



ONTARIO PORK



CORPORATE PROFILE | 2017



"Part of a proud Canadian farming tradition, Ontario Pork represents more than 1,100 pork producers who care for their animals and the environment while providing healthy, sustainable food for a hungry world."





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Message from the
Chair

Realizing opportunities that come with change

This is an exciting, challenging time for the pork industry – in Ontario and in the world. We see increased demand for pork as incomes rise and consumers are able to improve their diets with high-quality protein.

Ontario has the resources – land, water, infrastructure and talent – to help meet this demand and grow our industry.

It is encouraging to see new investment in Ontario. There is strength not just in established farms investing to improve their facilities, but in a new generation of producers who choose to invest their careers and capital in Ontario pork production. Through a series of investments, major processors and government have shown that they share this sense of optimism.

That's not to say we don't have work to do. Our focus at Ontario Pork is to foster a climate where producers can thrive. Social responsibility is the foundation of our story to both government and society.

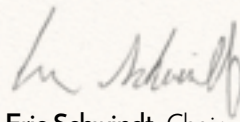
We continue our dialogue with policymakers to show that pork is an economic driver in Ontario. We know that working collaboratively with government provides the best solutions. Industry growth relies on expanded access to new and existing markets, at home and abroad, making our ongoing participation and input in trade negotiations critical. Timely, needs-based business risk management programs provide stability and confidence for continued investment in what we know is a cyclical industry. While farmers themselves may only represent a small segment of the population, our industry has tremendous impact – from local feed mills and hardware stores to processing plants, restaurants and grocery stores. Pork drove more than 12,000 full-time-equivalent jobs and \$850.4 million in GDP in Ontario in 2016.

It is crucial that Ontario Pork is at the table when government or other organizations develop new programs or policies that impact Ontario's industry – be it food, the environment, transport, traceability, employment, taxation or animal care. High standards of animal care, food security and environmental sustainability all play a role in our success. Public trust is key: our Social Responsibility Report and the Grow Ontario Together partnership help build that trust. Initiatives like these demonstrate the industry's proactive leadership, and show that the work we do is based in science, best practice and a deep-rooted commitment to being good stewards of the land and of the animals we raise.

Setting a course for an industry as diverse as Ontario's swine sector is no simple matter. This year's strategic planning process reinforced our key priorities, including programs and products that enhance communication; innovation and research that support industry prosperity; advocacy to fuel a prosperous and sustainable business environment; and elevated trust with society. Working together as an industry, we can make a difference, for all of us.

As Chair, I am privileged to work with board members, delegates, producers, staff and industry who share my sense of pride in being part of Ontario's hog industry. Ontario Pork's mission statement: "To foster a vibrant business environment for producers" spells out our goal of improving the industry together.

Just as some years ago I heeded the words of a fellow producer who invited me to become involved, I ask all producers to consider how you can contribute to your association and Ontario Pork, making your voice heard.



Eric Schwindt, Chair



Putting vision into action

In December 2017, Ontario Pork's Board of Directors approved a new three-year strategic plan, which sets out a direction to build on the success that we have achieved so far, focusing on the sustainability and competitiveness of the Ontario pork industry.

From an operations perspective, this new plan is an opportunity to assess the organization's business practices and develop an implementation plan with clear objectives to translate the strategy into specific initiatives. We remain committed to our mission: "To foster a vibrant business environment for producers." The way we foster that environment constantly evolves.

NATIONAL AND PROVINCIAL COLLABORATION

Decisions made on the national stage can have a significant impact on how farmers in the province do business. With the proposed introduction of the Canadian Pork Excellence (CPE) program, we have been active in piloting, recommending and implementing changes that better reflect the needs of Ontario producers. Throughout the year, Ontario Pork held multiple consultations with producers, veterinarians and Canadian Pork Council representatives, striving to make the proposed CPE program work well for producers. This work is still in progress; we will focus on helping make CPE a vital program that supports and promotes the industry. Ontario Pork continues to advocate in other areas such as Canadian Food Inspection Agency regulations and transportation policies.

INDUSTRY VOICE AND REPUTATION

A strong industry reputation is essential to face the future. At the direction of the Board, Ontario Pork is working with stakeholders to develop a strategy that would help society better understand the role modern animal agriculture plays in providing safe, affordable, high-quality pork products. We have a great story to tell. Healthy animals, soil, water and communities – all highlighted in Ontario Pork's Social Responsibility Report and promoted through the Ontario Pork Proud campaign – are critical to our future success. At the same time, farming is a business, contributing to tax revenue, employment and gross domestic product in the province.

PRODUCER COMMUNICATION AND SUPPORT

Ontario Pork is here to serve and support provincial pork producers, and to develop workable solutions for problems

Message from the General Manager



they encounter. That means taking the time to consult with members, and ensuring they can count on Ontario Pork for timely and valuable industry information. Town halls, a daily industry news update, producer consultations, advisory groups and email alerts helped form the foundation of an improved communications strategy in 2017.

We will build on that in 2018 by helping to develop training resources and by supporting research to equip pork producers to face the challenges and opportunities of modern farming.

INDUSTRY INFRASTRUCTURE

Over the years, Ontario Pork invested in reliable infrastructure to ensure ongoing support for producers and industry stakeholders. From electronic manifesting and websites, to databases, partnerships such as Swine Health Ontario, and providing support to producers in emergency situations, staff at Ontario Pork are committed to maintaining and improving the tools that help today's hog industry operate effectively.

SUPPORTING A STRONG BOARD

Ontario Pork staff continue to provide board members with the support and information they need to effectively advocate and collaborate in the best interests of the industry. Guided by the new strategic plan, we will continue our collaborative effort to ensure a vibrant and sustainable future for our industry.

Thank you for your support.

Ken Ovington, General Manager

About Ontario Pork



Vision

Distinction and excellence in pork.

Mission

To foster a vibrant business environment for producers.

Values

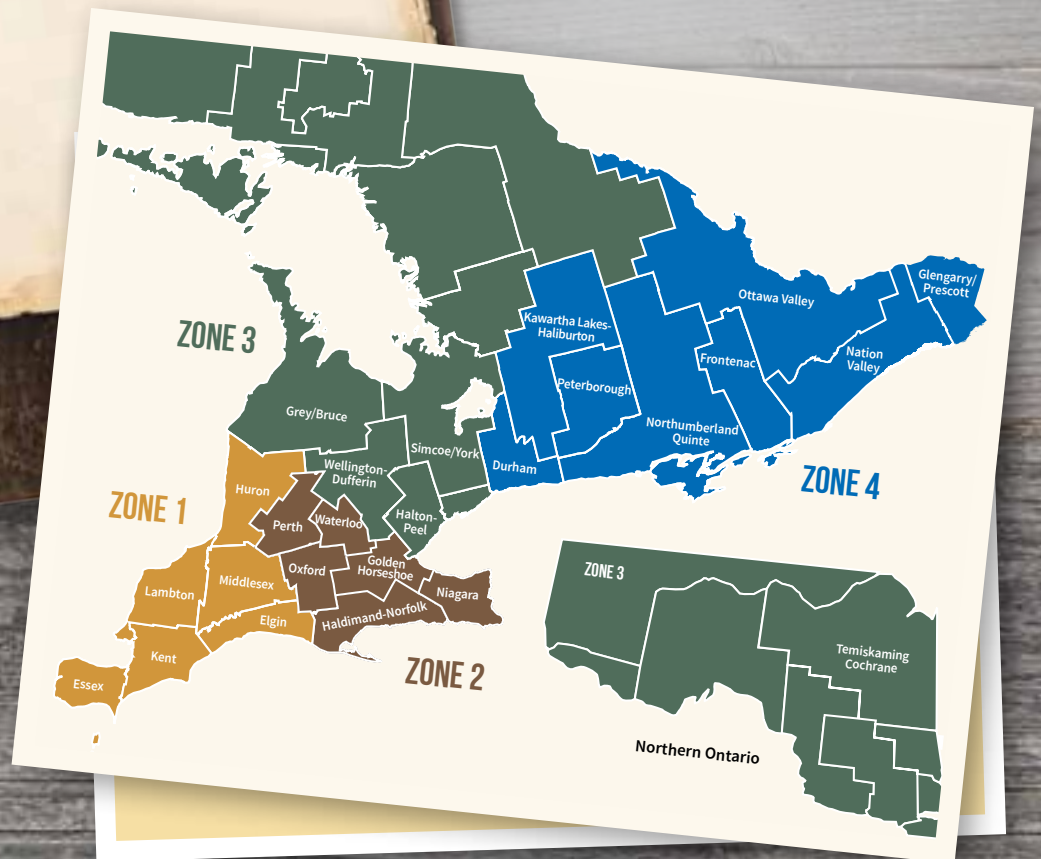
- Integrity, trust, respect and honesty in all we do
- Leadership within the industry
- Excellence in service and performance
- Accountability for all our actions
- Open communications with producers, government, stakeholders and staff
- Working in partnership with producers and stakeholders within the industry

