



CANADIAN BEEF CHECK-OFF AGENCY

146, 6715 8th Street NE
Calgary, AB T2E 7H7
p. 403.275.5890
f. 403.275.9288

Annual General Meeting

for the Canadian Beef Cattle Research, Market Development and Promotion Agency

August 14, 2018

London Convention Centre – Salon G/H, 300 York Street, London, ON

1. Welcome & Call to Order

Arden Scheckenburger called the meeting to order at 8:07am and welcomed all delegates and guests to the AGM. Quorum was met. Rules and procedures were reviewed, and delegates were asked to verify they were in possession of their voting cards and annual report.

2. Approval of Agenda

MOTION: *Approve the agenda as circulated. (Doug Sawyer/Heinz Reimer) Carried.*

MOTION: *Approve the scrutineers Reynold Bergen and Michael Shittu as scrutineers. (Linda Allison/Ryder Lee) Carried.*

3. Approval of Minutes of the 2017 Annual Meeting

Arden Schneckenburger indicated that the minutes were provided in the packages to all delegates.

MOTION: *Accept the minutes from the 2017 AGM as circulated. (Ryan Beierbach/Tom Teichrob) Carried.*

4. Report from the Chair

Linda Allison provided Chair Report, and included a written report in the Annual Report.

DISCUSSION:

Keith Mussar requested a copy of the organizational chart for delegates.

5. Market Development and Promotion Committee Report

Mike Kennedy provided the Market Development and Promotion Committee Report, and a written report is included in the delegate package.

The domestic market is the corner stone and foundation of what the Canadian beef industry is built on, and domestic demand is as high as it's ever been. Canadian retail business is focused on supporting Canadian on feature products with limited imports moving forward. A priority going forward is to understand a changing consumer and the needs of changing demographics and cultures. A challenge for the Canadian industry is having enough product to meet needs and

demands, and balance the demand for certain cuts. The export market is very vital for growth and a targeted approach continues to show benefits for the industry.

DISCUSSION:

Ryan Beierbach inquired if the role of Canada Beef to defend industry from anti-beef messaging, such as beef being poor for health or the environment. He also asked if there is a way for Canada Beef to leverage these opportunities to reassure consumers that they are eating a product that aligns with their values.

Mike Kennedy agreed that it is Canada Beef's role to promote the benefits and positive story of beef, including animal welfare practices, environmental sustainability and more. It has to be a part of what Canada Beef does, but the organization cannot be constantly chasing negative press – focusing on the positives is important. It is important for the value chain to align on the same page.

Linda Allison noted that Canada Beef now receives a small proportion of check-off allocated to issues management. There is an agreement between the Canadian Cattlemen's Association (CCA) and Canada Beef, which is a positive step in collaborating on those types of issues.

6. Finance Committee Report

Lonnie Lake provided the Finance Committee report, referenced the written report in the delegate package, and thanked both Chair Linda Allison, the Finance Committee and Agency staff for their work in the past year.

Michael Shittu provided an overview of the financial statements, included in the Annual Report.

Auditor KPMG representative Laura Rivero indicated that in the opinion of KPMG LLP, 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, 2017, 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.

DISCUSSION:

Ryder Lee requested clarification of where the U.S. and Mexico market hubs were located in the financial statements. M Shittu clarified that the U.S. is under North America, and Mexico is under Latin America.

7. Canadian Beef Cattle Check-Off Committee Report

Doug Sawyer provided the Canadian Beef Cattle Check-Off Committee report, and included a written report in the delegate package.

The Committee's work was heavily focused on the by-law amendments and ensuring separation of the Agency from the marketing programs. It was the role of the Committee to ensure that as the by-law changes were made, that the work of the Committee was embedded to ensure continuity. The Committee also reviewed the Agency's business plan, noting a positive and unique plan showing growing separation. Work continued through the year on the check-off increase across the country, which was intensive and extensive. On February 14, 2018 the Check-Off

Committee was dissolved as planned. The Committee Chair extended gratitude to the Committee, Board and Staff for all the work that was done.

