

2018-19 BUSINESS PLAN



CANADIAN
BEEF CATTLE
CHECK-OFF

Canadian Beef Cattle Research, Market
Development and Promotion Agency

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AGENCY PROFILE

ACT AND PROCLAMATION

The Farm Products Agencies Act, which was proclaimed in 1972 allows for the creation of the Farm Products Council of Canada (FPCC). The Act also provides the legal foundation for the creation of the Canadian Beef Cattle Research, Market Development and Promotion Agency (the Agency).

The Agency was created with the directive to promote the research, marketing and promotion of Canadian cattle and beef products, both domestically and abroad. The Agency was proclaimed on January 17, 2002 and the registration published on January 30, 2002.

LEVIES AND IMPORT ORDER

The Federal Levies Order was registered April 14, 2005. The import levy allows for equitable treatment between domestic beef producers and beef importers.

The amendment to the Beef Cattle Research, Market Development and Promotion Levies Order to include an import levy was announced on July 30, 2013. Since January 1, 2014, all imports of beef and beef products into Canada were subject to the levy of \$1 per head or carcass equivalent.

2018-19 BOARD OF DIRECTORS

The Board of Directors consists of 16 members from across Canada. 10 director seats are allocated to beef cattle producers nominated by their provincial cattle associations. The remaining six are : four from packers/processors through the Canadian Meat Council (CMC), one importer (I.E. Canada) and one retail/foodservice operators. These six directors are nominated from their respective associations, or by the delegates at the Annual General Meeting in August each year.



- Larry Weatherby, NS
- Anthony Petronaci, CMC
- Chad Ross, SK
- Doug Sawyer, AB
- Arthur Batista, CMC
- Lonnie Lake, Retail/Foodservice
- David Francis, PE
- 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
- Mike Kennedy (CMC) - *not pictured*

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 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 the Canadian beef industry. The Agency is responsible for communicating the value of the check-off investment, as well as training and education of producers and funding partners, regulatory management, collection and administration of check-off dollars.



AGENCY OBJECTIVES

ENSURE TRANSPARENT ADMINISTRATION

By definition, a transparent culture is where an organization rigorously communicates with its stakeholders, to enable the exchange of thoughts and ideas, and build trust. It is about involving stakeholders, and ensuring that they have the knowledge, information and education to provide strategic direction to the Agency. Transparent administration of both the Agency and of Canadian Beef Cattle Check-Off dollars ensures that stakeholders are never left wondering how their dollars are being invested or managed.

DELIVER MEASURABLE VALUE

By ensuring that Canadian Beef Cattle Check-Off dollars continue to drive real, measurable results for the Canadian beef industry, the Agency will be able to sustain support and funding for the long term. It is imperative that stakeholders can see real, “on the ground” results generated for their operations using check-off dollars for market development, promotion and research initiatives.

ENGAGE AND EDUCATE STAKEHOLDERS

The only way that Agency stakeholders can know how check-off dollars are being invested, is if the Agency provides clear and consistent communication. By reaching stakeholders in a variety of ways, and educating partners on check-off management, the Agency will be able to increase the support and understanding of the Canadian Beef Cattle Check-Off across the country.

GROW CONNECTIONS WITH INDUSTRY

Engaging with partners, key leaders and organizations within the Canadian beef industry is a powerful tool that yields stronger relationships and a seat at the table for broader industry discussions. By growing Agency connections within the industry, the organization gains trust of stakeholders, leverages outside channels of communication, and garners welcome input and ideas.

PARTNER PROFILES

RESEARCH - THE BEEF CATTLE RESEARCH COUNCIL

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 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 national check-off funds allocated to research.

As the only 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 receives funding from the Canadian Beef Cattle Check-Off, and leverages funding from Agriculture and Agri-Food Canada (AAFC) through the Beef Cattle Industry Science Cluster.

As a leader in the development of a National Beef Research Strategy, the BCRC also 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.

The BCRC operates as a division of the Canadian Cattlemen's Association (CCA) and was established by the CCA in 1997.

Learn more at www.beefresearch.ca.



MARKET DEVELOPMENT AND PROMOTION - CANADA BEEF

As the Agency's internal marketing division, Canada Beef works to promote all Canadian beef products collectively on a global scale.

The organization's purpose is simply to increase the demand that the global consumer has in Canadian 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 mind-share, 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.

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.



ISSUES MANAGEMENT - THE CANADIAN CATTLEMEN'S ASSOCIATION

The Canadian Cattlemen's Association (CCA) is a non-profit organization, acting as the "national voice of Canadian 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 8 provinces and all stages of beef production system (seedstock, cow/calf, and feedlot sector) allow 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 a liaison for communicating research, new innovations, and tools to help cattle producers improve production practices. CCA's traditional role is now being added to by an increasing effort in public engagement especially in communicating how cattle are raised and where they come from.

Learn more at www.cattle.ca.



EXECUTIVE SUMMARY

The Canadian Beef Cattle Research, Market Development and Promotion Agency (the Agency) is pleased to present the 2018/19 Canadian Beef Cattle Check-Off Business Plan.

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

In 2018/19, the Canadian Beef Cattle Check-Off investment is estimated to bring in approximately \$14,410,000 in gross revenue.

The National Beef Strategy was developed in 2014 by provincial and national organizations with the aim to achieve targeted industry goals that are aligned with the industry's vision and mission under four key pillars: Beef Demand, Competitiveness, Productivity and Connectivity.