Founded in 1946, the Ontario Pork Producers' Marketing Board is a non-profit association that operates under the Farm Products Marketing Act.

Ontario Pork represents 1,192 pork producers and is responsible for enhancing opportunities for the sustainable growth of the Ontario pork industry through consumer education, research, government representation, environmental issues, animal care and policy services. Ontario Pork also provides marketing services on a voluntary basis to producers, including arranging payment and trucking of hogs, working co-operatively with processors.

Ontario's local pork producer associations

Active, engaged local associations are the foundation upon which the future of the industry is based. Local associations are critical for generating the energy, flow of ideas and proactive work necessary to maintain a voice that advocates for the needs of farmers and the trust of society.





Ontario Pork's Board of Directors

The Board of Directors is responsible for strategic policy development, advocacy and government relations across a wide variety of policy issues that impact the industry and producers' viability.

As a key point of contact with the industry's various stakeholders, including the Ontario government, the Board seeks to balance the impact of regulatory shifts, as well as changes to government policy and the compliance requirements in our markets, while ensuring the industry remains competitive and sustainable.

2017-18 Board Members

Eric Schwindt, Chair
(Waterloo - Zone 2)

Doug Ahrens
(Perth - Zone 2)

John de Bruyn, Vice-Chair
(Oxford - Zone 2)

Chris Cossitt
(Grey-Bruce - Zone 3)

Eric Hartemink
(Elgin - Zone 1)

Arno Schober
(Simcoe-York - Zone 3)

Mike Mitchell
(Middlesex - Zone 1)

Oliver Haan
(Northumberland-
Quinte - Zone 4)

Teresa Van Raay
(Huron - Zone 1)

Senior Staff Leaders



Ken Ovington,
General Manager



Stacey Ash, Manager
Communications and
Consumer Marketing



Neil Harper, Manager
Information Systems



Patrick O'Neil,
Manager Ontario Pork
Marketing Division



Jim Weir, Manager
Finance and
Administration



Frank Wood,
Manager Industry
and Member Services

ONTARIO'S PORK INDUSTRY

BY



In 2016, Ontario's pork industry, from "farm to fork" generated



Specialization and growth made pork production more efficient in 2017

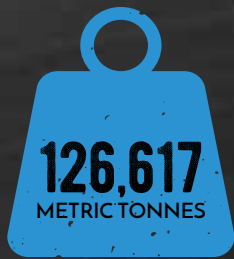


THE NUMBERS

2017 import and export numbers

Ontario January to November 2017

IMPORTS



valued at



EXPORTS



valued at



Canada January to November 2017

IMPORTS



+3.7%
from 2016

EXPORTS



+3.8%
from 2016

Ontario pork exports globally



50% United States

20% China

30% Rest of world



Board committees and advisory groups

Ontario Pork's Board of Directors focuses on work in key areas with a structure that includes three standing committees and three standing advisory groups. These groups help support broader collaboration among producers, staff and industry stakeholders to provide advice to the board and advance the industry.



Committees

Audit committee

Connects the Board of Directors and the auditors, and assists the Board in carrying out its fiduciary duties. The committee provides input for the planning of the audit, as well as reviewing annual financial statements and other results of the auditors' work.

2017-18 AUDIT COMMITTEE:

Doug Ahrens, Committee Chair,
Board member

Oliver Haan, Board member

Eric Hartemink, Board member

Eric Schwindt, Board Chair

Research committee

Makes recommendations on expenditures from the research budget, as well as guidelines for research support and funding criteria. Last year, the committee reviewed the research proposals process, researchers' letters of intent and full research proposals, with the Board of Directors ultimately approving seven research projects.

2017-18 RESEARCH COMMITTEE:

Arno Schober, Committee Chair,
Board member

Chris Cossitt, Board member

John de Bruyn, Board Vice-Chair

Oliver Haan, Board member

Maaïke Campbell, Producer

Rod de Wolde, Producer

Lloyd Holbrook, Producer

Resolutions committee

Promotes and supports constructive communication between the Board of Directors and members for all resolutions submitted to identify industry topics and areas of concern. In 2017, the committee recommended that the Board include 12 resolutions in the booklet sent to all delegates to prepare them for debate at Ontario Pork's annual general meeting in March.

2017-18 RESOLUTIONS COMMITTEE:

Teresa Van Raay, Committee Chair,
Board member

John de Bruyn, Board Vice-Chair

Mike Mitchell, Board member

Dianne Brekelmans, Producer

John Sikkens, Producer

Philip Van Raay, Producer

Advisory groups

Program development

Provides advice on converting industry policies into practical, workable programs that meet the needs of Ontario pork producers. In 2017, members focused on the Ontario Pork outreach education kit, Pig Mobile and enhancing producer communication.

PROGRAM DEVELOPMENT ADVISORY GROUP:

Oliver Haan, Advisory Group Chair, Board member

Chris Cossitt, Board member

Teresa Van Raay, Board member

Dianne Brekelmans, Producer

Maaïke Campbell, Producer

John Otten, Producer

Tanya Terpstra, Producer

Risk management

Provides advice on the design, implementation and effectiveness of risk management tools including the risk management program (RMP), financial protection and hog production insurance. In 2017, the group focused on the development of the hog production insurance and providing input into RMP redesign options. A formal proposal on hog production insurance has been submitted to OMAFRA for review.

RISK MANAGEMENT ADVISORY GROUP:

Doug Ahrens, Advisory Group Chair, Board member

Eric Hartemink, Board member

Bruce Clark, Producer

Steve Illick, Producer

Rob McDougall, Producer

Wouter Van Leeuwen, Producer

Sustainability

Ensures that the industry remains competitive and sustainable, by providing input into strategy and policymaking. Priorities in 2017 included assessment of the provincial antimicrobial resistance (AMR) plan and providing input into Ontario's soil health strategy consultation and Lake Erie domestic action plan.

SUSTAINABILITY ADVISORY GROUP:

Arno Schober, Advisory Group Chair, Board member

Mike Mitchell, Board member

Lyle Campbell, Producer

Mark DeJong, Producer

John Nyenhuis, Producer

Ad hoc committees

Ad hoc committees are formed when the Board requires analysis in an area where a new policy or a strategy may be developed. Last year, the Board established two ad hoc committees: **Ontario Pork Industry Advocacy Committee**, formed to create a proactive strategy to promote modern pork farming practices, and the **Swine Research Facility Internal Support Committee**, tasked with supporting external negotiations on conceptual design of a proposed swine research facility.



Leadership

training program

Ontario Pork's leadership training course has been offered since 2013. The program, which generates a lot of interest among Ontario pork producers, has been getting more successful every year.

