

CANADIAN BEEF CATTLE RESEARCH,
MARKET DEVELOPMENT & PROMOTION AGENCY

moving forward

2018/19 ANNUAL REPORT



CANADIAN
BEEF CATTLE
CHECK-OFF

The background image shows the interior of a large, modern agricultural facility, likely a dairy barn. The structure features a complex metal truss roof system with a high ceiling. The walls are made of vertical wooden slats. A long, clean concrete aisle runs down the center, flanked by rows of brown cows. A sign with the number '10' is visible on a wall in the distance. The lighting is bright, suggesting large windows or skylights.

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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.



Foreword

The Canadian Beef Cattle Check-Off is managed and administered by the Canadian Beef Cattle Research, Market Development and Promotion Agency, operating as the Canadian Beef Check-Off Agency (the 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 by provincial organizations when they market their cattle, 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 is a critical source of revenue to fund initiatives that advance the industry and build strong markets for Canadian cattle and beef.

By working with service providers, 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 also collects an Import Levy on beef cattle, beef and beef products. Import levy dollars are invested into generic beef programs that do not bear the Canadian Beef brand mark, such as culinary skills, and health and wellness.

This 2018/19 annual report of the Agency provides a summary of programs and results of Canadian Beef Cattle Check-Off funded activities between April 1, 2018 to March 31, 2019.

Message from the Chair

Looking back over the last year as the Chair of the Agency, I am proud to say we have solid earth under our feet and we're marching in the right direction.

The year was a busy one, but having our newly structured Marketing Committee operational for the full year was a strong benefit to the entire industry. With clear lines of authority and responsibility, solid objectives and a committed board, we have strengthened the Agency to a place where producers should be proud of the organizations and how they operate on their behalf. As with any big changes, there are always bumps in the road, but we are committed to working together in the best interests of our stakeholders to keep moving forward.

The Marketing Committee has worked hard to build an internal structure of policies and procedures to operate separately, while still under the oversight of the Agency. The structure allows Canada Beef to be nimble and flexible in the marketplace, where their expertise lies. The Marketing Committee also oversaw the hiring of a new Canada Beef president, and I am pleased to welcome Michael Young to the role.

We continue to ensure that transparent administration of the Agency is at the top of our priority list. The Agency is producers and industry working together to deliver value for the dollars we invest from the farm gate to the dinner plate, and it's up to our Members to keep your priorities top of mind.

Investments in research this year were aimed at producing high quality beef in a safe, sustainable and efficient

manner. Recent environmental impact research shows continued improvement by the Canadian beef industry, and the Verified Beef Production Plus (VBP+) program continues to provide additional verifications for Canadian producers that end users demand. Transfer of knowledge and technology to producers is an important strategy that continues to be front and centre in Canada, ensuring that the great producer-funded research work gets back to the farm to work for producers.

Growth in volume and value of Canadian beef exports continues to be a good sign for our industry. Market development and promotion activities in foreign markets continue to take advantage of recent trade agreements, and bringing the Canadian beef story to consumers around the world has given strength to international demand numbers.

Domestically, ensuring strong loyalty to the Canadian Beef brand through strategic partnerships has proven successful this year, with two top-tier Canadian curling teams touting Canadian beef for a second season. Domestic non-branded programming funded by the import levy continues to reach Canadians from coast to coast with beef's healthfulness and importance in Canadian diets.

In the public trust arena this year, we saw our country release a new food guide with the space for beef on the



plate shrinking. We also saw a growing focus on the industry's environmental footprint. Public and stakeholder engagement investments kicked into high gear to ensure that Canadians were provided fair and accessible information about the beef they eat from nutrition experts, industry representatives and beef producers from across the country.

I'd like to take this opportunity to thank the Agency Members for their continued dedication to our industry, and for representing stakeholders at the national table. Our industry can rest assured that this group of men and women are working for your best interests, from coast to coast.

It's been a pleasure working with the national and provincial organizations from coast to coast this year. I look forward to continued momentum, and the bright future of our great beef industry.

Regards,

A stylized, handwritten signature in red ink, consisting of several loops and a long horizontal stroke at the end.

Heinz Reimer, Chair
Canadian Beef Check-Off Agency

Message from the General Manager

When I arrived at the Agency in March of 2016, our provincial funders had laid out a clear direction for our governance and structure.

They sought increased transparency, clearer lines of reporting and a stronger separation within the organization.

Looking back on the past year for the Agency, and the positive results of the past few years of hard work, I'm confident that Canadian beef producers will be proud of the progress we have made together.

In our first full year with a strengthened and defined set of by-laws, we have found our stride when it comes to transparent and separate management. Our 16 Agency Members are focused on the business of the Agency, check-off and import levy, and our administration. They are a forward looking group, who continue to move the Agency forward through strong industry representation and sound policy development.

The restructured Marketing Committee remains focused on the strategic direction and business operations of Canada Beef. The leadership their collective skills bring to the group should allow our industry stakeholders to rest easy, knowing that they are among the best marketers in the country, working on your behalf.

The Agency operated financially separate for the full year, and came with a steep learning curve and a few bumps along the way. With the help of a dedicated Finance Committee, the Agency has delivered financial processes and policies that allow

for transparency and flexibility when working with nine unique provincial organizations and hundreds of importers. We were also able to reduce our Agency board and advisory committee costs by about ten per cent this year, further proving our commitment to increasing the value of check-off and import levy dollars.

Our Governance Committee facilitated a new Director orientation and training this year, as well as training to ensure that Agency and Marketing Committee Members understand the new structure. The Committee has committed to continuing to develop policies that further define how we operate in separate and distinct mandates, and to keep both of our entities moving forward in sync.

Through the entire fiscal year, eight of nine provinces remitted the increased check-off rate of \$2.50. Record amounts of check-off and import levy dollars were collected and invested into achieving the goals of the National Beef Strategy, benefiting producers and importers from coast to coast.

We conducted our first check-off inspections in the last fiscal year, with the help of our partners in the Maritimes. The goal of our inspections is first and foremost to communicate and educate producers and remitters on the proper procedures and requirements. Our provincial partners continue to



support our inspection work, and the education components that make up much of the program.

The Agency also launched our first stand-alone website in December of 2018, giving us a platform of our own to communicate with producers, industry stakeholders and partner organizations. The new site has supported robust growth of our monthly newsletter list and our social media engagement from grass roots producers. A growing audience means we are able to cast a wider net and reach more people than ever before with our message, and strengthen support for the investment of check-off and import levy across the country.

Our vision of a unified and sustainable national funding strategy for Canadian beef cattle research, market development and promotion will remain in our sights. If we continue to stay connected with our provincial funders, industry stakeholders and the grassroots producers of Canada, I'm confident the work we do will deliver the value that our industry expects of us.

A stylized handwritten signature in red ink, consisting of several loops and a long horizontal stroke at the end.

Melinda German, General Manager
Canadian Beef Check-Off Agency

Agency Members

The Agency's board consists of 16 Agency Members from across Canada. Ten 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.

The Board works both as a whole, and through focused advisory and operational committees to achieve its mandate. The Governance Committee and Finance Committee operate as advisory committees, and are made up of Agency Members only. The one operational committee, the Marketing Committee, is made up through an appointment of Agency Members, and an election of producers and members-at-large.

The Marketing Committee is responsible for the oversight of Canada Beef, the organization tasked with investing check-off dollars into market development and promotion. The members of this committee are appointed and elected from the best of the best in beef and marketing, ensuring that the Canadian beef industry receives strong value from their marketing investment through check-off.



2018/19 AGENCY MEMBERS

Back L-R

Lonnie Lake, *Retail/Foodservice*
 Anthony Petronaci*, *CMC*
 Mike Kennedy, *CMC*
 Alexandre Fontaine, *CMC*
 Chad Ross, *Vice Chair, SK*
 Doug Sawyer, *AB*

Larry Weatherby, *NS*
 Kirk Jackson, *QC*
 Charles Dyer, *NB*
 David Francis, *PE*

Front L-R

Jeff Smith, *AB*
 Jack Chaffe, *ON*

Coral Manastersky, *I.E. Canada*
 Heinz Reimer, *Chair, MB*
 Russ Mallard, *CMC*
 Linda Allison**, *BC*

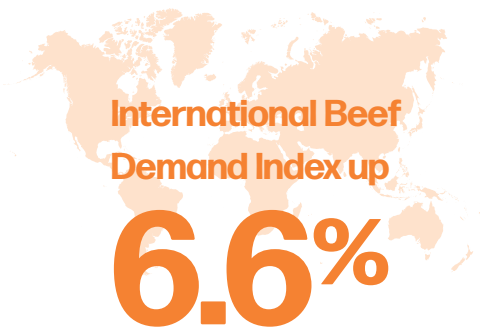
* resigned October 2018

** retired January 2019, replaced by Terry Wiebe.



↑ 16%

**Canadian beef exports
16 per cent higher than 10 year average
and highest value on record**



Wholesale Beef Demand Index up

1.7%

Top growth markets by value:

- * Japan **33%**
- * US **14%**
- * SE Asia **13%**
- * China & Hong Kong **11%**

Top 5 export markets by volume:

- * US **74%**
- * China & Hong Kong **8%**
- * Japan **8%**
- * Mexico **4%**
- * SE Asia **2%**

Market & Industry Overview

Cattle Prices Stable Despite Increased North American Cattle Supplies

In 2018, the North American market continued to face larger cattle supplies and beef production as a result of the herd expansion occurring in the U.S. over the past four years. North American beef production was near record large in 2018, but strong domestic and international demand resulted in the cattle market performing better than expected.

Alberta steer calf prices traded in a very flat price range between \$210-234/cwt in 2018, and averaged over \$222/cwt for the year, slightly higher than 2017 average of \$221.73/cwt. Alberta-fed prices dropped \$1.82/cwt, averaging \$152/cwt. But seasonal price swings were below average trading between \$167 and \$142/cwt, compared to 2017 when prices traded between \$192 and \$132/cwt. Ontario-fed prices were 6 per cent weaker averaging \$139/cwt compared to \$148/cwt in 2017. Regional challenges with larger fed cattle marketings continue to be an issue.

The Alberta-fed market enjoyed strong basis levels in 2018. For the first time in over 30 years, Alberta-fed cattle prices were at a \$1.78/cwt premium over Nebraska. This compares to a \$2.39/cwt discount in 2017, and the five-year average of a \$7.60/cwt discount. The strong cash-to-cash basis levels were mostly supported by the

relatively tight numbers of cattle in Western Canada as well as improved packing plant utilization rates which were up from 82 per cent in 2017 to 87 per cent in 2018.

Cattle Inventories Down and Beef Production Up

Dry weather challenges in Western Canada resulted in feed shortages in some areas and much higher feed costs. Spring snowstorms also led to higher cow slaughter in the second quarter. These two factors resulted in beef cow culling rates jumping almost 2 per cent higher to 13.7 per cent. Canadian beef cow inventories on January 1, 2019 dropped 1 per cent to 3.66 million and is now the smallest beef cow herd since 1991.

Despite the shrinking cow herd, Canadian cattle slaughter and beef production have been on the rise.

Canadian cattle slaughter totaled 3.2 million head, up 5.7 per cent from 2017 to be the highest level since 2010. Fed slaughter was up 4.6 per cent from 2017 to 2.6 million head; while non-fed slaughter was up 11 per cent to 579,000 head. With carcass weights in 2018 being generally flat with a year ago, domestic beef production was up 5.8 per cent from last year.

Canadian beef production in 2018 (domestic plus live slaughter exports) was up 2.8 per cent to 3.1 billion pounds. Domestic production was up 5.8 per cent at 2.7 billion pounds while live slaughter exports were down 17 per cent to 341 million pounds. The proportion of slaughtered domestically increased from 86 per cent in 2017 to 89 per cent in 2018. Fed beef production was up 1.1 per cent to 2.51 billion pounds; while non-fed beef production was up 10.5 per cent to 562 million pounds.