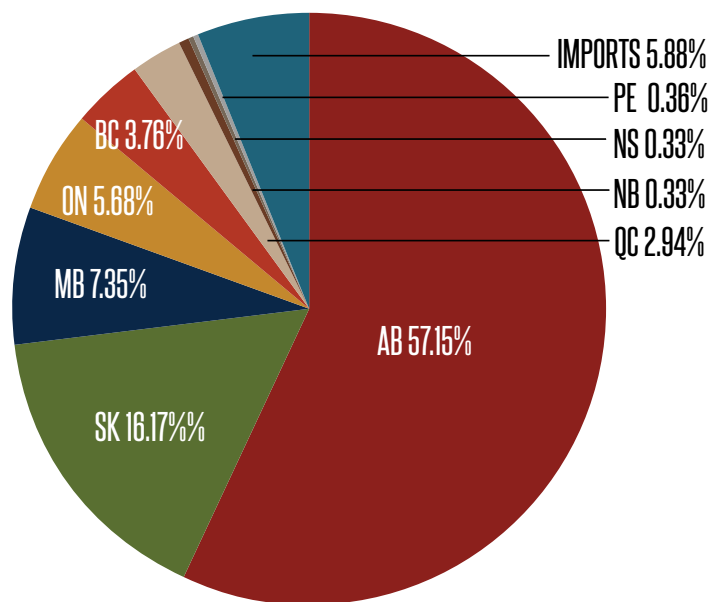
The pillars identify key areas of focus where industry stakeholders will work together to collectively achieve the outcomes identified.

Under each focus area, specific outcomes have been defined that work towards meeting the goals established by industry. The goals established are benchmarks to measure industry performance between 2015 and 2020.

Momentum continues to build across the country for a \$2.50 Canadian Beef Check-Off, with a positive outlook that most provinces should be in line to increase in 2018.

It will remain in the best interest of the industry, especially Canadian producers, to have the Import Levy increased to \$2.50/head when there is national treatment among producers remitting an equivalent amount. This will be particularly true with any further declines in cattle marketings.

The Canadian Beef Check-Off Agency is committed to providing producers and industry stakeholders with transparent administration of the Canadian Beef Cattle Check-Off, and delivering measurable value through research, market development and promotion to those who invest check-off dollars.



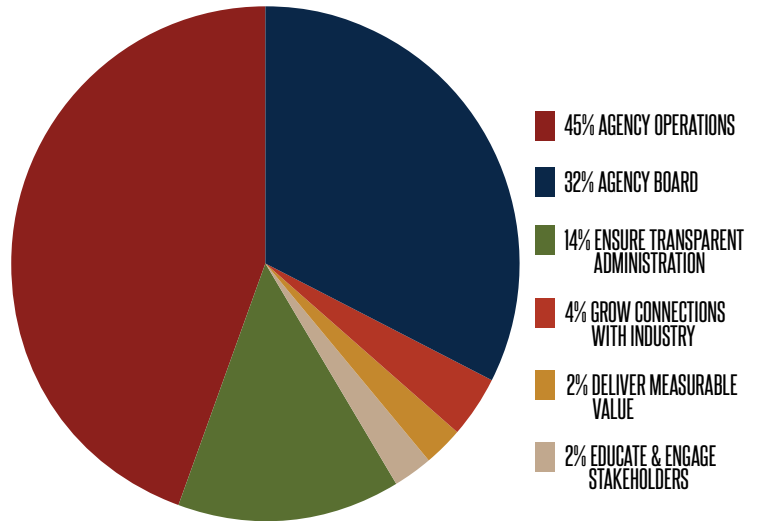
2018-19 PROJECTED TOTAL REVENUE

ADMINISTRATION

The Canadian Beef Check-Off Agency (the Agency) moves into the 2018/19 fiscal year with the opportunity to reach new goals and implement additional programs and communication channels that Canadian producers have been seeking.

With the separation of the Agency from the Market Development and Promotion Division effective April 1, 2018, the Agency will seek efficiencies, focus on key goals as set by the Agency Members (formerly Directors), and set itself on a path of stronger governance and operational separation.

The Agency Members approved the 2018/19 administration budget at \$825,700. This will support the operations and Board, as well as the Agency's four strategic objectives.



2018-19 ADMINISTRATION BUDGET

The main focus for the Agency will continue to be forward momentum with the Canadian Beef Cattle Check-Off increase across the country, and once that is achieved, the increase of the Import Levy to match.

A noticeable change will be seen at the Annual General Meeting, where there will be a new process to populate the Market Development and Promotions Division (Canada Beef) Board, and elect additional directors outside of the Agency membership. This change will ensure continued positive governance, and will provide the opportunity to bring specific and strategic skillsets to Canada Beef as the internal marketing division of the Agency.