8. Report from the General Manager

Melinda German provided the General Manager's report, and included a written report in the Annual Report.

A review of the structural changes that facilitate additional separation was provided, including a review of the organization chart, financial processes and reporting improvements. A recent update to the 2016 Rude Study, focused on the benefit-cost ratio of the Import Levy, as requested at the 2017 AGM. Total revenue by source province was reviewed, as well as the percentage allocations nationally for research, market development and promotion and provincial investment during the past fiscal year. The Agency is developing an audit and investigation process to ensure ongoing support for the provincial associations collecting check-off, and communications from the Agency continues to be a top priority.

DISCUSSION:

Jack Chaffe inquired if the recent Import Levy study took industry or government leveraged funds into consideration when calculating the benefit cost ratio.

Brenna Grant of Canfax noted that studies back to 2010 included leveraged government funding, whether it was Science Cluster, Western Economic Diversification or other.

Cedric Macleod questioned if the increase in benefit cost ratio could be a reflection of the increase in check-off rates in some provinces, or if there is an additional driving factor, and if the industry can expect an additional increase to the benefit cost ration with increased levy rates.

Brenna Grant noted the structural and funding changes in the 2011-2013 period on the graph. With the move to the \$2.50 check-off, it is expected that the industry will see a lower benefit cost ratio, which due to the Law of Diminishing Returns, is more beneficial to the industry.

Ryan Kasko inquired as to how much of the increased benefit cost ratio is due to government or other leveraged funds, and how much could be attributed to check-off dollars invested directly into programing.

Brenna Grant indicated that this was not taken into account during this study, but with an overhaul of the economic model used to produce the study, could be pulled out in the next iteration.

M. German noted that the next evaluation study could come as early as 2020, however could be delayed until 2023 with the addition of this supplemental study. An update sooner rather than later, with the engagement of the service providers would be beneficial, and reviewing what data could and should be pulled from the study.

Tom Teichrob asked if the import levy was in jeopardy without all of the provinces being signed on to an increase at this time, and if future benefit cost ratio evaluations would be able to direct future investment increases or changes to the allocations.

Melinda German noted that all nine provincial associations must be collecting for the import levy to be enacted, which it currently is. The import levy is applied at the lowest common denominator collected by all provinces, which is currently \$1.00. Once all nine provinces are collecting \$2.50, the Agency can move forward to amend the Federal Levy Order and increase the import levy to an equivalent rate.

Melinda German made reference to the market trends report in the Agency's Annual Report, noting that those sets of data can also help the industry make investment decisions, and it's always the role of the provincial organizations to allocate funds – never the Agency. The benefit cost ratio studies help the industry see where it needs to move, and be more forward thinking in strategically planning the investments.

Ryan Kasko recommended that future iterations of the study use an improved model to show the impact of matching or leveraged dollars.

Keith Mussar thanked the Agency for completing the import levy benefit cost ratio study as requested at the 2017 AGM. He noted that it may be beneficial for importers to have access to a direct return on investment rather than a counterfactual approach, especially if there is potential for a 150% increase of the import levy. He also requested clearer communication on the generic beef promotion activities that the levy is being invested, whether that is a list, itemization or other tool. He indicated there is strong interest in what those programs are, and will need more accountability for the value of the programming when/if there is an increase. There was also a request for a comparison for return on investment between Canada and the U.S.. There is a potential for additional positive messaging if the industry can show a stronger return in Canada.

M. German noted that there have been some recent questions from importers when the Agency distributes invoices monthly. There is a standard importer package that the Agency shares, along with details on programming from ThinkBeef.ca, which is where the majority of the investment is targeted.

9. Governance Committee Report & By-Law Overview

Larry Weatherby provided Governance Committee Report, and included a written report in the delegate package, noting that the majority of the Committee's work the past year focused on the draft amended by-laws. He also reviewed the changes to the Agency's by-laws, highlighted in the delegate package.

10. Delegate Roundtable/Open Forum

DISCUSSION:

Craig McLaughlin sought clarification from Mike Kennedy on how much market research is being done on changing demographics, and how it is being conducted.

