

2013

Annual Report



TURKEY FARMERS
OF CANADA

The Fortieth 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.

ACKNOWLEDGEMENTS

In reporting on the Agency's activities and financial status at the end of 2013, TFC's priorities for 2014 — the Agency's 40th anniversary year — are well in place. The beginning of that important year is an appropriate time to pay tribute to the many farmers and non-farmers alike who have made contributions to the organization over the past 40 years. Gratitude is owed to those who paved the way for the national marketing plan with federal and provincial governments, to those who have stepped into leadership roles provincially and nationally, to those in legislatures who have continued to support the supply management marketing of farm products in Canada, and to those who, in so many ways, have contributed to the development and growth of this sector of Canadian agriculture.



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MESSAGE FROM THE CHAIR

Nearing the end of the Agency's 40th year, and in the midst of preparations for our formal anniversary in February 2014, it is impossible not to reflect upon the history of our organization and the evolution of the Canadian turkey sector over the decades.



In 1974, when Turkey Farmers of Canada (TFC) was established under the federal *Farm Products Agencies Act* (FPAA) as the Canadian Turkey Marketing Agency (CTMA), staff members were tasked with the responsibility of administering national quota policy and sorting out issues in support of the quota system. Today, staff work to fulfill the mandates laid out by the TFC Board of Directors in accordance with the Agency's annual Business Plan (detailed in later pages), going far beyond the maintenance and administration of a national allocation policy, and into areas of market analysis; information and resource development; public relations; consumer communications; marketing and promotion; government relations; corporate communications;

international trade; social responsibility; on-farm food safety; flock care; and, poultry research, to name a few.

The organizational and functional changes undertaken by TFC are a testament to the changes we have experienced in our market environment and, ultimately, to the collective ability of TFC members and provincial boards to keep pace. Through the unique system of supply management, we have grown, adapted and advanced, enabling those in our industry to continue providing consumers with safe, high-quality Canadian turkey products, and fostering an environment in which farmers and partners on both sides of the farmgate can operate profitably in the short and long term. It is the ultimate confirmation of the supply management system and of what we, as individual farmers, leaders and business owners, can accomplish when we work together.

The Agency addressed a number of familiar themes in 2013 which, as a farmer, particularly resonate with me.

First, the importance of our diligence in the implementation of TFC's national On-Farm Food Safety[®] and Flock Care Programs[®] continues to be reinforced. With growing consumer interest in methods of farm animal production, it is more important than ever before for us to be able to prove to Canadians how committed we are to the care of our birds and the production of safe, high-quality turkey meat. Strict and consistent adherence to formal, auditable on-farm programs validates what we say and do.

For the first time in some years, there were also a number of what could be called "landmark developments" on the trade front. In December, members of the World Trade Organization (WTO) reached agreement on a small package of trade issues and committed to continuing discussions on the larger Doha Round in 2014. Only a few weeks earlier, Canada and the European Union (EU) announced they had reached an agreement in principle on the four-year Comprehensive Economic and Trade Agreement (CETA) negotiations, the outcome of which brought some mixed reaction from our sector. Trans-Pacific Partnership (TPP) negotiations, in which Canada also has a vested interest, continue to move forward.

Other activities are detailed in this report, along with Markets Information and TFC's annual Financial Statements; and while it is a much broader and more comprehensive snapshot of our industry compared to what was given in 1974, there are some things that have not changed. Foremost among these is the mandate of our Agency, which dictates that TFC "promote a strong, efficient and competitive production and marketing industry...with due regard to the interests of producers and consumers." This is the backbone of what we do, and the reason we will continue to grow.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark Davies', enclosed within a large, stylized oval shape.

MARK DAVIES
Chair

EXECUTIVE COMMITTEE & BOARD OF DIRECTORS

EXECUTIVE COMMITTEE



ALTERNATE DIRECTORS

- British Columbia: Les Burm
- Alberta: Darren Ference
- Saskatchewan: Jelmer Wiersma
- Manitoba: Rachelle Brown
- Ontario: Tyson Schlegel
- Québec: Calvin McBain
- New Brunswick: Larry Slipp
- Nova Scotia: David Young
- CPEPC: Lori Ansems
- Wayne Urbanas
- Jamie Falcao
- FPPAC: Mike Pietrantonio

BOARD OF DIRECTORS



MESSAGE FROM THE EXECUTIVE DIRECTOR

An anniversary “on the 10s” is an important milestone for any organization, and the anticipation for Turkey Farmers of Canada’s upcoming 40th Anniversary in February 2014 has been building for some time. In fact, over several months, we have been celebrating 2013 as our 40th year representing Canada’s turkey farmers — in essence, throwing ourselves a party before the big day arrives!



Proclaimed by Parliament in 1974, the Canadian Turkey Marketing Agency was the second marketing agency created under the *Farm Products Agencies Act* (FPAA).

That year, pocket calculators were just finding their way onto store shelves, “Sundown” by Canadian Gordon Lightfoot was topping the Billboard charts, Ali beat Frazier in 12 rounds in their second bout at Madison Square Garden, and Gordie Howe emerged from a three year retirement to play in the World Hockey Association.

More to the point though, farm prices for turkeys in 1974 were in the order of 38 cents per pound, which was not bad compared to the 19 cents per pound from earlier days. Retail prices were as variable then as they are now,

and 90 cents per pound was not uncommon. Allocation levels, allocation distribution, live price setting, provincial overmarketing, import control measures, marketing, and promotion, were the emerging priorities of the new marketing agency.

Today, on many farms across Canada, a third generation of turkey farmers is now operating their farm business within the supply management framework. This third generation is functioning within the framework of the FPAA and *Federal-Provincial Agreement* (FPA), two remarkably crafted documents that have inherent in them the flexibility and nimbleness to ensure that the quota system functions well and continues to meet the needs of consumers who have changed over 40 years, in terms of their tastes, preferences and demands on food producers.

That same framework has maintained a balance in the marketplace between farmers and buyers, and has also created a stability within the industry that facilitates new investment in farms, plants, equipment and people; all a consequence of a sector that has remained profitable over time up and down the chain.

As noted in the Acknowledgements inside the front cover, gratitude is owed: To those who invested their time and resources into seeing the provincial turkey marketing boards and national marketing agency put into place; to crafters of the legislation; to the politicians who had the courage to pass the original legislation; and to today’s decision-makers who have the courage to see supply

management as sound farm policy, worth defending and supporting 40 years later.

A 40th anniversary is a big deal.

