2023-24 Budget Overview

Background:
Alberta Chicken Producers' budget is an expression of ACP's strategic plan and is built from the vision, mission, goals, and priorities established by the Board.

Budgeting Principles:
The Finance Committee applies the Budgeting Principles, as defined in ACP's Financial Policy. These principles are:

Budgeting:
a. Prior to the Finance Committee preparing the Budget each year, the Board will provide direction to the Committee in terms of the Budgeting Strategy for the upcoming fiscal year with consideration for the cash and capital resources of the organization.
b. Principles: The Budget will:
i) Be prepared on a cash basis, based on conservative estimates of revenues and expenses.
ii) Provide sufficient current assets to meet the organization's current liabilities.
iii) Uphold contractual commitments and obligations of Alberta Chicken Producers.
iv) Be based upon all known sources of revenue and planned/forecasted expenditures at the time of Budgeting.
v) Consider the Strategic Priorities of the organization and funding required to deliver the organization's annual Strategic Work Plan.
vi) Detail the relevant assumptions used in its preparation.
vii) Consider the Reserve requirements of Alberta Chicken Producers.
c. The Finance Committee will develop the One-year and Three-year Budget Projection annually, based on the Budgeting Principles.
d. The Board approves the Budget prior to presenting to producers.
e. The Finance Director is responsible for presenting an Annual Budget and Three-Year Budget Projection to the Board in October of each year.
f. To respond to opportunities, unforeseen events, and exceptional circumstances as and if required, the Budget is subject to amendment by the Board within the parameters of the Board's fiduciary responsibilities and Budgeting Principles.

2023-24 Budget Sources and Assumptions:

In addition to the notes included in the budget documents:

- Industry growth forecast: 5% over 2023 production
- Inflation rate of 3.5% for 2022-23 and 2.0% for 2023-2026
- City of Edmonton Taxes: +5% from 2023-2026
- 100% Utilization for A-186 to A-192
- 100,000 kgs Market Development for A-186 to A-192
- Allocation setting averages 2.1% over AB adjusted base
- 2024 CDN population growth 1.6% to 2% (AB 2.5%)
- 2024 CDN GDP growth of 1.2% (AB 2.0%)
- 2024 MTGR +2.5% for A-187-A-192

Note: Alberta Chicken Producer's Fiscal Year-end is November 30.

2022-23 Fiscal Year Projection*:

Revenue	Budget	Actual	Variance
Production	189.7 MKG	180.3 MKG	(9.3) MKG
ACP Portion of Production Income	$2.6 M	$2.4 M	$(125,902)
Over-marketing Penalty Income	$30,000	$15,000	$(15,000)
Direct Marketing & Specialty	$156,600	$131,850	$(24,750)
Grower Program Income	$72,140	$72,140	NIL
Grant Income	NIL	$139,067	$139,067
Office Lease Income	$24,000	$24,000	NIL
NORMALIZED REVENUE	**$2.9 M**	**$2.7 M**	**$(164,550)**

Expenses	Budget	Actual	Variance
Public Relations	$234,800	$231,800	$(3,000)
Professional Fees	$260,000	$210,000	$(50,000)
Travel/Meals/Meetings	$176,130	$183,900	$7,770
Grower Program	$210,000	$210,000	NIL
NORMALIZED EXPENSES	**$3.0 M**	**$2.9 M**	**$(49,667)**
NORMALIZED NET INCOME	**$(85,675)**	**$(200,558)**	

* Projection as of October 17, 2023 showing line items of note. Not all line items have been included to simplify the information for Regional Meetings.