It was uniquely designed for aspiring pork producers who are looking for insights, knowledge and tools to become more effective leaders and advance themselves in their leadership journey. The program consists of six modules, including corporate governance and organization structure, media training, policy development, strategic thinking, value-chain tour and government relations. In 2017, eight producers participated in the program, developing skills and acquiring knowledge to respond effectively to the challenges of leading the pork industry in Ontario.

2017 Leadership Training Program participants:

- Shaun Ball (Oxford)
- Maike Campbell (Lambton)
- Kevin Jennen (Kent)
- Gary Pennings (Niagara)
- Eline Terpstra (Huron)
- Tara Terpstra (Huron)
- Sarah Van Leeuwen (Kent)
- Wouter Van Leeuwen (Kent)

Government relations and policy

A seat at the table

Ontario Pork's ongoing government relations in local, provincial and federal policy development focus on issues that directly impact pork producers, as well as broader issues that affect agriculture as a whole.

To ensure the competitiveness of its members, Ontario Pork's advisory groups engage with policymakers and government officials to educate and inform them of the important issues affecting the swine industry and its economic contribution to the province.

2017 GOVERNMENT RELATIONS AND POLICY WORK HIGHLIGHTS:

- Championing provincial and national risk management programs,

emphasizing the importance of strong safety nets to the government and providing input on how to strengthen these programs

- Investigating how the current crop insurance model could be adapted to address hog mortality losses in the pork sector, including finalizing preliminary technical parameters for a proposed insurance product targeted at sow barns
- Developing agriculture-led recommendations through the Grow Ontario Together coalition, which take a practical approach to the provincial government's Lake Erie protection goals
- Exploring ways to offset some of the new costs arising at the farm level from climate change policies such as cap and trade



Queen's Park Reception

On November 28, Ontario Pork welcomed approximately 100 guests at its annual reception at Queen's Park in Toronto. Members of Provincial Parliament (MPPs) and their staff members chatted with Ontario Pork board members, staff and producers from Ontario Pork's Leadership Program.

Guests had the opportunity to sample a range of delicious Ontario Pork recipes while listening to Chair of Ontario Pork, Eric Schwindt, provide an update on our social responsibility journey and its importance to consumers, policymakers and other stakeholders.

Jeff Leal, Ontario's Minister of Agriculture, Food and Rural Affairs

delivered remarks and congratulated Ontario Pork on its exemplary work for the agriculture and agri-food sector. Toby Barrett, MPP for Haldimand-Norfolk and agriculture critic for the Progressive Conservative party, and John Vanthof, MPP for Timiskaming-Cochrane and agriculture critic for the New Democratic Party, also delivered remarks.

Producer consultation



Making your voice heard

POLICY DAY

On September 12, 2017, Ontario Pork held its annual Policy Day conference at the Holiday Inn Guelph for delegates, presidents and secretaries from each of the local pork producers' associations. The conference is a way for Ontario Pork to hear from elected delegates on key policy issues facing the swine industry. Participation in events such as Policy Day helps to shape Ontario Pork's future decisions.

This year's Policy Day focused on swine research infrastructure and national programs and partners.

CANADIAN PORK EXCELLENCE CONSULTATIONS

In 2017, the Canadian Pork Council (CPC) continued its revision of the Canadian Quality Assurance and Animal Care Assessment (CQA/ACA) programs. The revised program – called Canadian Pork Excellence (CPE) – is comprised of PigSAFE, which represents food safety; PigCARE, which represents biosecurity and animal care programs; and PigTrace, which focuses on traceability.

Ontario Pork heard from members that they value national programs but had concerns regarding how these changes will affect operations on farm. In response, Ontario Pork held consultations with producers, providing their feedback to CPC along with input gathered during the pilot project of different production types engaged in evaluating the administration, completion and validation processes of the program on-farm.



Swine Health Ontario



Partners in herd health

VISION: Swine health excellence enables the Ontario industry to have a global competitive advantage.

MISSION: Continuous improvement in swine health management through a proactive, practical and responsive plan that engages the entire swine industry.

GOALS FOR 2016-2019:

- Eliminate Porcine Epidemic Diarrhea virus (PEDv) from Ontario farm sites and develop tools to better support the control and elimination of any disease of significance to the Ontario swine industry
- Develop a consistent, effective approach to respond to incidents that affect swine health in Ontario
- Initiate the development of a sustainable, co-ordinated swine health information system for Ontario, designed to assist in detecting emerging disease quickly to reduce the impact on our industry
- Continue to promote biosecurity, disease risk management and preparedness to producers and the industry, offering practical solutions that serve to reduce disease transmission risks and enhance response to disease threats

SHO'S 2017 ACTIVITIES INCLUDED:

- Ongoing monitoring for swine diseases at one of the federally licensed processing plants
- Surveillance survey at the three primary assemblies and 20 secondary assemblies
- Working to develop the Swine Health Information System (SHIS) in collaboration with partner organizations and producer working group
- Establishing the structure of a Swine Health Ontario Command Centre (SHOCC) to better enable the industry to respond to disease emergencies
- Surveillance at industry contact points for Senecavirus A (SVA)
- Feed risk study with Ontario Pork Industry Council (OPIC)

Leadership Team

Lori Moser
SHO Manager

Dr. Christa Arsenault
OMAFRA

Amy Cronin
Ontario Pork

Dr. Doug MacDougald
OPIC/OSHAB

Clare Schlegel
Ontario Pork

Jay Squire
OPIC

Dr. Cathy Templeton
industry at large

Mark Yungblut
industry at large

Reputation and branding

Connecting farmers and consumers

Ontario Pork has a great story to tell. To ensure a healthy, sustainable future for this industry, we need to make sure that consumers are familiar with that story. Here's a quick look at how we're doing just that.

Build confidence and bolster reputation

In an era when few Canadians have any direct connection with farming, we're working to ensure the important link between farming and food isn't lost:

Fields to Forks television and radio ads:

- aired 52 times on CTV London in summer 2017
- aired 185 times on AM1290 and BX93 radio stations

#OntarioPorkProud campaign:

- Producer photo contest, attracted more than 200 entries
- #OntarioPorkProud myth-busting social media campaign, featuring nine shareable online mini-videos
- #OntarioPorkProud promotional materials shared at fall events

Make it easier to spread the word

New and revamped tools and resources for producers and educators rolled out in 2017:

- Ontario Pork Outreach Kit and All About Pigs Activity Pack to support regional events
- Updated design for the popular Pig Mobile – with a potential audience of more than two million people each year
- Website updates, designed to improve the experience for both Ontario Pork members and visitors

Expand the market

In 2017, we helped consumers look at Ontario-grown pork in new ways:

- #ThinkOutsideTheChops: educating and inspiring consumers to think beyond the Big 3 (chops, tenderloin, and ribs)
- #PorkMakesItPerfect: making Ontario-grown pork the centrepiece of festive and family gathering menus – reminding consumers to “Look for the Label”

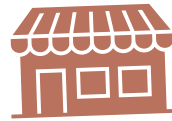


Branding program



52%

increase in the number of branding partners in 2017



114

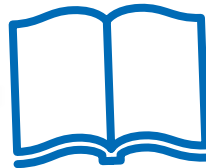
partners with a total of 318 locations

2,048,000

labels requested by retailers in 2017, a 59% increase over 2016

↑ 92%

increase in recipe cards and booklets sent to retailers in 2017



Print audience

4,636,402

Digital ad campaign

- Averaged 130,000 views per month across YouTube, Facebook and Instagram

Digital screens seen by millions of Toronto commuters each week

- Yonge-Dundas Square
- Exhibition Place
- PATH (world's largest underground shopping complex)
- Gateway newsstand screens

Looking forward

Challenges to our industry are a reminder that telling our story – loudly and proudly – is a responsibility that can't be taken lightly. We all have a role to play in ensuring this industry's reputation remains strong today and in the future.