Together, we in the TFC office salute those mentioned above, as well as all who have participated since then by taking time away from their farms and plants to make sure that TFC continues to function as it should: With the balance envisioned by the Act; with consumers and stakeholders continuing to be well-served by the marketing system; as a sector of Canadian agriculture that continues to attract investment in the future; and, a sector that continues to be of relevance to rural Canada.

This report is written to provide an update to the Minister and the House of Commons on TFC’s activities, as it is every year and as per the mandate in the FPAA. This year, the report also serves as a reminder of the good story of the turkey industry in Canada.

We join the Agency members in looking forward to our 40th anniversary in 2014 and remain committed to its ongoing development in the years ahead.

Respectfully submitted,

A handwritten signature in white ink on a dark blue background. The signature is stylized and appears to read "Phil Boyd".

PHIL BOYD
Executive Director

TFC STAFF

Phil Boyd
Executive Director

Janice Height
Director - Corporate Services

Allyson Marcolini
Lead - Consumer Relations

Robin Redstone
Lead - Corporate Communications

Mabel Seto
Finance Administrator

Lorna Morris
Executive Services Administrator

Cathy Lane
Corporate Services Administrator

Sateesh Ramkissoonsingh
Manager - Policy & Trade

John Sheldon
Manager - Markets Information

Elise Mereweather
Policy & Data Administrator

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 (Contract)

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

VISION

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

MISSION

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:

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

COMMITTEES, APPOINTMENTS, AFFILIATIONS AND MEMBERSHIPS

COMMITTEES

Executive*

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

Nominating*

Doug Hart, Chair
Bill Mailloux, Director
Laurent Mercier, Jr., Director

Audit & Finance*

Mark Davies, Chair
Shawn Heppell, Director
Wayne Kroeker, Director

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
Roelof Meijer, ATP
David Young, TFNS
Wayne Urbonas, CPEPC

Turkey Market Advisory*

Bill Mailloux, Chair
Jamie Falcao, CPEPC - Central
Michel Pépin, CPEPC - East
Doug Hart, CPEPC - West
Keith Hehn, FPPAC
Shawn Heppell, Producer - West
Ingrid DeVisser, Producer - East
John Groenewegen, Third-Party Market Analyst

On-Farm Programs*

Wayne Goodsman, Chair
Vic Redekop, BC
Joni Rynsburger, 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
Keith Hehn, Further Processor

Turkey Market Development*

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

APPOINTMENTS

Canadian Federation of Agriculture (CFA)

Wayne Kroeker, Director
Mark Davies, Alternate Director

Avian Biosecurity Advisory Council (ABAC)*

Appointment pending as required

COMMITTEES, APPOINTMENTS, AFFILIATIONS AND MEMBERSHIPS cont'd

National Farm Animal Care Council (NFACC)*

Lori Ansems
Bill Mailloux
Steven Eadie

Canadian Poultry Research Council (CPRC)*

Roelof Meijer, Director

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

MEMBERSHIPS & PARTNERSHIPS

Agriculture More Than Ever
Alberta Farm Animal Council
Canadian 4-H Council
Canadian Agricultural Hall of Fame

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 Farmed 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)

*Resource - TFC Staff



BUSINESS PLANNING

TFC's Business Plan is the driver behind the Agency's activities. Reviewed and updated on an annual basis by the Board of Directors, the Plan sets out short and long-term priorities for the Agency and establishes operational and work plans accordingly. The Plan is supported by an annual cycle that includes reviews of industry trends, challenges and issues, budget assessments, and resource allocation.

TFC held two Business Planning Sessions in 2013, where Directors agreed to focus upon the following Key Result Areas (KRAs):

1. Governance
2. Consumer Relations
3. Corporate Communications
4. Value Chain
5. Science and Research
6. Operations



GOVERNANCE

Turkey Farmers of Canada places a high priority on corporate responsibility, accountability, and building relationships both within and outside of the Agency.

GOVERNANCE REVIEWS

In order to maximize the Agency's effectiveness and increase Directors' understanding of legal responsibilities and fiduciary compliance, TFC has produced a *TFC Reference Manual* for all members of the Board of Directors. The Agency has also begun conducting formal orientation sessions with newly appointed Directors, Alternate Directors and Provincial Board Managers, in order to establish a working understanding of the *Federal Provincial Agreement (FPA)*, as well as all relevant legislation, orders and regulations, and TFC policies.

To raise awareness on Parliament Hill, TFC partnered with the charitable organization to invite all parliamentarians and their staff to participate in a one-day fast, followed by the second annual Food Banks Canada 'Breakfast on the Hill', sponsored by TFC. The joint effort was rewarded with more than 125 parliamentarians and staff participating in the fast, and positive attendance at the May 'Breakfast on the Hill'.



The funds donated to Food Banks Canada by TFC and its members in 2013 were distributed among 110 rural food banks in 10 provinces and three territories, providing turkey for approximately 2,800 Canadian families.

SOCIAL RESPONSIBILITY

For the fifth year in a row, Turkey Farmers of Canada partnered with Food Banks Canada to provide much needed funds for rural Canadian food banks to purchase and distribute turkeys and turkey products at Thanksgiving. As other provincial boards have done in the past, the Alberta Turkey Producers, Manitoba Turkey Producers, and British Columbia Turkey Marketing Board also contributed funds, raising the total 2013 donation from \$50,000 to \$56,500. Combined with the activities of all member boards and associates over the year, the Canadian turkey industry is making a tangible difference in the lives of thousands of Canadians.

Earlier in the year, TFC worked with Food Banks Canada to mark and promote Hunger Awareness Week, an initiative created to help educate Canadians about hunger in our country and to encourage all to help those in need.



CONSUMER RELATIONS

TFC encourages and promotes the consumption of turkey meat through an online and social media presence, targeted consumer advertising, regular newsletters and strategic communications with Canadian food bloggers and dietitians.