Domestic Demand Softer, But Still Historically Strong

Total Canadian beef consumption was up 2 per cent at 941,000 tonnes (carcass weight) and per capita beef consumption up 0.8 per cent. Seventy-eight per cent of domestic consumption was sourced from Canadian beef, steady with 2017.

The combination of a slight increase in per capita consumption and deflated retail beef prices down 4 per cent resulted in weaker beef demand. The retail beef demand index, an indicator of consumer's willingness to pay for beef, was down 3.3 per cent at 114 (Index 2000=100). This remains the fourth strongest retail demand since 1989.

Wholesale demand, which includes foodservice, was steady with a year ago as the increase in domestic

consumption offset the decline in deflated beef cutout prices.

The AAA/Choice price spread widened to -\$8.45/cwt from -\$4.75/cwt in 2017. The AA/select spread widened to -\$5.13/cwt from -\$3.75/cwt from -\$2.38/cwt in 2017.

Market Access and Trade

Beef exports were a highlight for the Canadian market in 2018. Beef export volumes were up 5 per cent to 399,000 tonnes, the sixth consecutive year of growing exports volumes. Export value was up 14 per cent to a record high of \$2.75 billion, the third consecutive year of record export values. The international demand index was up 6.6 per cent in 2018.

The U.S. remains the dominant export market, accounting for 74 per cent of total export volumes, followed by Japan (8 per cent), Mainland China & Hong Kong (7.7 per cent), Mexico (4 per cent), Southeast Asia (including Taiwan) (1.8 per cent), South Korea (1.1 per cent), the Middle East and North Africa (0.3 per cent), and all other markets at 3.1 per cent.

Exports to the U.S. were up 5 per cent in volume and 14 per cent in value at 295,000 tonnes valued at \$2 billion. Exports to Japan were up 20 per cent in volume and 33 per cent in value at 32,000 tonnes valued at \$215 million. Exports to Mainland China and Hong Kong were up 2 per cent in volume and 11 per cent in value at 31,000 tonnes valued at \$272 million. While similar in volume to Japan the value going into these markets is 27 per cent higher. Exports to Mexico were down 10 per cent in volume and 4 per cent in value at 15,000 tonnes valued at \$110 million. Exports to Southeast Asia were up 28 per cent in volume and

13 per cent in value at 7,400 tonnes at \$42 million. Exports to South Korea were down 6 per cent in volume but up 1 per cent in value at 4,400 tonnes valued at \$30 million.

Canadian beef imports were up 3 per cent in volume at 177,000 tonnes, but down 0.7 per cent in value at \$1.33 billion. The U.S. remains the main supplier accounting for 63 per cent of total import volume, followed by Australia (13 per cent) and New Zealand (11 per cent).

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect on December 30, 2018. The first scheduled tariff cut on December 30, 2018 reduced the Japanese beef tariff of 38.5 per cent to 27.5 per cent on Canadian fresh beef and to 26.9 per cent on frozen beef. In the first quarter of 2019, Canadian beef exports to Japan were up 100 per cent in volume and 117 per cent in value compared with the same period last year.

First Quarter 2019

Domestic beef production is up 9 per cent in the first quarter of 2019. While larger supply is expected to support consumption and export, beef demand will continue to be a crucial factor to support beef and cattle prices. Retail beef prices are down 1 per cent from last year, while wholesale prices remain 4 per cent higher squeezing retail margins. Beef exports in the first quarter are up 24 per cent in volume and 39 per cent in value with strong growth to Japan and China. Beef imports are down 18 per cent in volume and 14 per cent in value.



78%

**of domestic consumption
was sourced from Canadian beef**

Agency Overview

In 2018/19, the Canadian Beef Cattle Check-Off revenue totaled \$18,300,229 on cattle marketed.

Revenue was generated at \$2.50 per head on cattle marketed across Canada, with the exception of BC who increased in July 2018, and Ontario, who continues to collect \$1 per head.

Of the total net check-off funds collected of cattle marketings, 52 per cent was allocated to market development and promotion, 32 per cent to research, 12 per cent was retained by the provincial cattle organizations for regional marketing and research programs and 4 per cent was allocated to Public and Stakeholder Engagement (previously called issues management).

The Import Levy on beef cattle, beef and beef products imported into Canada was also collected at a rate of \$1 per head equivalent, for a total of \$1,094,435. These funds, net administration, are allocated to unbranded, generic beef marketing such as nutrition marketing, recipe development and culinary skills education.

Administration

\$629,683 was retained for the administration of the check-off, the Agency and the Board. The Agency's Board of Directors expenses have been reduced by ten per cent in the last year, and over 40 per cent since 2016. The additional costs for the Marketing Committee were covered by Canada Beef.

The Agency Members approved an updated set of bylaws early in the fiscal year, just before the Agency's last AGM. The new bylaws set the stage for more independence for the Marketing Committee to oversee Canada Beef's strategic and business operations, and include the election of four additional non-Agency committee members. The Agency continues to oversee the Marketing Committee from a governance perspective.

The regulatory compliance of both check-off and import levy administration included the updating of all agreements with the nine provincial cattle associations. By modernizing the language and refreshing the details, the Agency strengthened relationships and laid the foundation for most provinces to administer an increased check-off.

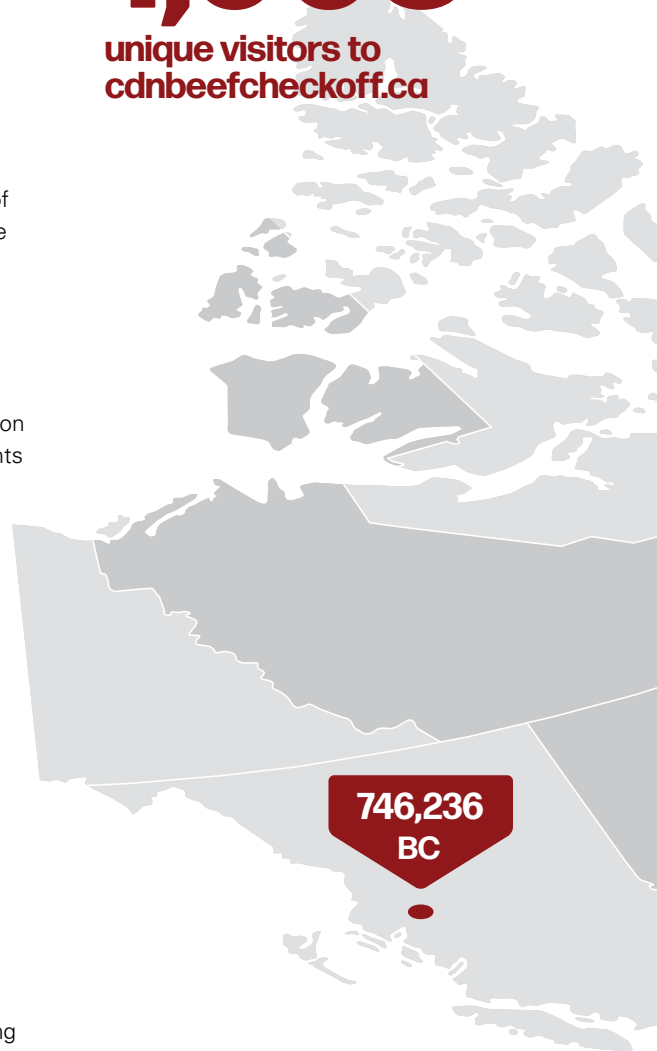
As of March 31, 2019, eight of nine provinces have increased the check-off to \$2.50 per head. The increases in Alberta, Saskatchewan, Manitoba on April 1, and British Columbia on July 1 were supported by the Agency for a smooth transition. The Agency concentrated on education of proper remittances, mostly on interprovincial trade. The approach will continue going forward with the goal of reducing slippage and incorrectly levied sales.

17%

increase in
Facebook followers

1,008

unique visitors to
cdnbeefcheckoff.ca

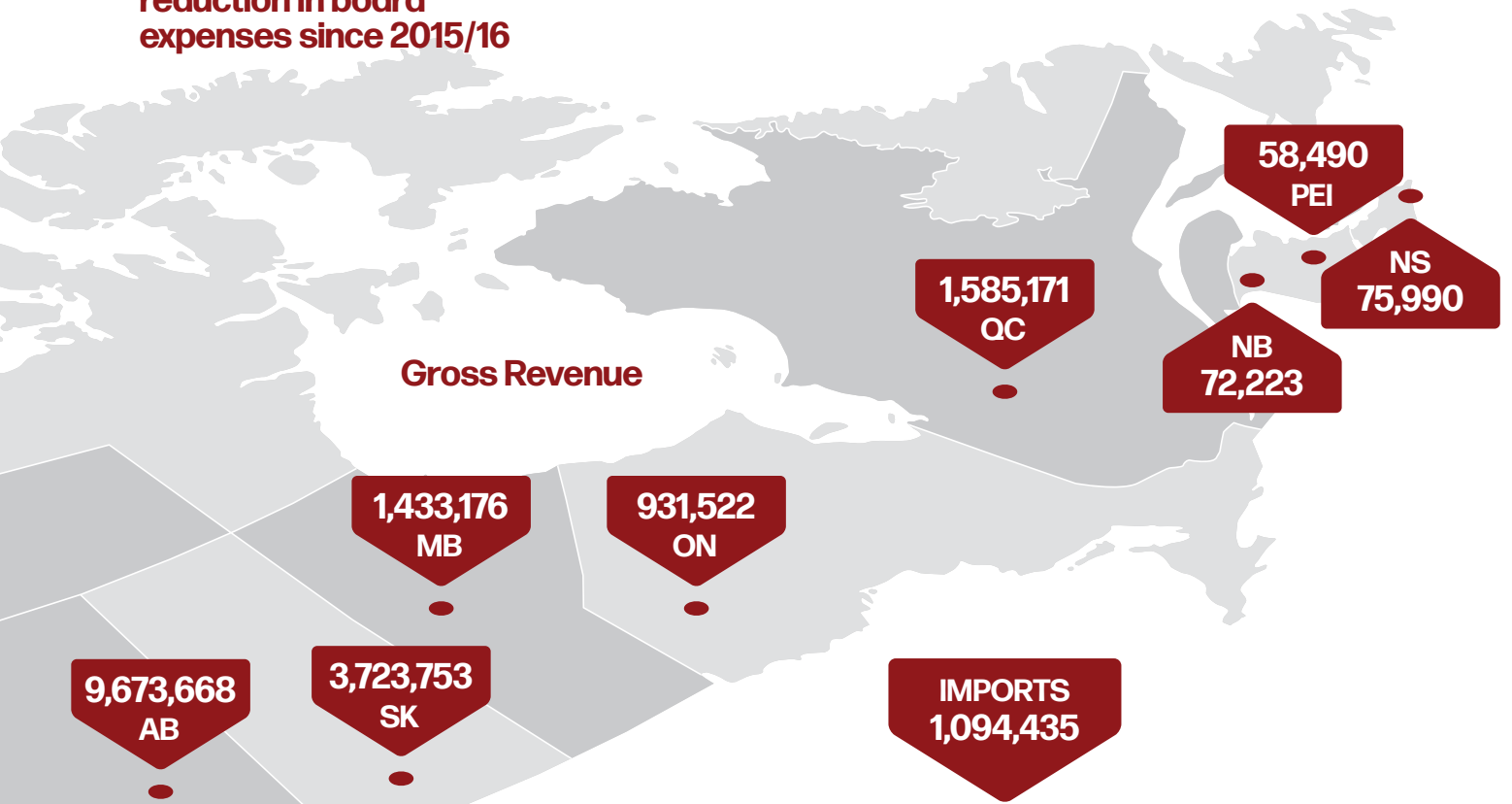


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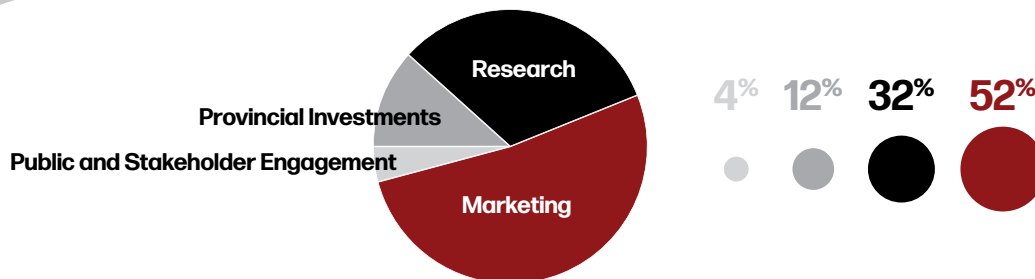
inspections
conducted

