2010, and cannot be used in the production of meat for export to the European Union (EU). The proposed protocol, based on a draft framework created by TFC, will include measures to allow any poultry producer who ships birds to a processing plant that exports poultry meat to the European Union (EU) to prove that ractopamine has not been added to their feed rations.

Canadian Notifiable Avian Influenza Surveillance System

Based on its experience with the Canadian Notifiable Avian Influenza Surveillance System (CanNAISS) over the past five years, the Canadian Food Inspection Agency (CFIA) has indicated that it will be reviewing the program in 2013. The data collected since 2008 has demonstrated that there is a low probability of Notifiable Avian Influenza (specifically low pathogenic H5 and H7 strains) within Canadian poultry flocks, which indicates that a review of the statistical model used by CFIA for CanNAISS sampling is warranted. This review will also include a re-examination of how farms are selected for sampling, as CFIA acknowledges that turkey farms are being sampled at a high frequency. CFIA has further indicated continued federal government support for CanNAISS.