



ANNUAL REPORT
January 1, 2012 to March 31, 2013

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**

Operating as
Canada Beef



Message from the Chair



**Chuck MacLean, Chair
Canada Beef**

On behalf of the Canadian Beef Cattle Research, Market Development and Promotion Agency, commonly referred to as Canada Beef Inc., I am pleased to present this annual report for the period of January 1, 2012 to March 31, 2013.

The Canadian Beef Cattle Research, Market Development and Promotion Agency became operational in 2002. The Domestic Levy Order was registered April 14, 2005. All Canadian provinces with a structured beef cattle organization are in a position to collect the federal levy (also referred to as “national check-off”) on beef cattle sold in Canada and pay the levy to the Agency.

Over the past decade, the beef industry has experienced many challenges with respect to market development including: reduced check-off revenue; global economic recession; BSE driven market restrictions; and higher regulatory-driven processing costs. In response to these challenges, provincial cattle organizations which collect the check-off requested the structure of the marketing organizations be assessed.

An industry working group was formed which considered the long-term needs of the industry, the funding and marketing challenges, the contribution and needs of stakeholders, and the results of previous studies and reviews. The outcome of the review was the creation of a single independent national beef cattle marketing, promotion and research organization by merging and integrating the assets, operations, liabilities and funding of the Canada Beef Export Federation, the Beef Information Centre and the National Check-off Agency (NCOA). The new Agency began operating as Canada Beef effective July 1, 2011.

Canada Beef fully utilizes the structure and authority of the NCOA while consolidating responsibility and accountability to one organization for the development of domestic and international marketing programs. This ensures increased flexibility in the allocation of staff and financial resources through the creation of a single unified marketing team and provides clearer accountability for contributors including cattle producers and other funding partners including government.

The **Beef Cattle Research Council** remains the national research group funded through national check-off. Its purpose is to sponsor research and technology development and adoption in support of the vision of the Canadian beef industry to have high quality Canadian beef products recognized as the most outstanding by both Canadian and international customers.

Provincial organizations can continue to utilize national check-off funds to support projects that address provincial-specific research, and marketing and promotion of beef and veal products. As well, national check-off is the “industry funding” used as the basis to obtain matching funds from the industry-led **Canadian Beef and Cattle Market Development Fund** and **Beef Cattle Industry Science Cluster** for the industry’s long-term marketing and research plans respectively.

This past 15-month fiscal period has been very productive for Canada Beef. The Canada Beef Board had set four goals for itself:

1. Work to establish an import levy on imported beef products;
2. Investigate refinements to Canada Beef's Board and industry representation structure, and prepare recommendations for the 2013 annual forum;
3. Create more meaningful performance measures for Canada Beef programs to better capture and report the return on producers' and funders' investment; and
4. Work with provinces to improve the check-off collection and remittance process and work with those provinces retaining national check-off for provincial programming to consider investing more into national programs.

The Farm Products Council of Canada (FPCC) has worked very hard to help the beef industry move forward towards its goal of establishing an import levy. Once accomplished, it will be an historical event and will set a path forward for many other agricultural commodities to follow. The progress made so far owes a great debt to Agriculture and Agri-Food Canada Minister Gerry Ritz who has believed in the merits of an import levy and allowed his staff to help move it forward.

Related to the above work with FPCC are efforts to finalize amendments to the proclamation to reflect the changes made in the restructuring of the marketing groups into Canada Beef.

Canada Beef, having the structure and representation of the board as defined by the proclamation, has worked very well. As a new organization, there has been a large amount of well-meaning outside direction from interested industry members. We acknowledge this interest and will continue to listen to industry input. Having said that, the Canada Beef Board will continue to develop the strategic direction of the organization and oversee its domestic and international marketing programs. This ensures flexibility in the applications of resources including financial and staff.

Moving forward, the organization will have to deal with reduced funding as a result of smaller cattle inventories and the changes coming to industry development funds such as the Canadian Cattle Market Development Fund which is winding down by 2015 and the introduction of Growing Forward 2. Financial challenges are the norm for our industry and will be managed, but undoubtedly some programs will look significantly different going forward.