Notes:

- Total revenues are estimated to be down $165K vs. budget due to underproduction and chick shortage
- Normalized expenses (excluding grant funding that nets out) were down $50K from budgeted levels
- Excluding grant funding and amortization, our net cash loss for the year is projected at $112K.
- Investment income was lower than projected, but this is not a cash cost. Returns on long term investments are increasing as low interest GIC's mature and are replaced with higher yielding GIC's.
- Grant revenue and expenses are both projected to be $140K higher than expected based on one-time CAP funding from the Alberta Government for the purchase of depopulation equipment under our Surge Capacity for Depopulation proposal. These expenses net out in the cash projection, but are not included in our calculation of normalized expenses and revenue.

Budget for 2023-24**:

Revenue	2024 Budget	2023 Actual	Change
Production	189.4 MKG	180.3 MKG	9.0 MKG
ACP Portion of Production Income	$2.6 M	$2.4 M	$143,673
Over-marketing Penalty Income	$30,000	$30,000	NIL
Direct Marketing & Specialty Lease	$105,938	$131,850	$(25,912)
Investment Income	$45,207	$41,500	$3,707
Grower Program	$77,472	$72,140	$5,332
Office Lease Income	$24,000	$24,000	NIL
NORMALIZED REVENUE	**$2.9 M**	**$2.7 M**	**$140,283**

Expenses	2024 Budget	2023 Actual	Change
Staff Salaries	$828,100	$820,548	$7,552
Public Relations	$238,800	$231,800	$7,000
Professional Fees	$196,000	$210,000	$(14,000)
Corporate Social Responsibility	$45,000	$45,000	NIL
Research Grants	$145,000	$145,000	NIL
Diagnostics	$214,200	$214,200	NIL
Travel/Meals/Meetings	$176,130	$183,900	$(7,770)
NORMALIZED EXPENSES	**$2.9 M**	**$2.9 M**	**$15,635**

	2021-22 Actual	2022-23 Budget	2022-23 Projection	2023-24 Budget
Net Income	**(461,859)**	**(85,675)**	**(200,558)**	**(75,910)**
Net Cash	**(397,250)**	(9,675)	(124,558)	90
Normalized Net Income	(461,859)	(85,675)	(200,558)	(75,910)
Norm. Net Cash	(397,250)	(9,675)	(124,558)	90

** As approved by the Board on October 17, 2023. Not all line items have been included to simplify the information for Regional Meetings.

Notes:

- Significant under production in 2022-23 dropped revenues for ACP by $126K directly and a total of $165K if you consider indirect implications (ie. overproduction penalties, specialty production, etc.)
- Assuming 5% growth in chicken production in the coming year, revenues will recover next year, increasing by roughly $140K
- Using a conservative approach to expenses, estimated expenses for 2023-24 will only increase $15K
- Next year will be a transition year for auditing as two long standing auditors are retiring. A succession plan is in place, but additional training and audit shadowing will increase cost in the next fiscal year. Last year there was a pay adjustment for auditors to keep pace with inflation and align us with other regions as well. We are proposing an increase in audit cost of $25 to cover these additional expenses
- Professional fees are decreased next year due to being an off-year for the Consumer Study, as well as a reduction in expected fees from insurance actuaries in the development of our HPAI insurance proposal. $41 K was included as a placeholder for capital seed money should the ACP membership approve the implementation of the reciprocal insurance program for HPAI

3 Year Budget Projection***:

	2023/24	2024/25	2025/26
	$0.0195	*$0.0195*	*$0.0195*
production (live kilograms)	189,358,148	*196,932,500*	*204,809,800*
Total Revenue	**$ 2,873,438**	**$ 2,941,038**	**$ 3,050,038**
Normalized Revenue	*$ 2,873,438*	*$ 2,941,038*	*$ 3,050,038*
Total Expenses	**$ 2,949,348**	**$ 2,959,912**	**$ 3,045,370**
Normalized Expenses	$ 2,949,348	$ 2,959,912	$ 3,045,370
Net Income	**$ (75,910)**	**$ (18,874)**	**$ 4,668**
Normalized Net Income	$ (75,910)	$ (18,874)	$ 4,668
Net Cash *(less Amort.)*	$ 90	$ 57,126	$ 80,668