Social media



+124%



+32%



+12%

TOP FACEBOOK POSTS

Rick Mercer: 3,400 reached, 434 interactions

TOP TWITTER POSTS

#OntarioPorkProud video: Growth hormone-free: 5,000 impressions, 97 interactions

BACON CHOCOLATE COOKIE TRUFFLES

INGREDIENTS

- 20-24 chocolate chip cookies (homemade or store-bought)
- 8 slices Ontario bacon, cooked, drained, finely chopped and divided
- 4 oz cream cheese, at room temperature
- 2 cups chocolate chips, melted
- 1 Tbsp coconut oil





Research and innovation

Investing in the future

Research is the fundamental building block of progress. That's why Ontario Pork is committed to investing in research and innovation that will take this industry to the next level. Located in a recognized swine research hub, we're funding projects that will advance all areas of the industry, including swine production, economic sustainability, marketing, product development and social science research. Here are some examples of the work funded in 2017:

DISEASE MONITORING:

Work led through the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) is exploring how to make antibody testing simpler and more affordable for producers, helping to avoid outbreaks that can cause disease and economic losses.

ENVIRONMENTAL IMPROVEMENT:

Research taking place at the University of Guelph, Ridgetown Campus aims to overcome technological and cost challenges to anaerobic digestion of pig manure, through a new design and the addition of plant biomass.

TRANSPORTATION INNOVATION:

Increasing animal comfort and reducing loss in transit is the focus of research into transport vehicle design. This research will look at Canadian climate conditions when assessing new trailer designs incorporating features such as fan ventilation, hydraulic decks, misters and drinkers.

Social responsibility

report 2017



Focus on the future

In 2015, Ontario Pork established measurable social responsibility commitments within six key dimensions, to be achieved within three years. That plan, titled *An Era of Change and Accountability*, forms the foundation of our future success. Here's a quick summary of our progress in 2017:

1. Farm Management

- Evaluated and analyzed existing industry training programs and resources to determine updated online training needs
- Worked to improve the Canadian Pork Excellence program through an on-farm pilot program and debrief; Board of Directors engagement; review at Ontario Pork's Policy Day; peer review committee; and development of a plan to keep producers informed
- Updated producers on farm management issues, including unvented barn heater regulatory changes, on-farm security, housing strategies and herd health

2. Economic Performance

- Ongoing education included: AGM guest speaker on industry market predictors; outreach to agriculture financiers through the Agricultural Lenders Conference partnership with OMAFRA; and London Swine Conference session on benchmarking as a tool for financial planning and management
- Updated Ag Manifest animal traceability software to improve usability and grow uptake by producers and transporters
- Completed a framework for a production insurance program that better meets current industry needs



Social responsibility report 2017

3. Environmental Stewardship

- Created Grow Ontario Together policy paper as one of seven Ontario commodity groups working with OMAFRA to champion producer best practices on nutrient management, clean water and healthy soils
- Enabled peer-to-peer communications and developed education videos about nutrient management best practices
- Collaborated with OMAFRA to develop and distribute nutrient management best practices resources

4. Animal Care and Food Safety

- Supported education workshops on elective animal husbandry, including loose sow housing
- Volunteer farms participated in national benchmarking program related to antimicrobial use
- Implemented a ractopamine-free certification program to help ensure compliance by all industry partners, reinforcing our commitment to trade
- Partner in investigating improved disease monitoring by linking Ag Manifest movement data with Area Regional Control and Elimination (ARC&E) disease status information
- Reviewing and updating farm structure regulations and practices with a goal of reducing barn fires, as part of an OMAFRA-led barn fire working group

5. Relationships with the Community

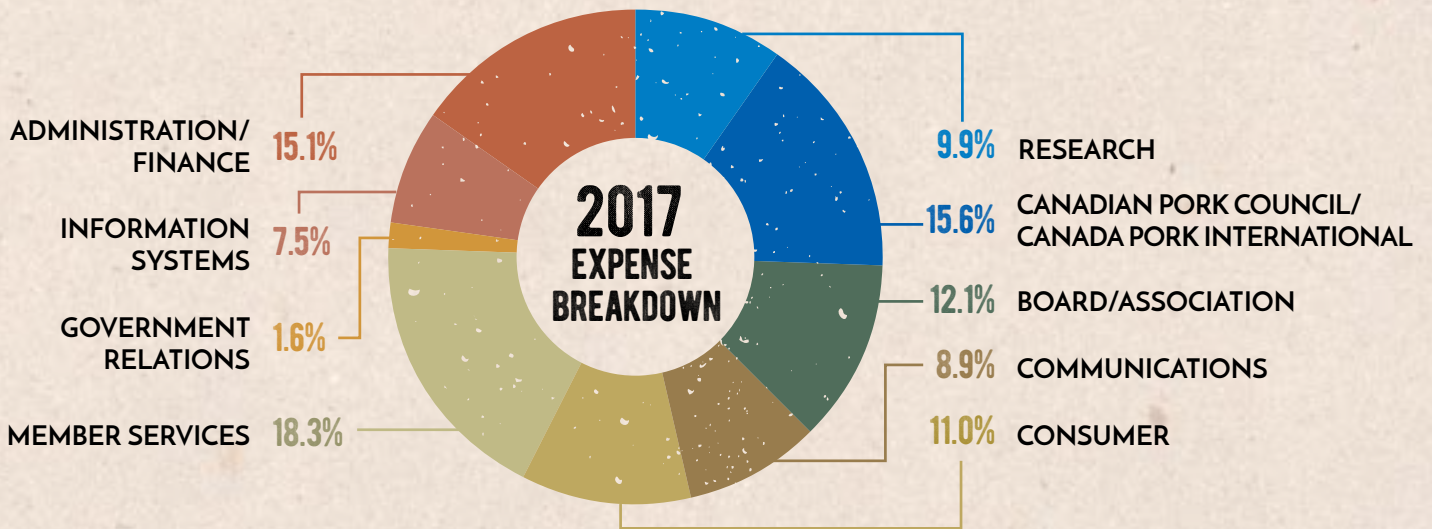
- Donated the one millionth child-sized portion of fresh pork through the Ontario Association of Food Banks program in September 2017
- Continued health-related partnerships, including Heart and Stroke Foundation of Canada Ride for Heart
- Piloted new Ontario Pork Outreach Kit and All About Pigs Activity Pack and updated Pig Mobile design to support producers involved in community education and outreach

6. Workers' Well-being

- Distributed and promoted the Emergency Preparedness Manual through county association meetings and Ontario Pork Congress, June 2017
- Provided workshops on Human Resources for Farm Businesses and Succession Planning at Ontario Pork Congress

In 2018, we will measure our progress against established key performance indicators, then set new goals to guide our ongoing efforts to be prosperous and responsible contributors to Ontario's economy - and to our future.





Independent Auditor's Report

To the members of The Ontario Pork Producers' Marketing Board

We have audited the accompanying consolidated financial statements of The Ontario Pork Producers' Marketing Board, which comprise the general account consolidated statement of financial position and the trust account statement of financial position as at December 2, 2017 and the consolidated 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The Ontario Pork Producers' Marketing Board as at December 2, 2017 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.