40%

reduction in board
expenses since 2015/16



Allocation of Revenue



2011 ▶

JULY - BIC, CBEF & NCOA merge under the Canadian Beef Cattle Research, Market Development and Promotion Agency, under the operating name Canada Beef

2013 ▶

OCTOBER - First collection of Canada's beef import levy

2016 ▶

MARCH - General Manager hired to begin administering check-off independently from marketing

JULY- Benefits of check-off 14:1 to dollars invested for producers*

The Canadian Beef Cattle Research, Market Development and Promotion Agency

A post-merger timeline

2017



JANUARY - Nova Scotia increases national check-off to \$2.50

MAY - Farm Products Council of Canada provides positive feedback on structural changes

JUNE - Funders make additional structural recommendations

JUNE - PEI increases national check-off to \$2.50

AUGUST - Agency presents divisional draft by-laws to AGM delegates

2018

JANUARY - Agency develops a new set of draft by-laws which includes elected members of the Marketing Committee

FEBRUARY - New Brunswick increases national check-off to \$2.50

APRIL - Alberta, Saskatchewan and Manitoba increase national check-off to \$2.50

JUNE - Quebec increases national check-off to \$2.50

JUNE - Agency approves amended by-laws separating administration and marketing; additional elected seats added to Marketing Committee

JULY - BC increases national check-off to \$2.50

JULY - Benefits of import levy 6:1 to dollars invested for importers **

AUGUST - First election of Marketing Committee members under new structure

AUGUST - Revisions and updates of all provincial agreements completed

DECEMBER - Stand-alone Agency website first launched, increasing independence and producer-first communications

JANUARY - Agency conducts first check-off audits in partnership with provincial cattle associations to support training and education on collection and remittance

* Evaluating the Economic Benefits From the Canadian Beef Check-Off, prepared by James Rude and Ellen Goddard with the assistance of Violet Muringai; July 19, 2016

** Evaluating the Economic Benefits From the Canadian Beef Check-Off: Inclusion of Levies on Imports, prepared by James Rude; May 31, 2018



As the Agency's internal marketing division, 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.

37%

web traffic for
"How to Cook a Roast"

\$600

/HEAD added value
from export markets

\$480 MILLION

new #cdnbeef
business through
the CBCE to date

100%

increase in exports
to Japan in 2019 Q1

Marketing Results Report

Branded \$7,927,535 Generic \$1,035,016

As the marketing division of the Canadian Beef Cattle Research, Market Development and Promotion Agency, Canada Beef is the cattle producer-funded organization responsible for domestic and international beef and veal market development. With 28 staff in offices in Canada, Mexico, Japan, China, and Taiwan, Canada Beef delivers a business strategy that leverages the Canadian beef brand through consumer marketing and business development activities.

Capture High-growth Market Segments

Canada Beef uses market segmentation tools to identify high-growth, high-value consumer groupings by demographics, behavior, ethnicity, geography, etc. An overarching blend of emotional and technical attributes that are meaningful and relevant to each consumer group are created, and used as the "reason why" Canadian Beef answers their need. By understanding consumer segments' needs and wants, Canada Beef develops marketing and promotional campaigns relevant to each segment resulting in increased awareness, improved perception, heightened product desire and ultimately increased purchase.

With this model, the carcass cuts can then be viewed as a product portfolio, with the specific cuts targeting appropriate geographic markets and consumer groups. This generates multiple benefits to the value chain:

- * *More effective utilization of the carcass; better production efficiencies for packers;*
- * *Higher value return to producers;*
- * *Quicker turnover and increased demand for the retailer and foodservice partner; and*
- * *Consumer demands and expectations met, ensuring long-term growth.*

Canada Beef has completed an extensive round of consumer research in Canada, Mexico, Japan, China and Taiwan. The research looked at consumer and customer attitudes towards our beef products and production systems to better understand our relative strengths and weaknesses specific to those markets. This information is being used to develop promotional and marketing creative concepts that will also be tested in those markets in order to be as effective as possible with our consumer marketing investments.

Domestic Market Development: Strength at Home

The 2018 consumption data shows year-over-year increases in per capita beef consumption and it is evident that Canadians are seeking information at an increasing rate as their consumption grows. The Canada Beef website traffic grew 10 per cent each quarter; it showed the highest number of users in December, with over 37 per cent of visitors seeking information on “How to Cook a Roast.” To support the largest demographic of users (25-34yr old), Canada Beef continued to grow the brand domestically through social media and online platforms, and an ever-expanding video library that can help Canadians feel confident in preparing beef at home.

The sponsorship of curling’s Team Koe and Team Homan garnered brand exposure across all platforms, including millions of views on TV on curling broadcasts. Canada Beef extended their sport partnerships into hockey, partnering with Canadian Women’s Hockey League player Haley Irwin on culinary videos, capitalizing on Canada’s recent silver medal at the PyeongChang, China Olympics.

Expand Programs with Retail and Foodservice Partners

By focusing on brand partners with large volumes and influence like Sobeys, Costco and Sysco, Canada Beef can ensure that these partners are well-versed in Canadian beef, and can leverage the value of the Canadian Beef Brand. Canada Beef will continue to expand programs with retail and foodservice partners allowing for brand exposure with both regional and national reach. These programs have built loyalty and commitment to Canadian beef among trade partners and consumers, generating sustained demand and increased value for producers.

Canada Beef invested in three industry association events that reached a national retail and foodservice audience. Canada’s Top 100 Restaurants, Restaurants Canada National Trade Show and the Canadian Federation of Independent Grocers partnership resulted in a 12 per cent increase in Canada Beef’s educational e-learn program.

Consumer Marketing and Public Trust

Canada Beef’s social and digital spaces engage and connect with consumers and producers to build brand loyalty. With over 54,000 followers and 3.2 million impressions, Canada Beef continues to successfully build relationships and drive demand. At CanadaBeef.ca, consumers and producers can source information regarding recipes, beef know-how, media releases, beef campaigns and events in both English and French.

The Make it Beef monthly e-newsletter is deployed to almost 40,000 subscribers covering topics that are both culinary and brand focused. The

Roundup App is a mobile beef buying and cooking app, designed to help consumers have better success with beef when they cook at home. This resource is offered in English, French and Spanish and was adapted for the Chinese market. An online campaign combining Google and Facebook ads successfully added 1,100 installs of the app. Canada Beef’s social media space has grown to include a variety of social media platforms, each reaching target audiences in helpful, informative, and engaging ways.

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. Together with industry partners, Canada Beef is developing communications tools, resources and training capacity that help Canadian beef producers and industry spokespeople better communicate with the public and consumers, addressing concerns and misinformation, and build public confidence in how beef is raised and produced in Canada.

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. Canfax Research Services estimates that well over \$600/head in additional value is added to the carcass by export markets.

With heightened competition from other beef exporters, there is a need to intensify our brand and business development programs in export markets where we are currently present. These include: Mexico, Japan, China, Southeast Asia, Korea, Taiwan, European Union and the Middle East. Likewise, growth opportunities can be addressed within these markets in both the retail and foodservice sectors. Emerging markets will also be identified and explored with the goal of being first to market.

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.

Japan in particular has been surging due to the tariff rate reduction Canada is enjoying with the implementation of the CPTPP trade agreement. Canada received a tariff reduction of 11 per cent on January 1, 2019, while our largest competitor the United States has remained at the previous tariff level. This has contributed to a doubling of typical Canadian beef export volumes to Japan through the first months of 2019.

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 ability to connect and collaborate with clients in a meaningful way. 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.

The CBCE played an integral role in the development of new culinary and butchery concepts for some of Canada's most influential packer, retail and foodservice organizations. The Centre also continues to conduct culinary and butchery seminars in the facility in Calgary, through live and recorded digital formats, and through the "CBCE On the Road" series.

E-Learn, Canada Beef's educational program geared towards industry, was renovated and relaunched through the CBCE, along with continued work on the retail industry online learning centre.

The CBCE has had visitors from more than 32 countries, hosted over 90 international missions and over 140 domestic missions representing over 450 companies from across the global, and has helped generate an estimated \$480 million in new Canadian Beef business to date as a result.

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 developed targeted initiatives to positively influence consumer preference for beef over other proteins. Activities included print advertising, social media and blogs, television and radio interviews, and generated over 24 million consumer impressions.

Canada Beef conducted a Canada-wide television campaign for winter 2019. In light of the new Food Guide discussions around the value of plant-based protein foods, the campaign was designed to draw consumer attention to beef's substantial nutrient profile, in conjunction with its amazing taste and versatility as part of a balanced diet.

The three 15-second spots stressed the remarkable nutrient density of beef compared to other protein foods, including plant-based burgers. There was a focus on beef's clean ingredient deck and beef's champion nutrients such as quality protein, iron, zinc and vitamin B₁₂. Each spot ended with a call-to-action to visit ThinkBeef.ca, to learn more about the goodness of beef.

The \$220,000 campaign began Monday, January 21 and ran through to March 31, 2019 on a variety of prominent television networks such as CTV, CBC, CTV News Channel, CBC News Network, the Food Network, HGTV, Showcase and the National Geographic Channel. The campaign was projected to reach 15,000,000+ Adults 25-54. The three commercials aired on a rotating basis, over the campaign's 1,001 total spots.

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. To ensure that its strategy is effective, and to see the Canadian Beef Brand move to the next level, Canada Beef will build bridges across the beef value chain - from the producer through packers, trade partners, other stakeholders and to the consumer. All segments must see the value of what each party brings to the table and endeavour to align our objectives around common ground.



The Beef Cattle Research Council (BCRC) is Canada's national industry-led funding agency for beef, cattle and forage 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. The BCRC also leverages funding from Agriculture and Agri-Food Canada (AAFC) through The Sustainable Beef and Forage Science Cluster.

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.

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 and extension specialists, 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.

In 2017, it took

15 FEWER DAYS

to finish cattle vs 2012

\$61M

in savings from declining feed to gain ratio

AAA and Prime grades increased

8%

as a percentage of all A grades between 2013 and 2018

+14.5%

increase in 5-year average barley yield

Research Results Report

\$5,589,419

In 2018/19, the BCRC received on average \$0.79 of every \$2.50 of the Canadian Beef Cattle Check-Off collected by the provinces. This funding is in turn leveraged under various programs to maximize producer returns on their check-off investment.

In 2018/19, the BCRC leveraged Canadian Agricultural Partnership (CAP) government funding with industry dollars, primarily the Canadian Beef Cattle Check-Off, where industry contributed 35 per cent and government contributed 65 per cent. In addition to the AAFC funds leveraged through CAP, BCRC leveraged the Canadian Beef Cattle Check-Off with other government and industry, national and provincial funding.

