



2017/2018 **Annual Report**
CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT & PROMOTION AGENCY

VISION

A unified and sustainable national funding strategy for Canadian beef cattle research, market development and promotion.

MISSION

To deliver measurable value to the Canadian beef industry through prudent and transparent management of the Canadian Beef Cattle Check-Off.

PURPOSE

The Canadian Beef Cattle Check-Off Agency (the Agency) manages and administers the Canadian Beef Cattle Check-Off. By working with core partners, the Agency ensures that check-off dollars are invested into research, market development and promotion programs that deliver measurable value to Canadian producers. The Agency is responsible for communicating the value of the check-off investment, as well as training, education, regulatory management, collection and administration of check-off dollars.

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Message from the Chair

On behalf of the Canadian Beef Cattle Research, Market Development and Promotion Agency (the Agency), I am pleased to present this annual report for the period of April 1, 2017 to March 31, 2018.

I must admit, this past year has been a challenging one. The diverse beef operations across Canada, while unique to each province, all have one common goal to produce the best beef possible while maintaining their sustainability.

With direction from our provincial funders, separation between check-off administration and marketing has continued to evolve. Both our Board, and the provincial cattle associations have proven to be engaged in the discussions, and have made for many twists and turns along the way.

We continued to work with each of these provincial associations to ensure that they were able to provide input as we re-worked the by-laws. The needs of producers from across the country are always our prime concern. Occasionally there are hurdles and challenges, and our mission remains the same: to deliver measurable value to the industry through prudent and transparent management.

The Agency has produced a new set of by-laws that bring together the needs of producers from across the country. This includes a separate and distinct Marketing Committee to manage the strategy and plans of the market development and promotion through Canada Beef, and the opportunity to add additional member-at-large seats to this Committee. This gives voting delegates a stronger voice in this area, by nominating and electing members that will bring a desired skillset to the Committee.

The increase of the Canadian Beef Cattle Check-Off by province has provided the Agency an additional opportunity to work with the provincial cattle associations, and communicate directly with producers. I'm proud of the work we have done to help facilitate the increase for most provinces to the benefit of the entire industry. To date, most of the provinces have implemented an increase. I look forward to all provinces embracing an increase which will allow us to increase the import levy.

Market development and promotion efforts undertaken by Canada Beef in 2017/18 focused on the strength of the Canadian Beef brand, both here at home and abroad. The Canada Beef team worked hard to secure trade mission opportunities in foreign markets with Minister MacAuley,



and a unique opportunity to gain brand recognition across the country through the Grand Slam of Curling.

I was fortunate to join the Canada Beef team in Mexico during a trade event, and was humbled by not only the amount of work put in by our staff, but the results of the efforts made in international markets. Producers can rest assured that their investments are being put to work for Canadian beef.

As the leader in national beef cattle research, the BCRC played an important role in 2017/18, supporting

the Canadian beef industry's research priorities and influencing public sector investment in beef cattle research. The newly released National Beef Quality Audit (NBQA) results this past year should be of particular interest to Canadian producers, which shows the direct dollar value of carcass defects. This updated research is a great example of how research investment can directly affect a producer's bottom line in Canada.

The Issues Management team rounded out year two of our pilot program agreement. The value of this team is evident and provides strong value to Canadian producers. We are happy to report that an updated service agreement has been signed with this group, and as of April 1, 2018, they have begun receiving allocated check-off dollars in accordance with each province's submitted percentages.

On behalf of the Board of Directors, I would like to thank the staff of both the Agency, and of Canada Beef, for their ongoing commitment to forward progress. We always have hurdles to cross, but if we keep working together, we will move forward for the betterment of the industry.

It has been a pleasure working with the national and provincial organizations during my time as Chair, and I look forward to the momentum continuing on in the hands of our next Executive.

Regards,

A handwritten signature in black ink that reads "Linda Allison". The signature is written in a cursive, flowing style.

Linda Allison, Chair
Canadian Beef Cattle Research,
Market Development and Promotion Agency

Message from the General Manager

In 2017/18, the Canadian Beef Check-Off Agency was focused on the transparent administration and separate management of the Canadian Beef Cattle Check-Off from the marketing division, and it is suffice to say that the road has been long, but worth the journey.

The Agency continues to work to find the sweet spot when it comes to transparent and separate management, and the steep learning curve has proven to be both challenging and rewarding.

It was through our provincial cattle association partners that we could reach out across the country to ensure that each province was getting the support and dedication that was needed. The Agency had the privilege to be invited to four provincial annual meetings, five Check-Off Town Hall meetings and speak to over 600 producers and industry stakeholders at various events about the administration of Canada's National Check-Off.

We were pleased to have both Prince Edward Island and New Brunswick increase their check-off to \$2.50 last year, in June 2017 and February 2018 respectively, and we began preparing for April 1st, 2018 increase for the three prairie provinces. Our team continues to work in tandem with the provincial cattle associations to ensure that their producers, auction marts, dealers and others receive adequate notice and communications regarding any changes to check-off, and we are happy to report that there have been few major hurdles in the increase process to date.

The Agency's strategy calls for a robust audit and investigation program, where we can help provincial cattle associations increase their compliance and reduce the amount of check-off slippage that occurs across provincial borders. Last year, we continued to work on the foundation of the program, engaging those



who have experience in this area to help us better understand process and procedures that will enable our program to function successfully and sustainably.

The Agency has a strong business plan to carry us into 2018/19 that was shared with all of our partners, and approved by the Agency Members on the Board of Directors. We will continue to place a strong emphasis on the prudent and transparent management of the Canadian Beef Cattle Check-Off, focusing on governance and structure, fiscal management and communication.

Our vision of a unified and sustainable national funding strategy for Canadian beef cattle research, market development and promotion continues to remain in our sights. There's no doubt that the road to getting the Agency transitioned into a new, autonomous structure has been rocky, but in the end, I know that the work we continue to put in at both a national and provincial level will be worth it for the producers across the country that we work for each and every day.

Regards,

A handwritten signature in black ink, appearing to read 'Melinda German', followed by a horizontal line.

Melinda German, General Manager
Canadian Beef Check-Off Agency

Agency Board

2017/18 BOARD OF DIRECTORS

The Board of Directors consists of 16 members from across Canada. Ten director seats are allocated to producers nominated by their provincial cattle associations, and six are representatives from the Canadian Meat Council, importers and retail and foodservice operators. These six representatives are nominated by their respective organizations, or by the delegates at the Annual General Meeting.



Back L-R: Larry Weatherby, NS; Anthony Petronaci, CMC; Chad Ross, SK; Doug Sawyer, AB; Arthur Batista, CMC; Lonnie Lake, Retail/Foodservice; David Francis, PEI.

Front L-R: Charles Dyer, NB; Kourtney Tateson, CMC; Garnet Toms, ON; Heinz Reimer, MB; Linda Allison, BC; Coral Manastersky, I.E. Canada; Jeff Smith, AB; Kirk Jackson, QC.

Missing: Mike Kennedy, CMC.

CHAIR

Linda Allison, British Columbia

VICE CHAIR

Heinz Reimer, Manitoba

Doug Sawyer, Alberta

Jeff Smith, Alberta

Chad Ross, Saskatchewan

Garnet Toms*, Ontario

Kirk Jackson, Quebec

Charles Dyer, New Brunswick

Larry Weatherby, Nova Scotia

David Francis, Prince Edward Island

CANADIAN ASSOCIATION OF IMPORTERS AND EXPORTERS INC. (I.E. CANADA)

Coral Manastersky

CANADIAN MEAT COUNCIL

Arthur Batista

Mike Kennedy

Anthony Petronaci

Kourtney Tateson

RETAIL AND FOODSERVICE SECTOR

Lonnie Lake

* It is with heavy hearts that we acknowledge the passing of Garnet Toms on May 20, 2018.

Executive Summary

This 2017/18 annual report of the Canadian Beef Cattle Research, Market Development and Promotion Agency (the Canadian Beef Check-Off Agency, or “the Agency”) provides a summary of programs and results of Canadian Beef Cattle Check-Off funded activities between April 1, 2017 and March 31, 2018.

In 2017/18 the Canadian Beef Cattle Check-Off revenue totalled \$7,701,204 on cattle marketed. This income was received at a rate of \$1.00 per marketed head in most provinces, except Nova Scotia, New Brunswick and Prince Edward Island, who collected \$2.50 per head for at least part of the 2017/18 fiscal year.

Of the total check-off funds collected of cattle marketings, 64 per cent was allocated to market development and promotion, 18 per cent to research and 17 per cent was retained by the provincial cattle organizations for regional marketing and research programs.

The Import Levy on beef and beef products imported into Canada was also collected at a rate of \$1.00 per head equivalent, for a total of \$947,730. These funds, net administration, are allocated to Canada Beef for the sole purpose of generic beef marketing such as nutrition marketing, recipe development and culinary skills education.

Approximately \$600,611 was retained for the administration of the check-off, the Agency and the Board of Directors.

Last year, the Agency continued its focus on transparent administration of the check-off, communication and updating the agreements with the Agency's provincial cattle association partners. Agreements were updated with British Columbia, Alberta, Saskatchewan and Manitoba this fiscal year, which modernized language of the agreements, to better align with each organization's current structure.

A focus on maintaining transparent and separate finances from Canada Beef was also a strong priority, with the Agency beginning to move towards a completely independent finances and accounts to conduct all levy and administration transactions through.

The Agency spent much of the year continuing to develop and refine a strengthened set of by-laws, which encourage a structure more aligned with the needs of the provincial cattle associations. The amendments have been driven by a desire for a more transparent separation of governance of the Agency's administration and marketing programs. It was an increasingly challenging task to bring together the desires of nine provinces, and find common ground that is best for the

country's beef industry as a whole. Work will continue to ensure that the Agency's structure continues to meet the needs of Canadian beef producers.

The Beef Cattle Research Council (BCRC) is Canada's only national industry-led funding agency for beef research. A division of the Canadian Cattlemen's Association (CCA), the BCRC is directed by a committee of beef producers from across the country. It plays an important role in identifying the industry's research priorities and maximizing the value of research to improve the competitiveness of the Canadian beef industry and subsequently influence public sector investment in beef research. The BCRC is funded through a portion of a producer-paid Canadian Beef Cattle Check-Off, with additional funding provided through the Agriculture and Agri-Food Canada (AAFC) Beef Cattle Industry Science Cluster under Growing Forward 2.