RLB LLP, Chartered Professional Accountants

Licensed Public Accountants

Guelph, Ontario

January 30, 2018

Consolidated statement of operations

| year ended December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|---|---------------------|---------------------|
| Revenue | | |
| Service fees – Universal Services | \$ 5,249,284 | \$ 5,257,533 |
| Service fees – Marketing Division | 734,112 | 757,369 |
| Interest | 112,907 | 135,448 |
| Government grants (Note 13) | 59,899 | 211,339 |
| Porcine epidemic diarrhea (Note 19) | – | 383,587 |
| Branding and reputation management (Note 19) | – | 433,769 |
| Sundry | 266,756 | 248,761 |
| | \$ 6,422,958 | \$ 7,427,806 |
| Expenses | | |
| Operations (Schedule A) | 3,612,513 | 3,720,395 |
| Consumer marketing (Schedule B) | 726,512 | 1,311,475 |
| Board secretariat (Schedule C) | 770,402 | 723,789 |
| Industry support (Schedule D) | 1,796,539 | 2,188,525 |
| | \$ 6,905,966 | \$ 7,944,184 |
| Deficiency of revenue over expenses before other items | \$ (483,008) | \$ (516,378) |
| Other income (expense) | | |
| Forward pricing (Note 6) | 239,644 | 179,083 |
| Net loss of In-Transit Loss account (Note 8) | (22,482) | (26,555) |
| | \$ 217,162 | \$ 152,528 |
| Deficiency of revenue over expenses | \$ (265,846) | \$ (363,850) |

General account Consolidated statement of financial position

| December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 1,507,316 | \$ 1,989,866 |
| Temporary investments (Note 4) | 6,346,538 | 6,223,044 |
| Accounts receivable (Note 5) | 204,410 | 371,452 |
| Due from trust account | 1,123,185 | 851,947 |
| Prepaid expenses and supplies | 286,897 | 180,500 |
| Forward pricing assets (Note 6) | 211,111 | 318,665 |
| | 9,679,457 | 9,935,474 |
| Capital assets (Note 7) | 1,046,051 | 1,110,015 |
| | \$ 10,725,508 | \$ 11,045,489 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 664,281 | \$ 647,072 |
| Government remittances payable | 25,600 | 3,064 |
| Deferred contributions (Note 19) | – | – |
| Research projects payable | 593,390 | 549,290 |
| Forward pricing liabilities (Note 6) | 118,747 | 234,245 |
| | \$ 1,402,018 | \$ 1,433,671 |
| Minority interest (Note 8) | 9,132 | 31,614 |
| Net assets | | |
| Funds invested in capital assets | 1,046,051 | 1,110,015 |
| Unrestricted funds | 5,991,047 | 6,158,500 |
| Internally restricted fund for research (Note 9) | 357,259 | 412,370 |
| Internally restricted fund for special projects (Note 10) | 1,933,047 | 1,899,201 |
| Unrealized (loss)/ gain on investments | (13,046) | 118 |
| | 9,314,358 | 9,580,204 |
| | \$ 10,725,508 | \$ 11,045,489 |

Consolidated statement of changes in net assets

year ended December 2, 2017 and December 3, 2016

| | Beginning balance | Excess (deficiency) of revenue over expense | Unrealized (loss)/ gain on investments | Acquisition of capital assets | Ending balance |
|--|---------------------|---|--|-------------------------------|---------------------|
| Invested in capital assets | \$ 1,110,015 | \$ (106,253) | \$ – | \$ 42,289 | \$ 1,046,051 |
| Unrestricted | 6,158,500 | (138,328) | 13,164 | (42,289) | 5,991,047 |
| Internally restricted | | | | | |
| For research (Note 9) | 412,370 | (55,111) | – | – | 357,259 |
| For special projects (Note 10) | 1,899,201 | 33,846 | – | – | 1,933,047 |
| Unrealized (loss)/ gain on investments | 118 | | (13,164) | – | (13,046) |
| Total | \$ 9,580,204 | \$ (265,846) | \$ – | \$ – | \$ 9,314,358 |

Consolidated statement of cash flows

year ended December 2, 2017 and December 3, 2016

| | 2017 | 2016 |
|--|---------------------|-----------------------|
| Operating activities | | |
| Deficiency of revenue over expenses | \$ (265,846) | \$ (363,850) |
| Amortization of capital assets | 106,253 | 112,884 |
| Minority interest | (22,482) | (26,555) |
| Change in non-cash operating working capital | (134,692) | (1,307,099) |
| | (316,767) | (1,584,620) |
| Investing activities | | |
| (Increase)/Decrease in temporary investments | (123,494) | 1,178,318 |
| Purchase of capital assets | (42,289) | (39,715) |
| | (165,783) | 1,138,603 |
| Net Decrease in cash | (482,550) | (446,017) |
| Cash, beginning of year | 1,989,866 | 2,435,883 |
| Cash, end of year | \$ 1,507,316 | \$ 1,989,866 |
| Changes in non-cash operating working capital of: | | |
| Accounts receivable | \$ 167,042 | \$ (46,514) |
| Due from trust account | (271,238) | 11,112 |
| Forward pricing assets | 107,554 | 159,103 |
| Forward pricing liabilities | (115,498) | (161,753) |
| Prepaid expenses and supplies | (106,397) | (92,218) |
| Other current liabilities | 83,845 | (1,176,829) |
| | \$ (134,692) | \$ (1,307,099) |

Trust account statement of financial position

| December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|---|---------------------|---------------------|
| Assets | | |
| Cash | \$ 1,010,742 | \$ 786,632 |
| Accounts receivable from processors | 3,004,190 | 2,642,054 |
| | \$ 4,014,932 | \$ 3,428,686 |
| Liabilities | | |
| Due to general account | \$ 1,123,185 | \$ 851,947 |
| Payable to producers, transporters and others | 2,891,747 | 2,576,739 |
| | \$ 4,014,932 | \$ 3,428,686 |

Notes to the consolidated financial statements

December 2, 2017

1. Nature of operations

The Ontario Pork Producers' Marketing Board ("Ontario Pork") represents Ontario's pork producers. Ontario Pork provides universal services to all producers. Additionally, Ontario Pork provides a marketing option that includes centralized selling to processors and settlement to producers and transporters for those producers who wish to use the service.

As Ontario Pork is an agricultural organization, from which no part of the income is available for the personal benefit of any member, it is exempt from income tax pursuant to Section 149(1)(e) of the Income Tax Act.

The Farm Products Marketing Act, Regulation 400 Section 9 (b) requires Ontario Pork to maintain separate accounts for the deposit of (i) money received by the local board in trust for any other person and (ii) levies or charges imposed by the local board pursuant to powers exercised under authority granted under the Agricultural Products Marketing Act (Canada). The Trust Account Statement of Financial Position (non-consolidated) reflects all monies received from the sale of hogs on behalf of producers and the distribution of monies to producers after deducting all charges and necessary and proper disbursements and expenses.

2. Summary of significant accounting policies

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

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the general and trust accounts of Ontario Pork and the accounts of the In-Transit Loss Account in which Ontario Pork has a 50% interest. The remaining 50% interest of the net assets of the in-transit loss accounts are presented as a minority interest. The Ontario Pork Grading Authority (OPGA) is a controlled entity of Ontario Pork. However, the accounts of the OPGA have not been included in the accompanying financial statements. Consequently, the accounts of the OPGA have been disclosed in the accompanying notes to these financial statements (Note 18).

B) REVENUE RECOGNITION

Ontario Pork follows the restricted fund method of accounting for contributions. Revenues in the form of fees from producers are recorded when services are performed. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

C) FORWARD PRICING PROGRAM

Ontario Pork offers a Forward Pricing Program to producers which enables producers to establish firm prices for future shipments of hogs.

Prices are based on the prices in effect at the Chicago Mercantile Exchange for future shipments and producers may arrange this coverage for any number of hogs based on their own expected shipments.

Ontario Pork contracts with the producers and enters into Lean Hog and Canadian Dollar contracts with the Chicago Mercantile Exchange.

Ontario Pork constantly monitors contracts with producers and the Chicago Mercantile Exchange to ensure that risks are offset and no significant speculative positions are taken.

D) FINANCIAL INSTRUMENTS**Measurement of financial instruments**

The organization initially measures its financial assets and liabilities at fair value, except for certain non arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for temporary investments, forward pricing assets and liabilities which are measured at fair value. Changes in fair value are recognized in the consolidated statement of operations.

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

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

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write down is recognized in the consolidated statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the consolidated statement of operations.