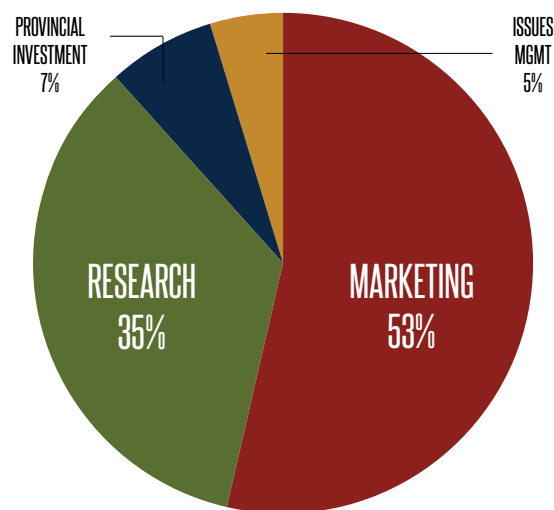
Producers across Canada can expect to see a stronger Agency presence in 2018/19, with an enhanced communications plan to strengthen the understanding of check-off remittance and collection, the value of the check-off to the Canadian beef industry, and Agency governance and administration.

Improved resources will be developed to assist both remitters and collectors of the Canadian Beef Cattle Check-Off in their roles. Both training and audit programs will be undertaken, with the goal to increase the awareness of the check-off increase, and the roles and responsibilities of those who collect and remit.

As the check-off increases across the country, producers will be seeking targeted information to support the need for increased investment. It will be the Agency's role to ensure that the provincial cattle associations have accessible information and resources to show the value of the increase. This will come in the form of an enhanced online presence, the development of print tools and resources, in-person presentations and hosting Check-Off Town Hall meetings, where producers can talk directly to those who are administering, and investing the increased check-off.

RESEARCH

The Beef Cattle Research Council (BCRC) is entering a transition year in terms of funding and program administration. The Beef Science Cluster II, under Agriculture and Agri-Food Canada's AgriInnovation Program (AIP) wraps up March 31, 2018. The Beef Science Cluster III program, under the Canadian Agricultural Partnership (CAP) is set to be in place for April 1, 2018, but final decisions are yet to be made on the submitted Beef Science Cluster III application. These research programs direct government funding to the BCRC to leverage industry funding and the industry driven research initiatives are managed by the BCRC. In addition to the uncertainties surrounding the Cluster III program, an increase in the Canadian Beef Cattle Check-Off, a portion of which funds national beef research, could impact programs administered by the BCRC over the next year.



2018-19 PROJECTED ALLOCATIONS

As a national beef cattle industry research agency, the BCRC takes a leadership role in the development and implementation of Canada's National Beef Research and Technology Transfer Strategy. Building upon the successes of the 2012 National Beef Research Strategy, the BCRC and national Beef Value Chain Roundtable (BVCRT) led the development of the Canadian Beef Research and Technology Transfer Strategy 2018 – 2023. The renewed Strategy, developed with ongoing engagement of researchers, funders and grassroots producers, highlights the global beef market outlook, the role of research in today's competitive environment, and key research priorities and outcomes over the next five years. Throughout the Strategy development process, input was sought from industry stakeholders through various means including direct consultation, an online survey, and most importantly, two workshops. This engagement helped to identify needs in research capacity, infrastructure, programming, funding and coordination, and to ensure priority industry outcomes are being addressed.

Working to meet the objectives identified in the Canadian Beef Research and Technology Transfer Strategy 2018 – 2023, the BCRC continues to work closely with other industry and government funding agencies to increase coordination, reduce duplication and to ensure priority research outcomes are addressed. The BCRC's important role in identifying the industry's research priorities subsequently influences public sector investment in beef cattle research.

The three core research objectives identified in the Strategy are:

1. To enhance industry sustainability and improve production efficiencies, priority outcomes are to enhance feed and forage production, increase feed efficiency and decrease the impact of animal health issues and production limiting diseases.
2. To improve beef demand and quality, priority outcomes are to reduce food safety incidences, define

quality and yield benchmarks supporting the Canadian Beef Advantage, and improve beef quality through primary production improvements and the development and application of technologies to optimize cutout values and beef demand.

3. To improve public confidence in Canadian beef, outcomes are to improve food safety, strengthen the surveillance of antimicrobial use and resistance, develop effective antimicrobial alternatives, ensure animal care, demonstrate the safety and efficacy of new production technologies, improve environmental sustainability and measure the beef industry's environmental benefits.

These core research objectives are supported by the following industry-identified priority areas:

1. Beef Quality
2. Food Safety
3. Animal Health and Welfare
4. Antimicrobial Use, Resistance and Alternatives
5. Feed Grains and Feed Efficiency
6. Forage and Grassland Productivity
7. Environmental Sustainability
8. Technology Transfer

The Canadian Beef Research and Technology Transfer Strategy 2018 – 2023 directly supports Canada's 2013-2018 National Beef Strategy and its four pillars, namely beef demand, competitiveness, productivity and connectivity. It promotes research to maintain or improve consumer confidence and demand for Canadian beef by investing in beef quality and food safety research, and to maintain or improve production competitiveness with advancements in animal health and welfare, feed grains and efficiency, and forage and grassland production. It further emphasizes the importance of coordinated technology transfer to ensure continued productivity improvements within the beef industry.

The BCRC will continue to engage industry stakeholders as the Canadian Beef Research and Technology Transfer Strategy 2018 – 2023 is implemented to ensure priority research needs are met in a coordinated manner to advance the competitiveness and sustainability of the Canadian beef industry.

MARKET DEVELOPMENT AND PROMOTION

As the marketing division of the Canadian Beef Cattle Research, Market Development and Promotion Agency, Canada Beef is the cattle producer-funded and run organization responsible for domestic and international beef and veal market development.