CANADIAN BETTER LIVING

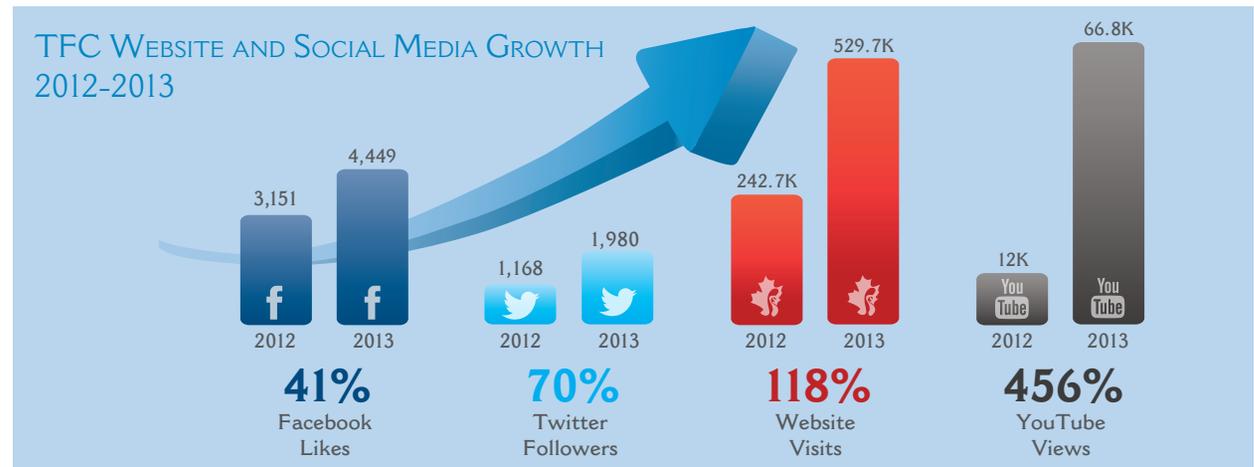
In 2013, TFC sponsored a segment of *In the Kitch* on the television show, *Canadian Better Living*, which airs on CTV, Food Network and TVA. In the segment, Celebrity Chef, Jo Lusted, and Registered Dietitian, Shannon Crocker, made Piri Piri Roasted Turkey Thighs and demonstrated the ease of cooking turkey, while noting the nutritional benefits of turkey meat. Promotion for the segment included a Facebook ad with more than 1.3 million impressions; an e-blast to one million Smart Brand readers; banner ads on the popular website SheKnows.ca, and a video advertisement for the show, with the recipe, on the Smart Brand website. The recipe is perpetually available on turkeyfarmersofcanada.ca, with the how-to video footage featured on the TFC YouTube channel.

CANADIAN FOOD BLOGGERS

TFC continues to engage with Canadian food bloggers, inviting them to create turkey recipes to generate interest among their readers and thereby promote the consumption of turkey in non-festive periods. In 2013, the Agency partnered with Mushrooms Canada to co-promote a project titled *Get Your Grill on with Turkey and Mushrooms*, which focused on grilling turkey and mushrooms during the summer months. Ten food bloggers from across Canada each created two barbecue recipes using turkey, which were then featured in an e-cookbook downloadable from the TFC website after liking the Tasty Turkey Facebook page. The promotion was launched with a Twitter chat in early June and wrapped up at the end of August. More than 200 new Facebook fans were gained during the promotion, and TFC now has 20 new barbecue recipes featured on turkeyfarmersofcanada.ca.

The Agency also sponsored and participated in the Food Bloggers of Canada's inaugural conference in Hockley Valley, Ontario, which involved 75 Canadian bloggers.

There were more than 180,000 visits to the TFC website in the two weeks leading up to Thanksgiving 2013 alone!



CORPORATE COMMUNICATIONS

TFC continues to focus on strengthening its corporate communications by way of timely and open dialogue with members, government, and stakeholders. Critical elements of this effort include keeping our industry information up-to-date, ensuring our farmers are informed of events that hold implications for their farming operations, and making sure that misperceptions pertaining to supply management are addressed in a clear and timely manner as they emerge. Joint work with industry partners plays a key role in many of these endeavors, and ultimately aides in improving the viability of turkey farms in Canada.

JOINT POULTRY INDUSTRY SUPPLY MANAGEMENT OMNIBUS SURVEY

The national poultry groups collaborated on a joint research effort in 2013, engaging a professional research firm to measure Canadians' perceptions of issues related to supply management.

The results of the online survey were clear: Canadians support supply management. Seven out of ten respondents indicated they believe the system is good for Canadians, with high-quality farmed foods and the protection of Canadian farmers emerging as the system's most meaningful benefits for consumers. Respondents also showed a strong preference for purchasing Canadian egg, chicken and turkey products, conveying that they have a high level of trust in Canadian farmers and Canadian quality standards, and feel good about buying food from Canadian farms.



MEMBER AND INDUSTRY COMMUNICATIONS

As part of the Agency's ongoing commitment to effective communications with members and stakeholders, TFC continued to publish its quarterly *Plume* newsletter, as well as its bi-weekly industry e-newsletter, *The Eye on the Industry*, and the annual *Canadian Turkey Stats* handbook.

TFC also attended Provincial Turkey Board annual meetings early in 2013 to provide a re-cap of Agency activities in 2012 and an outlook for the upcoming year.

In mid-2013, TFC initiated an industry update to the federal, provincial and territorial Marketing Councils that make up the National Association of Agricultural Supervisory Agencies (NAASA).

GOVERNMENT UPDATES

A TFC 'Information Update' was sent to select Members of Parliament and members of the House of Commons and Senate Standing Committees on Agriculture in May. TFC Executive members also met and/or provided input and feedback to government officials on multiple occasions throughout the year.

JOINT ANNUAL POULTRY INDUSTRY RECEPTION

Turkey Farmers of Canada (CFC), Chicken Farmers of Canada (CFC), Egg Farmers of Canada (EFC) and the Canadian Hatching Egg Producers (CHEP) hosted a joint poultry industry reception in Ottawa in March 2013.

The reception, held annually, offers poultry farmers and industry stakeholders an opportunity to discuss important issues with elected and non-elected officials involved in all aspects of the agriculture industry.

CORPORATE COMMUNICATIONS cont'd

FEDERATION OF CANADIAN MUNICIPALITIES EVENT SPONSORSHIP

TFC, EFC, CFC and CHEP jointly sponsored and participated in the opening reception of the Federation of Canadian Municipalities' (FCM) annual meeting and convention in Vancouver in the Spring of 2013. Coordinated by EFC, the move was part of a larger effort by the national poultry groups to raise awareness about supply management at a municipal level and to build relationships with the FCM and its members. The event also served as a meaningful launching point for EFC to release the positive results of their commissioned survey of municipal government leaders on their awareness and support for supply management.



GLOBAL AGENDA FOR SUSTAINABLE LIVESTOCK

TFC became partners of the Global Agenda of Action in Support of Sustainable Livestock Sector Development in 2013. The partnership includes multiple actors from around the world, including public and private sector representatives, producers, research and academic institutions, civil society and NGOs, and inter-governmental organizations. Its primary objectives are to guide and measure the continuous improvement of livestock sector practices around the world, moving toward a more efficient use of natural resources. Initial joint activities focus on areas where large environmental, social and economic gains can be made, including land, water, nutrients, and greenhouse gas emissions.