Transaction costs

The organization recognizes its transaction costs in the consolidated statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

E) EFFECTIVE INTEREST METHOD

Ontario Pork uses the effective interest method to recognize interest income or expense which includes premiums or discounts earned or incurred for financial instruments.

F) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized on the consolidated statement of financial position at their fair value with changes in fair value recognized in the consolidated statement of operations.

G) FOREIGN CURRENCY

Monetary assets and liabilities are translated using the rate of exchange in effect at the end of the year. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average exchange rates prevailing during the year, except for amortization, which is translated at historical rates. Exchange gains or losses are shown in Schedule A.

H) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

I) CAPITAL ASSETS

Capital assets are recorded at historical cost. Computer software is expensed in the year of purchase.

Amortization is provided in order to write off the cost of these assets over their estimated useful lives using the following rates and methods:

| Asset Type | Amortization Rate |
|---|--------------------------|
| Buildings | 5% declining-balance |
| Building improvements for leased premises | Term of lease (5 years) |
| Promotional vehicles | 30% declining-balance |
| Computers purchased after 2001 | 3-year straight-line |
| Other computer systems | 33% declining-balance |
| Office furniture and equipment | 20% declining-balance |
| Office furniture and equipment after 2014 | 5-year straight-line |

J) RESEARCH

Ontario Pork expenses the full cost of research projects in the period it commits the funds for specific projects. Unspent funds are recorded as research projects payable.

K) NET ASSETS INTERNALLY RESTRICTED FOR RESEARCH

A set amount of the annual service fee is designated for research. Any unspent amounts are internally restricted for research and are only transferred to unrestricted net assets when the research expenditures have been incurred. The management of Ontario Pork may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

L) NET ASSETS INTERNALLY RESTRICTED FOR SPECIAL PROJECTS

Ontario Pork established a reserve for special projects. To be eligible for funding from this reserve, projects must benefit all Ontario pork producers, be separate from the daily activities of Ontario Pork, have the ability to leverage matching funds from other sources and have the potential for providing a return on investment. These internally restricted amounts are not available without prior approval of the board of directors.

M) GRANTS AND DEFERRED CONTRIBUTIONS

Government grant revenue and expense are recorded as the related projects are completed, grant approvals are received and collection is reasonably assured. Government grants related to assets are recorded as reductions in the related assets.

Deferred contributions represent funds received in advance which relate to a future year. The revenue has been deferred and will be recognized in the appropriate fiscal year as the related expenses are incurred.

N) USE OF ESTIMATES

In preparing Ontario Pork's financial statements in accordance with Canadian accounting standards for not for profit organizations, management is required 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 reported amounts of revenue and expenses during the period. Significant estimates used within these financial statements include amortization of capital assets and accrued liabilities. Actual results could differ from these estimates.

O) FISCAL YEAR-END

Ontario Pork's year-end is the Saturday closest to November 30.

3. Marketing division

Ontario Pork has administratively and physically separated the operating facilities of the Ontario Pork Universal Services Division and the Ontario Pork Marketing Division. This separation includes maintaining confidential pricing and financial information of the Marketing Division. Direct expenses are charged to the Marketing Division, while shared expenses are allocated to ensure they accurately reflect the costs incurred to operate the respective divisions. Ontario Pork has consulted with the Ontario Farm Products Marketing Commission which has accepted this approach as reasonable.

The revenue information for the Marketing Division is disclosed separately. The balance of the financial information of the Universal Services and Marketing Divisions is reported in aggregate in these consolidated financial statements.

4. Temporary investments

| | 2017 | 2016 |
|---|--------------|--------------|
| Bonds and guaranteed investment certificates held in Canadian funds, valued at market, bearing rates varying from 1.40% to 2.55%. | | |
| (2016 - 1.50% to 2.31%) General Account | \$ 6,346,538 | \$ 6,223,044 |

5. Accounts receivable

| | 2017 | 2016 |
|--------|-------------------|-------------------|
| Trade | \$ 171,136 | \$ 164,015 |
| Other | 28,131 | 22,926 |
| Grants | 5,143 | 184,511 |
| | \$ 204,410 | \$ 371,452 |

6. Forward pricing assets and liabilities

Ontario Pork has entered into foreign currency contracts and lean hog contracts with an independent broker and with producers as previously described in the Forward Pricing Program policy included in Note 2 (c). Included in Forward pricing liabilities are foreign currency contracts and lean hog commodity contracts with a net market value of \$118,747 (2016 Forward pricing assets of \$318,665). Included in Forward pricing assets is the net position of contracts held with producers relating to the Forward Pricing Program with a total market value of \$211,111 (2016 Forward pricing liabilities of \$234,245).

| | 2017 | 2016 |
|-----------------------------|-------------------|-------------------|
| Realized gain | \$ 143,200 | \$ 89,483 |
| Unrealized gain | 92,364 | 84,420 |
| Forward pricing fees/other | 4,080 | 5,180 |
| Forward pricing gain | \$ 239,644 | \$ 179,083 |

7. Capital assets

| | 2017 | | 2016 | |
|-------------------------------------|---------------------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 205,445 | \$ - | \$ 205,445 | \$ 205,445 |
| Buildings and building improvements | 1,700,513 | 948,689 | 751,824 | 812,302 |
| Promotional vehicles | 30,024 | 29,835 | 189 | 271 |
| Computers and computer system | 2,531,553 | 2,493,916 | 37,637 | 34,163 |
| Office furniture and equipment | 622,856 | 571,900 | 50,956 | 57,834 |
| | \$ 5,090,391 | \$ 4,044,340 | \$ 1,046,051 | \$ 1,110,015 |

8. In-Transit Loss Account

The In-Transit Loss Account was established by Ontario Pork in partnership with producers, packers and transporters to compensate for losses due to death of hogs in transit. Ontario Pork retains a 50% interest in the residual earnings of this account. Included in the consolidated statement of financial position and consolidated statement of operations of the general account are the following assets, liabilities, net assets and proportionate net loss:

| | 2017 | 2016 |
|-----------------|--------------------|--------------------|
| Assets | \$ 18,264 | \$ 63,229 |
| Liabilities | - | - |
| Net assets | 18,264 | 63,229 |
| Net loss | \$ (22,482) | \$ (26,555) |

The 50% interest in the net assets of the In-Transit Loss Account allocated to the producers, packers and transporters amounting to \$9,132 (2016 - \$31,614) is recorded as minority interest on the consolidated statement of financial position of the general account. The In-Transit Loss Account was suspended as of May 4, 2007.

A separate set of unaudited financial statements for the In-Transit Loss Account has been prepared for the year ended December 2, 2017.

An Industry Betterment Committee was assembled in November 2011, made up of producers, transporters and packers. The committee determines eligible expenses to utilize the remaining funds for betterment activities.

9. Internally restricted fund for research

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 412,370 | \$ 334,611 |
| Amounts assessed in service fees | 552,093 | 552,890 |
| Grant amounts transferred into fund during the year (Note 13) | 59,899 | 211,339 |
| Rescinded research projects | 69,000 | 33,990 |
| Research expended (Note 13) | (505,014) | (509,956) |
| Research other expense | (231,089) | (210,504) |
| Balance, end of year | \$ 357,259 | \$ 412,370 |

Industry research expense recorded in Schedule D is comprised of :

| | | |
|-------------------------------|---------------------|---------------------|
| Rescinded research projects | \$ 69,000 | \$ 33,990 |
| Research expended (Note 13) | (505,014) | (509,956) |
| Research other expense | (231,089) | (210,504) |
| Total research expense | \$ (667,103) | \$ (686,470) |

10. Internally restricted fund for special projects

| | 2017 | 2016 |
|-----------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,899,201 | \$ 1,963,128 |
| Expended | - | (100,000) |
| Interest allocation | 33,846 | 36,073 |
| Balance, end of year | \$ 1,933,047 | \$ 1,899,201 |

11. Toronto Stockyards Land Development Fund

| | 2017 | 2016 |
|---|-------------|-------------|
| Balance, beginning of year | \$ - | \$ - |
| Amounts transferred into fund during the year | 212,991 | 208,976 |
| Funds expended | (212,991) | (208,976) |
| Balance, end of year | \$ - | \$ - |

The amount received during the fiscal year is included in sundry revenue in the consolidated statement of operations.