In addition to Canadian Beef Cattle Check-Off and import levy funding, Canada Beef leverages cattle producer dollars with private market partner investments and government industry development funding to maximize the benefits of producer check-off investment. Between 2011 and 2014, the Canadian Beef Cattle Check-Off received a benefit-cost ratio of 13.5:1 on dollars invested, an increase from 7.6:1 in 2005-2008.

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. Canada Beef delivers its business strategy by leveraging the Canadian beef brand through consumer marketing and business development activities.

Canada Beef has built its strategic focus in parallel with the National Beef Strategy developed by a broad industry coalition. The National Beef Strategy is about positioning the Canadian beef industry for greater profitability, growth and continued production of high-quality beef products. It is under the Demand and Connectivity Pillars of the National Beef strategy where Canada Beef operates, and brings value to producers.

The next three year plan beginning in 2018 will build on this foundation through a ‘Customer Value Segmentation’ model and six key objectives:

1. Capture High Growth Market Segments

Using market segmentation tools, Canada Beef will identify high growth, high value consumer groupings by demographics, behavior, ethnicity, geography, etc. Once the customer groupings are established, Canada Beef identifies respective needs, expectations and marketing/communication strategies that would be most effective. Then an overarching blend of emotional and technical attributes that are meaningful and relevant to each consumer group are created. These then are to be used as the “reason why” Canadian Beef answers their need. By understanding consumer segments’ needs and wants, Canada Beef will develop marketing and promotional campaigns relevant to each segment resulting in increased awareness, improved perception, heightened product desire and ultimately increased purchase.

2. Expand Programs with Retail and Foodservice Partners

By collaborating with brand partners with large volumes and influence including national accounts in both domestic and international markets, Canada Beef can ensure that these partners are well-versed in Canadian beef, and can leverage the value of the Canadian Beef Brand. Going forward, Canada Beef will expand programs with retail and foodservice partners allowing for brand exposure with both regional and national reach. Moreover, these programs build loyalty and commitment to Canadian beef among trade partners and consumers thus generating sustained demand and increased value for producers.

3. Consumer Marketing and Consumer Confidence

Canada Beef continues to be a leader with innovative and cost-effective digital marketing and social media programs targeted to consumers. There are consumer and producer focused pages on the website www.canadabeef.ca and social media. For mobile devices, the Roundup App is an online beef buying and cooking resource available in English, French and Spanish. This tool is key in providing readily accessible beef purchase and cooking information for consumers. The Make It Beef Club is Canada Beef’s database and e-blast outreach platform of over 40,000 consumers.

Closely related to consumer marketing are efforts to build the beef industry’s social license with the

public. Canada Beef continues to partner with other beef industry groups to address public and consumer concerns about beef production, while also building/reinforcing the Canadian beef brand.

4. Protect and Grow Canadian Beef in Export Markets

Canada Beef's work in export markets is creating opportunities for the Canadian beef industry to realize greater value for the carcass than could be realized in the domestic market alone. As well as 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.

By utilizing integrated marketing programs linking online and live events; culinary seminars and competitions; social media platforms and brand media campaigns; and business development outreach through trade shows and trade missions; Canada Beef is creating brand awareness and positively positioning Canadian beef in the minds of export customers, consumers and key influencers.

5. Double the Business Generated by the Canadian Beef Centre of Excellence

The Canadian Beef Centre of Excellence (CBCE) is a pivotal piece in Canada Beef's abilities to connect and collaborate with clients in a meaningful way. The CBCE connects the technical attributes of the product with the emotional components such as taste and enjoyment, while sharing the story of how it was raised. The Centre provides a place where staff can offer solutions to beef category challenges for existing customers, and introduce new customers and markets to Canadian beef for the first time.

6. Generic Beef Marketing Funded by the Import Levy

The import levy continues to provide funding for positive beef messaging across Canada. With consumers' diminishing food skills, concerns over healthy diets and public trust issues, Canada Beef will activate targeted initiatives to positively influence consumer preference for beef over other proteins.

ISSUES MANAGEMENT

In developing the National Beef Strategy, the 5 industry groups along with the provincial associations recognized the growing threat, and developed a goal to increase connectivity, with the objectives to enhance industry synergies, connect positively with consumers, the public, government, and partners by actively addressing industry issues. In addition, under the goal of increasing beef demand, key outcomes include increasing public confidence and building a strong social license to operate (ational Beef Strategy, 2015). This also has a direct impact on the industry's competitiveness by assuring the public that all the production practices we use contribute positively to sustainability.

It was recognized that to achieve the goals in the National Beef Strategy, increased funding will be required. The recommended increase to the National Check Off includes a component for Issues Management under the Connectivity Pillar. To fulfill the goals of the Connectivity pillar, CCA has developed a draft 5 year issues management (IM) and consumer engagement/ public relations strategy (PR), to deal with issues as effectively and efficiently as possible, to strengthen producers' social license/public confidence to operate.

A successful issues management program will result in increased public confidence of the Canadian beef industry, and a solid social license to operate. It will be dependent on collaborating with many industry and stakeholder groups coordinating the messaging on the industry's production practices, research, and continuous improvement, which will enable the industry to communicate effectively with the public.