During 2017/18, 14 projects were funded under the Beef Science Cluster, each aligning with one of the following research priority areas:

- Forage and Grassland Productivity
- Feed Grains and Feed Efficiency
- Animal Health, Welfare and Production Limiting Diseases
- Food Safety and Beef Quality
- Environment
- Technology and Knowledge Dissemination

In addition to funding research, the BCRC plays a leading role in increasing industry uptake of relevant technologies through the delivery of its national Technology Transfer strategy. It is also responsible for the delivery of the Verified Beef Production Plus (VBP+) national on-farm food safety program. VBP+ is the tool that connects the public and beef producers with the sound, scientifically-based beef production practices that the beef industry has developed, perfected, and continues to improve. Through training and verification, Canadian beef producers learn and implement sound, science-based practices and VBP+ then aggregates and proves their uptake in order to communicate it to the public and increase public trust in the beef production system.

The BCRC also leads the ongoing implementation of the National Beef Research Strategy, working in partnership with industry and government beef research funding agencies across Canada, to be more efficient with limited funding and ensure key research, capacity, and infrastructure priorities are addressed.

Canada Beef works to enable and sustain consumer and customer loyalty to the Canadian Beef brand and build strong relationships with trade customers and partners around the world. These efforts increase demand for Canadian beef and the value producers receive for their cattle. Ensuring that consumers continue to perceive value for Canadian beef is critical to providing a return on producer investment.

Canada Beef delivered its strategic plan in 2017/18 based on four core functions, which allow the organization to increase demand for Canadian beef and the value producers receive for their cattle. The functions are:

- Domestic Market Development (business development, brand building)
- Generic Beef Marketing
- Canadian Beef Centre of Excellence
- Export Market Development

Canada Beef also operates the Canadian Beef Centre of Excellence (CBCE), which was a pivotal piece in Canada Beef's abilities to connect and collaborate with clients in a meaningful way. The Centre of Excellence is more than a physical location for Canadian beef innovation, training, education and culinary expertise. Top notch chefs, butchers, home economists and industry professionals use the Centre to develop technical and training resources that are widely available to industry partners. As well, the Centre staff have traveled across Canada and internationally to bring their skills to the field.

The Import Levy collected on beef and beef products imported into Canada continues to provide funding for generic beef marketing. In 2017/18, \$947,730 was collected to promote the culinary and nutritional value of beef. Activities like print advertising, social media, television and radio interviews with subject experts, generated over 24 million consumer impressions. ThinkBeef.ca provides a platform for levy-funded programs and encourages Canadians to consider beef as a regular part of their diets. The Import Levy programs focused on areas such as recipe development, promoting beef as a choice source of protein and culinary skills to ensure consumers have a positive beef experience at home.

Issues Management, as housed under the Canadian Cattlemen's Association (CCA) was in its second year of receiving funds for the purpose of public engagement for the Canadian beef industry. The role of Issues Management is to address the disconnect between the public and beef cattle production. This includes anticipating trends, responding to challenging events, engaging critical stakeholders and promoting the positive attributes of the beef production system that contribute to sustainability and building public trust.

Issues Management acts as a hub, bringing together national and provincial stakeholders to best address the issues or opportunities at hand. The Canadian Beef Advisors had an active role in determining priorities for Issues Management, and the team worked collaboratively across the industry to ensure that communication was ongoing and resources were shared effectively.

In 2017/18, \$1.2 million was retained by six provincial associations for research or marketing initiatives with national benefits. The programs and projects where Canadian Beef Cattle Check-Off dollars were invested provincially had direct correlations to achieving the goals set out in the National Beef Strategy.

Provincial programs focused on the areas of research, consumer promotion and market development. Research projects on feed efficiencies, animal health and management, marketing strategies, and research facility development were supported with check-off funds retained by provincial cattle associations.

REVENUE

Check-Off		
BC	\$	255,391
AB	\$	4,057,994
SK	\$	1,120,761
MB	\$	505,394
ON	\$	905,224
QC	\$	726,720
NB	\$	19,231
NS	\$	80,157
PEI	\$	30,331
Total Check-Off	\$	7,701,203
Import Levy	\$	947,730
TOTAL REVENUE	\$	8,648,933

The Canadian Beef Check-Off Agency Profile

THE CANADIAN BEEF CATTLE CHECK-OFF

The Canadian Beef Cattle Check-Off is managed and administered by the Canadian Beef Check-Off Agency, which is the operating name of the Canadian Beef Cattle Research, Market Development and Promotion Agency.

The Canadian Beef Cattle Check-Off is a mandatory levy collected on cattle sales throughout Canada to fund research and marketing activities on behalf of the entire industry. It is collected from cattle producers when they market their cattle by provincial organizations, using their existing collection systems involving auction markets, order buyers, brand inspectors and others who handle cattle sales.

The goal of the Canadian Beef Cattle Check-Off is twofold – to increase sales of domestic and export beef and to find better and more efficient methods of producing beef and beef cattle. The Canadian Beef Cattle Check-Off generates \$7.5 million annually on average, and is a critical source of revenue to fund initiatives that will advance the industry and build strong markets for Canadian cattle and beef.

The Canadian Beef Cattle Check-Off provides industry funding for the **Beef Cattle Research Council** responsible for the industry's national research program, **Canada Beef**, to conduct market

development and promotion programming, and for issues management, currently housed under the **Canadian Cattlemen's Association (CCA)**.

The Canadian Beef Cattle Check-Off also collects an Import Levy, equivalent to \$1 per head of live cattle on beef and beef products. Import levy dollars are invested into generic beef programs, like **#ThinkBeef**, that do not bear the Canadian Beef brand mark, such as culinary skills, and health and wellness.

A **study** evaluating the economic benefits from the Canadian Beef Cattle Check-off* was completed June 2016 and marks the second analysis of the effectiveness of national check-off expenditures on producers' economic well-being. The study reports that on average from 2011/12 to 2013/14, every check-off dollar invested in national research and marketing activities resulted in a benefit cost ratio (BCR) or 14:1 or a \$14 of benefit for Canadian cattle producers. This is up from the \$9 average between 2005 and 2008.

Sign up for The Gatepost, the monthly Canadian Beef Cattle Check-Off newsletter, and check out archived issues: <http://bit.ly/cdnbeefcheckoff> 

The Beef Cattle Research Council Profile

The Beef Cattle Research Council (BCRC) is Canada's national industry-led funding agency for beef research. The BCRC is funded through a portion of a producer-paid national levy as well as government and industry funding, and is directed by a committee of beef producers from across the country.



The BCRC's mandate is to determine research and development priorities for the Canadian beef cattle industry and to administer Canadian Beef Cattle Check-Off funds allocated to research.

As the national beef cattle industry research agency, the BCRC plays an important role in identifying the industry's research and development priorities and subsequently influencing public sector investment in beef, cattle and forage research.

Nationally, the BCRC receives on average 18 cents of every Canadian Beef Cattle Check-Off dollar. The BCRC also leverages funding from Agriculture and Agri-Food

Canada (AAFC) through the Beef Cattle Industry Science Cluster.

As a leader in the development of the Canadian Beef Research and Technology Transfer Strategy, the BCRC facilitates and encourages collaboration and coordination among researchers, other funding agencies and industry in order to maximize the benefits obtained from all investments in beef research.

In addition to funding research and technology transfer in support of the Canadian beef industry, the BCRC supports the Verified Beef Production Plus (VBP+) program.

The BCRC operates as a division of the Canadian Cattlemen's Association (CCA) and was established by the CCA in 2001.

Learn more at www.beefresearch.ca



Canada Beef Profile

As the Agency's internal marketers, Canada Beef works to promote the Canadian Beef brand on a global scale.



The organization's purpose is simply to increase the demand that the global consumer has in our beef by making sure they know what the Canadian beef industry stands for and what the industry's values are. Canada Beef works to improve mindshare, which can be defined as how often consumers think about Canadian beef when they are hungry for beef.

Canada's beef industry has an amazing story to tell the world about world-class standards, leadership in sustainability, the hard-working and dedicated beef producers and, of course, the great quality products that the Canadian beef industry produces. These are

the four core pillars that support the Canadian Beef brand, which Canada Beef works to promote around the world with consumers, brand partners, packers, trade commissioners and more.

The organization focuses on four main global market hubs: North America, Latin America, Asia and Emerging Markets. These hub teams work with Canada Beef's brand and go-to-market teams to achieve key strategic goals, ensuring that the Canadian beef industry sees returns for their investment into marketing and promotion.

Canada Beef receives a large percentage of its funding through the Canadian Beef Cattle Check-Off. The remainder of Canada Beef's funding is received through programs from government development funds and leveraged dollars with brand partner investment both domestically and around the world.

Learn more at www.canadabeef.ca



The Canadian Cattlemen's Association Profile

PUBLIC ENGAGEMENT AND ISSUES MANAGEMENT

The Canadian Cattlemen's Association (CCA) is a non-profit advocacy organization, acting as the "national voice of Canadian cattle producers".



CANADIAN
CATTLEMEN'S
ASSOCIATION

National Voice Of Cattle Producers

Founded by producers and led by a producer-elected Board of Directors, the CCA advocates on a wide range of national beef industry issues, both at the domestic and international levels. Representation on the Board from nine provinces and all stages of beef production system (seedstock, cow/calf, and feedlot sector) allows the CCA to advise governments at the national and international level on issues of importance to the Canadian beef industry.

CCA also helps manage production level and consumer issues facing the industry by collaborating with other industry groups to create and implement communication strategies, gather production or market research, create key messages for industry and more.

CCA and other groups have also acted as liaisons for communicating research, new innovations, and tools to ensure cattle producers are armed with the latest information to help improve their production practices. The traditional advocacy role is also supplemented by an increasing effort toward public engagement, especially in communicating how cattle are raised and where they come from.

Learn more at www.cattle.ca



Market and Industry Overview

Prepared by Canfax Research Services

A YEAR OF SURPRISING STRENGTH

The beef market experienced surprising strength in 2017 despite larger protein supplies as strong international demand supported North American prices. In addition, the domestic consumer continues to surprise at current price levels and in the face of large supplies of competing meats. Feedlots were able to maintain some leverage with lower carcass weights.

The Alberta fed prices averaged a \$7.27/cwt premium over Ontario in 2017, with regional strength. Prices had a strong spring rally of 22 per cent; before the 31 per cent decline to the fall low – half of the decline was driven by the 13 per cent rally in the Canadian dollar. The Alberta/Nebraska cash to cash basis has been historically strong since 2015 and has averaged -\$2.40/cwt in 2017. This strong basis over the last three years shows the competitiveness of Canadian packers as they successfully kept more fed cattle in Canada for processing, increasing packer utilization rates (82 per cent in 2017 vs. 80 per cent in 2016). It has also supported the feeder market discouraging exports (-34 per cent or 67,000 head) and encouraging imports in 2017. This reflects the competitiveness of Canadian feedlots. Feedlot profits from the summer were passed on in feeder prices during the fall. Alberta and Ontario 550 lb steer calves in the fourth quarter averaged \$227-229/cwt, up 19-22 per cent from 2016.