In 2003, the board of directors established an internally restricted fund dedicated to research, development and industry education and approved the transfer of funds received from the Toronto Stockyards Land Development Board to this fund.

A portion of these funds was used in 2017 for industry outreach events, swine research and health issues.

12. Credit facility agreement

Ontario Pork has entered into one credit facility agreement with a Canadian financial institution, facility (1). Facility (1) includes an unsecured authorized operating line of credit of up to \$3,500,000 due on demand. Canadian and USD dollar advances on facility (1) bear interest at prime plus 0.30%. At year-end, draws on facility (1) are \$Nil (2016 – \$Nil) and there were no draws on the facility during the year.

13. Government grants and research expenditures

| | Government grants | Research expenditures |
|------------------------------|-------------------|-----------------------|
| | 2017 | |
| Economics | \$ - | \$ - |
| Innovation | - | 45,000 |
| Production | - | 290,115 |
| Social trends and perception | 59,899 | 169,899 |
| Other | - | - |
| | \$ 59,899 | \$ 505,014 |

| | Government grants | Research expenditures |
|------------------------------|-------------------|-----------------------|
| | 2016 | |
| Economics | \$ 107,827 | \$ 107,827 |
| Innovation | 15,949 | 15,949 |
| Production | 30,494 | 289,111 |
| Social trends and perception | 57,069 | 97,069 |
| Other | - | - |
| | \$ 211,339 | \$ 509,956 |

Government grants in 2017 were funded in part through Growing Forward 2, a federal-provincial-territorial initiative. These amounts are included in government grants in the consolidated statement of operations.

14. Grants

- a) Included in animal care expenses reported in Schedule D is a membership fee of \$35,000 (2016 – \$45,000) to Farm and Food Care.
- b) Grants and memberships reported in Schedule D consist of the following:

| | 2017 | 2016 |
|-------------------------------------|------------------|------------------|
| Kees de Lange Scholarship Fund | \$ 50,000 | \$ – |
| OAC Awards Committee | 500 | 500 |
| Ontario Agri-Commodity Council | 1,000 | 1,000 |
| Ontario Agri-Food Education Inc. | 5,000 | 5,000 |
| Ontario Agricultural Hall of Fame | 1,000 | 1,000 |
| Ontario Federation of Agriculture | 5,500 | 500 |
| Ontario Junior Barrow Show | 3,000 | 3,000 |
| Ontario Independent Meat Processors | 1,650 | 1,100 |
| Presidents' Council | 300 | 6,300 |
| Sundry | 2,400 | 1,000 |
| | \$ 70,350 | \$ 19,400 |

15. Canadian Pork Council

| | 2017 | 2016 |
|--------------|------------|------------|
| General fees | \$ 854,242 | \$ 829,966 |

The Canadian Pork Council (CPC) assessments are based on the number of pigs subject to provincial levies. This includes export weanling and feeder pigs in addition to slaughter animals. In 2017, the CPC funding was \$0.155 for market hogs and \$0.033 for weanling and feeder pigs exported (2016 – \$0.155 and \$0.033 respectively).

16. Defined contribution pension plan

The salary and employee benefits (Schedule A) includes the total plan expense for the organization's defined contribution pension plan as follows:

| | 2017 | 2016 |
|-----------------------------------|-----------|-----------|
| Defined contribution pension plan | \$ 93,554 | \$ 88,994 |

17. Commitments

Ontario Pork leases office equipment with future minimum annual payments as follows:

| | |
|--------------|------------------|
| 2018 | \$ 20,792 |
| 2019 | 18,486 |
| 2020 | 18,486 |
| 2021 | 14,737 |
| 2022 | 6,744 |
| Total | \$ 79,245 |

18. Ontario Pork Grading Authority

Ontario Pork has delegated its authority for the grading of hogs to the Ontario Pork Grading Authority (OPGA), an independent not for profit organization. The OPGA provides a grading system and health data collection services. Ontario Pork producers maintain a 50% interest in the net assets of this organization. The other 50% interest is shared by two larger processors. The organization is governed by a five-member board consisting of two representatives from federal processing plants in Ontario, one representative from the Ontario Independent Meat Processors (OIMP) and two representatives from Ontario Pork. Ontario Pork also provides office and administration services to the OPGA. The financial statements of the OPGA are not consolidated in the financial statements of Ontario Pork. The following are the assets, liabilities, revenues and expenses from the audited financial statements of the OPGA for the year ended September 30, 2017.

| | 2017 | 2016 |
|------------------------------------|------------|------------|
| Assets | \$ 310,530 | \$ 335,420 |
| Liabilities | 29,403 | 41,897 |
| Net assets | 281,127 | 293,523 |
| Revenues | 468,864 | 462,943 |
| Expenses | 481,260 | 474,560 |
| Shortfall of revenue over expenses | (12,396) | (11,617) |

Supplemental cash flow information

Cash flows derived from/(used by):

| | | |
|-----------------------------|------------------|------------------|
| Operating activities | 35,519 | (50,701) |
| Investing activities | 4,295 | (88,548) |
| Financing activities | (87,295) | 178,562 |
| (Decrease)/Increase in cash | (47,481) | 39,313 |
| Cash, beginning of year | 92,147 | 52,834 |
| Cash, end of year | \$ 44,666 | \$ 92,147 |

19. Deferred contributions

Deferred contributions is a combination of the two separate funding arrangements summarized below. Total deferred contributions as at December 2, 2017 is \$Nil (2016 – \$Nil).

The Ontario Ministry of Agriculture, Food and Rural Affairs executed a grant to Ontario Pork to support an objective to encourage consumers to access and select fresh Ontario produced pork products. This project ended March 31, 2016.

| Branding and Reputation Management | 2017 | 2016 |
|---|-------------|-------------|
| Balance, beginning of year | \$ – | \$ 432,709 |
| Excess funds returned | – | – |
| Expended | – | (433,769) |
| Interest earned | – | 1,060 |
| Balance, end of year | \$ – | \$ – |

The Ontario Ministry of Agriculture, Food and Rural Affairs executed a grant to Ontario Pork to further develop and implement the Porcine Epidemic Diarrhea strategy for prevention, detection and response mitigation. This project ended on June 30, 2016.

| Porcine Epidemic Diarrhea | 2017 | 2016 |
|----------------------------------|-------------|-------------|
| Balance, beginning of year | \$ - | \$ 430,778 |
| Excess funds returned | - | (48,344) |
| Expended | - | (383,587) |
| Interest earned | - | 1,153 |
| Balance, end of year | \$ - | \$ - |

20. Financial instruments

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from these financial instruments.

The extent of the organization's exposure to these risks did not change in 2017 compared to the previous period.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties.

These risks include:

CURRENCY RISK

Ontario Pork realizes a portion of its transactions in USD and is exposed to foreign exchange fluctuations. At year-end, USD cash balances total USD \$376,126 (2016 – USD \$351,587). All balances are recorded in Canadian dollars at year-end.