To goals of the the Issues Management program as stated in the draft strategy, are to:

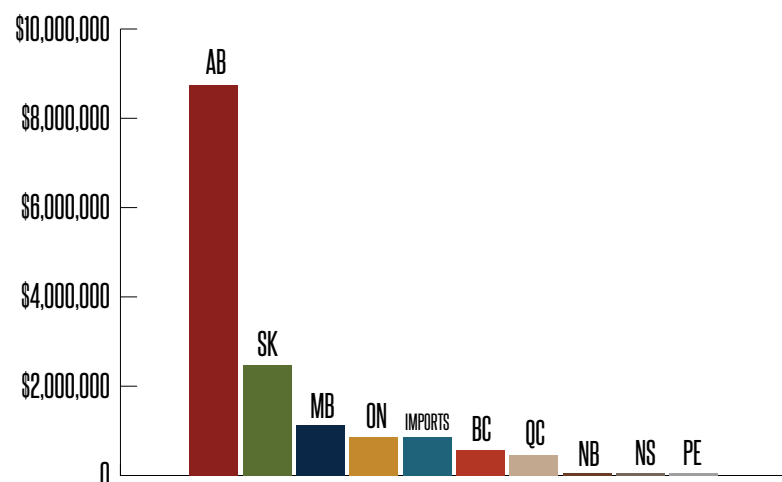
1. Develop stronger relationships and connectivity among industry partners and organizations to manage issues more efficiently and effectively (internal, reactive and proactive)
2. Maintain public confidence and increase producers social license to operate, enhancing the credibility, reputation, and trust in the Canadian beef industry (external, proactive)

The main outcomes of the proposed initiative will be increased consumer confidence, trust, and support of Canadian beef production practices, which would result in increased beef demand over competing proteins.

PROVINCIAL INVESTMENT

In 2018/19, the Canadian Beef Check-Off Agency will transfer approximately \$995,000 in funds back to six provinces for regional research, and beef and veal marketing programs, which will benefit the industry nationally. This equates to 7.25 per cent of the Canadian Beef Cattle Check-Off income, and approximately 6.82 per cent of total revenue (check-off and import levy combined).

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. In 2018/19, the Manitoba Beef Producers (MBP) will invest in two forage research projects with national benefits.



2018-19 PROJECTED CHECK-OFF REVENUE

MBP led the way in the establishment of the Manitoba Beef & Forage Initiatives Inc. (MBFI) in 2016. This resource will continue to help beef and forage industries reach goals set out through the pillars of the National Beef Strategic Plan, including productivity, beef demand and competitiveness. Through the three MBFI sites, the goal is to increase awareness of beef and forage production, and support the uptake of new, improved or innovative ranch management strategies. This facility is a Centre of innovation engaging in science-based research that can improve producer profitability and build social awareness around the beef and forage industry across the country. MBFI also has many other

national ties, including collaborations between Canadian researchers, and partnerships being cultivated with other groups, including the Alberta Beef Producers.

MBP will continue to support BCRC research that focuses on building long-term capacity for 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. MBP contributes specifically for communications and extension work, ensuring that producers can connect to and implement research results and recommendations. This project is in its fifth and final year of activities. There is also additional research planned to explore the use of strategic supplemental feeding using unique infrastructure to improve the performance of cattle in pasture-based production systems.

MBP is also investing check-off funds into the public trust arena, to align with multiple pillars of the National Beef Strategy. The project is designed to assist MBP deliver on key initiatives designed to promote beef, create demand and address the trust concerns of the general public around beef and beef production. The beef industry has a credible story to tell, and the program will tell that story to the broadest of audiences using new and creative technologies, and developing a stronger extension and knowledge transfer climate to get the information into the hands of producers.

Beef Farmers of Ontario (BFO) investments focus on production research, in alignment with the National Beef Strategic Plan's productivity, competitiveness and beef demand pillars.

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. The LRIC Research Advisory Committee is comprised of Canadian and international experts who provide expert advice on a wide range of global challenges and livestock and poultry research and extension systems designed to address those challenges. Since its establishment in 2013, LRIC has been able to leverage sector funding 7:1.

In partnership with the University of Guelph, and with funding assistance for equipment from provincial and federal grants, BFO has begun building the new research barn in Elora, the official launch for which took place in July, 2017. 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.

Focus on promotion of the veal industry remains a high priority in Quebec. The implementation of a compulsory certification program will continue from 2017 to 2020. The program has nearly 80 criteria. Certification and promotion of veal is an integral part of the association's business plan, ensuring that social license issues around production are addressed with the consuming public and the demand for Canadian beef and veal. Promotion will continue to support both grain-fed and milk-fed veal to support increased consumption.

Additionally, there is planned production of videos to raise awareness and train producers to ensure the health, safety and quality of bob calves. These videos will also be showcased in agricultural schools and other producer training channels.

The feeder sector in Quebec continues to gain traction, and will see added investment into market development, promotion and research. Research extension around transportation, vaccinating, dehorning, castration, weaning and classification will ensure quality and consistency of beef products from fed cattle in Quebec. There are also plans to develop enhanced communication and sharing tools for producers.

Research continues to be a strong focus in Quebec, and will include \$31,000 in partner research with the Beef Cattle Research Council (BCRC). The connectivity of these projects on a national scale ensures that producers across the country continue to see the results and benefits.

The investments made by the New Brunswick Cattle Producers (NBCP) in 2018/19 will focus 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.