VALUE CHAIN

2013 MARKET REVIEW

Turkey production in 2013 was 168.1 million kg (Mkg), an increase of 7.9 Mkg from 2012. Domestic disappearance was 146.5 Mkg, an increase of 4.5 Mkg from 2012. Per capita consumption was 4.2 kg. Closing stocks were 13.7 Mkg, an increase of 0.9 Mkg from year earlier.

Imports were down by 1.1 Mkg from 2012, due to the fact that no supplementary imports were issued, and the use of Tariff Rate Quota (TRQ) to bring in whole birds decreased.

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 has been fairly consistent year over year. Since 2009, 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 75.0 Mkg to 79.0 Mkg.

PERIODIC STOCKS, SUPPLY AND DISAPPEARANCE OF TURKEY MEAT IN CANADA

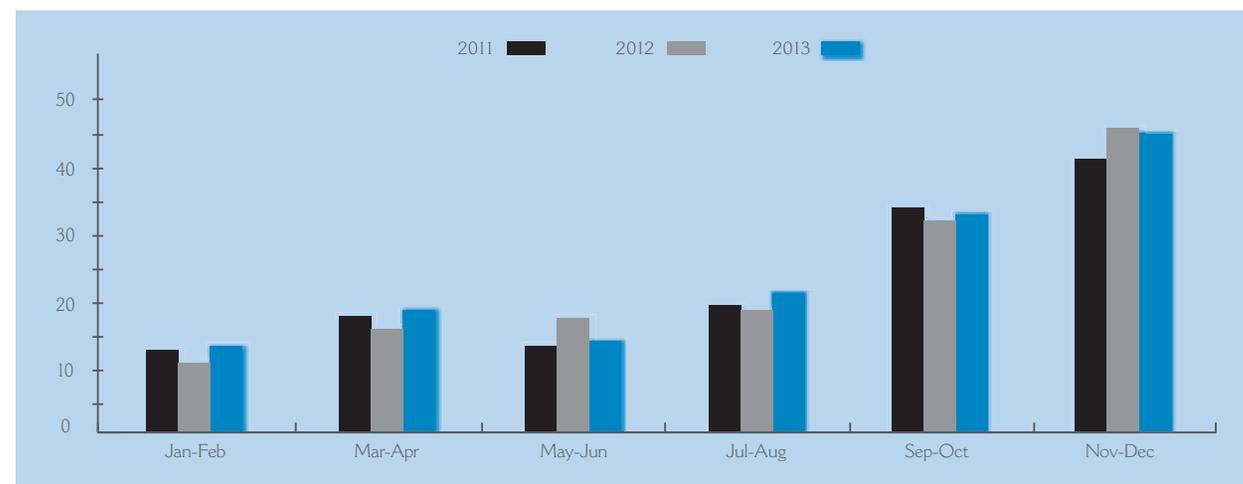
(Calendar year, thousand kg, eviscerated)

	2002	2006	2009	2011	2012	2013
Opening Stocks	19,220	12,424	22,167	11,964	10,144	12,806
Production	145,731	162,576	165,313	158,874	160,202	168,079
Imports	3,811	3,872	3,467	4,036	5,418	4,355
Total Supply	168,762	178,872	190,947	174,874	175,763	185,239
Total Disappearance	154,806	166,063	172,625	164,731	162,958	171,562
Exports	24,240	27,453	24,024	21,379	21,042	25,100
Domestic Disappearance	130,566	138,611	148,600	143,352	141,915	146,462
Closing Stocks	13,956	12,809	18,322	10,144	12,806	13,678
Change in Stocks	-5,264	385	-3,844	-1,820	2,662	872
Per Capita Consumption (kg)	4.2	4.3	4.4	4.2	4.1	4.2

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

BI-MONTHLY DOMESTIC DISAPPEARANCE OF TURKEY MEAT

(million kg, eviscerated)



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

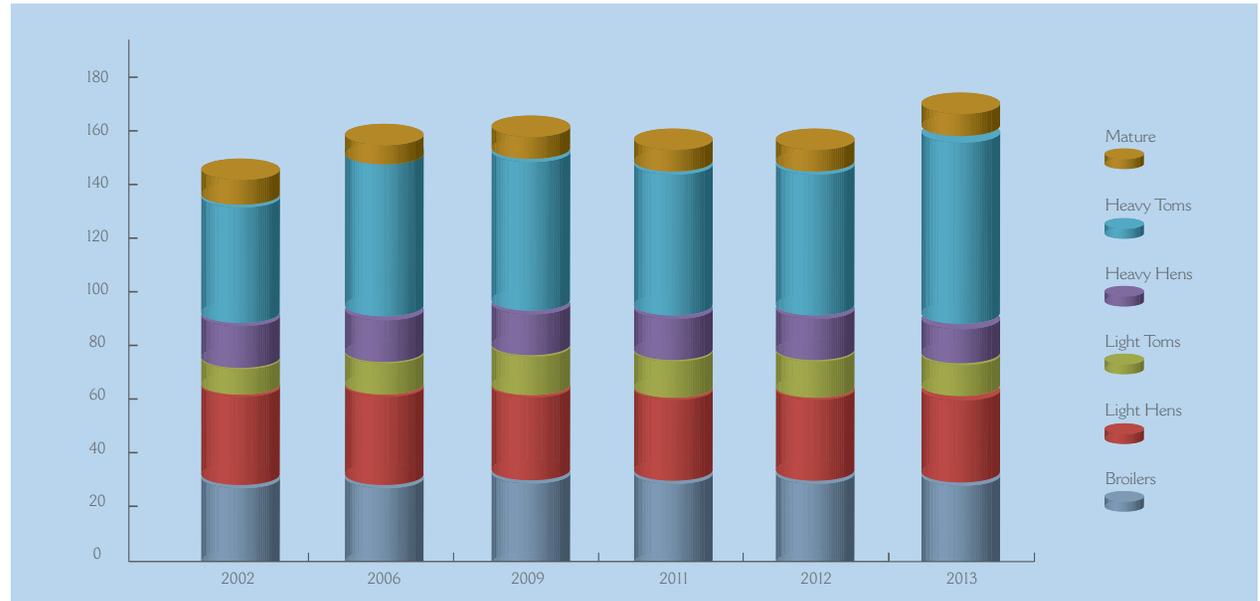
VALUE CHAIN cont'd

From 1999 to 2008, production of turkeys over 9 kg (matures and light and heavy toms) increased in response to growing demand for further processed turkey products, rising from 64.4 Mkg in 1999 to 97.7 Mkg in 2008. When the market for breast meat/further processed products softened with the onset of the recession in late 2008, production of turkeys over 9 kg declined, eventually bottoming out at 81.2 Mkg in 2012. In response to a recovery in demand for breast meat and further processed turkey, allocations for further processing have increased, and production of turkeys over 9 kg in 2013 rose by 8.8 Mkg to 90.0 Mkg.