Mike Kennedy explained that going forward, Canada Beef will have a more enhanced approach on research. To date, the organization has been using external resources, understanding there is value using external data available to the industry. Canada Beef will be taking stronger ownership of this area, and will be undertaking additional research in the future. It was noted that Francis Andres would touch more on this in the afternoon presentation.

Ryan Kasko recommended the Agency share budgets or projections for the coming business year moving forward, and how the check-off dollars will be allocated.

Linda Allison noted that the allocations are made on a provincial basis, and following any increases, will continue to be allocated that way.

Melinda German explained that the Agency's business plan projections are done in the late fall, and updated in January ahead of the business plan approval. This includes looking at how provinces allocated their check-off dollars. For 2018-19, the Agency is projecting \$14.4 million in check-off revenue, and approximately \$900,000 in import levy. The revenue is then distributed as requested by each provincial association, and is projected at approximately \$7.8 million for marketing, \$5 million for research and \$670,000 for issues management.

Michael Shittu indicated that Canada Beef has submitted an application for government funding of \$10 million over five years.

Ryder Lee asked if Mike Kennedy could share examples of places where Canada Beef might feel it doesn't see value to be promoting or marketing in, whether it be a lack of reliable supply or perhaps a niche product.

Mike Kennedy explained that national retail chains in China and Japan require large quantities of high end product, which is hard for Canada to fulfil. It is more valuable overseas to focus on smaller retailers and foodservice that the industry is able to supply.

11. Election of Directors

Nominees for the Retail Foodservice Temporary Substitute seat were announced as Dino DiMarcantonio and Steve Christie. Each were invited to address the delegation. Ballots were distributed to the delegates and collected.

The Marketing Committee Members-at-Large were acclaimed, and a random draw was conducted to determine term length:

- Helen Langford – 1 year
- Hubert Lau – 2 years
- Becky Bevacqua – 2 years
- Mike Guest – 1 year

Presentations were made to retiring director A. Batista, and outgoing chair L. Allison.

ELECTION RESULTS: *Steve Christie was declared the Retail and Foodservice Temporary Substitute.*

MOTION: *To destroy ballots. (Arthur Batista /Garett Hill) Carried.*

Coffee break 11:00am – 11:22am.

MOTION: *Accept the Agency Members for 2018/19 (Paula Larson/Joe Hill). Carried.*

MOTION: *Accept the Marketing Committee for 2018/19. (Arthur Batista /Linda Allison). Carried.*

12. Resolutions

Arden Schneckenburger reviewed the rules of procedure and presented the following resolution:

RESOLUTION: Whereas Canada Beef clearly states that it does not sell beef, but rather supports those who do produce and sell beef; and,

Whereas all sales of Canadian beef, in Canada and in export markets, provide benefits for the Canadian beef industry and the cattle and beef producers who support our organizations with their check-off funds,

Be it resolved, that Canada Beef freely encourages the use of the Canadian beef brand and associated branding attributes by all businesses and organizations that sell Canadian beef or promote the sales of Canadian beef in regional, national and international markets.

(Charlie Christie/Kelly Fraser)

DISCUSSION:

Charlie Christie noted that there is a sentiment that if there are programs working on behalf of provincial organizations, national organizations or have been deemed legitimate Canadian Beef, the brand mark should be applied.

Mike Kennedy clarified that there are and need to be guidelines around the use and application to manage risk. The brand has been misused in certain instances, where products are misrepresented. He indicated that the intensions around this resolution seem to be positive, but Canada Beef wants to ensure guidelines are in place to ensure protection of the brand.

Keith Mussar suggested connecting with the Canadian Food Inspection Agency around third party labelling to ensure compliance with new regulations.

Charlie Christie acknowledged the need for guidelines, and encouraged the open use of the brand mark when possible.

Arden Schneckenburger called the question. Carried.

13. Closing Remarks

Arden Schneckenburger thanked the delegates for their attendance and reminded attendees of the Town Hall starting at 1:15pm.

14. Adjournment of Business Meeting

MOTION: Adjourn the meeting at 11:30am. (Larry Weatherby/Arthur Batista)