Maritime beef sector leaders have studied the advance of the Ontario Calf Club model over the past several years, hoping to harness the success of this initiative to add value to Maritime cattle by elevating the herd health status of the cow herd and feeder calves entering regional and/or export destination feedyards. A maritime partnership will promote modern technologies, procedures and structures, and the development of a calf club marketing program strategy for the province. This will also support innovation in herd health, industry leadership and mentorship development. Benefits of the program will include enhanced herd health status for the maritime calf crop, progress towards the development of a reputation calf status for the province and net increased revenue for cow-calf operators, and increased compliance with Code of Practice for the Care and Handling of Beef Cattle.

The NBCP will continue 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 Strategic Plan productivity pillar. Part of the initiative also ties into the VBP+, and encourage producers to seek verification and other value added opportunities. Canada continues to be a world leader in beef quality, and successful programs in this area will ensure that producers are knowledgeable and consistent in this respect.

One of the most commonly raised issues in New Brunswick at producer meetings is directed to productive and profitable forage management practices. NBCP will generate awareness of high performance forage production management practices to boost productivity of the province's pasture and forage lands through the promotion of extended grazing season principles to reduce the overall beef sector cost of production.

Additional investments will be made into areas of leadership development and succession planning for the industry in New Brunswick, risk management program development for the maritime provinces, and various production and research extension opportunities.

The Nova Scotia Cattle Producers (NSCP) will continue to invest Canadian Beef Cattle Check-Off funds in a variety of projects and initiatives focusing on increasing beef quality, bull feed efficiency, producer engagement, consumer education and check-off education/industry improvement.

By investing in consumer-facing events, NSCP will continue to connect beef producers with the consumers through educational information on beef production practices and innovative food practices. In alignment

with the National Beef Strategic Plan's beef demand and connectivity pillars, the events will provide positive results in boosting consumer confidence in beef production.

In previous years, Canada's VBP+ program has been overseen by the PEICP in Atlantic Canada, which has led to reduced accessibility and enrollment for Nova Scotia producers. VBP+ implementation by NSCP in 2018/19 will expose over 80 producers to the program, and ensure that producers are meeting animal health and welfare standards to enable the verification program. Investment will be made into technical support, producer education and program delivery.

The Maritime Beef Sector Development and Expansion strategy was developed as a means to support the growth of the Maritime beef industry. It has been determined that local processors will require an additional 10,000 carcasses to fulfill current and emerging markets. In addition, neighbouring markets including Ontario will require an additional 200,000 head to support their growth. The goal of the strategy is to expand the Maritime cow herd by 20,000 cows to support local processors. This will be a main focus for NSCP, and will be accomplished through the programs that have been outlined by the strategy.

Since 2010, the Atlantic Stockyards have paid a premium on vaccinated feeder cattle, and with recent reports of feedlots claiming illnesses in feeder cattle, the NSCP will invest in a research program to examine antibody titers in randomly sampled cattle sold through the Atlantic Stockyards feeder sales. The analysis will ensure that the premium paid is on cattle that received vaccinations. There will also be extension and knowledge transfer opportunities with producers, regarding vaccination protocols and proper procedures.

NSCP will also join the maritime provinces in the development of the calf club program for the growth and development opportunities for beef sector operators.

The PEI Burger Love campaign will again make its return in 2018/19 from the Prince Edward Island Cattle Producers (PEICP), designed to promote 100 per cent Island Beef. The campaign has continued to grow since the inception in 2011, and was developed as a way to encourage consumers to eat more beef while showing their support for beef producers. The social media outreach of the campaign encourages consumers to enjoy Canadian beef across the country. The campaign enhances the public image of Canada's beef industry and boost consumer confidence in Canadian beef.

Enhanced VBP+ Heard Management and Health Records training will also play an integral part in PEI's drive to ensure strong heard health, food safety and beef quality.

The PEICP is also joining forces with the other maritime provinces in programs designed to increase productivity and efficiency, like the Maritime Beef School and the calf club development program, and in market development projects like an export readiness program and the Certified Island Beef program.

MARKET OUTLOOK

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.

2017 MARKET HIGHLIGHTS

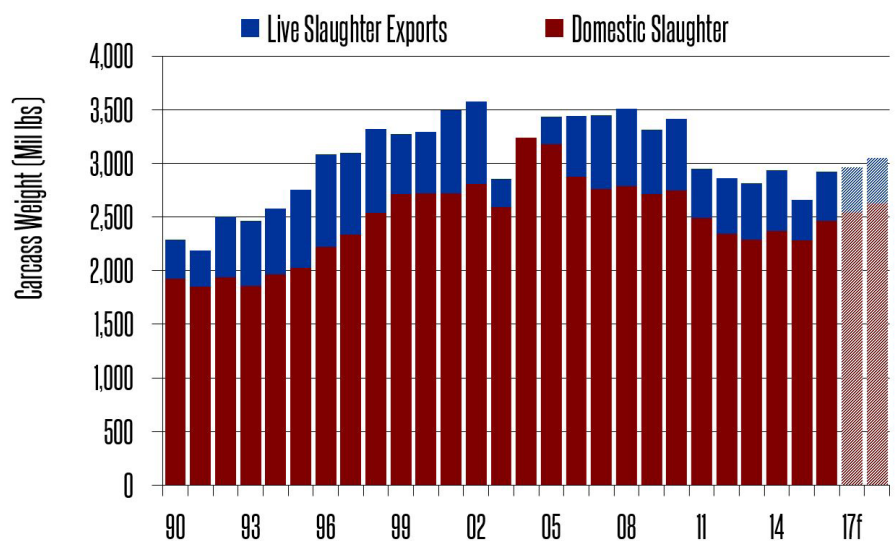
January 1, 2017 beef cow inventories were down 0.7% at 3.75 million head and total cattle inventories were down 0.4% at 11.85 million head. Beef replacement heifers were down 1.8% to 563,700 head but are now 4% above the ten-year average.