***** Assumes 4% growth in production in 2024/25 and 2025/26**

Notes:

- With an assumption of 4% increased chicken production each year, existing levy provides an opportunity to recover funds lost to AI compensation and this year's underproduction (chick shortage)
- Overall, normalized revenue is projected to increase by $176 K over the next 3 years if moderate growth in the chicken market continues. Normalized expenses are only expected to increase $96 K over the same period of time, provided inflation rates normalize to 2% as projected
- Alberta is planning to host the CFC Summer Meeting on our 60'th anniversary in July/August 2026. Industry sponsorship has potential to offset some of these expenses.

6. Investment Strategy:

e. Eligible Investments:

i) For the purpose of this policy, eligible investments are:

A. Bank Cash Deposits
B. Bank Term Deposit
C. Guaranteed Investment Certificates
D. Treasury Bills
E. Government of Canada and Provincial Bonds
F. Corporate Bonds (AA or higher rating)
G. Income Trusts (SR-1 rating)
H. Preferred Shares (AA or higher rating)
I. Large Cap Equity, Income, High Grade Bond Mutual Funds
J. Canadian or US Common Shares (High quality, blue chip companies with potential for long term total returns from dividends and capital appreciation). Dividend payout history should be considered with a preference for dividend stability.
K. Real Property Assets

i) Investments must be compliant with the Prudent Investment Rule under Section 3 of the Trustee Act.

ii) Any investment not included in the above listing must be presented to the Finance Committee which will make a recommendation to the Board of Directors.

f. Asset Allocation:

i) The investment portfolio asset allocation must strike a conservative balance between risk and reward. Acceptable asset allocation is as follows:

A. Minimum 10% of assets shall be held in cash or cash equivalent.
B. Minimum 10% of assets shall be invested in short term (1 year or less) liquid assets.
C. Minimum of 10% of assets shall be held in longer term GIC's (2 years or more).
D. GIC's should be laddered, with approximately 20% of the GIC's maturing each year.
E. Equity Investments – Not more than 35% of total portfolio.
F. Common shares should be diversified among industry sectors so as to avoid excessive exposure to one industry.
G. Total investment cost in any one investment is not to exceed $100,000 (with the exception of GIC's and Mutual Funds).
H. Corporate Bonds – Not to exceed 40% of total bonds.
I. US investments – Not to exceed 25% of total investments.
J. Other foreign currency investments – Not to exceed 10% of total investments.
K. Real Property Assets – Not to exceed 20% of total investments.

g. Other:

i) The ability to borrow against an investment will be a key consideration. This is particularly important when the cost of borrowing against the investment is less than the loss of the interest or bond yield, should the investment be terminated.

ii) The level of investment in any given year will take into consideration the three-year cash projection to determine the amount available for each of the three investment categories.

ACP's Reserve Fund****:

2023 Annual Asset Allocation Report					
18-Jun-23		Cash	Pledge	Total	
Cash		$ 158,473	$ 2,576	$ 161,049	8%
Fixed Income		$ 986,920	$ 239,202	$ 1,226,122	63%
Equity:		$ 549,651	$ -	$ 549,651	28%
Canadian		$ 391,141	$ -	$ 391,141	71%
United States		$ 97,616	$ -	$ 97,616	18%
International		$ 60,894	$ -	$ 60,894	16%
Total:		$ 1,695,044	$ 241,778	$ 1,936,822	100%

****** As of June 18, 2023.**

Notes:

- Current cash & cash equivalents were out of compliance at 8% (should be minimum of 10% as highlighted in above policy) due to appreciating fixed income and equity assets. Portfolio has been rebalanced since to comply with Financial Policy.
- Yield of GIC's maturing in 2025 and 2026 are low (1.31-2.01%) but yield on GIC's maturing in 2027 will yield much higher (3.80-4.60%) validating strategy of laddering GIC investments.