Research programming during this period was centered around the following areas:

- * *Maintaining or improving competitiveness in the production of beef cattle – animal health, feed efficiency and feed production;*
- * *Supporting science-based policy, regulation and trade;*
- * *Supporting science-based public education and advocacy;*
- * *Supporting the Canadian Beef Advantage through continual advancements in beef quality and food safety, and;*
- * *Accelerating the adoption of new innovations in the Canadian beef industry.*

The third five-year Beef Science Cluster is a \$21.7 million program, with AAFC contributing \$14.1 million and industry contributing \$7.6 million over the five years. There are 25 approved projects managed by the BCRC under the third Science Cluster. Given that 2018/19 was the first year of a new Science Cluster, the projects were started well into the 2018/19 fiscal year and therefore the reportable results are limited.

All projects cover areas relating to one of the following priority areas: Beef Quality and Food Safety; Animal Health, Welfare and Antimicrobial Resistance; Feed Production and Feed Efficiency; Forage Productivity and Environmental Sustainability; or Knowledge and Technology Transfer.

Under the Knowledge and Technology Transfer science cluster project, several resources including factsheets, interactive decision making tools, videos, articles, webinars, blog posts and infographics were developed and distributed to industry. Analytics indicate that website traffic and redistribution levels of articles and fact sheets has increased, the audience is interested in a variety of topics, views per video are increasing, and social media stakeholder networks continually grow.

A first of its kind literature review was completed to provide a comprehensive report of adoption rates on cow-calf operations across Canada. This March 2019 report – *Adoption Rates of Recommended Practices by Cow-Calf Operators in Canada, March 2019* – indicates trends where possible and highlights extension priorities and opportunities. While it is difficult to measure or qualify the adoption of innovative knowledge, especially in the short term, BCRC's technology transfer efforts appear to be successful due to consistently positive feedback from producers and other stakeholders, increasing website traffic, increasing subscribers and followers, and increasing levels of redistribution of our resources by other publications and organizations.

Non-cluster research projects funded by Canadian Beef Check-Off dollars and other industry investments also took place. In 2018/19 researchers were awarded funding through an open call for proposals where BCRC received applications from researchers. This marks BCRC's first annual open call for proposals in over a decade, which is supported with BCRC's increased revenue resulting from the increase in the Canadian Beef Cattle Check-Off.

Under the open call for proposals, BCRC received 82 letters of intent from researchers across Canada. Of these, 44 researchers were invited to submit a full proposal, with 38 forwarding a proposal for funding. All proposals addressed priority outcomes as defined by the BCRC, under priority areas relating to beef demand, industry competitiveness and productivity. BCRC engaged internal and external peer reviewers in the proposal selection process, and funding was approved for 18 projects in February, 2019. It was required that successful applicants leverage the Canadian Beef Cattle Check-Off by securing funding

from other federal and provincial governments and industry funding programs. The check-off dollars were leveraged on minimum at a 1:1 ratio.

Along with the priority research projects funded through the call, new programs were launched under Research Capacity, Knowledge and Technology Transfer and Proof of Concept. Addressing the gaps in research capacity, a Beef Production Systems Chair at the University of Alberta and a Chair in One Health and Production-Limiting Diseases at the University of Saskatchewan are being proposed. Knowledge and technology transfer is being advanced through a Canadian Beef Technology Transfer Network which works to support the regionally limited, underfunded, and fragmented nature of beef extension across Canada. Extension projects also include economic-based decision-making tools for producers. Also being funded are short-term (six months to one year) proof of concept-based research to help inform whether it's worth pursuing as a larger, more defined research investment in that area.

In addition to the knowledge and technology transfer activities under the third Beef Science Cluster, such as the development, maintenance and distribution of articles, decision tools, videos, and webinars, knowledge and technology transfer in Canada's beef industry is being advanced through a Canadian Beef Technology Transfer Network. The Network, which the BCRC recently developed, works to support the regionally limited, underfunded, and fragmented nature of beef extension across Canada. The Network continually brings together groups and individuals actively involved in knowledge and technology transfer that supports Canadian beef producers and advances the Canadian beef industry. By facilitating greater communication and collaboration through the Network, resources and expertise are shared,

undue duplication is avoided, and collaborative groups are empowered to develop effective resources and strategies that are applicable long-term across regions and in line with the Canadian Beef Research and Technology Transfer Strategy. The group continues to grow and identify valuable opportunities to communicate and collaborate with each other on beef and forage technology transfer initiatives.

A key priority identified in the Canadian Beef Research & Technology Transfer Strategy is supporting the establishment of priority surveillance networks related to production limiting diseases and antimicrobial resistance and use. The intent of these networks is to inform industry practice, policy, and future research priorities. In 2018/19, there were no investments in the establishment of surveillance research networks related to production limiting diseases and antimicrobial resistance and use. Although this area is a clear priority and future investment is required, current work proposed under the Beef Science Cluster III to establish a national cow-calf surveillance network and also ongoing discussions with the Public Health Agency of Canada and other government entities require further time to define where near-term industry investments in this area are most effective.

The BCRC did commit to support the establishment of a Cost of Production Network for five years in 2018/19. This was done in recognition that sound economic baseline data and economic analysis to create meaningful, relevant scenarios is a priority. The Cost of Production network is intended to support industry competitiveness by having Canadian beef cattle cost of production data in every province/eco-region to guide technology transfer and research priorities. The network will continue to be managed under Canfax Research Services (CRS). CRS has

confirmed the commitment of provincial partners to support the development and implementation of the network, and continues to work extensively with Agri-Benchmark, which provides oversight and internationally accepted standards and processes for the development of a country-specific network. Matching funding is being sought through CAP's Agri-Risk Initiatives Program (ARI) for this project, with an application submitted in 2018. Decisions through ARI have been significantly delayed and consequently project start-up and BCRC funding will be deferred to 2019/20.

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™ Program (VBP+). In August 2018 VBP+ was officially recognized by the Canadian Roundtable for Sustainable Beef

(CRSB) as a Certification Body for the CRSB's Certified Sustainable Beef Framework, meaning that all VBP+ Certified Operations are also considered Certified Operations under the Certified Sustainable Beef Framework. This is a major positive step towards simplification of the sustainability initiative in the eyes of Canadian beef producers and accessibility for beef producers to the benefits of sustainable beef production. VBP+ also continues to be involved with the Canadian Beef Sustainability Acceleration (CBSA) pilot led by Cargill, in an effort to build the supply of beef intended to be able to meet the Certified Sustainable Beef Framework and define the infrastructure necessary for sourcing beef tracked through a fully-certified value chain.

VBP+ has chosen to move forward with the implementation of a two-stream approach to delivering the VBP+

program – auditing and training – and enhancing these areas was a focus for 2018/19. An arms-length non-profit corporation VBP+ Delivery Services Inc. (VBP+ Inc.) was established to begin this transition. Moving forward efforts will be focused on transitioning audit delivery services from provincial delivery agents to VBP+ Inc. and ensuring a more self-sustainable funding model reliant on producer audit fees.

The BCRC continues to take a leadership role in communicating the value of investments, including the Canadian Beef Cattle Check-Off, made in beef, cattle and forage research. Prepared by Canfax Research Services, a BCRC 2013 to 2018 Research Results Report summarizing the Cluster II 2013-2018 research activities was released in March 2019.





National Voice Of Cattle Producers



An increasing emphasis toward building public trust and confidence in how cattle are raised and where they come from led to the creation of the Public and Stakeholder Engagement Program in 2016.

The Public and Stakeholder Engagement Program (formerly Issues Management) is administered by the Canadian Cattlemen's Association (CCA) in partnership with Canada Beef and under the oversight of the Canadian Beef Advisors. The Public and Stakeholder Engagement team works with national and provincial beef organizations to address consumer questions and issues that could erode consumer and public confidence in the beef industry.

The Beef Advocacy Canada program is an additional platform under the Public and Stakeholder Engagement program to share resources and information, training and opportunities, and give producers across the country the tools to positively and consistently speak about beef production in Canada to the public.

The Public and Stakeholder Engagement team is advised by CCA, Canada Beef, and the Canadian Beef Advisors. Funding is allocated at 75 per cent to CCA and 25 per cent to Canada Beef.

68%

of Canadians would trust a beef sustainability certification

616

registered Beef Advocates

3.1M

copies of the Cattle Talents ad distributed

30

Cattle Trail volunteers trained

Public and Stakeholder Engagement Results Report

\$741,055

This year saw many changes for Public and Stakeholder Engagement (PSE) Program, beginning with a name change. Formerly called the Issues Management Program, the Canadian Beef Advisors (CBA) determined that name brought a negative connotation to the positive work being done by the team and approved a change of name for the program.

This was also the first year of sole funding from the Canadian Beef Cattle Check-off, including salaries for two full-time staff, where previously, staff time had been contributed in kind and was supplemented with other industry work. In September of 2018, Jill Harvie was hired as the Public and Stakeholder Engagement Manager and Stina Nagel was promoted to a full-time PSE position as Stakeholder Engagement Advisor.

With two large issues in January that consumed much of the team's time, that focus was largely on issues management and developing strategy for 2019/20. The team was pleased to complete important components of the key activities to help drive forward the mandate of the PSE program. Also, the PSE team endeavoured to complete the 2018/19 Work Plan, as well as support ongoing management of industry issues with great success.

Work was completed on the joint project with Canada Beef under Agriculture and Agri-food Canada's Canadian Agricultural Adaptation Program (CAAP). This included the development of both a communication and a media relations best practices guide, reformatting and streamlining of 11 industry factsheets, the addition of social media training to Beef Advocacy Canada (BAC), and the creation of a microsite and booklet for public consumption entitled Where Canadian Beef Comes From. Over 6,000 printed copies of the booklet have been distributed so far.

Media training and industry consultations were held throughout the year, notably the National Communications Meeting held at the 2018 Canadian Beef Industry Conference (CBIC), in addition to quarterly calls. This discussion between communications staff from provincial and stakeholder communications staff

provides a platform for collaboration on common issues, sharing of best practices, and reduction of duplication. These meetings have also generated the creation of volunteer-based, issue-specific working groups that have proven very successful in managing issues nimbly, while incorporating a variety of industry expertise.

In the spirit of collaboration, the PSE team made a \$17,000 membership investment in the Canadian Centre for Food Integrity (CCFI). The CCFI is a multi-sector, non-profit organization that provides consumer research, resources and collaborations to address public questions about Canadian food. This partnership has given PSE (and by extension, the beef industry as a whole) access to cutting edge consumer research, outlining motivations and current attitudes towards agriculture. Work like this allows PSE to tailor messaging in a way that resonates with the intended audience.

A \$10,000 investment was made to a consumer research project with the Canadian Roundtable for Sustainable Beef (CRSB). This work gathered insights and opinions about perceptions of beef sustainability and associated claims to be used with the CRSB certified beef sustainability logo, to ensure clear, concise and transparent messaging consistent with standards and regulations. For instance, it was found that 68 per cent of Canadians would trust a sustainability certification for beef. The research also acquired general perceptions of animal agriculture in terms of the value placed on sustainability in comparison to taste and price for example.

Through the Beef Advocacy Canada (BAC) program, three social media modules were added to the industry advocate training offering in January 2019. Moving through three levels of increasing difficulty, the modules

provide learners with the skills and confidence to create effective, unique, and impactful social media posts with limited time and effort. The project was funded by CAAP through PSE's joint project with Canada Beef and piloted by Young Cattlemen's Council members.

In total, 616 people have registered for the BAC program, with 145 of those graduating through the first two courses and 55 enrolled in the new third course. Those who have participated have provided very positive feedback, and felt that a significant gap was filled by the new modules. Moving forward, the training will dovetail with the implementation of social media content sharing platform PostBeyond, and further marketing driving uptake will be put forward by the team.