I would like to thank the Board of Directors for their dedication to the marketing efforts of Canada Beef. This Board, whether producers or from industry, have been available whenever necessary and have given of their time to a level beyond the job description. I am passionate about the possibilities that Canada Beef will be able to deliver as the company begins to grow and is allowed to experiment with new ways of working with partners to deliver results. The possibilities are only limited by our imagination.



Chuck MacLean, Chair
Canada Beef

Agency Profile

PROCLAMATION

The Canadian Beef Cattle Research, Market Development and Promotion Agency (Agency or NCOA) was proclaimed on January 17, 2002 and the registration published in the Canada Gazette, Part II on January 30, 2002. The Agency sought revision to the proclamation in October 2003 to allow the Saskatchewan Government to enter into an agreement to collect levies. The revised proclamation was published on May 4, 2005 (SOR/2005-102).

LEVIES AND IMPORT ORDER

The Domestic Levy Order was registered April 14, 2005. All provinces with structured beef cattle organizations are now signatories to the Agency's agreements in their respective provinces (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island). As such, these provinces are in a position to collect the levy (also referred to as "national check-off") on beef cattle sold in inter-provincial trade and pay the levy to the Agency. Now that all provinces have finalized their authority and entered into formal agreements with the Agency, the program is truly national and the Agency will be able to finalize the Import Levy Order for imported animals and carcass equivalent beef products. Efforts continue in the Maritimes to address collection procedures to accommodate inter-provincial sales and collection of the levies.

RESTRUCTURING OF THE AGENCY

In 2010, on behalf of the Canadian beef industry, the Canada Beef Working Group (CBWG) was mandated "to investigate and develop a new organizational structure for maximizing efficiencies and effectiveness for domestic and international beef marketing activities". In carrying out this mandate the group also reviewed the current and future roles of the Global Marketing Advisory Committee (GMAC) and the two major funding organizations, the Canadian Cattlemen Market Development Council (CCMDC) and the Canadian Beef Cattle Research, Market Development and Promotion Agency (NCOA).

In developing its recommendation the CBWG took into consideration the long-term needs of the industry; the funding and marketing challenges that lay ahead; the contribution and needs of stakeholders; the results of the due diligence reviews of the Beef Information Centre (BIC) and Canada Beef Export Federation (CBEF); the results of previous studies and the opportunities to simplify the funding and approval structures. Three basic options were examined: 1) status quo; 2) a single independent integrated organization; or 3) a strategic alliance.

On January 6, 2011 the CBWG presented the results of its investigation and its recommendation:

to create a single independent national beef cattle marketing, promotion and research organization by merging and integrating the assets, operations, liabilities and funding of the CBEF, the BIC and the NCOA.

This single organization was created effective July 1, 2011 by restructuring the Canadian Beef Cattle Research, Market Development and Promotion Agency which assumes the responsibilities, programs and core functions of all three organizations. Research responsibilities continue to be assigned to the Beef Cattle Research Council. The new Agency operates as Canada Beef.

Supporting the transition period for Canada Beef to become fully operational as a new Agency, a six-month transition business plan for the period July 1, 2011 to December 31, 2011 was implemented. The six-month Transition Plan followed the historical direction of the founding organizations BIC and CBEF, and was the last plan to incorporate specific commercial beef programs funded by the Legacy Fund.

The subsequent 2012/13 business plan incorporated the strategic vision and direction of the newly formed organization. The 2012/13 Canada Beef business plan spanned a 15-month period from January 1, 2012 to March 31, 2013. The length of the fiscal period was chosen in order to position the organization for an April 1 to March 31 fiscal year.

FISCAL YEAR

Going forward, the fiscal year of the Canadian Beef Cattle Research, Market Development and Promotion Agency will be April 1 to March 31. The Agency commenced financial operations July 1, 2002.

2012/13 BOARD OF DIRECTORS

The Board of Directors consists of 16 members (10 are beef cattle producers and six are representatives from the packers/processors, importers and foodservice/retail operators). The beef cattle producer members are nominated by their host provincial cattle producer associations and elected at the Canada Beef annual forum. The six packers/processors, importers and foodservice/retail operator positions are nominated by their host organizations and the Canada Beef governance committee and elected at the Canada Beef annual forum.