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 lower allocations for the 2009/2010 to 2011/2012 Control Periods. A recovery in demand necessitated successive increases in the 2012/2013 to 2014/2015 Control Periods. As a result, production in the 2014/2015 Control Period is forecast at 172.8 Mkg, up from 157.8 Mkg in 2011/2012.

TURKEY PRODUCTION 2002-2013

(million kg, eviscerated)



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

COMMERCIAL ALLOCATIONS

	2013/14	2014/15	Change
British Columbia	19,948,032	20,147,600	199,568
Alberta	14,123,304	14,232,494	109,190
Saskatchewan	5,404,185	5,217,030	- 187,155
Manitoba	11,006,231	9,965,592	- 1,040,639
Ontario	57,395,200	59,579,982	2,184,782
Québec	33,030,019	33,613,998	583,979
New Brunswick	3,262,288	3,320,044	57,756
Nova Scotia	4,108,050	4,193,879	85,829
Total	148,277,309	150,270,619	1,993,310

*Excludes conditional breeder and export allocations

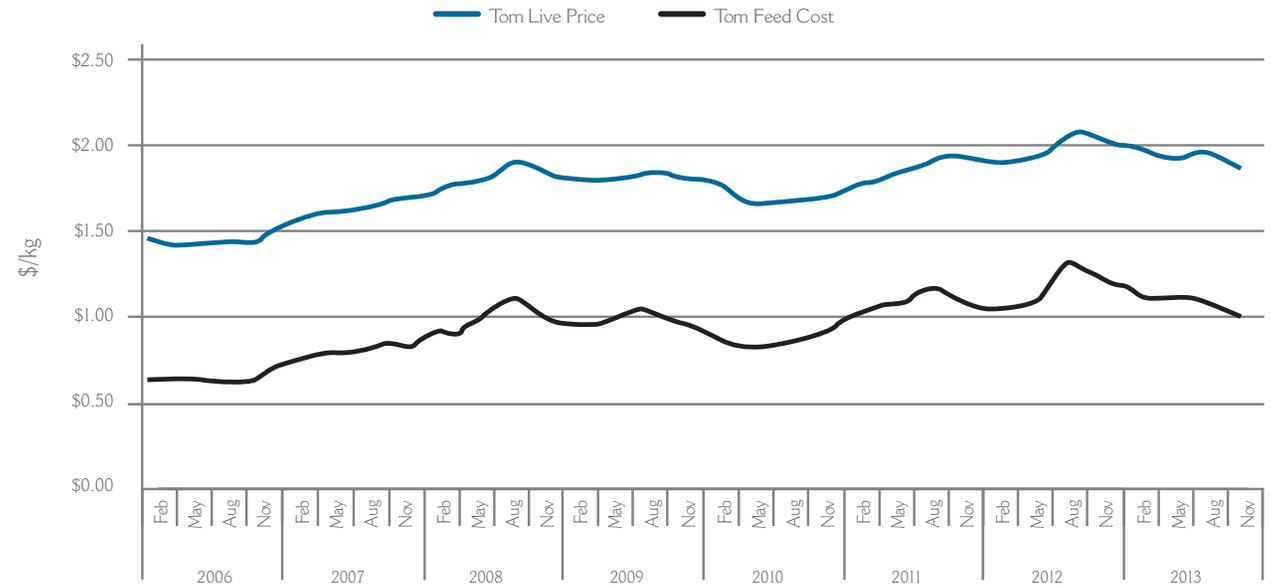
VALUE CHAIN cont'd

FEED PRICES

Between January and December of 2013, feed prices declined from a cost of \$1.20/kg live for toms to \$1.01/kg live at the end of December. The steepest declines occurred between August and December. Sharply higher production of corn and feed wheat across North America in 2013, when compared to 2012, provided some much needed relief for the livestock sector. Soybean meal prices did not decline as much in the fall of 2013 as had been hoped. Late summer heat and drought in the US corn belt hit the soybean crop during pod setting. Strong export demand for soybeans and soybean meal also helped to elevate the cost of soybean meal and, in turn, the cost of feed.

AVERAGE FEED COSTS AND LIVE PRICES

(\$/kg live)



SOURCES: Turkey Farmers of Canada and Provincial Turkey Boards



VALUE CHAIN cont'd

FARM PRODUCTS AGENCIES ACT (FPAA)

Under Section 21 of the FPAA, one of the objects of an Agency is “to have due regard to the interests of producers and consumers of the regulated product or products”.

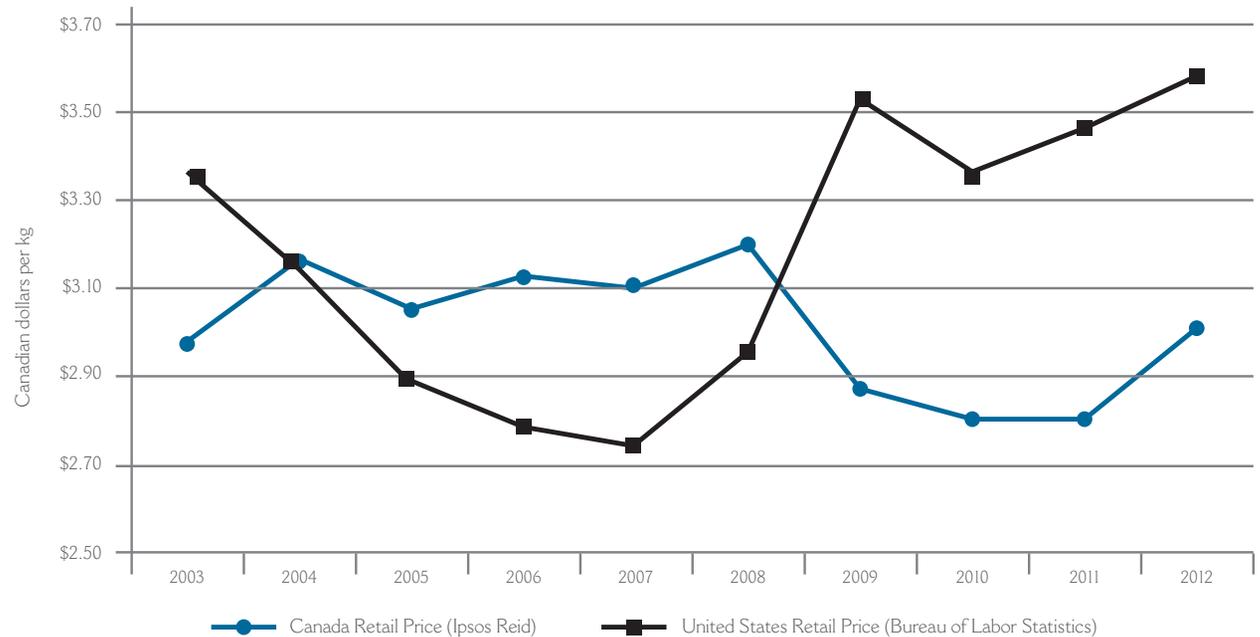
This object is very broad and takes many forms. Under the supply management system for turkey, there are 531 commercial producers operating in eight provinces, raising turkeys that can be marketed locally and nationally.