BAC also hosted in-person training for 30 volunteers for the Calgary Stampede Cattle Trail and programing for Merck Animal Health. BAC continues to be a training and information resource to enable industry partners and advocates to speak positively and effectively about Canadian beef production.

As always, ongoing issues management took priority where applicable and PSE dealt with several key issues through 2018/19.

In addition to resurfacing of ongoing issues such as environmental sustainability and animal welfare, the release of the EAT-Lancet report in January and the new Canada Food Guide in February generated a flurry of media attention and public discussion. Through these issues, PSE spokespeople and team members participated in over 50 interviews from coast to coast, sharing positive messaging on the role of Canadian beef in a healthy diet. PSE supported these efforts by setting strategy, writing key messages, and communicating this information out

to stakeholders, as well as acting as spokespeople where appropriate.

PSE also piloted an issue-specific, volunteer working group of national communicators in the management of the EAT-Lancet response with great success. This model allowed the team to draw on industry expertise and create buy in while maintaining the ability to address issues in a timely and effective manner.

The continued partnership with Canada Beef, particularly in the area of nutrition issues, was further developed through the year. Three in-person meetings were held to discuss strategy, alignment, and direction for affiliated programs, such as the import-levy funded Think Beef. Canada Beef staff were integral in providing additional support and expertise through ongoing issues management, and developing collaborative messaging allowed for timely, unified responses to consumer facing issues.

In support of the launch of Canada's Food Guide, the Canada Beef social media team ran a sustainability social campaign from January 16 through February 24, 2019. It included information about stewardship, eating habits, emissions, and other hot button issues and myths around the production of beef in Canada. Many of the posts sparked healthy debate and responses were crafted thoughtfully. Five still graphics and five animated graphics were posted to Facebook throughout the campaign. Animated graphics were boosted and optimized for post engagement, while still graphics were optimized for 10-second video views.

Recognizing that there is a media bias against the positive attributes of beef production, Canada Beef and the PSE team partnered under the PSE investment strategy to develop a print ad campaign. The campaign helps



support loyal Canadian beef retail and food service partners in communicating a compelling narrative anchored in fact-based environmental impact information and is designed to demystify the negative misconceptions that sometimes surround beef. The ad design focused on the eco-service benefits of cattle in the Canadian context.

Costco Connection provided the largest and most visible outreach for the ad, as it is mailed to all Executive Members and additional copies of each issue are

available in the warehouses, making up a total circulation of 3,100,000 national copies. The magazine is published in English (2,450,000 copies) and in French (650,000 copies), with a readership that consists primarily of loyal Executive members with high incomes.

Other activities included a full-page article for the National Post supplemental Agricultural Innovation released mid December 2018. The article was penned by two conservation groups that are supportive of grazing

initiatives: Bird Studies Canada, and Ducks Unlimited Canada. Distribution of the supplement was to 131,000 with a readership of 649,000.

Going forward, the partnership between the PSE team and Canada Beef will continue to be foundational to the PSE program, with work being done in collaboration or close alignment. With support from the primary PSE team and other staff, the PSE program will thrive and develop more valuable resources and strategies in the coming years.



\$1,094,435

collected on beef imports



**MBFI Learning Centre
opened August 2018**



**74 grain-fed veal
operations certified**



**\$1.5M committed
by producers to Elora
Research Barn**



**3,533 cow/calf pairs
vaccinated under Beef
Herd Health Initiative**



**\$10.7M in sales during
Burger Love since 2011**



**180 compliance
inspections since 2011**

Provincial Investment Results Report

\$2,003,887

Provincial allocation programs are currently delivered by six provincial cattle associations who allocate a percentage of check-off dollars back to their own province to undertake research, market development and promotion activities in their own province. The investments must promote the marketing and production of beef cattle, beef and beef products or conduct and promote research activities related to those products.

**Manitoba Beef
Producers \$79,183**

**MANITOBA BEEF AND FORAGE
INITIATIVE (MBFI) RESEARCH SUPPORT**

Manitoba Beef Producers provides \$80,000 annually to MBFI, on top of a significant amount of in-kind support provided via staff time, board of director member involvement and communications work. MBP's contribution goes toward the salary of MBFI General Manager Dr. Mary-Jane Orr who joined in September 2018.

August 2018 saw the grand opening of MBFI's Learning Centre, a 2,200 square foot classroom with internet access and audiovisual equipment for distant learning surrounded by an outdoor

classroom. A mobile research lab has also been added.

MBFI undertakes many activities including demonstration and discovery research at three different sites, student training on agriculture and research-related duties, workshops, knowledge transfer/extension work and an array of communications activities.

Ongoing support for MBFI is important. It addresses the need for increased beef and forage research and knowledge transfer capacity in Manitoba and continues to improve the productivity and competitiveness of Manitoba's grasslands and cow herd in an evolving marketplace. It also indirectly helps support development of the Manitoba government's Livestock Growth Strategy and its Protein Strategy.

FORAGE EVALUATION

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 and 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.

Each year MBP has contributed \$15,000 to the project specifically for communications and extension work. To date \$45,000 has been allotted to this project.

INNOVATION IN DISEASE MANAGEMENT

This project began in December 2013, and all activities and goals were completed by the end of March 2018. The project's main purpose has been to enhance the surveillance of bovine tuberculosis (bTB) within the Riding Mountain Eradication Area (RMEA).

In 2016 two additional activities were added to support the goals of this project, which extended into 2018. The first focused on increasing the hunter-killed sample submissions from First Nations hunters. This involved increasing resources available for submitting samples and increasing communications between Parks Canada and First Nations groups. The second was directed at improving on-farm biosecurity infrastructure. Pilot projects to test different gate and fence types to reduce wildlife-livestock interactions have been conducted. Although the instillation of these gates appeared promising in theory the results did not align. These two activities have brought MBP closer to reaching the objectives of this overall project, and to better understand how to proactively prevent future outbreaks.

A very important milestone was achieved in July 2018 when the United States Department of Agriculture ended the requirement that required breeding cattle and bison from Manitoba be tested for bovine tuberculosis pre-export. This change arose in no small part because of the work undertaken on various TB control and surveillance activities in the RMEA.

PUBLIC TRUST PROMOTION AND AWARENESS

This project creates opportunities to enhance producer-focused knowledge transfer and also to build on the industry's innovation. It is designed to assist MBP in delivering on key initiatives designed to further innovation, promote beef and create demand for it.

As part of this strategy MBP is updating and expanding its virtual reality (VR) headset equipment to show how a producer raises cattle. It is also working to increase the stock of VR videos and other video content as essential components of its public engagement efforts.

The expansion of communications tools will be used to provide important information to help answer questions the public may have about the industry, such as hormone or antibiotic use, the economic value of the industry, etc. Once completed, the new tools will provide MBP with the framework upon which new content can be developed and added, providing another set of tools by which MBP can continually update and renew its content and outreach activities. The intent is to reach audiences which may have limited to no exposure to Manitoba's agriculture sector and to provide them with an interactive, experiential learning environment, an approach not possible with traditional static displays.

STRATEGIC SUPPLEMENTATION GRAZING SYSTEMS

This project explores the use of supplemental feeding using SmartFeed Pro to measure supplement intake and improve the performance of cattle in pasture-based production systems.

The potential also exists to extend the use of this technology to improve the value of cull cows to increase meat quality and potential profitability. The project will also access the capacity of the system to measure intake in extended grazing environments.

The first phase of the project is completed and the data has been analyzed. The second phase completed in spring 2019, and the third phase is currently underway at Manitoba Beef & Forage Initiatives. This is the second investment of \$10,000 into this program of a three year funding commitment.

**Les Producteurs de
bovins du Québec
\$1,407,097**

FEEDER CALF PROGRAMS

Since July 1, 2018, a special promotion and advertising contribution has been in effect; it is now \$0.50/feeder calf. To allocate the money in the promotion and advertising fund, a joint feeder calf and fed cattle committee was created. Two videos on feeder calf promotion and production were produced in 2018. Each focused on a different family, to encourage the growth of the sector. The first video focused on the next generation of a family business in Saguenay-Lac-Saint-Jean, while the other highlighted a newly established business in the Lanaudière region.

To encourage producers with feeder calves to join the VBP+ program, PBQ allocated funding to help cover program or audit costs. Going forward, the only costs producers will cover on their own is the individual certification fee. PBQ is also working towards an agreement with Valacta to conduct the audits.

FED CATTLE PROGRAMS

For the second consecutive year, PBQ is coordinating fed cattle producers' participation in the Canadian Beta Agonist Free Beef Certification Program, and an action plan was adopted to increase fed cattle and feeder calf producers' participation in the VBP+ program.

A 2018/19 priority for PBQ was the overhaul of the Règlement de mise en marché des bouvillons du Québec to ensure greater consistency with the current methods used to market fed cattle.

The fed cattle sector is participating in the cattle sector strategic planning effort initiated by the Producteurs de bovins du Québec. The \$0.80/head contribution to the research and development fund was renewed on May 7, 2018 and the contribution to the fed cattle sector promotion and advertising fund started on January 1, 2019 (1\$/head).

VEAL PROGRAMS

Since March 2018, the sector's regulations have made it mandatory to be a member of the grain-fed veal certification and the Verified Veal programs. In total, 74 grain-fed veal operations have been certified and 35 external audits were conducted along with 20 record reviews.

Strategic market development programs have been implemented to assist milk-fed veal producers in competing with European veal imports.

PBQ has also worked to optimize passive immunity and nonspecific immunity of bob calves, and established electronic passports for these calves. There was also work to improve diagnostic detection strategies for pneumonia, and the development of a dashboard for veal market trend analysis.

CULL CATTLE AND BOB CALF PROGRAMS

In 2018, this sector finalized the implementation of a number of activities in the 2012-2018 strategic plan for both the cull cattle and bob calf sector. PBQ also has begun the evaluation of a potential Holstein fed cattle production sector in the province. Work is expected to continue on that activity.

Beef Farmers of Ontario \$453,259

LIVESTOCK RESEARCH AND INNOVATION CENTRE (LRIC)

The key goal of the LRIC investment is to maintain a livestock research capability, which will assist in priority setting and increase the return on investment for producer funds through targeted research. BFO's annual membership fee to LRIC is \$40,000.

One of LRIC's roles is to look for emerging issues that might hurt or benefit the Ontario protein sectors and provide up-to-date information on their development. One issue of particular interest to BFO is the rise in interest in alternative proteins. In March 2018, LRIC, with the help of the Arrell Food Institute, ran an information day on alternative proteins with speakers from around the world, including Ms. Sonya Roberts from Cargill, Dr. Robin White from MIT and Dr. Matti Wilks from the University of Queensland Australia, each of whom brought a different perspective to the meeting.

In 2018, LRIC's flagship e-magazine, LYRIC's, highlighted 35 beef research articles, there were five full articles through Research Scout on a variety of beef-specific research results from UoG, and 19 beef-specific research snapshots from around the globe.

ELORA RESEARCH BARN

The investment into the Elora Research Barn aims to establish a hub for bovine research in Eastern Canada. This was BFO's second installment of a \$1.5M producer commitment needed to realize a \$15.5 million research facility. The reinvigoration of this facility is extremely important to the long-term strength and success of Canada's beef industry and the broader economy it supports.

Construction continues to be relatively on schedule at Elora to modernize the Beef Research Centre facilities. It is anticipated that the first wing of the facility will be ready for use in late spring/early summer this year with the main herd of Elora cows moving into the new barn when they are pulled off pasture.

Once construction is complete, the new facility will feature 165,000 square feet of barn space with the capacity to hold close to 400 animals. The facility will also feature a state-of-the-art genomics lab, more than 200 individual feed intake monitoring units, and precision research equipment including: GPS animal monitors, rumen sensors to monitor pH and temperature, new ultrasound technology, and greenhouse gas monitoring equipment. In addition to the improvements being made to the cow-calf facilities, upgrades are also underway for the feedlot facilities and the Centre's pasture capacity.