CREDIT RISK

Credit risk is the risk that counterparties fail to perform as contracted. Ontario Pork is exposed to credit risk through its trade accounts receivable and the Forward Pricing Program. Ontario Pork is exposed to a concentration of credit risk, as are all customers in the meat packing industry.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Consolidated schedule of operations expenses - Schedule A

| year ended December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|--|---------------------|---------------------|
| Amortization – capital assets | \$ 106,253 | \$ 112,884 |
| Audit fees | 54,970 | 54,570 |
| Bank charges | 16,623 | 17,975 |
| Cleaning | 24,451 | 24,916 |
| Computer software, supplies and internet | 46,962 | 55,906 |
| Consulting – information systems | 45,188 | 23,844 |
| Consulting – other | 305,942 | 386,863 |
| Courier | 20,646 | 21,802 |
| Dues and subscriptions | 10,195 | 11,829 |
| Exchange loss/(gain) | 728 | (1,284) |
| Forward pricing costs | 18,388 | 18,505 |
| General office and other | 20,123 | 39,677 |
| Insurance | 47,083 | 47,573 |
| Legal fees | 92,117 | 114,212 |
| Light, heat and water | 31,753 | 36,771 |
| Machine and systems rental | 13,460 | 14,811 |
| Postage | 23,864 | 36,645 |
| Realty taxes | 54,555 | 52,658 |
| Repairs and maintenance | 114,767 | 50,185 |
| Salaries and employee benefits (Note 16) | 2,338,048 | 2,360,618 |
| Stationery and supplies | 22,332 | 33,733 |
| Telephone | 43,610 | 42,751 |
| Training and professional development | 36,750 | 46,539 |
| Travel | 123,705 | 116,412 |
| | \$ 3,612,513 | \$ 3,720,395 |

Consolidated schedule of consumer marketing expenses - Schedule B

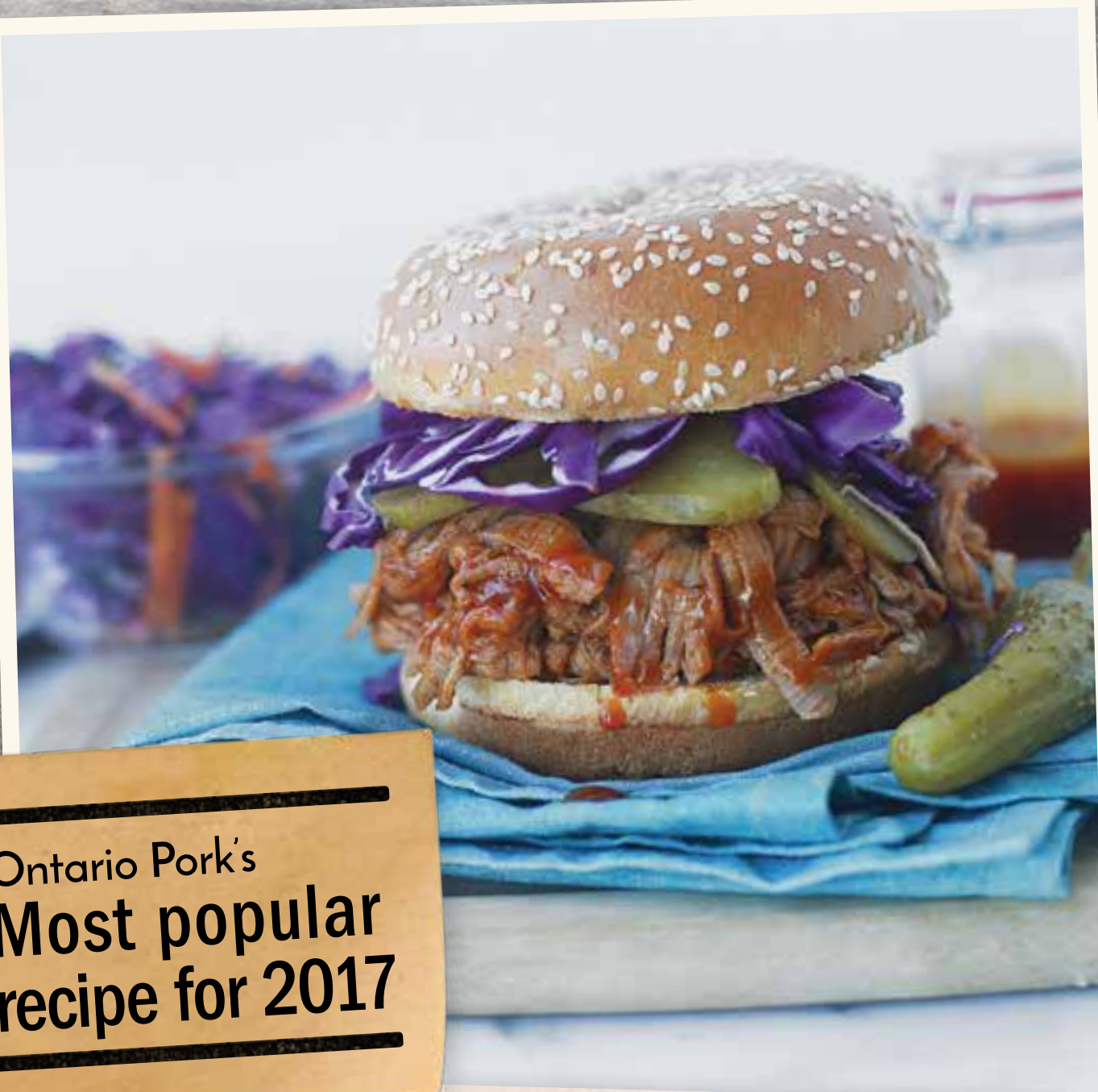
| year ended December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|--|-------------------|---------------------|
| Advertising/other | \$ 463,957 | \$ 445,448 |
| Branding and reputation management (Note 19) | – | 433,769 |
| Consumers' events | 33,880 | 35,696 |
| Education | 48,784 | 60,272 |
| Promotion – retail trade | 34,145 | 12,909 |
| Public relations | 56,355 | 123,511 |
| Retail and nutrition promotion | 89,391 | 199,870 |
| | \$ 726,512 | \$ 1,311,475 |

Consolidated schedule of board secretariat expenses – Schedule C

| year ended December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|--|-------------------|-------------------|
| Delegates' remuneration | \$ 145,562 | \$ 113,841 |
| Directors' expenses | 103,162 | 109,636 |
| Directors' remuneration | 234,189 | 225,250 |
| General office and other | 2,457 | 4,411 |
| Grants – counties | 73,185 | 95,241 |
| Liability insurance | 8,100 | 8,100 |
| Meetings – annual and other | 151,716 | 108,985 |
| Salaries and employee benefits | 52,031 | 58,325 |
| | \$ 770,402 | \$ 723,789 |

Consolidated schedule of industry support expenses – Schedule D

| year ended December 2, 2017 and December 3, 2016 | 2017 | 2016 |
|--|---------------------|---------------------|
| Animal care (Note 14) | \$ 63,826 | \$ 66,866 |
| Canadian Pork Council (Note 15) | 854,242 | 829,966 |
| Food bank | 50,057 | 53,300 |
| Grants and memberships (Note 14) | 70,350 | 19,400 |
| Ontario Pork Congress | 28,066 | 19,438 |
| Porcine epidemic diarrhea (Note 19) | – | 383,587 |
| Research (Note 9) | 667,103 | 686,470 |
| Ridgetown swine barn build | – | 100,000 |
| Swine Health Ontario | 62,895 | 29,498 |
| | \$ 1,796,539 | \$ 2,188,525 |



Ontario Pork's Most popular recipe for 2017

Root Beer Pulled Pork

Yield:

Serves 6

Cooking Time:

8 to 10 hours
(in slow cooker)

Preparation Time:

5 minutes

Ingredients

1 Ontario pork shoulder
1 medium onion, chopped
16 fl oz (500 mL) bottled root beer
(not diet)
2 cups (500 mL) your favourite
BBQ sauce
6 Kaiser or hamburger buns,
split and lightly toasted

Cooking Directions

1. Place the pork and onion in a slow cooker. Pour the root beer over the pork, cover and cook on LOW until well-cooked and the pork shreds easily, usually 8 - 10 hours (or 4 - 5 hours on HIGH).
2. Drain well and discard extra root beer. Stir in BBQ sauce.
3. Serve on buns with coleslaw.



ONTARIO PORK

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