The second object of an Agency under the FPAA is “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”.

By regulating the production of turkey in all eight provinces, supply management has slowed the process of farm consolidation seen in other sectors and ensured that the economic benefits associated with turkey production have occurred across rural Canada. Farm sizes in Canada are, on average, smaller than in the United States. It is estimated that commercial U.S. turkey farms are approximately two-and-a-half to three times the size of commercial farms in Canada.

Despite these structural differences, domestic retail turkey prices have tracked closely with U.S. retail prices over the long-run, with Canadian prices being very comparable, on average, with U.S. prices.

WHOLE FROZEN TURKEY - RETAIL PRICE COMPARISON



Some of the top reasons Canadians buy local, include:

- *The food is fresh and tastes better (97%).*
- *It supports the local economy (97%).*
- *It supports the local farmers (96%).*
- *It creates local jobs (93%).*

Source: 3rd Annual BMO Food Survey

SCIENCE & RESEARCH

TFC ON-FARM PROGRAMS

Implementation of the TFC On-Farm Food Safety Program[®] (OFFSP) and Flock Care Program[®] (FCP) continues to progress. By December 2013, more than 90% of all registered turkey farmers had been certified under the OFFSP and more than 50% had been certified under the FCP. As provincial boards are increasingly moving toward mandatory implementation, participation in both programs is expected to approach 100% in 2014.

A first official 18-month review of the TFC OFFSP and On-Farm Programs Management Manual by the Canadian Food Inspection Agency (CFIA) determined that both manuals continue to meet CFIA Technical Review requirements. An internal review of the On-Farm Programs and their management system resulted in a small number of edits to the manuals in order to provide additional guidance to farmers and on-farm auditors. These revisions have been submitted to the CFIA for approval and will be distributed to farmers and program administrators in 2014.

Additional On-Farm Program activities in 2013 included the training of new and re-training of existing on-farm auditors, witness audits of a number of current on-farm auditors, and internal audits of two provincial program administrators.

The TFC Flock Care Program[®] (FCP) was submitted to the Canadian Federation of Humane Societies (CFHS), the Canadian Veterinary Medical Association (CVMA), and the Canadian Poultry and Egg Processors Council (CPEPC) to obtain support for its implementation. TFC has begun evaluating the comments received from these

outside stakeholders and will consider the feedback as part of the ongoing TFC On-Farm Programs review process. Consideration will also be given to the ongoing revision of the Poultry Code of Practice as a part of this process.

NEW! TURKEY BREEDER MODULE FOR THE TFC ON-FARM FOOD SAFETY PROGRAM[®]

The development of a Turkey Breeder Module for the TFC OFFSP was completed in 2013 and approved by the TFC Board of Directors following pilot-testing on a number of turkey breeder farms. The new module was prepared for submission to the CFIA for Technical Review, with distribution of the final Turkey Breeder OFFSP anticipated for the latter half of 2014.

The Turkey Farmers of Canada (TFC) would like to thank Agriculture and Agri-Food Canada (AAFC) for its funding contribution under Growing Forward 2, used towards the development of the Turkey Breeder Module of the TFC On-Farm Food Safety Program[®].

REGULATORY MODERNIZATION INITIATIVES

TFC continued its participation in consultations regarding a number of regulatory modernization initiatives over the course of 2013, including the renewal of the Feeds Regulations, Veterinary Drugs Regulatory Modernization, Inspection Modernization, and a review of the Hatchery Regulations. TFC welcomes CFIA and Health Canada efforts to streamline existing regulations and is committed to remaining involved in these processes as the various initiatives move forward.

TFC RESEARCH NOTES AND TURKEY FARMING FACT SHEETS

New *TFC Research Notes* and *Turkey Farming Fact Sheets* were added to the online library on the TFC farmer website at www.tfcfarmprograms.ca. The publications are intended to provide turkey farmers with information about specific turkey research projects and supporting information related to the TFC On-Farm Programs requirements.

REVIEW OF THE POULTRY CODE OF PRACTICE

The National Farm Animal Care Council (NFACC) has submitted a funding application under *Growing Forward 2* to complete the review of the Poultry Code of Practice. If approved, the funding will facilitate the completion of the work initiated by TFC and other poultry industry partners.

PRE-CONSULTATION ON POTENTIAL CHANGES TO HUMANE TRANSPORTATION REQUIREMENTS

TFC, along with other members of the livestock and poultry supply chain, provided feedback to the Canadian Food Inspection Agency (CFIA) regarding proposed changes to the humane transportation requirements of Part XII of the *Health of Animals Act*. The proposed revisions encompassed potential reductions to the permitted transportation times for various species, including turkeys.

TURKEY RESEARCH WORKSHOP

In April 2013, a second one-day workshop was hosted by TFC to provide the opportunity to establish more connections within the research community and to explore potential research investments. The workshop included 11 participants from universities, Agriculture and Agri-Food Canada (AAFC) and TFC. It was agreed by participants that TFC's research interests would be best served by the creation of a mechanism to allow turkey research communication and coordination at the national level. It was also determined that, in order for the turkey industry to remain reactive to changing pressures in the marketplace and on-farm, a multidisciplinary approach would be beneficial. Funding support for this workshop was provided by the Natural Sciences and Engineering Research Council of Canada (NSERC).

CANADIAN POULTRY RESEARCH COUNCIL

The Canadian Poultry Research Council (CPRC) has applied to Agriculture and Agri-Food Canada (AAFC) for the funding of a new Poultry Science Research Cluster and, at the time of writing, is awaiting word on approval. The Cluster includes turkey research related to stocking density, transportation, and greenhouse gas emissions.



Canadian Poultry Research Council

CPRC continues to work with the members of the National Poultry Group (NPG), including TFC, to determine next steps following a number of AAFC staffing reductions, announced in May 2013, which resulted in the loss of two dedicated poultry researchers and three technicians. These positions were based at the University of Guelph and Dalhousie University (formerly the Nova Scotia Agricultural College). These positions are important to poultry research in the country.