Total beef production (domestic and live slaughter) is projected to be up 1.3% in 2017 at 2.95 billion pounds, rebounding back to 2014 levels. Domestic production is projected to be up 3.2% at 2.54 billion pounds while live slaughter exports are down 9% at 418 million pounds. Beef production expanded despite no increase in beef cow inventories due to smaller feeder exports although smaller carcass weights offset some of the increase in slaughter numbers.

Fed cattle marketings are projected to be up 5% to 2.8 million head with slaughter up 5.8% at 2.5 million head and exports up 5% at 346,000 head. Non-fed marketings are projected to be down 0.8% to 663,000 head with slaughter up 13% at 512,000 head and exports down 30% at 151,000 head. Overall slaughter cattle marketings are projected to be up 3.7% at 3.5 million head. The proportion slaughtered domestically increased from 78.5% in 2016 to 81% in 2017. This improved utilization at Canadian federally inspected plants improved from 80% in 2016 to 82% YTD.

2018 OUTLOOK

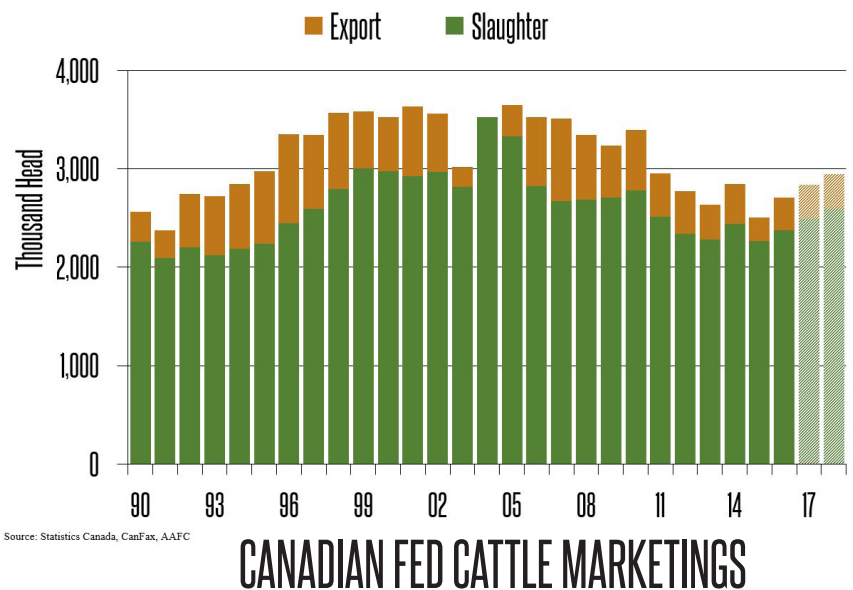
The Canadian cattle herd on July 1, 2017 was steady at 12.95 million head. The beef cow inventories were up 0.5% at 3.79 million head. The 2017 calf crop at 4.2 million head is up 0.2% or 8,500 head. Feeder cattle exports between July 2016 and June 2017 were down 104,000 head. Feeder imports from the US are projected to be around 46,000 head in 2017. Consequently, fed cattle marketings in 2018 could be up anywhere between 112-160,000 head (3.9-5.6%). Given the uncertainty around feeder trade moving into the first quarter of 2018 we will be using the lower end of this range.



Source: CanFax Research Services

CANADIAN BEEF PRODUCTION

Total beef production is forecast to be up 3.1% at 3.05 billion pounds, the highest since 2010. Domestic production is forecast to be up 3.4% around 2.6 billion pounds and live slaughter exports up 1.4% around 423 million pounds. Fed cattle marketings are forecast to be up 3.9% at 2.95 million head with slaughter up 4% at 2.6 million head and exports up 4% at 360,000 head. With no incentive to expand or liquidate, non-fed marketings are forecast to be steady around 656,000 head. Overall, slaughter cattle marketings in 2018 are forecast to be up 3% at 3.6 million head, the largest since 2014. This will continue to support Canadian slaughter utilization and domestic production.



With feeder cattle exports inching closer to 100,000 head per year, the low seen in 2000, 2003 and 2011 there is limited further gains in beef production to come from this unless feeder imports increase. This is a real possibility with a strong fed basis and larger feeder inventories stateside. However, for further growth in Canadian beef production to occur and be sustainable long-term the beef cow herd needs to expand. Stronger than anticipated calf prices in the fall of 2017 as feedlots have come off of a profitable summer should send a strong signal to expand. However, there has been limited response from the cow/calf sector to date, even four years after prices doubled in 2014. Right now, there are no signs that producers are considering expanding to any substantial degree.

Overall, larger marketings in 2018 will support marketing and research investments.