Chair – Chuck MacLean, Alberta
Vice Chair- Paul Sharpe, Ontario
Grant Huffman, British Columbia
John Schooten, Alberta
Jack Hextall, Saskatchewan
Trevor Atchison, Manitoba
Gib Drury, Quebec
Jennifer MacDonald, New Brunswick
Terry Prescott, Nova Scotia
John MacDonald, Prince Edward Island

Canadian Association of Importers and Exporters
Dwight Greer – Eastern Meat Solutions

Beef Processing and Distribution
Brian Read – XL Foods
Robert Bielak – St. Helen’s Meat Packers
Mike Kennedy – Cargill
Arthur Batista – Ecolait
Scott Ellerton – Sysco Canada

STAFFING – JULY 1, 2011

Effective July 1, 2011 the Agency operating as Canada Beef was managed by the executive staff of Canada Beef including: Robert Meijer (President); Sylvia Carruthers (General Counsel); John Baker (Executive VP, Global Marketing); Michael Shittu (VP, Finance); and Ron Glaser (VP, Corporate Affairs and Operations).

The Agency office is located at:
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Calgary, Alberta T2E 7H7
Tel: (403) 275-5890

Executive Summary

This 2012/13 annual report of the Canadian Beef Cattle Research, Market Development and Promotion Agency, operating as Canada Beef, provides a summary of programs and results of national check-off funded activities between January 1, 2012 and March 31, 2013. The audited financial statements covering this reporting period (January 1, 2012 to March 31, 2013) are included at the end of the report.

Through the national check-off, Canadian beef cattle producers collectively invest in research, market development and promotion to achieve the industry's long-term vision of a dynamic and profitable Canadian industry with Canadian high quality beef products recognized as the most outstanding by Canadian and world customers.

Throughout 2012/13, market development and promotion emphasized the Canadian Beef Advantage (CBA) - a value proposition positioning Canada's beef industry as a world leader in quality beef production. The CBA promotes the benefits of choosing Canadian beef based on attributes achieved from farm to fork. These benefits/attributes of the CBA include conscientious production practices, environmental stewardship, beef quality and yield advantages, plus Canada's global animal health status and food safety record.

Of total national check-off investment, 67.3 per cent was directed towards domestic and international market development and promotion, 13.8 per cent was directed to research, and 18.9 per cent was retained by the provincial cattle producer organizations for marketing and research programs in their regions.

National Check-off Funded Activities and Results in 2012/13

1. National and International Market Development and Promotion – Canada Beef

The strategic focus of the Canada Beef 2012/13 business plan was to continue the foundation of defining, communicating and leveraging the unique points of differentiation for Canadian beef and veal. As a high cost producer of high quality grain-fed beef, it was imperative that Canada Beef marketing programs were targeted at a very specific customer base that represented the best opportunity to provide a return on investment. Those targeted customers were in markets and segments that could receive the highest values for high quality grain-fed beef and veal, and that valued the quality and safety systems that Canadian producers/industry/government invests in.

During the 2012/13 fiscal period, total of 78 marketing initiatives implemented across nine global markets leveraged industry investment to a ratio of \$4.52 for every \$1 Canada Beef invested through the cost-sharing Market Development Programs (MDP). The MDP enables Canada Beef to identify and invest in partnered initiatives with priority, targeted customers that are aligned to deliver mutual objectives. Canada Beef expenditures against partner funded initiatives totalled \$879,223.37, while private industry invested an additional \$3,095,594.18 in those projects.

This fiscal year also saw the responsive development of a cost-shared program designed to offset the significant costs of exploring new, high-valued markets for Canadian beef exporters. The Market

Outreach Initiative supported 32 outreach projects that also leveraged an additional \$2.27 of exporter investment for every \$1 Canada Beef invested in new markets and segments.

Many industry benefits were realized through Canada Beef's marketing initiatives. The first global resource designed to communicate the CBA to trade customers was developed for each priority export market. With a global approach to communicating the CBA in all markets, it is now possible to deliver consistent messaging around the CBA.