The weak link in the Canadian beef industry appears to be the cow/calf sector as they have not expanded in response to higher calf prices over the last several years. Weather has been a deterrent in some regions; but overall a lack of confidence that current prices can be maintained is larger obstacle for the next expansion phase.

The Alberta cow market has outperformed Ontario since October 2014 with a \$15/cwt premium in 2017 and the U.S. since October 2016 with a \$15.55/cwt premium in 2017. Ontario also had a \$0.40/cwt premium over the U.S. in 2017. Strong demand for 100 per cent Canadian trim from foodservice has results in more cows being processed in Canada.

MARKETINGS & PRODUCTION UP DESPITE STEADY INVENTORIES

January 1, 2018 beef cow inventories were up 0.8 per cent at 3.7 million head and total cattle inventories were up 0.9 per cent at 11.6 million head. Beef replacement heifers were steady at 561,600 head. Signs of expansion are minimal as prices have come down from their highs.

Despite steady inventories slaughter cattle marketings were up 4 per cent to 3.5 million head with reduced

feeder cattle exports to the U.S. Larger marketings were offset by a 24 pound decrease in steer carcass weights.

Canadian beef production in 2017 (domestic plus live slaughter exports) was up 1.6 per cent to 2.9 billion pounds. Domestic production was up 4 per cent at 2.56 billion pounds while live slaughter exports were down 11 per cent to 409 million pounds. The proportion slaughtered domestically increased from 84 per cent in 2016 to 86 per cent in 2017. Fed beef production was up 2.4 per cent to 2.47 billion pounds. Non-fed beef production was down 1.7 per cent to 503 million pounds.

Cow marketings were steady at 610,000 head, but a greater proportion were slaughter domestically (79 per cent vs. 69 per cent in 2016) with domestic slaughter up 14 per cent and exports down 33 per cent.

DOMESTIC & INTERNATIONAL DEMAND SOFTER, BUT STILL HISTORICALLY STRONG

Total Canadian beef consumption is projected to be up slightly at 911,000 tonnes (carcass weight) and per capita beef consumption up 0.8 per cent. Seventy-seven per cent of domestic consumption was sourced from Canadian beef, up from 75 per cent in 2016.

The combination of relatively steady consumption and deflated retail beef prices down 4 per cent resulted in weaker beef demand – which was not surprising given the competition from larger supplies of competing meats. The retail beef demand index, an indicator of consumer's willingness to pay for beef, was down 3.5 per cent at 120 (Index 2000=100). This remains the strongest retail demand since 1989, even though it is down from the 2016 peak. Wholesale demand, which includes foodservice, was down 2.5 per cent in 2017 as retail and foodservice performance was more similar than in 2016.

International beef demand in 2017 softened 0.5 per cent to 106.4 (Index 2000=100) but remains above the previous peak of 106.3 in 2001.



MARKET ACCESS AND TRADE

Beef and cattle exports were down 4.8 per cent in value and 4.3 per cent in volume at 595,000 tonnes valued at \$3.47 billion. This represented 46.5 per cent of total beef production (including live slaughter exports) in 2017, steady with 2016. Declines in live cattle exports resulted in the smaller increase as more cattle stayed in Canada as beef exports remained strong. Beef exports, were up 5.7 per cent in volume and 6 per cent in value at 380,000 tonnes (product weight) valued at \$2.4 billion, making a new record high value.

The United States (U.S.) remains Canada's top market accounting for 72 per cent of total beef exports followed by Mainland China and Hong Kong (7.5 per cent), Japan (6.8 per cent) displaced Mexico (6.2 per cent) for third place, followed by South Korea (1.2 per cent), the Middle East and North Africa (0.4 per cent) with all other markets at 3.4 per cent.

Exports to the U.S. were up 4 per cent in volume and 6 per cent in value at 274,000 tonnes valued at \$1.7 billion. Exports to Mainland China and Hong Kong were down 4.6 per cent in volume and up 6 per cent in value to 28,400 tonnes valued at \$227 million in 2017. Exports to Japan were up 27.6 per cent in volume and 11 per cent in value to 26,000 tonnes valued at \$158 million despite the safeguard kicking in August 1, 2017 to 50 per cent putting

Canada and the U.S. at a disadvantage compared to Australia. Exports to Mexico were up 5.7 per cent in volume and 4.5 per cent in value at 23,600 tonnes valued at \$158 million. It was the second full year of access to South Korea; but instead of building on the large gains from 2016 volumes were down 33 per cent and value -32 per cent to 4,500 tonnes valued at \$29 million.

The AAA/Choice price spread which narrowed to -\$4.75/cwt in 2017 from -\$5.35/cwt in 2016 to be in line with the three-year average (-\$4.75/cwt). The AA/select spread widened to -\$3.75/cwt from -\$2.38/cwt in 2016 to be wider than the three-year average of -\$2.80/cwt.

FIRST QUARTER 2018

Domestic beef production is up 7 per cent in the first quarter of 2018. This will support consumption, and beef prices are experiencing downward pressure. Preventing a sharp drop in beef demand will continue to be a crucial factor to prevent any sharp fall in beef and cattle prices. In the first quarter of 2018, retail beef prices are up 1 per cent from last year; but are expected to be pressured going into the summer as large protein supplies become available. Beef exports in the first quarter are up 7 per cent in volume and 12 per cent in value. Beef imports are up 6.6 per cent in volume and steady in value with a strong rebound from Australia (+69 per cent) and New Zealand (+48 per cent) which were down last year.

Research Report

PROGRAMS DELIVERED BY THE BEEF CATTLE RESEARCH COUNCIL

Submitted by the Beef Cattle Research Council

The Beef Cattle Research Council is funded in part through a portion of a producer-paid national levy, the Canadian Beef Cattle Check-Off.



In 2017/18, the BCRC received on average 19 per cent of every Canadian Beef Cattle Check-Off dollar. Additional 2017/18 funding was provided through the Agriculture and Agri-Food Canada (AAFC) Beef Cattle Industry Science Cluster under Growing Forward 2 (GF2). The Canadian Beef Cattle Check-Off revenue and additional funding from industry stakeholders leveraged government funding through the Beef Cattle Industry Science Cluster on a 1:3 industry:government ratio. The Science Cluster covering the period April 1, 2013 to March 31, 2018, was a \$20 million program, with \$5 million from industry including the Canadian Beef Cattle Check-Off, \$1 million from provincial government, and \$14 million from AAFC.

This report presents the results of the BCRC-administered research activities during the period April 1, 2017 to March 31, 2018, the final year of funding under the AAFC Growing Forward 2 program. During this period, 14 projects were funded under the Beef Cattle Industry Science Cluster, each aligning with one or more of the following research priority areas:

- Forage and Grassland Productivity
- Feed Grains and Feed Efficiency
- Animal Health, Welfare and Production Limiting Diseases
- Food Safety and Beef Quality
- Environment
- Technology and Knowledge Dissemination

Specific to the priority area of Forage and Grassland Productivity, research identified optimal combinations of annual crops, agronomic practices and regional variation that provide the most economical extended grazing practices to meet the cow herd's nutritional requirements through the winter feeding period.

Researchers showed that there was good potential to extend the grazing season using stockpiled forages, and that corn significantly alters grazing behaviour of cattle during adverse weather, enabling them to graze for longer periods of time without the need to seek shelter. Breeding programs for native plant materials, legumes and grasses, produced several potential lines for commercialization. These were aided by new genomic tools developed in the program for grasses as well as new selection techniques specifically for alfalfa. It was also identified that adding native plant materials to mixtures resulted in benefits such as improved stability and production under extreme climatic situations that will result in decreased production risks.

In the area of Feed Grains and Feed Efficiency, over the course of the five-year funding period 10 barley varieties with superior yield and quality were approved for registration. For triticale, progress has been achieved in yield and other characteristics, and three new varieties were released in 2018 with two of them undergoing commercialization. Research also highlighted the variability in corn silage and why it is critical for producers to do a feed test on corn silage before incorporating it into a diet, so performance is not compromised. In an effort to improve feed efficiency, research evaluated interactions between prebiotics (feed ingredients that the animal can't digest but bacteria can) and probiotics (bacteria that benefit the host) and synbiotics (combination of pre- and probiotics) to assess how they function in the animal. Relating to consistent beef quality, one project showed that molecular breeding value (MBV) for carcass traits can be used to sort feeder cattle into uniform carcass endpoint groups during the feedlot stage of production.

The National Beef Quality Audit (NBQA) represented a very comprehensive benchmark of beef quality in Canada. Retail elements included a Customer Satisfaction Survey, Beef Tenderness Survey, Shelf Life Microbiology Survey, Injection Site Lesion Survey, and Meat Case Survey and at the processing plant the Carcass Cooler Audit and Processing Floor Audit. In addition, a stakeholder survey focused on current perceptions and quality priorities was completed with input from processors, retailers, foodservice, distributors, feedlot and cow-calf producers. The NBQA findings indicate that beef quality and consumer

satisfaction attributes are most often slightly improved or stable relative to the NBQA completed five years prior. In terms of carcass defects while there are some items showing improvement, there are also a significant number of areas where there is an opportunity for improvement. The overall cost of quality defects at the carcass level is estimated at \$84.49/head for fed cattle and \$47.27 for non-fed animals. On a cumulative basis the total losses due to carcass quality defects approach \$200 million for the Canadian cattle sector.

Specific to Animal Health, Welfare and Production Limiting Disease research looked at cost-effective ways to manage the pain associated with branding and castration in beef calves. A project also established a veterinary and producer network to gather information on the prevalence of production limiting diseases as part of a long-term effort to re-establish a surveillance system. It was also shown that producers are following the Code of Practice for the Care and Handling of Beef Cattle, and that cow-calf producers are using antimicrobials judiciously. Information gathered on disease prevalence will inform future animal health research priorities for the cow-calf sector as well as productivity benchmarks for western Canadian management practices, identifying opportunities for improvement.

Specific to the environmental impact of agricultural commodities, a project summarized what the environmental greenhouse gas, water and ammonia footprint of Canada's beef industry actually is, and how it has changed over the years. The project also established frameworks for assessing the water footprint, impact on biodiversity and ecosystem services provided by the livestock sector. Research showed that producing the same amount of Canadian beef in 2011 required 29 per cent less breeding stock, 27 per cent fewer slaughter cattle and 24 per cent less land, and produced 15 per cent less greenhouse gases than in 1981. Overall, it took 17 per cent less water to produce a kilogram of Canadian beef in 2011 than in 1981.