New Brunswick Cattle Producers \$20,703

IMPROVING CATTLE HANDLING SYSTEMS

The goal of this program was to encourage beef producers to use good handling practices to implement enhanced herd health programs and improve overall quality of the beef herd in order to increase herd profitability. There were 33 producers who completed their projects, with a total of \$77,271 paid out to those producers who invested a total of \$162,586. This program also provided information to breeders and producers on the economic value of working with their veterinarians on a herd health program, new pre-vaccinated marketing initiatives, and the safety benefits of having proper equipment in place.

BEEF HERD HEALTH INITIATIVE

This program was developed to encourage cow/calf producers to add value to their calves by producing weaned calves that meet age



124%

**increase in gross check-off and
import levy revenue since 2017/18**



verification parameters, prescribed vaccination and de-worming protocols and are feedlot ready. Value-added calves are significantly healthier and have enhanced market opportunities, which translate into improved financial returns for cow calf producers as well as feedlot operators. The value-added process was accomplished by cow calf producers developing and implementing, in conjunction with their veterinarian, a whole herd health program which included specific animal health and husbandry protocols. There were 68 producers who were successful after the evaluation process under the project. There were 2,049 cow/calf pairs at \$15.50/paid producer administered vaccinations and 1,484 cow/calf pairs at \$27.50/pair veterinarian administered. These activities improved health of cattle herds in New Brunswick through education and communication with producers and developing relationships with veterinarians, and resulted in an increase in profitability for producers.

PREMISE ID TRACEABILITY - PHASE 4

New Brunswick has been working with a project manager, producers and the Department of Agriculture to ensure all producers complete the Premise Identification applications correctly. NBCP ensures all applications are complete and they are forwarded to the Department of Agriculture who assign PID numbers and producers are notified of their number. NBCP assisted producers through ten workshops, newsletters and regional meetings to understand the requirements and how to record cattle movement. This project benefits the industry by improving compliance and may add value to cattle for producers in the near future. The program has helped garner 81 per cent of New Brunswick producers assigned a PID number.

VERIFIED BEEF PRODUCTION PLUS

In the Atlantic region the VBP+ program has been overseen by the Prince Edward Island Cattle Producers, reducing the accessibility for New Brunswick producers to access the program, demonstrated by the lack of enrollment local producers. The VBP+

program will provide greater market access for producers enrolled in the program, and ensure that producers are meeting animal health and welfare standards, therefore improving the value of cattle. 36 producers attended the VBP+ workshops held by NBCP.

ENHANCING MARKET OPPORTUNITIES

The objective of this project was to offer workshops to producers to enable them to participate in the Certified Island Beef (CIB) Program with the Atlantic Beef Products plant; producers enrolled in this program are required to attend a Humane Handling workshop. 48 producers attended workshop training around the province, providing an opportunity for them to strengthen management and technical practices related to public trust and humane handling. These skills can support the investigation of access to additional marketing opportunities.

FORAGE PRODUCTION MANAGEMENT WORKSHOPS

By hosting a producer workshop focusing on forage management, NBCP was able to provide up to date information to producers to strengthen management and technical practices related to forage production. 48 producers were able to gain knowledge of new ways to increase productivity, profitability and competitiveness at the workshops, through presentations from Robert Berthiaume.

Prince Edward Island Cattle Producers \$17,730

BURGER LOVE

PEI Burger Love is a campaign that was designed to promote 100 per cent Island Beef, which has run annually since 2011. The campaign was developed when the affects of BSE were still lingering, and it was deemed an excellent way to encourage consumers to eat more beef while showing their support for beef produces. The number of participating restaurants has grown from 11 to 84 since inception.

PEICP has seen an increased demand in ground beef during the month of April with some small abattoirs stock-piling frozen beef prior to the campaign in preparation for the huge demand that occurs. The 2018 campaign saw it grow to include 85 restaurants. This brought the campaign \$2.6 million in burger sales, over 78,000 pounds of beef, and more than 180,000 burgers sold. In total, the campaign has encouraged more than \$10.7 million in burger sales since 2011. The campaign continues to benefit the industry year after year, through the increased awareness of beef, buying local and recognition of the PEICP.

CERTIFIED ISLAND BEEF BRAND COORDINATOR

The Certified Island Beef (CIB) brand was developed with the objective of providing producers with a premium for their animals if they met specific market attributes. To facilitate growth of this brand, the PEICP hired a brand coordinator. The coordinator's role is to be an enthusiastic promoter and key spokesperson of the PEI Certified Beef program. They are the primary contact on all matters associated with the PEI Certified Beef Program, including marketing or communications.

The coordinator's primary responsibility is to increase the supply of cattle marketed under the PEI Certified Beef Program. To meet the growing demand for calves eligible for the program, the supply of animals that meet brand specs must be increased significantly and rapidly. The responsibility of the coordinator is to meet directly/communicate with the 400+ island beef producers to ensure they are aware of the program, standards, premiums and benefits.

The CIB brand has shown steady growth with producers coming on board with the program. The brand has also shown steady growth in the markets increasing distributors of the brand both within the maritime and across Canada.

Nova Scotia Cattle Producers \$25,914

MARITIME BEEF DEVELOPMENT AND EXPANSION STRATEGY IMPLEMENTATION

In 2018, the Nova Scotia Cattle Producers continued to collaborate with the New Brunswick and Prince Edward Island to further implement the Maritime Beef Industry Development and Expansion Strategy.

Activities during the year included partnering the Maritime Beef Conference to provide education and training for producers, a leadership development seminar for regional provincial cattle associations and young farmer organizations as well as development and delivery of the of the Maritime Beef School.

The further development and implementation continues to benefit the Canadian beef industry by expanding learning opportunities for producers, developing leaders as well as developing industry policy and programs to increase the productivity of the Nova Scotia, Maritime and Canadian beef herd.

VACCINATION VALIDATION

This program has been carried over to 2019/20 with Agency board approval.

CALF CLUB DEVELOPMENT

This program has been carried over to 2019/20 with Agency board approval.

INCREASING PARTICIPATION IN VBP+

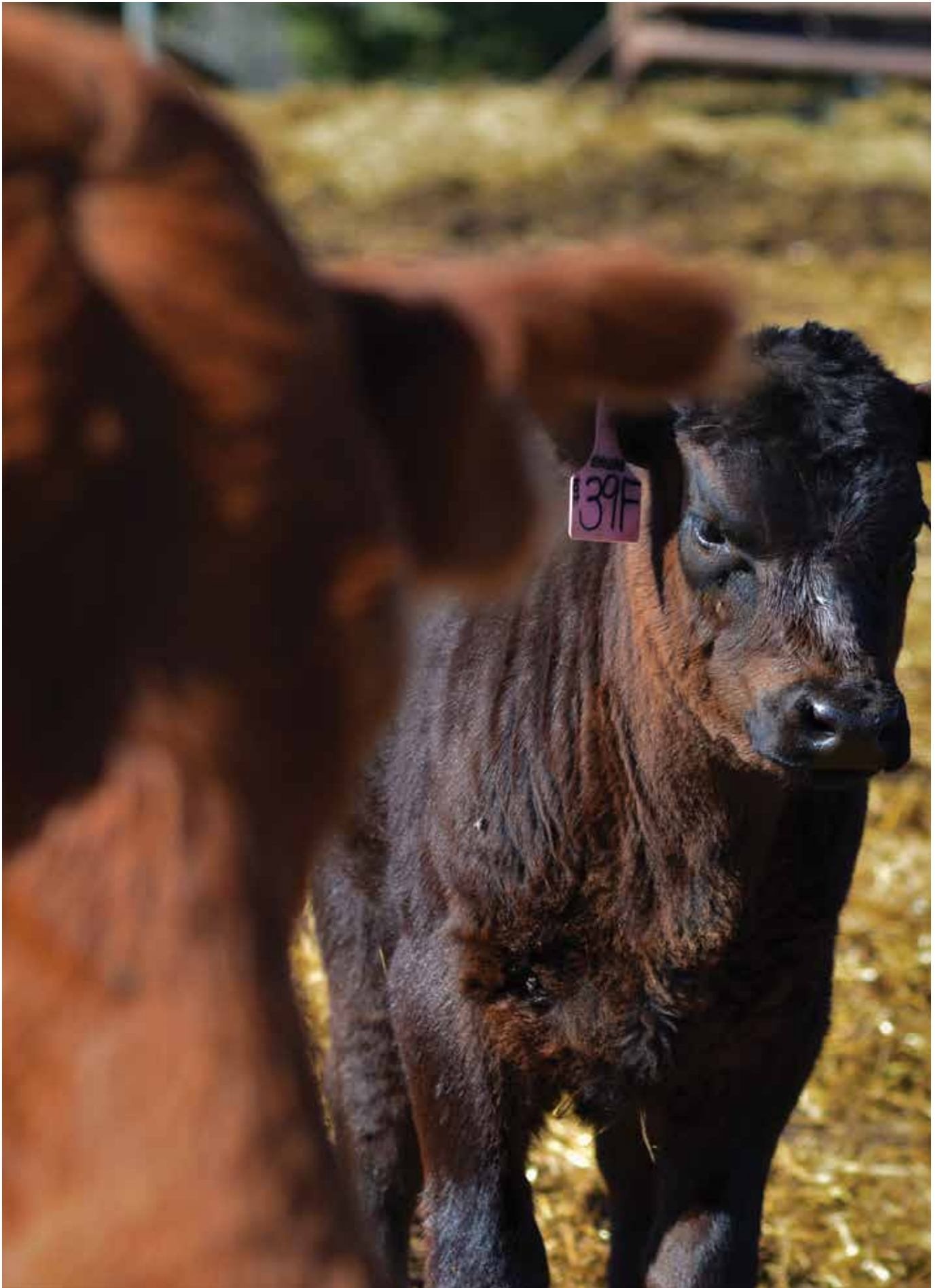
This program has been carried over to 2019/20 with Agency board approval.

REGULATORY COMPLIANCE

Over the past six years, the NSCP has made significant steps forward in improving levy collection from producers and dealers. The organization has been successful in requiring cross-compliance of levy and eligibility of beef specific programs like the Safe Handling of Cattle and Elite Sire programs. The relationship with the Agri-Commodity Management Association (ACMA) has also provided NSCP with the opportunity to have Brad McCallum appointed as the Nova Scotia Cattle Inspector.

Since Brad was appointed inspector in late 2011, he has conducted more than 180 compliance inspections of producers, dealers, slaughter houses and auction marts. In 2018, NSCP was able to collect more than \$5,200 in outstanding levy owed to the organization as well as continue to collect from previously non-compliant industry participants.

NSCP also continued to work with stakeholders to develop simplified methods for collection and remittance.



Independent Auditors' Report

To the Board of Directors of Canadian Beef Cattle Research, Market Development and Promotion Agency

Opinion

We have audited the non-consolidated financial statements of Canadian Beef Cattle Research, Market Development and Promotion Agency (the Entity), which comprise:

- * the non-consolidated statement of financial position as at March 31, 2019
- * the non-consolidated statement of operations for the year then ended
- * the non-consolidated statement of changes net assets for the year then ended
- * the non-consolidated statement of cash flows for the year then ended
- * and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

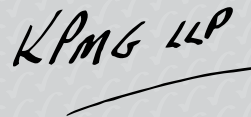
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- * The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit 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.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- * Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- * Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants

Calgary, Canada
June 27, 2019

Non-consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019 <i>(note 14)</i>	2018
ASSETS		
Current assets:		
Cash <i>(note 3)</i>	\$ 4,541,619	\$ 5,346,200
Accounts receivable <i>(note 4)</i>	6,328,487	4,765,182
Prepaid expenses and deposits	66,276	58,910
	10,936,382	10,170,292
Capital assets <i>(note 5)</i>	883,867	1,140,347
Investments <i>(note 2(a))</i>	100	100
	\$ 11,820,349	\$ 11,310,739
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities <i>(note 6)</i>	\$ 2,407,997	\$ 3,192,007
Due to related parties <i>(note 7)</i>	232,672	355,149
	2,640,669	3,547,156
Deferred capital contributions <i>(note 8)</i>	522,425	772,498
	3,163,094	4,319,654
Net assets:		
Unrestricted	3,705,459	2,039,289
Internally restricted <i>(note 11)</i>	4,000,000	4,000,000
Consolidation reserve	951,796	951,796
	8,657,255	6,991,085
Commitments <i>(note 9)</i>		
	\$ 11,820,349	\$ 11,310,739

See accompanying notes to financial statements.