Survey results demonstrate a strong understanding of the CBA attributes with targeted end-use customers in global markets providing a positive benchmark for further progress towards consistent and accurate communications. Survey results with targeted end-use customers in priority markets including: Canada; United States; Mexico; Japan; South Korea; China; Hong Kong; Taiwan; the Middle East, EU; and Russia provided positive measurements with targeted trade customers having high levels of awareness of the unique CBA attributes and overall positive perception of Canadian beef versus our global competitors. Survey results also demonstrate a high value placed on the services and programs provided by Canada Beef and that Canada Beef had a positive impact on the respondent's ability to grow sales of Canadian beef based on quality and value.

With a strong strategic focus on alignment with supply chain partners, Canada Beef activities were focused at enhancing values for specific products within markets and segments. Canada Beef staff engaged supply chain partners in key markets to identify product supply opportunities, and targeted customers to develop marketing programs with an objective to maximize cut out value relative to USDA values.

Continued focus on brand license holders and long term partnerships with strategic market leaders in each sector was a high priority. Canada Beef had brand license agreements with 103 partners in the domestic market. Canadian beef brand license holders in the domestic market represented over 75 per cent of the market share leaders in the retail sector. Brand license partners hold approximately 50 per cent of the share of foodservice distribution in Canada. Awareness of the brand mark with Canadian consumers was 33 per cent.

Many new and innovative initiatives were undertaken during the year. The 'Canadian Beef Story' concept was developed to leverage the unique attributes of the CBA with the end consumer in mind. The concept markets to consumers the quality and safety attributes of Canadian beef production and leverages the strong perceptions of the natural environment of Canada, the trusted image of Canadian beef producers, and Canada as a trustworthy trading partner around the world in the minds of consumers.

From an operational perspective, the shift from a market specific approach to a regional hub approach in the Hispanic markets of the United States, Mexico, Cuba, and also including Central America, provided enhanced efficiencies in program delivery as well as leveraged the expertise across the organization in that key target market segment. The new structure provided enhanced program efficiencies across all markets and ensured consistent alignment with industry and program delivery while ensuring unique market opportunities were capitalized on.

As part of an effort to enhance relationships and to leverage the Federal Government's Trade Commissioner Services in foreign postings, Canada Beef has developed strong linkages in key markets that provide opportunities to extend the reach of Canada Beef programs and key messages,

while leveraging the resources and promotional activities of the Trade Commissioner Service. By empowering the Trade Commissioners, Canada Beef was able to increase market opportunities in key markets such as Russia, the United Arab Emirates and Saudi Arabia as well as execute promotional initiatives in developing foreign markets in which no Canada Beef resources are allocated including: Vietnam; Singapore; Panama; and Colombia.

The new Global Market Intelligence Report (GMIR) was developed to provide insightful and timely intelligence to Canadian industry partners and government personnel on market conditions, major issues, trends, opportunities and economic factors affecting beef trade. The report incorporates a feature country report including content focused on Canadian beef export barriers and opportunities, import market conditions and economy/outlook for the selected region.

The development of the CBA attribute-based Canadian beef story has provided a very strong platform to enhance overall consumer perceptions and leveraging the unique selling points of Canadian beef. The concept will be expanded to be leveraged through implementation in key export markets utilizing the content and the strong visual imagery of Canada.

The shift to a market hub approach in Latin America has provided the flexibility to identify and capitalize on value enhancement opportunities through free trade agreements with Central American markets such as Colombia and Panama. Through relationships with the Trade Commissioners in the region, Canada Beef will be able to extend its reach and leverage resources to maximize the impact of regional Canadian beef promotional activities driven through the embassies and consulates.

This key learning in Latin America will be applied to the Asian markets in the coming year and enable Canada Beef to extend its reach into emerging Asian markets to create a differentiated brand positioning for Canadian beef without having to increase investment or infrastructure in the markets.

More information on Canada Beef programs and activities is available at www.canadabeef.ca.

2. Research – Beef Cattle Research Council

National check-off funds that support beef and cattle research are managed by the Beef Cattle Research Council (BCRC), a division of the Canadian Cattlemen's Association (CCA). The BCRC also focusses on encouraging collaboration and coordination among researchers, funding agencies, and industry in order to maximize the benefits obtained from beef cattle research.

The Beef Cattle Industry Science Cluster, a partnership between Agriculture and Agri-Food Canada and the CCA, was initiated in 2009 to support beef and cattle research projects. Industry and government funding through the Cluster totals \$11.2 million directed to 32 research projects. Each national check-off dollar is matched by six AAFC dollars under the cluster. In addition to the investments made through the Beef Science Cluster, the BCRC has contributed over \$4 million to nearly 60 other research initiatives. These BCRC investments have leveraged other industry and government dollars, leading to total funding exceeding \$20 million.