A comprehensive study of antibiotic use and resistance conducted at commercial feedlots following antibiotic-free and conventional production (with samples collected from pen floors, stockpiled and composted manure, runoff containment ponds, cropland to which manure had been applied, watercourses, beef processing facilities, hospital patients and urban sewage) found no evidence of any link between antibiotic resistance in feedlot and human environments. Manure composting is an effective way to reduce antibiotic residues. Antibiotic use records from over 2.5 million feedlot cattle confirmed that the antibiotics used in

A study of antibiotic use and resistance at feedlots found no evidence of any link between antibiotic resistance in feedlot and human environments.

14

projects were funded under the Beef Cattle Industry Science Cluster

VBP+ has 800 registered operations, and has trained 1,450+ producers in the past 2 years.

Research Report (continued)

feedlot production belong primarily to the category of "Medium Importance" in human health.

The BCRC's knowledge dissemination technology transfer programs focused on accelerating the uptake of research outcomes by industry. Various mechanisms were used to communicate the findings with industry in useful and meaningful ways. A primary focus was an extension of results from research activities completed under the Beef Cattle Industry Science Cluster. Fact sheets summarizing project findings, articles discussing research outcomes or priorities, and new webpages, videos, and cost of production decision tools for producers were created and are available through www.BeefResearch.ca. Engagement of researchers with industry continued to improve over the past year through the Beef Researcher Mentorship program. An economic analysis project and a literature review of adoption levels of various best practices and innovations, both completed by Canfax Research Services, will continually help to inform the BCRC's approach to technology transfer.

While it is difficult to measure or qualify the adoption of innovative knowledge, especially in the short term, the BCRC's technology transfer efforts appear to be very successful. Website traffic and redistribution levels of articles and fact sheets has increased, analytics show that the audience is interested in a variety of topics, views per video are increasing, social media networks of stakeholders continually grow.

In addition to sponsoring research and technology transfer programs in support of the Canadian beef industry, the BCRC continues to oversee the Verified Beef Production Plus TM Program (VBP+). Throughout 2017/18 VBP+ focused on completing its transition from VBP to VBP+, offering a complete sustainability focused program for Canadian beef producers. With the addition of the new modules VBP+ is well positioned to meet the indicators established under the Canadian Roundtable for Sustainable Beef (CRSB) and provide a credible, cost-effective, producer-led option for verifying responsible production practices through training, simple record keeping and on-farm validation audits. VBP+ continued to expand its engagement with end-users over the past year, largely through the CRSB. VBP+ teamed up with BIXS and Cargill to launch the Canadian Beef Sustainability Acceleration pilot, testing the CRSB framework to ensure it will be functional in the commercial beef industry. VBP+ is continuing its effort to prepare for a reduced federal/provincial funding structure, as new programs are unveiled across the country. VBP+ is fully utilizing a national database and national website – one of the first steps in synchronizing and streamlining the VBP+

program and making operations more efficient and less reliant on government funding.

The Beef Cattle Research Council (BCRC) funds leading-edge research to advance the competitiveness and sustainability of the Canadian beef cattle industry. The BCRC administers the research allocation of the producer-paid beef cattle levy, the Canadian Beef Cattle Check-Off and prior to 2018 received on average \$0.19 of every \$1.00 of Canadian Beef Cattle Check-Off collected by the provinces. The BCRC leverages government (primarily AAFC) funding under Growing Forward 2 with industry dollars, primarily Canadian Beef Cattle Check-Off, on a 1:3 (industry:government) basis through Canada's Beef Cattle Industry Science Cluster. The BCRC also collaborates with other funding agencies to maximize the value of all investments in research within the Canadian beef cattle industry.

As a national beef cattle industry research agency, the BCRC plays an important role in identifying the industry's research and development priorities and subsequently influencing public sector investment in beef cattle research. The BCRC facilitates and encourages collaboration and coordination among researchers, other funding agencies and industry in order to maximize the benefits obtained from all investments in beef cattle research.

In addition to funding research, the BCRC plays a leading role in increasing industry uptake of relevant technologies through the delivery of its knowledge dissemination and technology transfer strategy. It is also responsible for the delivery of the Verified Beef Production Plus (VBP+) program. The BCRC also leads the ongoing implementation of the *Canadian Beef Research Strategy and Technology Transfer Strategy*, working in partnership with industry and government beef research funding agencies across Canada, to be more efficient with limited funding and ensure key research, capacity, infrastructure and extension priorities are addressed.

The majority of the BCRC's 2017/18 research and extension programming was funded through the Beef Cattle Industry Science Cluster under Growing Forward 2. This second Science Cluster covered the period April 1, 2013 to March 31, 2018. It was a \$20 million program – \$5 million from industry including the Canadian Beef Cattle Check-Off, \$1 million from provincial government, and \$14 million from AAFC.



Canadian beef required **29 per cent** less breeding stock, **27 per cent** fewer slaughter cattle and **24 per cent** less land and produced **15 per cent** less greenhouse gases than in 1981. Overall, it took **17 per cent** less water to produce a kilogram of Canadian beef in 2011 than in 1981.

Market Development and Promotion

PROGRAMS DELIVERED BY CANADA BEEF

Report submitted by Canada Beef

Canada Beef works to enable and sustain consumer and customer loyalty to the Canadian beef brand and build strong relationships with trade customers and partners around the world. These efforts increase demand for Canadian beef and the value producers receive for their cattle. Ensuring that consumers continue to perceive value for Canadian beef is critical to providing a return on producer investment.



Canada Beef delivers its three year business strategy through four core functions:

- Domestic Market Development (business development, brand building)
- Generic Beef Marketing
- Canadian Beef Centre of Excellence
- Export Market Development

DOMESTIC MARKET DEVELOPMENT

North America is not only Canada's largest and most important market – it is home. Canada forms the foundation for Canada Beef to reach further corners of the globe. Canada Beef continued to invest domestically to ensure Canadian beef remains a staple of Canadian diets. By focusing on brand partners with large volumes and influence (such as Costco, Sobeys, Loblaw, Walmart, Federated Co-op, Tim Hortons, Swiss Chalet, Montana's, Subway, Sysco), Canada Beef is able to ensure that these partners are well-versed in Canadian beef, and understand and leverage the value of the Canadian Beef brand.

This past year, two large national entities have made the decision to advocate and promote 100 per cent Canadian Beef: Walmart and Harvey's. A commitment to only Canadian sourced beef makes a significant impact on ensuring packers harvest more cattle for Canadian farmers and ranchers across Canada. Harvey's has worked closely with the Canadian Beef industry to secure and commit to exclusively sourcing 100 per cent of their beef exclusively from Canada.

Partnerships like these continued to be a priority, focusing on Canadian beef messaging and branding alignment. Canada Beef continued to host the gate-to-plate "Canadian Beef Experiences" for industry partners, and find alignments with strong national brands. To further leverage its influence, Canada Beef had a large presence at the Restaurants Canada and Canadian Federation of Independent Grocers trade shows which included keynote seminars and presentations.

The marketing team at Canada Beef continues to build brand identity, trust, loyalty and affinity through outreach tools, platforms and strategic marketing campaigns.

The Canadabeef.ca website was built as a strategic measurement tool to allow the ability to track and monitor content that resonates with consumers and producers as well as engagement levels and audience demographics. Consumers and producers can source information regarding recipes, beef know-how, media releases, beef campaigns, brand awareness and events. Since the relaunch in 2017 the website has continued to see growth in reach month over month. Due to the monthly strategic content builds, web updates and social programs, the website has seen a 25 per cent increase in number of users versus previous year; a 25 per cent increase in number of sessions on the website; and a 50 per cent increase in page views versus the previous year. In March 2018, a French-language website was launched to consumers www.fr.canadabeef.ca. This website is based on the English version with a few differences. Content that would be relevant to this audience was translated and added to the site containing articles, recipes, videos, know-how information and e-commerce.

Make it Beef (MIB) is Canada Beef's consumer e-newsletter database that operates with monthly e-blast releases to 38,873 subscribers, covering topics that are both culinary and brand focused. Investment was used to both grow membership and support content development and release. Launched in 2014, **The Roundup App** was marketed as an online beef buying and cooking resource. The resource is offered in

three languages: English, French and Spanish. There have been 26,000 downloads of the app (combined Android and Apple). In 2017/18 there were 11,081 unique users which is an increase of 50 per cent versus previous year.

Canada Beef continues to be a leader in the social media space. The digital footprint has grown to include a variety of social media platforms (i.e. Facebook, Twitter, Instagram, etc.), each reaching target audiences in helpful, informative, and engaging ways. Overall last year there were 1,823+ messages across five platforms delivered resulting in: 5,187,841 impressions which is an increase of 95 per cent versus previous year; 4,835 new fans (audience) gained which is an increase of 91.6 per cent versus previous year; and 116,368 total engagements which is an increase of 188 per cent versus previous year.

Canada Beef became a sponsor of the Grand Slam of Curling, the largest series of professional events on the World Curling Tour. With five events, 52+ game telecasts and over 130 hours of live curling, it provided the opportunity to further build brand and consumer awareness and loyalty of Canadian beef. The curling events took place in cities across Ontario, Manitoba and Alberta between November 2017 and April 2018. Television exposure reached over four million viewers along with attendance of over 75,000 at the live events. Canada Beef also partnered with the Canadian Men's and Women's National curling teams before and after the 2018 Winter Olympics. Building off the Olympic energy, the social media team developed 18 videos and 30+ posts which were highlighted before and after the 2018 Olympics.

To celebrate and leverage Canada's 150th birthday in 2017, Canada Beef began a year-long campaign that ties the national celebration into the Canadian Beef brand. Canada Beef teamed up with Fairmont Hotels and Resorts across the country to celebrate the anniversary through a series of unique culinary exchange events with talented chefs from across the globe. Through the hands of top global chefs, Canada Beef and Fairmont's culinary exchange series is designed to course-correct the understanding of Canada's food identity. All events in the series included ranch tours, beef and wine pairing seminars, charity BBQs and gala dining experiences. As well, the Canada 150 celebration carried on in export markets around the world as Canada Beef partnered with Canadian Embassies, Consulates and Trade Commissioners in Mexico, Japan, South Korea, China, Taiwan, Indonesia and Philippines to celebrate Canada and Canadian food.

Research shows that Canadian consumer awareness of the Canadian Beef brand is at 82.5 per cent as per Intensions Research, among 500 respondents across

25%

INCREASE

in the number of users of
the Canada Beef website

26,000

downloads of
The Roundup App

95%

INCREASE

in social media impressions

Market Development and Promotion (continued)

Canada. The top two sources of brand awareness are: point-of-sale advertising and television (78 per cent). The primary source of awareness through television was the curling sponsorship (4.1 million viewers, reached through 22 telecasts).