Approved on behalf of the Board



Heinz Reimer, Director



Lonnie Lake, Director

Non-consolidated Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019 <i>(note 14)</i>	2018
REVENUES:		
Canadian Beef Check-Off:		
Domestic Beef Check-Off <i>(note 12)</i>	\$ 18,300,229	\$ 7,701,203
Import levies	1,094,435	947,730
Other income	42,300	78,036
	19,436,964	8,726,969
Marketing:		
Government of Canada Growing Forward II	(145,768)	2,905,041
Canadian Agriculture Partnership	1,208,183	–
Canadian Agriculture Adaptation Program	61,068	–
Western Economic Development	–	289,541
Amortization of Deferred Capital Contributions <i>(note 8)</i>	250,073	263,146
	1,373,556	3,457,728
	20,810,520	12,184,697
EXPENSES:		
Canadian Beef Check-Off:		
Board of Directors	210,208	200,644
Canadian Beef Check Off Operations	449,202	399,472
	659,410	600,116
Programs:		
Public Stakeholder and Engagement	736,624	95,239
Marketing <i>(notes 7 and 13)</i>		
Marketing – Generic Beef	818,190	849,902
Marketing – Branded	8,193,415	9,538,656
Research	5,589,419	1,361,648
Provincial Investment <i>(note 12)</i>	2,003,887	1,262,604
Provincial Portion of the Federal Levy	1,143,405	–
	18,484,940	13,108,049
	19,144,350	13,708,165
Excess (deficiency) of revenues over expenses	\$ 1,666,170	\$ (1,523,468)

See accompanying notes to financial statements.

Non-consolidated Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Unrestricted	Internally restricted	Consolidation reserve	2019	2018
Net assets, beginning of year	\$ 2,039,289	\$ 4,000,000	\$ 951,796	\$ 6,991,085	\$ 8,514,553
Excess (deficiency) of revenues over expenses	1,666,170	–	–	1,666,170	(1,523,468)
	\$ 3,705,459	\$ 4,000,000	\$ 951,796	\$ 8,657,255	\$ 6,991,085

See accompanying notes to financial statements.

Non-consolidated Statement of Cash Flows

March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in) the following activities		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 1,666,170	\$ (1,523,468)
Non-cash recognition of deferred capital contributions (<i>note 8</i>)	(250,073)	(263,146)
Amortization (<i>note 13</i>)	277,545	299,636
	1,693,642	(1,486,978)
Changes in working capital accounts:		
Accounts receivable	(1,563,305)	(102,659)
Prepaid expenses and deposits	(7,366)	29,908
Accounts payable and accrued liabilities	(784,010)	641,066
Due to related parties	(122,477)	119,299
	(783,516)	(799,364)
Investments:		
Purchase of capital assets	(21,065)	(66,522)
Receipt of cash for deferred capital contributions (<i>note 8</i>)	–	223
	(21,065)	(66,299)
Decrease in cash	(804,581)	(865,663)
Cash, beginning of year	5,346,200	6,211,863
Cash, end of year	\$ 4,541,619	\$ 5,346,200

See accompanying notes to financial statements.

Notes to the Non-consolidated Financial Statements

Year ended March 31, 2019, with comparative information for 2018

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 and the beef import levy. 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 cattle, 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, 2019, the federal levy of \$2.50 is applicable to the following eight provinces 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, 2019, the Canadian Beef Cattle Check-Off 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 AND CONSOLIDATION:

The Agency controls Canada Beef International Institute (the "Institute") as a result of their ability to appoint all of the Directors of each entity. The Institute is a not-for-profit and as such, the Agency has elected the accounting policy to not consolidate this entity.

The Agency also controls Canada Beef International Institute Inc. (the "Institute Inc.") by way of ownership of 100% of the issued class A common shares. The Institute Inc. is a for-profit entity and as such, the Agency has elected the accounting policy to consolidate for profit entities, however, the Institute Inc. is not material and therefore balances are not consolidated in these financial statements as at March 31, 2019.

Financial information on each 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 Agency follows the deferral method of accounting for contributions.

Contributions include provincial payments for Check-Off, Import levy, other income 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, beef and beef products are unrestricted and are recognized in the year in which the imports occur and collectability is reasonably assured.

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

Government grants are recognized as revenue in the year in which the related expenses are incurred and when collection is reasonably assured.

(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 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. Allocations are based on submissions from the provincial cattle associations, who determine the percentage of revenue generated in their province that is allocated to each function.

(I) FINANCIAL INSTRUMENTS:

All financial instruments are recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Agency 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

	2019	2018
Check-Off	\$ 2,833,735	\$ 1,505,231
Government of Canada		
Growing Forward II	1,952,236	2,922,594
Canadian Agriculture Partnership	1,208,183	–
Canadian Agriculture Adaptation Program	61,068	–
Import levies	209,858	327,758
Loan to New Brunswick Cattle Producers	23,181	–
Other	40,226	9,599
	\$ 6,328,487	\$ 4,765,182

5. Capital Assets

	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 214,026	\$ 197,722	\$ 16,304	\$ 20,652
Furniture and fixtures	230,224	201,956	28,268	50,636
Leasehold improvements	1,223,247	504,254	718,993	838,994
Office equipment	53,222	48,129	5,093	7,532
Kitchen equipment and appliances	546,336	435,666	110,670	212,861
Website and logo	47,529	42,990	4,539	9,672
	\$ 2,314,584	\$ 1,430,717	\$ 883,867	\$ 1,140,347

6. Accounts Payable and Accrued Liabilities

	2019	2018
Check-Off transfers	\$ 1,336,740	\$ 632,780
Trade accounts payable	504,098	1,561,611
Government remittances	21,467	11
Accrued liabilities	545,692	997,605
	\$ 2,407,997	\$ 3,192,007

7. Related Party Transactions

(A) CANADIAN CATTLEMEN'S ASSOCIATION:

The Canadian Cattleman's Association is related by virtue of directors who serve on the Agency's Board of Directors. During the year, the Agency incurred \$15,600 (2017 – \$95,403) for contract services expenses and \$8,678 (2018 – \$18,973) 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 the 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, 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, 2019, \$221,705 (2018 – \$355,049) 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, 2019 are summarized as follows:

	2019	2018
Total assets	\$ 542,482	\$ 557,649
Total liabilities	6,500	5,000
Total net assets	535,982	552,649
Total liabilities and net assets	\$ 542,482	\$ 557,649

	2019	2018
Total expenses	\$ 5,800	\$ 150
Deficiency of revenues over expenses	\$ (5,800)	\$ (150)

	2019	2018
Decrease in cash	\$ (118,177)	\$ (122,449)

(C) CANADA BEEF INTERNATIONAL INSTITUTE INC.:

Canada Beef Export Federation Inc. (the "Corporation") was incorporated under the Business Corporations Act of the Province of Alberta on January 13, 1997 for the purposes of promoting demand for Canadian beef products in Taiwan. On July 1, 2011, the majority of the Corporation's operations were transferred to Canadian Beef Cattle Research, Market Development and Promotion Agency and the Corporation was left active in order to settle its remaining obligation as well as remain active as it is a known entity in Taiwan.

On September 1, 2011, the Corporation's shares were transferred from Canada Beef International Institute to Canadian Beef Cattle Research, Market Development and Promotion Agency.

The Corporation changed its name to Canada Beef International Institute Inc. (the "Institute Inc.") on February 28, 2012.

During the year, the Institute Inc. an entity controlled by the Agency incurred \$nil (2018 – \$nil) in expenses to be reimbursed by the Agency for conducting business in certain foreign jurisdictions. As at March 31, 2019, \$10,967 (2018 – \$10,867) was due to the Institute Inc. as a reimbursement. This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

The Agency exercises control over the Institute Inc. by virtue of its ability to appoint all of the Directors of the Institute Inc. and through 100% share ownership.

The accounts of the Institute Inc. have not been consolidated in these financial statements. The financial information of the Institute as at March 31, 2019 are summarized as follows:

	2019	2018
Total assets	\$ 10,967	\$ 10,967
Total liabilities	500	–
Total net assets	10,367	10,867
Total share capital	100	100
Total liabilities and net assets	\$ 10,967	\$ 10,967

	2019	2018
Total expenses	\$ 500	\$–
Deficiency of revenues over expenses	\$ (500)	\$–

	2019	2018
Decrease in cash	\$ –	\$ –

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 were \$1,231,278 of which \$827,771 was spent on capital improvements to the premises and \$403,507 was spent on equipment. \$250,073 (2018 – \$263,146) of the deferred amount was recognized as revenue in the current year.

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.

	2019	2018
Balance, beginning of year	\$ 772,498	\$ 1,035,421
Additional contributions received	–	223
Less amortization of deferred capital contributions	(250,073)	(263,146)
	\$ 522,425	\$ 772,498

9. Commitments

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

2020	\$	367,440
2021		286,962
2022		264,526
2023		181,379
2024		32,081
Thereafter		160
	\$	1,132,548

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 Agency 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, 2019, the following items are denominated in foreign currency:

	2019	2018
Cash	\$ 11,950	\$ 31,383
Accounts receivable	12,886	9,251
Accounts payable and accrued liabilities	299,824	505,635

(B) CREDIT RISK:

Credit risk refers to the risk that a counterparty may default on its regulatory 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, and the beef import levy. The Agency is exposed to credit risk with respect to these revenues to the extent that importers may default on payment of import levies on the importation of beef cattle, beef or beef products. 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, 2019, 5% (2018 – 28%) of the balance of the Agency's accounts receivable balance was due from the beef import levy.

(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 2018.

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, 2017, the Board of Directors of the Agency released \$100,000 for special program expenditures.

As at March 31, 2019, the Agency Members passed a motion to hold a cash reserve of \$3,000,000 for the purpose of wind-down under the Agency. An additional \$1,000,000 is held by Canada Beef as restricted net assets, for a total of \$4,000,000 (2018 – \$4,000,000).

(B) CONSOLIDATION RESERVE TRANSFERS:

On July 1, 2011, the Agency combined operations with Beef Information Centre (“BIC”) and the Federation (now, the Institute). 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

The Agency’s administration fee is calculated based on the budget approved by the Agency’s Board of Directors for each fiscal year. The administration is deducted from the Canadian Beef Cattle Check-Off remitted by the provincial cattlemen’s associations, and the import levy.