Collaboration and investments under the Beef Cattle Industry Science Cluster were focused on two core research objectives under which more specific research programs were established:

- *Improved production efficiencies (approximately 65 per cent of funding)*: through enhanced feed and forage production, increased feed efficiency, decreased impact of animal health and welfare issues and production limiting diseases, and improved utilization of specified risk materials.
- *Improved beef demand and quality (approximately 35 per cent of funding)*: through reduced food safety incidents; defining quality and yield benchmarks supporting the Canadian Beef Advantage and improved beef quality through an audit program and primary production improvements, and the development and application of post processing technologies to optimize cutout values.

Much of the foundational work needed to deliver research information to industry has been developed, including a new extension website, www.beefresearch.ca. The website provides access to general information on research topics, fact sheets on in-progress and completed projects, and blog articles that help producers make informed decisions on implementing innovation into their production practices. Social media tools are utilized, and a video series called Beef Research School was developed in partnership with RealAgriculture.com.

The BCRC and national Beef Value Chain Roundtable recognized that continued focus needs to be placed on aligning other provincial and national industry and government funders to develop a single national research strategy with defined research outcomes.

The Strategy is intended to:

- Ensure all of industry's research priorities are adequately addressed;
- Strengthen future funding requests from industry to federal and provincial governments; and
- Maximize the value of all investments in research within the Canadian beef cattle industry.

The development of the National Strategy was led by the BCRC and the national Beef Value Chain Roundtable and involved the participation of key stakeholders and major beef research funders across Canada. It gained the commitment of the major funders to coordinate funding to achieve short, medium, and long-term outcomes in alignment with industry's priorities. The desired research outcomes proposed under the second Beef Cattle Industry Science Cluster are directly aligned with those established under the National Beef Research Strategy. The National Beef Research Strategy is available online at www.beefresearch.ca/about/national-beef-research-strategy.cfm.

Through the BCRC, Canada's beef on-farm food safety quality assurance program *Verified Beef Production*[™] (VBP) continued to be implemented. The VBP is a HACCP-based auditable program that is recognized by the CFIA and has the potential for international recognition. The program continues to focus on animal health management, medicated feed/water and non-ruminant feeds, cattle shipping, pesticide control and training and communications. VBP participation in workshops as of December 2012 represented 38 per cent of cow/calf production and over 82 per cent of feedlot production in Canada. Using a weighted average, the per cent of production from VBP-trained operations is 67 per cent of production. The per cent of production from registered (audited) cattle operations is 18 per cent.

Research is a core component of the Canadian beef cattle industry's long-term strategy for sustainability, with a focus on improving competitiveness through improvements in beef quality,

food safety, productivity and generational sustainability. The ability to responsibly meet the increasing global demand for food is in part dependent on the strategic and collaborative investment in applied research. Despite the challenge of declining check-off dollars as the Canadian beef cattle herd contracted post-BSE, the BCRC is confident that collaborative investments in beef, cattle and forage research will transform a highly productive and successful industry to an even higher plane of competitive advantage in global food production.

3. Provincial Research, Market Development and Promotion

In 2012/13, national check-off transferred funds for regional research and beef and veal marketing programs managed by: Manitoba Beef Producers, Ontario Cattlemen's Association, the Fédération des Producteurs de Bovins du Québec, New Brunswick Cattle Producers, Nova Scotia Cattle Producers, and Prince Edward Island Cattle Producers.

Provincial programs focussed on the areas of regional research, consumer promotion and market development. Communicating the value of the national-check-off plays a part in the provincial programs, and the use of social media has become more prevalent in marketing efforts and reaching various audiences.

Regional research projects on: production and feed efficiencies; animal health and management; environmental sustainability; animal welfare; genetics; and beef quality were supported with check-off funds.

Consumer-directed regional promotions at retail and foodservice, including branded product development promoting provincially grown beef and veal, were also managed by the respective provinces. Other marketing initiatives also included programs to raise awareness and understanding of regional food production systems with urban consumers.