Total Canadian beef consumption for 2017 is up slightly at 923,820 tonnes (carcass weight) and per capita beef consumption up 0.6 per cent – the second year-over-year increase. 77.7 per cent of domestic consumption was sourced from Canadian beef, up from 75 per cent in 2016 and 72 per cent in 2015.

Over the past two years, Canada has increased domestic consumption, increased domestic market share, increased domestic beef production, and increased export volumes and values – all while the national cattle inventory has remained steady. These increases were achieved by decreased live cattle exports to the United States enabling increased domestic slaughter.

GENERIC BEEF MARKETING

The Import Levy (collected on beef imports at the equivalent rate of \$1 per head) continued to provide funding for beef-positive messaging across Canada. With consumers' diminishing food skills as well as health and wellness remaining an important social license issue for the beef industry, Canada Beef developed targeted initiatives to positively influence consumer preference for unbranded, generic beef over other proteins. Activities in this area included print advertising, social media (i.e. blogs), television and radio interviews with subject experts, generated over 24 million consumer impressions. Readers are encouraged to visit www.thinkbeef.ca for access to marketing resources generated from import levy funding.

CANADIAN BEEF CENTRE OF EXCELLENCE

The **Canadian Beef Centre of Excellence (CBCE)** was a pivotal piece in Canada Beef's abilities to connect and collaborate with clients in a meaningful way. The Centre of Excellence is more than a physical location for Canadian beef and veal innovation, training, education and culinary expertise. Top notch chefs, butchers, home economists and industry professionals use the Centre to develop technical and training resources that are widely available to industry partners. As well, the Centre staff have traveled across Canada and internationally to bring their skills to the field.

The CBCE ensures the industry can connect the technical attributes of the product with the emotional components such as taste and enjoyment, the trust in Canada's cattle producers, social license and more. Building both understanding and opportunity with both domestic clients looking for solution-based approaches to beef category challenges as well the opportunity to introduce new customers from key export markets to the Canadian beef value chain in a comprehensive pasture-to-plate format is a unique and powerful competitive tool to build loyal and an informed customer base.

To date, the Centre has directly engaged over 230 domestic and 250 foreign companies in business development programming; has hosted 58 international missions and 84 domestic missions; and helped generate over \$400 million in new Canadian beef business. This opportunity to effectively position the Canadian Beef brand, and connect with companies to highlight specific Canadian beef attributes important to these companies "sets the stage" for commercial success.

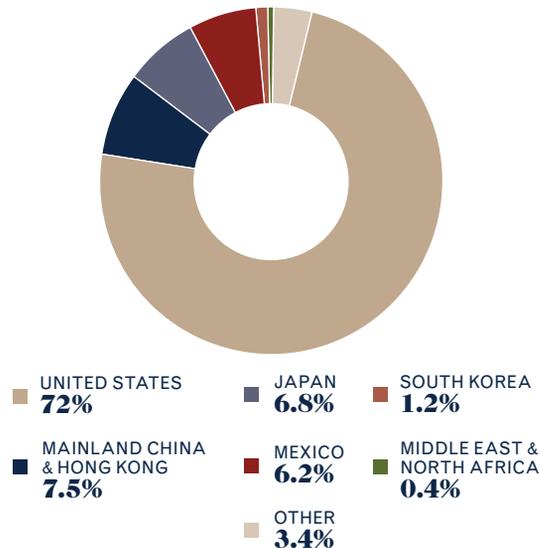
**\$400
million**

in new Canadian Beef business, generated from the Canadian Beef Centre of Excellence initiatives

**\$2.4
billion**

the value of Canadian beef exports, weighted at 380,000 tonnes, hitting a new record high value

CANADIAN BEEF EXPORT MARKETS



EXPORT MARKET DEVELOPMENT

Canada Beef's work in export markets is creating opportunities for the Canadian beef industry to realize greater value for the carcass than what could be realized in the domestic market alone. Besides offering competitive bids on middle meats, the export markets can deliver better returns for end meats, credit/thin meats and offal than here at home. Canfax Research Services estimates that well over \$500/head in additional value is added to the carcass by export markets (5-year average).

In export markets, Canada Beef strategically positioned the Canadian Beef brand as premium grain-fed beef through marketing activities including the Canadian Beef Branding Series. Key marketing activities focused on strategic alignment with selected partners to communicate the Canadian Beef brand to end users and consumers in order to strengthen their confidence and interest in Canadian beef and ensure local market penetration. This approach brings together the brand (emotional elements) and the Canadian Beef Advantage (technical elements) to create brand loyalty.

Canadian beef exports, were up 5.7 per cent in volume and 6 per cent in value at 380,000 tonnes (product weight) valued at \$2.4 billion, making a new record high value. The U.S. remains Canada's top market accounting for 72 per cent of total beef exports followed by Mainland China and Hong Kong (7.5 per cent), Japan (6.8 per cent) displaced Mexico (6.2 per cent) for third place, followed by South Korea (1.2 per cent), the Middle East and North Africa (0.4 per cent) with all other markets at 3.4 per cent.

Exports to the United States were up 4 per cent in volume and 6 per cent in value at 274,000 tonnes valued at \$1.7 billion. Exports to Mainland China and Hong Kong were down 4.6 per cent in volume and up 6 per cent in value to 30,789 tonnes valued at \$242 million in 2017. Tariffs on frozen beef exports to Japan increased from 38.5 per cent to 50 per cent from August 1, 2017 to March 31, 2018 putting Canada and the United States at a disadvantage compared to Australia. Despite this, exports to Japan remained very strong with volumes up 27.6 per cent at 25,657 tonnes and values up 11.1 per cent worth \$154 million from 2016. Exports to Mexico were up 5.7 per cent in volume and 4.5 per cent in value at 23,511 tonnes valued at \$157 million. It was the second full year of access to South Korea; but instead of building on the large gains from 2016, volumes and value were down 17 per cent to 5,315 tonnes valued at \$35 million – largely due to strong competition for limited supplies of Canadian beef from Japan, China and Hong Kong, and Southeast Asia.

The Latin America market hub continued to support various marketing and promotional programs as well as Social Media marketing in collaboration with leading export partners and with retail and foodservice distributors in Mexico and Latin America. With successful programs such as the Canadian Beef Culinary Series, promotions featuring high-profile celebrity chefs, and business development outreach through trade shows and trade missions, Canada Beef is creating brand awareness and positioning the product in the minds of consumers and key influencers.

Asian market hubs also continued to use the Canadian Beef Branding Series to drive education, understanding and loyalty to the Canadian Beef brand. Canada Beef also continued to position the Canadian Beef brand through a series of educational cooking classes and professional chef seminars; integrated marketing programs linking online and live events; culinary seminars or competitions; Canadian Beef community building in social media platforms and brand media campaigns. The marketing initiatives successfully brought the Canadian Beef Advantage to end users as a real experience through cutting/cooking demonstrations and beef tasting – giving them an emotional connection to the brand and creating the conversations with end users.

Canada Beef continues to work towards building brand loyalty, and increasing the value that producers receive for their check-off investment and for their cattle in the marketplace. By continuing to leverage the strong Canadian story, consumers, brand partners, trade partners and industry members will increasingly demand the qualities that set Canadian beef apart, and above.

Public Engagement and Issues Management

PROGRAMS DELIVERED BY THE CANADIAN CATTLEMEN'S ASSOCIATION

Report submitted by CCA

The year of April 2017 to March 2018 marked the second year of the two-year Issues Management (IM) Pilot project.



The focus of this year was to continue to build upon and refine connecting the Canadian beef industry organizations across Canada, to share information as issues arise, reduce duplication, and create a better understanding of each organization's role in leading and/or supporting activities and issue responses. A strong focus continued to be on educating producers and industry stakeholders about the purpose of the program, as well as create a functional Issue Response team to address consumer questions and misleading media and social media information about beef and how it is produced. This is highlighted by a significant investment in travel across Canada to engage national and provincial organizations and producers. The Public Engagement and Issues Management team made over 30 presentations across the country to inform producers about the purpose of the program and solicit feedback for improvements to the plan.

To create greater connectivity among provincial and national industry organizations, with the purpose of sharing information and manage consumer issues efficiently, an Issue Response Teams was created with a representative of each organization sitting on the team. When an issue arises, this team is used to discuss the best way to deal with the issue, who will respond or lead, and what others can do to support or share information to help deal with the issue. The IM team also organized and chaired the quarterly National Communications Managers meetings and conference calls to address and discuss how to deal with specific consumer issues. The main issues included the revisions to the Canada Food Guide, beef nutrition, environmental impacts of beef production, meat taxes, front of package labelling and use of growth hormones.

The IM team also continued to work with Canada Beef on various initiatives including developing the

"consumer communications tool kit" for provincial associations and their producers, and the **Beef Advocacy Canada** website upgrades and maintenance. Phase 1 of the communications tool kit was completed in March 2018, and resulted in a beef lifecycle infographic, social media and consumer communications best practices, issue response decision trees/guides, and a spokesperson contact list.

The Issues Management team collaborated with the Beef Cattle Research Council (BCRC) and Canada Beef to produce a **public targeted video** addressing the environmental benefits of cattle production, with stock footage for use in partners' communication efforts. The video titled "What is the Environmental Impact of the Canadian Beef Industry?" has had more than 5,000 views, 132 shares, and over 16,000 people reached.

In addition to producer and industry staff engagement, the IM team also presented to several public and consumer audiences including presenting on beef sustainability to the Conference Board of Canada Food and Drink Summit (150 participants), and two public sessions as part of the Sustainability Speaker Series at the University of Calgary (300-400 participants). Lastly, IM was also afforded the opportunity to guest lecture on consumer concerns about animal welfare to an animal welfare class at the University of Alberta (40 students), and conducted a consumer communications workshop for animal science students at the University of Saskatchewan (40 students).

IM invested in an upgrade to the Beef Advocacy Canada website to create an online repository. The intention is to develop this as a secure site for industry spokespeople to access information when dealing with consumer facing issues or media inquiries.

The project proposal on addressing consumer concerns and public trust through new training programs and young leadership development was re-submitted to the Canadian Agricultural Adaptation Program (AAFC) with Canada Beef as the lead. This project was approved in March 2018 for funding of \$184,000 from AAFC for project activities.

This year the IM team took the opportunity for training activities including attending the Global Roundtable for Sustainable Beef Communications summit session on sustainability communication through social media, and

holding a media training workshop in mid November for organizational staff and directors. In addition, the Advocacy Coordinator attended a three day social media communications workshop in June 2017 as part of training and professional development activities.