	2019	2018
Collections:		
Cattle Industry Development Council (British Columbia)	\$ 746,236	\$ 255,391
Alberta Beef Producers	9,673,668	4,057,994
Saskatchewan Cattlemen’s Association	3,723,753	1,120,761
Manitoba Cattle Producer’s Association	1,433,176	505,394
Beef Farmers of Ontario	931,522	905,224
Les Producteurs de bovins du Québec	1,585,171	726,720
New Brunswick Cattle Producers	72,223	19,231
Nova Scotia Cattle Producers	75,990	80,157
Prince Edward Island Cattle Producers	58,490	30,331
Total Collections	\$ 18,300,229	\$ 7,701,203
Less: Agency Administration	\$ 894,928	\$ –
	\$ 17,405,301	\$ 7,701,203

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

	2019	2018
Distributions:		
Manitoba Cattle Producer's Association	\$ 79,183	\$ 39,364
Beef Farmers of Ontario	453,259	431,060
Les Producteurs de bovins du Québec	1,407,097	717,218
New Brunswick Cattle Producers	20,703	19,352
Nova Scotia Cattle Producers	25,915	40,166
Prince Edward Island Cattle Producers	17,730	15,444
	\$ 2,003,887	\$ 1,262,604

13. Marketing (Operations & Market Development Programs)

	2019	2018
Market Development – North America:		
Canada market development	\$ 1,551,895	\$ 1,584,942
Market Development – Global Markets:		
China	430,101	556,661
Emerging Markets	192,238	199,550
Japan	497,766	545,139
Korea	88,896	141,704
South East Asia	213,182	273,722
Latin America	344,148	727,899
Global Markets	640,290	1,539,847
Canadian Beef Centre of Excellence	369,394	527,733
	2,776,015	4,512,255
Total Marketing – Market Development Programs	\$ 4,327,910	\$ 6,097,197

	2019	2018
Operations (Canada):		
Amortization	\$ 259,181	\$ 280,342
Bank charges and interest	10,231	9,202
Computer maintenance and supplies	80,433	88,891
Consulting, legal and audit	289,827	51,426
Foreign exchange (gain) loss	(2,940)	72
Licenses and subscriptions	34,425	26,790
Office and meeting	84,128	110,340
Recruitment and training	10,202	32,817
Rent and lease payments	381,886	379,436
Salaries and benefits	2,137,155	2,017,838
Sponsorship and donations	550	28,604
Travel and insurance	108,085	70,714
Utilities	33,204	37,813
	3,426,367	3,134,285
Operations (foreign):		
Amortization	18,364	19,294
Bank charges and interest	3,721	2,798
Computer maintenance and supplies	30,141	34,384
Consulting, legal and audit	191,149	38,963
Foreign exchange loss (gain)	3,039	(2,951)
Licenses and subscriptions	10,720	9,678
Office and meeting	8,136	8,536
Recruitment and training	1,938	–
Rent and lease payments	173,856	174,495
Salaries and benefits	777,452	838,215
Travel and insurance	26,740	26,808
Utilities	51,095	44,860
Consumption tax	(39,023)	(38,004)
	1,257,328	1,157,076
Total Marketing – Operations	\$ 4,683,695	\$ 4,291,361
Total Marketing – Operations & Market Development Programs	\$ 9,011,605	\$ 10,388,558
Allocation of funds:		
Marketing – Generic Beef	\$ 818,190	\$ 849,902
Marketing – Branded	8,193,415	9,538,656
Total Marketing – Operations & Market Development Programs	\$ 9,011,605	\$ 10,388,558

14. Functional Information

The Agency has elected to present information on its main functions separately for reader information. As the division of the Agency's operations was effective April 1, 2018, there are no prior year comparatives available:

(A) AGENCY:

The purpose of the Agency is to promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade, and conduct and promote research activities related to those farm products. The Agency contracts external service providers to conduct the work and deliver on these objectives. As per the Agency's bylaws, the Marketing Committee's role and responsibility are outlined as an internal service provider, conducting business as Canada Beef, hereinafter referred to as "Marketing" or "Canada Beef". The Agency is responsible for overseeing the business goals of the service providers, the management and administration of check-off and import levy revenue and ensuring that the Agency and service providers comply with all regulations, by-laws and policies.

(B) MARKETING:

The Marketing Committee is responsible for planning and establishing the Marketing strategic, business and operational goals and objectives and for the overall management and operation of the business and affairs of Marketing. The Agency transfers funds to Canada Beef to conduct marketing programs and public and stakeholder engagement activities. These transactions are based on percentage allocations of remitted levies from provincial cattle associations and investment of the import levies. The Agency and Canada Beef also share costs relating to business, office and board expenses, and transactions are required between the two parties in respect to those areas as inter-functional transfers.

STATEMENT OF FINANCIAL POSITION

	Marketing	Transfers (i)	Agency	Transfers (i)	2019
ASSETS					
Current assets:					
Cash (note 3)	\$ 4,060,144	\$ –	\$ 481,475	\$ –	\$ 4,541,619
Accounts receivable (note 4)	4,599,234	(1,353,909)	3,083,162	–	6,328,487
Prepaid expenses and deposits	216,276	(150,000)	–	–	66,276
Due from related party	392,433	(392,433)	–	–	–
	9,268,087	(1,896,342)	3,564,637	–	10,936,382
Capital assets (note 5)	881,096	–	2,771	–	883,867
	\$ 10,149,183	\$ (1,896,342)	\$ 3,567,408	\$ –	\$ 11,820,249
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities (note 6)	\$ 1,043,382	\$ –	\$ 2,718,524	\$ (1,353,909)	\$ 2,407,997
Operating loan	–	–	150,000	(150,000)	–
Due to related parties (note 7)	232,572	–	392,433	(392,433)	232,572
	1,275,954	–	3,260,957	(1,896,342)	2,640,569
Deferred capital contributions (note 8)	522,425	–	–	–	522,425
Net assets:					
Unrestricted	3,399,008	–	306,451	–	3,705,459
Internally restricted (note 11)	4,000,000	–	–	–	4,000,000
Consolidation reserve	951,796	–	–	–	951,796
	8,350,804	–	306,451	–	8,657,255
	\$ 10,149,183	\$ –	\$ 3,567,408	\$ (1,896,342)	\$ 11,820,249

(i) Transfers reflect adjustments required to eliminate inter-functional transactions. For description of each functions' responsibilities, refer to previous discussion in note 14(a) and (b).

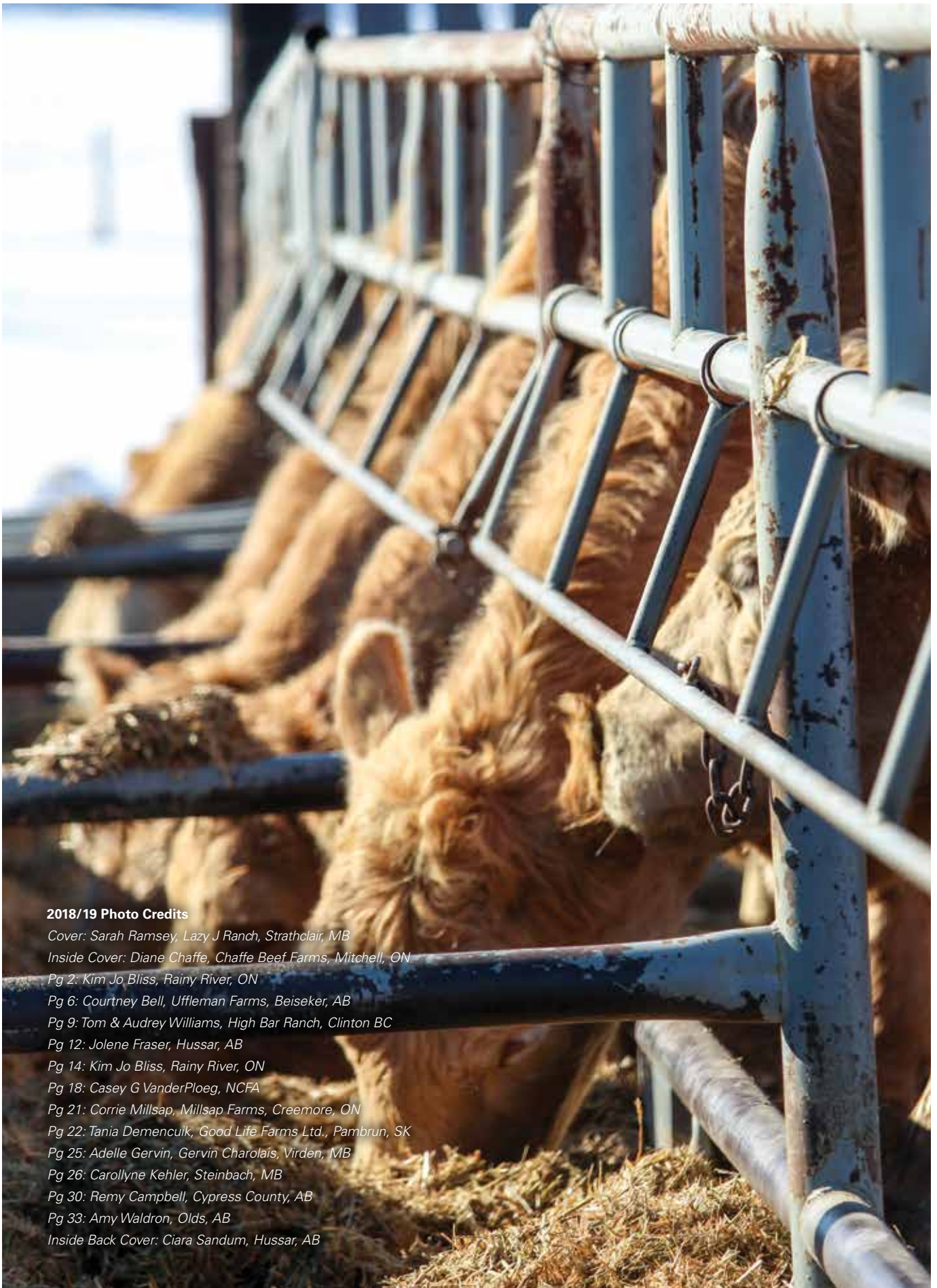
STATEMENT OF OPERATIONS

	Marketing	Transfers (i)	Agency	Transfers (i)	2019
REVENUE:					
Canada Beef Check Off:					
Domestic Beef Check-Off:	\$ –	\$ –	\$ 18,300,229	\$ –	\$ 18,300,229
Transfers from Agency					
Marketing	7,927,535	(7,927,535)	–	–	–
Public Stakeholder and Engagement	184,828	(184,828)	–	–	–
Import levies	1,035,016	(1,035,016)	59,419	1,035,016	1,094,435
Other income	41,970	–	330	–	42,300
	9,189,349	(9,147,379)	18,359,978	1,035,016	19,436,964
Government of Canada – Growing Forward II	(145,768)	–	–	–	(145,768)
Government of Canada – CAP	1,208,183	–	–	–	1,208,183
Government of Canada – CAAP	61,068	–	–	–	61,068
Western Economic Diversification	250,073	–	–	–	250,073
	10,562,905	(9,147,379)	18,359,978	1,035,016	20,810,520
EXPENSES:					
Canada Beef Check Off:					
Board of Directors	29,727	–	180,481	–	210,208
Canadian Beef Check-Off Operations	–	–	449,202	–	449,202
	29,727	–	629,683	–	659,410
Programs:					
Public and Stakeholder Engagement	180,397	–	741,055	(184,828)	736,624
Transfers to Marketing Marketing	–	–	7,927,535	(7,927,535)	–
Generic Beef	818,190	–	–	–	818,190
Branded	8,193,415	–	–	–	8,193,415
Research	–	–	5,589,419	–	5,589,419
Provincial investment	–	–	2,003,887	–	2,003,887
Provincial portion of the Federal Levy	–	–	1,143,405	–	1,143,405
	9,192,002	–	17,405,301	(8,112,363)	18,484,940
	9,221,729	–	18,034,984	(8,112,363)	19,144,350
	\$ 1,341,176	\$ (9,147,379)	\$ 324,994	\$ 9,147,379	\$ 1,666,170

(i) Transfers reflect adjustments required to eliminate inter-functional transactions. For description of each functions' responsibilities, refer to previous discussion in note 14(a) and (b).

15. Comparative Information

Certain comparative figures have been reclassified to conform to current year presentation.



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