ANTIBIOTIC USE SURVEY

The pilot *Turkey Industry Antibiotic Use Survey* began in September 2013 and will continue until February 2014. The results of the survey, which is an extensive undertaking, are expected in May 2014, and will include baseline information from turkey farms, breeder farms, and hatcheries.

POLICY & TRADE – IMPORT PILLAR

As a result of improved production planning and an increased allocation of 6% for the further processing market, boneless breast meat supplies were in much healthier shape in 2013 versus 2012. Due to this improved alignment of supply and demand, there were no supplementary import applications for market shortage received by Foreign Affairs, Trade and Development Canada (DFATD) in 2013.

Domestic demand for turkey meat used in the manufacture of products not on the import control list (non-ICL products) in 2013 equalled 4.9 Mkg. This represents an increase of 5.52% from 2012. The bulk of this demand for turkey meat is normally addressed through the allocation of the turkey Tariff Rate Quota, with any residual being supplied under supplementary imports to compete. For 2013, supplementary imports to compete equalled 475,274 kg, which was very similar to 2012 volumes.

The Agency further discussed the development of a domestic program for supplying non-ICL manufacturers with Canadian turkey meat. The intent of such a program would be to eliminate the necessity for supplementary imports to compete. The Agency will be consulting further with the processing sector in 2014 to assess the feasibility of such a program and the potential for initiating a pilot test.

SUPPLY MANAGEMENT & TRADE

WTO

The year 2013 witnessed a change in leadership at the World Trade Organization (WTO) with Ambassador Roberto Azevêdo of Brazil replacing Pascal Lamy on September 1, 2013 as the sixth Director-General of the organization.

Azevêdo's arrival provided a renewed sense of optimism that immediately translated into concrete progress across the specific pillars and sectors under negotiation. As a result of the intensive efforts of the new Director General and Geneva-based senior government officials, the WTO was able to table an "early harvest" package of agreements with Trade Ministers in early December, covering issues such as Trade Facilitation, Agriculture (specifically Tariff Rate Quota Administration, Export Competition, and public stockholding for food security) and concerns of least-developed nations.

In early December, Ministers were eventually able to cobble together an agreement at the WTO Ministerial Conference in Bali; the "Bali Package", as it is commonly referred to, was struck after round-the-clock consultations spanning four days. WTO members are hopeful that the adoption of this package will reinvigorate the WTO negotiating process and eventually lead to the conclusion of the larger Doha Round negotiations, launched in 2001.

BILATERAL AND PLURILATERAL AGREEMENTS

On October 18, 2013, Canada and the European Union (EU) announced they had reached an agreement in principle on a comprehensive free trade agreement, and that all major outstanding issues had been resolved.

From a turkey industry perspective, the outcome of the negotiations was consistent with previous trade deals and the Government of Canada's commitment not to reduce over-quota tariffs or increase market access levels. This objective was not met for the dairy sector, where over-quota tariffs were maintained, but additional cheese access was provided to the EU through an increased Tariff Rate Quota (TRQ).

Technical aspects of the CETA (Canada-European Union Comprehensive Economic and Trade Agreement) are to be finalized in 2014, with ratification by the respective parliaments expected in 2015. Although CETA does not affect the over-quota tariffs or market access offered for poultry and eggs, there is concern about how the deal will be leveraged, particularly by the United States in the Trans Pacific Partnership (TPP) negotiations.

On the TPP front, Canada participated in four formal rounds of negotiations in 2013, and a number of intercessional meetings, in addition to meetings of the TPP Chief Negotiators, the most recent of which was held from November 19-24 in Salt Lake City, Utah. This was followed by a TPP Ministers' meeting in Singapore from December 7-10, 2013, the purpose of which was to allow Trade Ministers to assess the progress made to-date and provide direction to negotiators with the aim of concluding

the negotiations early in 2014. Due to the anticipated demand by the U.S. and New Zealand, in particular, to secure greater access to Canada's turkey, chicken, egg and dairy market, TFC, along with other supply managed organizations, monitored the TPP negotiations very closely in 2013 and will continue to do so entering 2014.

LOOKING TO 2014 — THE 40TH ANNIVERSARY OF TURKEY FARMERS OF CANADA!

Turkey Farmers of Canada has been proudly celebrating its 40th year representing Canada's turkey farmers since February 2013. On February 14, 2014, the Agency will officially mark its 40th Anniversary — a milestone we will celebrate with excitement, pride, and well-earned recognition to the people who have made TFC the success it is today.

Look for special TFC 40th Anniversary content throughout 2014 on the TFC website, in the *Plume* newsletter, and in 2014's 40th Anniversary Edition of the TFC Annual Report!



CANADIAN TURKEY MARKETING AGENCY C.O.B. TURKEY FARMERS OF CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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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, 2013 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.



Chartered Accountants
and Business Advisors

People Count.

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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Guelph, Ontario
March 20, 2014

RLB LLP

Chartered Accountants
Licensed Public Accountants

STATEMENT 1

TURKEY FARMERS OF CANADA STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 346,280	\$ 554,655
Investments (Note 3)	2,551,599	2,513,983
Accounts receivable (Note 4)	360,927	359,050
Prepaid expenses (Note 5)	127,205	80,725
	<u>3,386,011</u>	<u>3,508,413</u>
PROPERTY AND EQUIPMENT (Note 7)	137,564	67,075
	<u>\$ 3,523,575</u>	<u>\$ 3,575,488</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 97,848	\$ 124,328
Government remittances	47,634	50,119
	<u>145,482</u>	<u>174,447</u>
NET ASSETS		
INTERNALLY RESTRICTED FUNDS	2,370,021	2,542,993
UNRESTRICTED FUND	870,508	790,973
FUNDS INVESTED IN PROPERTY AND EQUIPMENT	137,564	67,075
	<u>3,378,093</u>	<u>3,401,041</u>
	<u>\$ 3,523,575</u>	<u>\$ 3,575,488</u>

ON BEHALF OF THE BOARD:



Mark Davies, Chair



Bill Mailloux, Vice Chair

STATEMENT 2

TURKEY FARMERS OF CANADA STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
REVENUE		
Producer levies	\$ 3,271,725	\$ 3,138,729
Investment income	34,632	27,518
	<u>3,306,357</u>	<u>3,166,247</u>
EXPENSES		
Administration (Schedule 1)		
Other administrative	561,309	519,676
Remuneration to Directors and staff	1,198,780	1,167,618
Directors and staff expenses	610,831	604,238
	<u>2,370,920</u>	<u>2,291,532</u>
Marketing (Schedule 2)		
Provincial marketing programs	400,001	400,001
Market development	199,451	181,155
Public relations and communications	322,842	250,105
	<u>922,294</u>	<u>831,261</u>
Special Projects	36,091	0
	<u>3,329,305</u>	<u>3,122,793</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (22,948)</u>	<u>\$ 43,454</u>