Ongoing activities include monthly Issues Management articles in CCA's Action News, and developing responses and messaging for key issues of importance, with over 20 key message documents and files created or assisted in development in 2017/18.

The IM program is overseen by the Manager, Public and Stakeholder Engagement, (PSE Manager) who has been appointed by the CCA Executive Vice President. Although the program is administered through the CCA, the PSE Manager reports not only to the Executive Vice President of CCA, but also to the Canadian Beef Advisors who act as an advisory council, and the Canadian Beef Check-Off Agency. The PSE Manager also solicits advice and direction from the Beef Value Chain Roundtable and the National Beef Strategy Planning Group.

To support the activities in the IM program, CCA provided an in-kind contribution of staff time towards the Advocacy Coordinator and administrative expenses for 2017/18. The total value of this in-kind contribution is approximately \$80,000. Responsibilities of the coordinator were to assist in the development of key message fact sheets, organize meetings, workshops and provincial town halls, and oversee the expansion of the Beef Advocacy Program.

An "Issues Management Strategic Team" comprised of representatives of the five National Beef Strategy organizations, and a representative from the Canadian Roundtable for Sustainable Beef, was developed to provide insight, ideas, and direction for the refinement of the five-year Issues Management Strategic plan. Now that the Canadian Beef Advisors have formalized their group and terms of reference, they will essentially be the Issues Management Strategic Team moving forward.

An additional consumer issues working group was also established called the Issue Response Team. This team will be the point of first contact when an issue or media story is discovered, and will be the team to decide who will lead the mitigation of the issue, who supports the lead, and what information or spokespeople need to be gathered to deal with the issue. This team is comprised of provincial and national industry organizational staff where regular monthly communication is being established.

30

presentations made across the country by the Public Engagement and Issues Management team

**16,000 people reached,
5,000 views and
132 shares on the
new environmental
impact video**

\$184,000

in additional program funding secured for public trust and social media training initiatives

Provincial Investments

Programs delivered by the six provincial cattle associations who allocate check-off dollars back to undertake research, market development and promotion activities in their own province, providing value to all Canadian producers.

MANITOBA BEEF PRODUCERS

The vision of the National Beef Strategy is to create a dynamic and profitable Canadian beef and cattle industry. Beef producers are striving to increase the Productivity of their operations and, in turn, increase the Competitiveness of the entire industry, helping to ensure its long-term sustainability through forage research pertaining to beef production.

A project to enhance the surveillance of Bovine Tuberculosis with the Riding Mountain Eradication Area was undertaken by the Manitoba Beef Producers in 2017, with the overriding goal to reduce the necessity of live-animal testing by using a new surveillance model, and to prevent recurrence and reintroduction to livestock. Two activities within this project have extended into 2018, including increasing the hunter-killed sample submissions from First Nation's hunters, and improving on-farm biosecurity infrastructure. MBP believes this producer-centric model could eventually be applied in other disease-management scenarios in Canada, and has a benefit for all Canadian producers.

This shared vision led to the establishment of Manitoba Beef & Forage Initiatives Inc. (MBFI). This is a resource that will help the beef and forage industries reach their goals. MBFI provides three sites, totaling 1,500 acres, which can host discovery and applied research projects; tours, demonstrations and workshops; and public awareness events. MBFI has produced an annual report of research results, fact sheets and resources, a regularly-visited website, a strong social media presence and tours and workshops which all culminated towards the ultimate goal to increase

awareness of beef and forage production and support the uptake of new, improved or innovative ranch management strategies.

In order to remain competitive and productive, Canada's beef producers need access to high-quality, well-yielding forage varieties. MBP saw this as an opportunity to invest into BCRC research that focuses on building long-term capacity or cow-calf production systems. Forage management is both a critical resource to beef producers, and provides a number of environmental benefits that ensures a sustainable industry. Collaboration on this initiative reaches across the Prairie provinces, and yields results beneficial to producers from coast-to-coast. MBP contributes specifically for communications and extension work, ensuring that producers can connect to and implement research results and recommendations. A part of this project, led by the forage chair, is to test forage varieties for their performance in an extended feeding system. Five sites are being utilized across Saskatchewan and Manitoba. Some preliminary data has been collected from these plots and the forages have been sampled for their ability to retain nutritive value throughout the fall months.

NEW BRUNSWICK CATTLE PRODUCERS

The investments made by the New Brunswick Cattle Producers (NBCP) in 2017/18 focused on building cattle capacity in the region, and implementing systems that encourage the industry to work together to build a stronger, more profitable beef industry in the Maritime provinces.

Work continued on encouraging producers to align with the Premise ID program. A robust traceability program is essential to the Canadian Beef Advantage and the National Beef Strategy's Competitiveness pillar, maintaining Canada's reputation as a nation with high safety standards and technological expertise ensuring the quality of the beef produced from coast to coast.

The NBCP undertook multiple valuable initiatives around handling practices and herd health programs to improve overall quality of beef produced and to increase herd profitability, aligning with the National Beef Strategy Productivity and Competitiveness pillars. Canada continues to be a world leader in beef quality, and successful programs in this area from the NBCP ensure that producers are knowledgeable and consistent in this

respect. Much of the funding allocated to this project focused around extension and promotion, to ensure that producers had access to resources around strong herd health and it's relation to beef quality. A strong tie to the Verified Beef Production Plus (VBP+) program was also included in these projects.

A strong focus on forage production and management also took place in New Brunswick last year, with a well-attended workshop that afforded producers the

opportunity to strengthen management and technical practices related to the production of forages.

The National Beef Strategy also calls out Connectivity, and the NBCP took steps to enhance industry synergies and encourage the producer's ability to speak to and advocate for the Canadian beef industry through investment in the Maritime Beef Conference, the Canadian Beef Industry Conference, and additional communications and training for New Brunswick producers.

NOVA SCOTIA CATTLE PRODUCERS

The Nova Scotia Cattle Producers (NSCP) invested Canadian Beef Cattle Check-Off funds on three initiatives focusing on increasing value chain coordination and producer engagement.

The NSCP focused on addressing gaps in regulatory compliance. Over the past three years, there has been a significant improvement in compliance, however room for improvement was noted. The project is ongoing, and uses a two-pronged, targeted approach towards dealer and producer education, and inspections. As regulatory compliance increases (goal of 10 per cent per year), the investments into local, regional and national initiatives can also grow.

NSCP worked in collaboration with the PEI Cattle Producers and the NBCP on a collaborative maritime VBP+ venture, with the goal to increase the number of producers exposed and verified by the program. The collaborative VBP+ program continued to provide

greater market access for producers enrolled in the program, and ensure that these producers are meeting animal health and welfare standards, and improving the value of their cattle.

Ongoing direct-to-consumer industry promotion has proven successful, as the NSCP reached over 3,500 consumers and over 250 producers at three key events in the province. The events provided the opportunity for producers to connect with local consumers, increase public agricultural awareness and educate school children about cattle and farming. NSCP's ongoing engagement programs help to ensure a sustainable future for the beef industry in Nova Scotia.

BEEF FARMERS OF ONTARIO

In 2017/18, the Beef Farmers of Ontario (BFO) investments focused on capacity-building and priority research funding, in alignment with the National Beef Strategy's Productivity, Competitiveness and Beef Demand pillars.

Cow herd expansion efforts continued to be a priority for BFO, and continued to promote the concept of cow herd expansion in Northern Ontario. Canadian Beef Cattle Check-Off dollars were invested to assist with implementation strategies that included producer and stakeholder engagement and communications, tools and resources, mentorship training and support. To complement BFO's efforts to rebuild and expand in the North, consultations also continued in the Southern and Eastern part of the province, to identify ways to expand in

these areas. Priority areas were identified, such as financial assistance for fencing, improving the breeder finance program, and the potential for cover crop grazing. BFO is also investigating best management practices and new production practices to be able to carry more cows on existing land. Open Houses and Roundtables were set up to present these ideas and gauge producer uptake. Increasing the cow herd in Ontario will strengthen Beef Demand in Eastern Canada, and allow Ontario to ensure Competitiveness in the marketplace.

Provincial Investments (continued)

BFO partnered with the Ontario Independent Meat Processors (OIMP) in the promotion of Ontario beef, and to share resources and build a strong working relationship with the processing sector of the industry. OIMP has over 300 members across Ontario including abattoirs, processing plants, butcher shops, fine food stores, and industry suppliers. Market development initiatives included social media, print and online materials and presence, sponsorship of Finest Butcher competition, and promotion of Ontario beef at industry shows. These efforts aligned with all four pillars of the National Beef Strategy fostering innovation and food safety and strengthening the availability and competitiveness of locally grown and raised beef.

In collaboration with the Livestock Research and Innovation Centre (LRIC), the BFO Research Investment Strategy was developed to serve as a roadmap for investment to help BFO target its research dollars toward projects that have the greatest potential to make a positive impact on the industry without duplicating the efforts of others. This investment strategy aligns with the Productivity and Competitiveness pillars of the National Beef Strategy. BFO's annual membership fee to LRIC is \$40,000. Since its establishment in 2013, LRIC has been able to leverage sector funding 7-1 so

the total dollars available in the last four years has been \$4.5M for research. BFO's annual membership fee supports LRIC to deliver on its mandate of knowledge creation, collection, and transfer of knowledge.

In partnership with the University of Guelph, and with funding assistance for equipment from provincial and federal grants, BFO began building the new research barn in Elora, formally breaking ground on July 5, 2017. Construction is underway to modernize the Beef Research Centre facilities, which includes two new cow-calf barns, a new handling area, renovations to the existing feedlot facilities, a new site office and researcher facilities. This new research centre, to house a herd size of 300 cows, will act as a hub for bovine research in Eastern Canada and will incorporate components of the National Beef Strategy to ensure the long-term strength and success of Canada's beef industry and the broader economy it supports. BFO committed to providing 20 per cent of the project cost – to be funded through national levy – and this investment of \$250,000 is part of a \$1.5 million producer commitment needed to realize a \$15.5 million research facility. The aim is to have cattle move into the new cow-calf barns by late fall 2018.

LES PRODUCTEURS DE BOVINS DU QUÉBEC

Les Producteurs de bovins du Québec (PBQ; Quebec Beef Producers Association) focused on driving consumer awareness around locally-produced Quebec veal, feed and forage research, and work around fed cattle marketing with their provincially invested check-off dollars.

A highlight last year included the acquisition of the Quebec Veal Food Trailer. This new promotional tool allows veal products to be more prominent, and better promoted during events in Quebec. There was also a strong marketing presence for veal on radio, and in the development and distribution of veal recipe videos on social media.