BUDGETS

I - Canadian Beef Check-Off Agency Operating Budget

II - Agency Administration Budget

III - Research Budget*

IV - Market Development and Promotion Budget*

V - Issues Management Budget*

**from full business plans in appendix*



OPERATING BUDGET

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2019

REVENUE

Canadian Beef Cattle Check-Off	14,410,000
Import Levy	900,000
	<u><u>15,310,000</u></u>

EXPENSES

Board of Directors	265,000
Agency Administration*	560,700
Provincial Investment	995,905
Research*	5,049,537
Issues Management*	672,629
Marketing*	7,771,531
	<u><u>15,315,302</u></u>

Surplus/(Deficit)	<u><u>(5,302)</u></u>
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* Organization budgets attached in appendix

2018/19 Administration Budget Canadian Beef Check-Off Agency

	2018-19	2017-18
OPERATIONS	370,600	378,500
ENSURE TRANSPARENT ADMINISTRATION	109,000	160,000
<ul style="list-style-type: none"> - Distribute an annual report to provincial and core partners and Farm Products Council - Develop sound structure, policy and procedures for Board and Staff - Manage service agreements in cooperation with provincial partner leadership and core partners - Report quarterly to provincial partner leadership - Host an Annual General Meeting to review the business of the Agency - Maintain separate and distinct governance and operation from the Agency's core partners - Manage a lean, efficient budget to conduct the business of the Agency 		
DELIVER MEASURABLE VALUE	20,000	5,000
<ul style="list-style-type: none"> - Conduct regular value assessments to determine the benefit of check-off - Audit Annual Reports of provincial and core partner check-off programming - Submit an annual business plan to provincial and core partners, and Farm Products Council - Advise provincial and core partners of check-off investment inconsistent with Proclamation - Identify areas where value for the industry can be increased - Communicate and promote the success of check-off wins 		
EDUCATE AND ENGAGE STAKEHOLDERS	20,000	5,000
<ul style="list-style-type: none"> - Communicate regularly with stakeholders based on the measurable value delivered - Educate grass roots producers on check-off basics - Engage active producers to provide feedback and share check-off successes - Assist provincial partners on check-off administration, collection and management - Provide resources and tools to check-off collectors - Strengthen the identity of the Agency within stakeholder groups - Encourage feedback from all stakeholders at the Agency Annual General Meeting 		
GROW CONNECTIONS WITH INDUSTRY	31,100	11,500
<ul style="list-style-type: none"> - Engage in national conferences, events and networking opportunities - Connect with key leaders of industry organizations regularly - Collaborate on the National Beef Strategy, Roundtable and other national discussions - Continue open dialogue with other check-off administration groups - Foster positive working relationships with regulatory entities and stakeholders - Attend annual meetings of Provincial and Core Partners when prudent to do so 		
RESERVE FUND	10,000	0
TOTAL ADMINISTRATION	560,700	560,000

	2018-19	2017-18
BOARD OF DIRECTORS	265,000	285,000
- Per Diems		
- Travel Expenses		
- Orientation & Training		
- Meeting Expenses		
TOTAL (ADMINISTRATION + BOARD)	825,700	845,000

2018/19 Research Budget

Beef Cattle Research Council

Net Assets, beginning of year - July 1, 2017		3,171,172
Excess (deficiency) of revenue over expenditure - June 30, 2018		<u>(421,632)</u>
Net Assets, June 30, 2018		2,749,540
Projected 2018 - 2019 Revenue		
National Check Off	5,000,000	
Industry Cluster Grants	97,000	
Interest Earned	30,000	
Special Project Revenues	46,575	
AAFC Cluster Management	238,314	
AAFC Cluster TEC.01.17	208,028	
VBP+ CAP Program Funds	-	
Misc Rev	-	
Total Revenue	5,619,917	
Projected 2018 - 2019 Expenses		
BCRC Management Expenses	736,135	
Cluster Industry Contributions	1,372,785	
Special Projects	54,075	
Priority Research Projects	1,950,000	
Research Capacity	500,000	
Knowledge & Technology Transfer	350,000	
Surveillance Research Networks	150,000	
VBP+ Operations & Delivery	361,560	
VBP+ Training Development	125,000	
Total Expenses	5,599,555	
Excess (deficiency) of revenue over expenditure	20,362	
Projected Net Assets, June 30, 2019		2,769,902

2018/19 Issues Management Budget

Canadian Cattlemen's Association

	2018/19 Budget	2018/19 Canada Beef Allocation*
Revenue		
Projected National Check-off Funds	\$500,651	\$167,000
Other Revenue-Carry Forward	\$0	\$0
Other Revenue- Grants/sponsorships	\$0	\$0
Total Revenue	\$500,651	\$167,000
Expenses		
Operations ¹	\$200,000	\$0
Beef Advocacy Canada ²	\$35,000	\$10,000
Equipment (phone, computer, depreciation exp)	\$5,000	\$0
Travel (inc. meals, registration, hotel, air, ground) ³	\$25,000	\$15,000
Team Development and training ⁴	\$20,000	\$50,000
Communication materials and planning ⁵	\$35,000	\$50,000
Partnerships ⁶	\$40,000	\$20,000
Administration ⁷	\$5,000	\$0
Issue Reserve Fund ⁸	\$35,000	\$0
Total Expenses	\$400,000	\$145,000
Net Surplus (Deficit)⁹	\$100,651	\$22,000

* budget notes and commentary can be found in the appendix

APPENDICES

Appendix I - Research: Beef Cattle Research Council Plan

Appendix II - Market Development and Promotion: Canada Beef Plan

Appendix III - Issues Management: Canadian Cattlemen's Association Plan

Appendix IV - Provincial Allocation Plans