STATEMENT 3

TURKEY FARMERS OF CANADA STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Internally Restricted Funds	Unrestricted Fund	Funds Invested in Property and Equipment	2013 Total	2012 Total
BALANCE , beginning of year	\$ 2,542,993	\$ 790,973	\$ 67,075	\$ 3,401,041	\$ 3,357,587
Excess (deficiency) of revenue over expenses for the year	9,028	(6,516)	(25,460)	(22,948)	43,454
Appropriations	(182,000)	182,000	0	0	0
Transfer of funds	0	0	0	0	0
Transfer of funds required to purchase property and equipment	0	(95,949)	95,949	0	0
BALANCE , end of year	\$ 2,370,021	\$ 870,508	\$ 137,564	\$ 3,378,093	\$ 3,401,041

STATEMENT 4

TURKEY FARMERS OF CANADA STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses for the year	\$ (22,948)	\$ 43,454
Adjustments required to reconcile net excess of revenue over expenses with net cash provided by operating activities		
Amortization of property and equipment	25,460	28,975
Loss on disposal of property and equipment	0	216
	<u>2,512</u>	<u>72,645</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,877)	(18,189)
Prepaid expenses	(46,480)	16,589
Accounts payable and accrued liabilities	(26,480)	43,109
Government remittances	(2,485)	(20,325)
	<u>(74,810)</u>	<u>93,829</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(95,949)	(13,407)
Purchase of investments, net	(37,616)	(24,635)
Proceeds on sale of property and equipment	0	300
	<u>(133,565)</u>	<u>(37,742)</u>
(DECREASE) INCREASE IN CASH during the year	(208,375)	56,087
CASH, beginning of year	554,655	498,568
CASH, end of year	\$ 346,280	\$ 554,655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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. 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 reflects assets of \$401,046, liabilities of \$396,916, and net assets of \$4,130. The 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

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 \$2,029,000 (2012 - \$2,211,000), increasing to \$2,109,000 in 2014.

A research fund was established by the Board of Directors to accumulate funds for future research needs. The balance in this fund is \$321,022 (2012 - \$311,993).

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. An amount of \$20,000 for TFC’s portion of reward monies, as a result of the 2004 product tamper incident, remains unchanged.

(e) UNRESTRICTED FUND

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(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 2013 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, the 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, the 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, the Turkey Farmers of Canada reduces the carrying amount of the asset to the highest of the following:

- 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 the 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 amortized cost.

TURKEY FARMERS OF CANADA

NOTES TO THE FINANCIAL STATEMENTS cont'd

FOR THE YEAR ENDED DECEMBER 31, 2013

(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.

3. 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 June 2014 - June 2018.

4. ACCOUNTS RECEIVABLE

	2013	2012
Producer levies	\$ 344,367	\$ 349,342
Miscellaneous accounts receivable	16,560	9,708
	<u>\$ 360,927</u>	<u>\$ 359,050</u>

5. PREPAID EXPENSES

	2013	2012
Insurance	\$ 6,336	\$ 6,193
Other	120,869	74,532
	<u>\$ 127,205</u>	<u>\$ 80,725</u>

6. BANKING FACILITIES

At December 31, 2013, the Agency has an unused demand instalment loan facility 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 after acquired personal property of the Agency.

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2013	Net 2012
Furniture and equipment	\$ 128,663	\$ 85,635	\$ 43,028	\$ 31,337
Computer equipment	144,114	117,341	26,773	29,036
Leasehold improvements	173,000	105,237	67,763	6,702
	<u>\$ 445,777</u>	<u>\$ 308,213</u>	<u>\$ 137,564</u>	<u>\$ 67,075</u>

8. COMMITMENTS

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

2014	\$ 342,666
2015	192,416
2016	192,416
2017	182,185
2018	138,442
	<u>\$ 1,048,125</u>

9. 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 \$2,370,021 are subject to internally imposed capital restrictions.

SCHEDULE 1

TURKEY FARMERS OF CANADA SCHEDULE OF ADMINISTRATION EXPENSES

FOR THE YEAR ENDED
DECEMBER 31, 2013

	2013	2012
OTHER ADMINISTRATIVE		
Amortization	\$ 25,460	\$ 28,975
Audit	16,259	15,500
Contract projects and external consulting	53,141	65,722
Insurance	8,363	8,964
Legal and accounting	18,578	22,155
Loss on disposal of property and equipment	0	216
Office leases and supplies	40,457	32,877
OFFSP/Flock Care	31,572	7,607
Postage and courier	13,074	16,348
Rent, property tax and utilities	151,753	132,840
Sundry administration	888	828
Telephone	14,708	16,044
Trade consultations	61,602	64,065
Translation and interpretations	125,454	107,535
	<u>561,309</u>	<u>519,676</u>
REMUNERATION TO DIRECTORS AND STAFF		
Directors' fees	111,200	108,292
Employee benefits	171,919	168,317
Staff salaries	915,661	891,009
	<u>1,198,780</u>	<u>1,167,618</u>
DIRECTORS AND STAFF EXPENSES		
Directors, Alternates and Board Managers' expenses	365,736	351,334
Meeting rooms	63,975	71,477
Staff expenses	180,068	180,379
Travel insurance	1,052	1,048
	<u>610,831</u>	<u>604,238</u>
	<u>\$ 2,370,920</u>	<u>\$ 2,291,532</u>

SCHEDULE 2

TURKEY FARMERS OF CANADA SCHEDULE OF MARKETING EXPENSES

FOR THE YEAR ENDED
DECEMBER 31, 2013

	2013	2012
PROVINCIAL MARKETING PROGRAMS		
TFC Provincial Marketing Supplement	\$ 400,001	\$ 400,001
MARKET DEVELOPMENT		
Canadian Poultry Research Council	35,000	35,000
Market research	85,426	83,026
Turkey research	79,025	63,129
	<u>199,451</u>	<u>181,155</u>
PUBLIC RELATIONS AND COMMUNICATIONS		
Marketing and communications	172,438	93,278
Memberships	75,522	71,084
National sponsorships and promotions	54,827	58,522
Subscriptions	5,725	4,356
TFC publications	14,330	22,865
	<u>322,842</u>	<u>250,105</u>
	<u>\$ 922,294</u>	<u>\$ 831,261</u>