The on-farm certification program for grain-fed veal producers continued to gain traction, with over 36 support visits made, and 40 producers receiving their certificate after external audits. All producers are expected to be registered under the new program by December 31, 2019.

PBQ continued to invest producer dollars into research projects that helped to grow the industry. These

included grazing season extension for feeder calves and cull cattle, diagnostic strategies for bronchopneumonia, and the effects of transport time and rest periods on animal welfare.

The PBQ also worked towards enhanced market development around fed cattle and feeder calves. By ensuring the demand for fed cattle was strong, the organization was able to work with abattoirs and producers to both ensure strong supply, and create improved efficiencies. There was also work done to support the technological aspects of the feeder calf industry in Quebec, from technical data sheets, herd health improvements and communication improvements.

PRINCE EDWARD ISLAND CATTLE PRODUCERS

The Prince Edward Island Cattle Producers (PEICP) utilized Canadian Beef Cattle Check-Off funds to support initiatives in 2017/18 that encouraged consumption of Canadian beef, and aimed to grow beef demand, and increased the industry's competitiveness for Canadian producers.

The PEI Burger Love campaign returned for 2018, and was designed to promote 100 per cent Island Beef. The campaign enhances the public image of Canada's beef industry and boost consumer confidence in Canadian beef, as laid out in the National Beef Strategy's Beef Demand pillar. This year, there were 85 participating restaurants, and over 184,000 burgers sold during the one month campaign, with a record setting 78,000 lbs of local island beef consumed. The campaign not only increases the use of Island Beef, but encourages consumers to purchase beef throughout the year. This campaign will continue to help drive consumers to these Burger Love locations long after the campaign ends.

Also in the Beef Demand pillar in alignment with boosting consumer confidence, the PEICP invested in the promotion and marketing of the Certified Island Beef CIB program and brand growth. The objective of the project was to develop and maintain momentum for Certified Island Beef that leads to an increased supply, and increased consumer demand for the product. The number of producers on the program

continues to grow, increasing the number of cow-calf operations to 120 in 2017/18, and increasing the number of feedlots to 30. By increasing the amount of local beef consumed in a net-import region in a profitable way, the industry and value chain are able to see benefits.

PEICP also took the opportunity to partner with BFO on a research project around the Canadian Food Inspection Agency (CFIA) proposed regulatory requirements for full-chain cattle traceability. As the proposed requirements come closer to implementation, PEICP and BFO partnered to perform an independent review of CFIA's epidemiological report, proposed regulatory changes and the Cattle Implementation Plan (CIP) recommendations for implementation of a fully functional traceability system. PEICP will receive a copy of the study results in return for their contribution to the cost. The report will assist the organization to better prepare for the communication, training and delivery requirements of the new traceability regulations that producers will see in the future.

CHECK-OFF RETAINED FOR PROVINCIAL INVESTMENTS

 <p>\$39,364</p>	 <p>\$431,060</p>	 <p>\$717,218</p>
 <p>\$19,352</p>	 <p>\$40,166</p>	 <p>\$15,444</p>

TOTAL
\$1,262,604

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

We have audited the accompanying financial statements of Canadian Beef Cattle Research, Market Development and Promotion Agency, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Beef Cattle Research, Market Development and Promotion Agency as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 25, 2018
Calgary, Canada

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
ASSETS		
Current assets:		
Cash (note 3)	\$ 5,346,200	\$ 6,211,863
Accounts receivable (note 4)	4,765,182	4,662,523
Prepaid expenses and deposits	58,910	88,818
	10,170,292	10,963,204
Capital assets: (note 5)	1,140,347	1,373,461
	\$ 11,310,639	\$ 12,336,665
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 3,192,007	\$ 2,550,941
Due to related party (note 7)	355,049	235,750
	3,547,056	2,786,691
Deferred capital contributions (note 8)	772,498	1,035,421
Net assets:		
Unrestricted	2,039,289	3,562,757
Internally restricted (note 11)	4,000,000	4,000,000
Consolidation reserve (note 11)	951,796	951,796
	6,991,085	8,514,553
Commitments (note 9)		
	\$ 11,310,639	\$ 12,336,665

See accompanying notes to financial statements.

Approved on behalf of the Board



Linda Allison, Director



Lonnie Lake, Director

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
REVENUE		
Canadian Beef Check-Off:		
Domestic Beef Check-Off (<i>note 12</i>)	\$ 7,701,203	\$ 7,342,551
Import levies	947,730	937,469
Other income	78,036	75,505
	8,726,969	8,355,525
Marketing:		
Government of Canada – Growing Forward 2	2,905,041	1,977,994
Canadian Cattlemen Market Development Council	-	1,395,000
Western Economic Diversification (<i>note 8</i>)	552,687	1,197,431
	3,457,728	4,570,425
	12,184,697	12,925,950
EXPENSES		
Canadian Beef Check-Off:		
Board of Directors	\$ 200,644	\$ 234,259
Canadian Beef Check-Off Operations	399,472	346,915
Canadian Beef Check-Off Distributions (<i>note 12</i>)	1,262,604	1,396,800
	1,862,720	1,977,974
Programs:		
Issues Management	95,239	95,239
Marketing (<i>note 13</i>)	10,388,558	9,793,766
Research	1,361,648	1,288,478
	11,845,445	11,177,483
	13,708,165	13,155,457
Deficiency of revenue over expenses	\$ (1,523,468)	\$ (229,507)

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Internally restricted	Consolidation reserve	2018	2017
Net assets, beginning of year	\$ 3,562,757	\$ 4,000,000	\$ 951,796	\$ 8,514,553	\$ 8,744,060
Deficiency of revenue over expenses	(1,523,468)	-	-	(1,523,468)	(229,507)
	\$ 2,039,289	\$ 4,000,000	\$ 951,796	\$ 6,991,085	\$ 8,514,553

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in) the following activities		
Operations:		
Deficiency of revenue over expenses	\$ (1,523,468)	\$ (229,507)
Non-cash recognition of deferred capital contributions (note 8)	(263,146)	(195,857)
Amortization (note 13)	299,636	316,912
Gain on disposal of capital assets	-	(361)
	(1,486,978)	(108,813)
Changes in working capital accounts:		
Accounts receivable	(102,659)	(231,539)
Prepaid expenses and deposits	29,908	89,731
Accounts payable and accrued liabilities	641,066	619,568
Due to related party	119,299	(328,184)
Deferred revenue	-	-
	(799,364)	40,763
Investments:		
Purchase of capital assets	(66,522)	(81,747)
Proceeds from disposal of capital assets	-	735
Receipt of cash for deferred capital contributions (note 8)	223	21,347
	(66,299)	(59,665)
Decrease in cash	(865,663)	(18,902)
Cash, beginning of year	6,211,863	6,230,765
Cash, end of year	\$ 5,346,200	\$ 6,211,863

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended March 31, 2018, with comparative information for 2017

1. PURPOSE OF AGENCY

Canadian Beef Cattle Research, Market Development and Promotion Agency (the "Agency"), was proclaimed on January 17, 2002 and is registered as a not-for-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a registered not-for-profit organization under the Act, the Agency must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The mission of the Agency is to deliver measurable value to the Canadian beef industry through prudent and transparent management of the Canadian Beef Cattle Check-Off. The Agency is funded by a non-refundable levy (or Check-Off) initially set at \$1.00 per head applied to Canadian beef cattle marketed domestically and beef and beef products imported into Canada.

On September 18, 2015, a resolution was passed by the Agency's voting delegation to increase the federal levy from \$1.00 to \$2.50. The increase in levy was determined necessary in order to implement the new Canadian Beef Sector National Beef Strategy announced in 2014. The strategy is intended to promote a united approach to position the Canadian beef industry for greater profitability, growth and continued production of a high quality beef product.

As at March 31, 2018, the new federal levy of \$2.50 is applicable to the following eight provinces having commenced or being set to commence effective the following dates:

- Nova Scotia – January 1, 2017
- Prince Edward Island – June 1, 2017
- New Brunswick – February 1, 2018
- Alberta – April 1, 2018
- Saskatchewan – April 1, 2018
- Manitoba – April 1, 2018
- Quebec – June 1, 2018
- British Columbia – July 1, 2018

At the close of the Agency's fiscal year end on March 31, 2018, the Federal levy in Ontario remained at \$1.00 per head. The Import Levy also remained at \$1.00 per head or equivalent.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Agency's significant accounting policies are as follows:

(A) BASIS OF PRESENTATION:

The Agency controls Canada Beef International Institute (the "Institute") as a result of their ability to appoint all of the Directors of the Institute. The Agency has elected the accounting policy to not consolidate this entity. Financial information on the controlled entity is disclosed in note 7.

(B) FOREIGN CURRENCY TRANSLATION:

Transaction amounts denominated in foreign currencies are translated into Canadian dollar equivalents at exchange rates prevailing at the transaction dates. The accounts of the Agency's Japan, the People's Republic of China, Taiwan and Mexico representative office operations are translated at the rate of exchange in effect at the statement of financial position date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average exchange rates prevailing throughout the year. Gains and losses resulting from these translation adjustments are included within revenue and expenses included on the statement of operations.

(C) INCOME TAXES:

The Agency is registered as a not-for-profit organization under the Act and as such is exempt from income taxes.

(D) CAPITAL ASSETS:

Capital assets are recorded at cost less accumulated amortization.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Years
Computer hardware and software	3
Furniture and fixtures	5
Leasehold improvements	10
Office equipment	5
Kitchen equipment and appliances	5
Website and logo	5

(E) REVENUE RECOGNITION:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Check-Off revenue (beef cattle levies) received from beef cattle producers through beef cattle sales and delivery organizations are unrestricted and are recognized in the year in which the beef cattle sales occur and collectability is reasonably assured.

Import levies received from importers of beef cattle are unrestricted and are recognized in the year in which the beef cattle sales occur and collectability is reasonably assured.

The Agency identifies new beef cattle sales and delivery organizations, as well as reviews beef cattle sales volumes from existing beef cattle sales and delivery organizations through its compliance review activities. Any amendments arising from this review are recorded by the Agency as adjustments to revenue in the current year in which the amendments are made. The revenues reported represent the Agency's portion of levies collected and are adjusted for any refundable portions. Due to the inherent uncertainties in the industry reporting, there may be adjustments in future years and such adjustments may be material to the financial position of the Agency.

Contributions from the Canadian Cattlemen Market Development Council are unrestricted and are recognized as revenue when they are received or receivable.

Interest income is recognized as revenue in the year in which it is earned.

(F) DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS:

Deferred contributions related to capital assets represent the unamortized portion of restricted contributions that were used to fund the development of the Agency's Canadian Beef Centre of Excellence. Recognition of these contributions as revenue is deferred up to the point where the related capital assets are amortized at which point the contributions are recognized as income over the useful lives of the related assets.

(G) USE OF ESTIMATES:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Significant management estimates pertain to the estimated useful lives of capital assets, the net recoverability of accounts receivable and the amount of cattle levies recognized. Actual results could differ from those estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the years in which they become known.

(H) DISCLOSURE OF ALLOCATION OF EXPENSES:

The Agency follows CPA Canada Handbook Section 4470, which established disclosure standards for not-for-profit organizations that classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate.

(I) FINANCIAL INSTRUMENTS:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Agency determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Agency expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. CASH

Cash consist of cash on hand and interest bearing bank balances held with reputable financial institutions.

4. ACCOUNTS RECEIVABLE

	2018	2017
Canadian Beef Check-Off	\$ 1,505,231	\$ 1,832,949
Canadian Cattleman Market Development Council	-	140,990
Government of Canada – Growing Forward 2	2,922,594	2,041,994
Western Economic Diversification Canada	-	343,215
Import levies	327,758	249,318
Other	9,599	54,057
	\$ 4,765,182	\$ 4,662,523

5. CAPITAL ASSETS

	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 202,019	\$ 181,367	\$ 20,652	\$ 14,621
Furniture and fixtures	229,655	179,019	50,636	70,014
Leasehold improvements	1,221,832	382,838	838,994	946,647
Office equipment	52,709	45,177	7,532	13,241
Kitchen equipment and appliances	539,774	326,913	212,861	314,604
Website and logo	47,530	37,858	9,672	14,334
	\$ 2,293,519	\$ 1,153,172	\$ 1,140,347	\$ 1,373,461

During the year, the Agency disposed of capital assets for total proceeds of \$nil (2017 – \$735). These capital assets had cost of \$nil (2017 – \$16,765), accumulated amortization of \$nil (2017 – \$16,391) and a net book value of \$nil (2017 – \$374). The Agency recorded a gain on disposition of \$nil (2017 – \$361), which is included as part of operating expenses.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Check-Off transfers	\$ 632,780	\$ 1,059,264
Trade accounts payable	1,561,611	742,497
Government remittances	11	4,072
Accrued liabilities	997,605	745,108
	\$ 3,192,007	\$ 2,550,941

7. RELATED PARTY TRANSACTIONS

(A) CANADIAN CATTLEMEN'S ASSOCIATION:

The Canadian Cattleman's Association is related by virtue of director(s) who serve on the Agency's Board of Directors. During the year, the Agency allocated \$147,302 (2017 – \$95,403) for contract services expenses and \$18,973 (2017 – \$22,591) for other expenses as determined by the discretion of the Board of Directors on an annual basis.

These transactions occurred in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

(B) CANADA BEEF INTERNATIONAL INSTITUTE:

Canada Beef Export Federation (the "Federation") was incorporated under the Societies Act of the Province of Alberta on November 16, 1989 for the purposes of promoting demand for Canadian Beef products in the international market place. On July 1, 2011, the majority of the Federation's operations were transferred to Canadian Beef Cattle Research, Market Development and Promotion Agency and the Federation was left active in order to settle its remaining obligation as well as remain active as it is a known entity in many non-Canadian markets in which it operated. The Federation changed its name to Canada Beef International Institute (the "Institute") on January 18, 2012. It is registered as a not-for-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes.

During the year, the Canada Beef International Institute of (the "Institute") an entity controlled by the Agency incurred expenses to be reimbursed by the Agency for conducting business in certain foreign jurisdictions. As at March 31, 2018, \$355,049 (2017 – \$235,750) was due to the Institute as a reimbursement. This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

In order to maintain its status as a registered not-for-profit organization under the Act, the Institute must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Agency exercises control over the Institute by virtue of its ability to appoint all of the Directors of the Institute.

The accounts of the Institute have not been consolidated in these financial statements. The financial information of the Institute as at March 31, 2018 are summarized as follows:

	2018	2017
Total assets	\$ 557,649	\$ 560,799
Total liabilities	5,000	8,000
Total net assets	552,649	552,799
Total liabilities and net assets	\$ 557,649	\$ 560,799

	2018	2017
Total expenses	\$ 150	\$ 8,400
Deficiency of revenues over expenses	\$ (150)	\$ (8,400)

	2018	2017
(Decrease) increase in cash	\$ (122,449)	\$ 319,784

8. DEFERRED CAPITAL CONTRIBUTIONS

In prior years, the Agency received funding from Western Economic Diversification for the construction and operation of the Canadian Beef Centre of Excellence ("The Centre") which commenced operations in spring 2015. The total funds committed where were \$1,231,278 of which \$827,771 was spent on capital improvements to the premises and \$403,507 was spent on equipment. \$263,146 (2017 – \$195,857) of the deferred amount was recognized as revenue in the current year. As at March 31, 2018 \$nil (2017 – \$558,546) of the committed funding was in accounts receivable.

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	\$ 1,035,421	\$ 1,209,931
Additional contributions received	223	21,347
Less amortization of deferred capital contributions	(263,146)	(195,857)
	\$ 772,498	\$ 1,035,421

9. COMMITMENTS

The Agency has entered into various lease agreements with estimated minimum annual payments as follows:

2019	\$ 319,652
2020	285,995
2021	275,118
2022	264,244
2023	171,989
Thereafter	209,615
	\$ 1,526,613

10. FINANCIAL INSTRUMENTS

As part of its operations, the Agency carries a number of financial instruments. It is management's opinion that the Agency is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(A) CURRENCY RISK:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Agency enters into transactions denominated in foreign currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2018, the following items are denominated in foreign currency:

	2018	2017
Cash	\$ 31,383	\$ 12,780
Accounts receivable	9,251	6,567
Accounts payable and accrued liabilities	505,635	390,179

(B) CREDIT RISK:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Agency derives the majority of its revenue and accounts receivable in the form of levies from associations involved in the cattle industry. The Agency is exposed to credit risk with respect to these revenues to the extent that these associations may experience financial difficulty and be unable to meet their obligations as a result of those risks associated with the cattle industry in general. The Agency assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. As at March 31, 2018, 28 per cent (2017 – 37 per cent) of the balance of the Agency's accounts receivable balance was due from three of these associations.

(C) LIQUIDITY RISK:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts and monitors grant funding to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2017.

11. NET ASSETS

(A) INTERNALLY RESTRICTED NET ASSETS:

During the year ended March 31, 2015, the Board of Directors of the Agency restricted \$4,100,000 of net assets as a contingent fund to allow for orderly operations to continue in the event of a change in funding or a wind down of the Agency. During the year ended March 31, 2018, the Board of Directors of the Agency released \$nil (2017 – \$100,000) for special program expenditures. As at March 31, 2018 \$4,000,000 (2017 – \$4,000,000) remained internally restricted.

(B) CONSOLIDATION RESERVE TRANSFERS:

On July 1, 2011, the Agency combined operations with Beef Information Centre ("BIC") and Canada Beef Export Federation ("CBEF"). In accordance with the consolidation agreement between the Canadian Cattleman's Association and the Agency, \$5,051,796 was transferred from BIC and CBEF to the Agency as the residual amount remaining after those obligations were settled.

12. CANADIAN BEEF CHECK-OFF COLLECTIONS AND DISTRIBUTIONS

These are portions of federal levies returned to the respective provincial cattlemen's associations based on the agreed Canadian Beef Check-Off allocation percentages.

	2018	2017
Collections:		
Cattle Industry Development Council (British Columbia)	\$ 255,391	\$ 235,721
Alberta Beef Producers	4,057,994	3,830,942
Saskatchewan Cattlemen's Association	1,120,761	993,854
Manitoba Cattle Producer's Association	505,394	457,087
Beef Farmers of Ontario	905,224	896,805
Les Producteurs de bovins du Québec	726,720	887,729
New Brunswick Cattle Producers	19,231	17,223
Nova Scotia Cattle Producers	80,157	8,225
Prince Edward Island Cattle Producers	30,331	14,965
	\$ 7,701,203	\$ 7,342,551

	2018	2017
Distributions:		
Manitoba Cattle Producer's Association	\$ 39,364	\$ 37,099
Beef Farmers of Ontario	431,060	437,394
Les Producteurs de bovins du Québec	717,218	876,974
New Brunswick Cattle Producers	19,352	19,143
Nova Scotia Cattle Producers	40,166	8,960
Prince Edward Island Cattle Producers	15,444	17,230
	\$ 1,262,604	\$ 1,396,800

13. MARKETING (OPERATIONS & MARKET DEVELOPMENT PROGRAMS):

	2018	2017
Market Development – North America:		
Canada market development	\$ 1,584,942	\$ 1,465,387
Market Development – Global Markets:		
China	556,661	534,863
Emerging Markets	199,550	108,010
Japan	545,139	480,702
Korea	141,704	98,696
South East Asia	273,722	296,869
Latin America	727,899	695,917
Global Markets	1,539,847	1,052,564
Canadian Beef Centre of Excellence	527,733	557,851
	4,512,255	3,825,472
Total Marketing – Market Development Programs	\$ 6,097,197	\$ 5,290,859

13. MARKETING (OPERATIONS & MARKET DEVELOPMENT PROGRAMS) CONTINUED:

	2018	2017
Operations (Canada):		
Amortization	\$ 280,342	\$ 307,277
Bank charges and interest	9,202	8,793
Computer maintenance and supplies	88,891	102,604
Consulting, legal and audit	51,426	42,523
Gain on disposal of assets	-	(361)
Foreign exchange gain	72	621
Licenses and subscriptions	26,790	22,350
Office and meeting	110,340	149,139
Recruitment and training	32,817	51,785
Rent and lease payments	379,436	379,257
Salaries and benefits	2,017,838	2,168,667
Sponsorship and donations	28,604	1,500
Travel and insurance	70,714	54,824
Utilities	37,813	48,188
	3,134,285	3,337,167
Operations (Foreign):		
Amortization	19,294	9,635
Bank charges and interest	2,798	2,937
Computer maintenance and supplies	34,384	4,346
Consulting, legal and audit	38,963	19,376
Foreign exchange (gain) loss	(2,951)	10,500
Licenses and subscriptions	9,678	16,322
Office and meeting	8,536	38,633
Recruitment and training	-	2,929
Rent and lease payments	174,495	169,389
Salaries and benefits	838,215	859,958
Travel and insurance	26,808	29,042
Utilities	44,860	42,858
Consumption tax	(38,004)	(40,185)
	1,157,076	1,165,740
Total Marketing – Operations	\$ 4,291,361	\$ 4,502,907
Total Marketing – Operations & Market Development Programs	\$ 10,388,558	\$ 9,793,766



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