



ANNUAL REPORT
July 1, 2010 to December 31, 2011

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

Operating as
Canada Beef Inc.



Message from the Chair



Brad Wildeman, Chair
Canada Beef Inc.

I am pleased to present this annual report for the periods July 1, 2010 to June 30, 2011 and July 1, 2011 to December 31, 2011 on behalf of Canada Beef Inc., the restructured Canadian Beef Cattle Research, Market Development and Promotion Agency, commonly referred to as the National Check-off Agency (NCOA).

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

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

As part of the review, the Canada Beef Working Group (CBWG) was struck and mandated “*to investigate and develop a new organizational structure for maximizing efficiencies and effectiveness for domestic and international beef marketing activities*”. In carrying out this mandate the group also reviewed the current and future roles of: the Global Marketing Advisory Committee (GMAC); the two major funding organizations (Beef Information Centre and Canada Beef Export Federation); the Canadian Cattlemen Market Development Council (CCMDC); and the NCOA, while taking into consideration the long-term needs of the industry, the funding and marketing challenges, the contribution and needs of stakeholders, and the results of previous studies and reviews.

I am excited about the outcome of the review which was the creation of a single independent national beef cattle marketing, promotion and research organization by merging and integrating the assets, operations, liabilities and funding of the Canada Beef Export Federation, the Beef Information Centre and the NCOA. The new Agency began operating as Canada Beef Inc. effective July 1, 2011.

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

The **Beef Cattle Research Council** (BCRC) remains the national research group funded through Canada Beef Inc. (the restructured NCOA). Its purpose is to sponsor research and technology development and adoption in support of the vision of the Canadian beef industry to have high

quality Canadian beef products recognized as the most outstanding by both Canadian and international customers.

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

In closing, I would like to thank the industry leaders, who through their commitment and leadership developed the pathway to the creation of Canada Beef Inc. I would further like to thank the inaugural Board of Directors and staff of Canada Beef Inc. for their continued dedication to the marketing efforts of Canadian beef, the results of which are highlighted in this report. I am excited about the restructured organization, and look confidently towards the future.

A handwritten signature in black ink, reading "Brad Wildeman". The signature is fluid and cursive, with the first name "Brad" being more prominent than the last name "Wildeman".

Brad Wildeman, Chair
Canada Beef Inc.

Agency Profile

PROCLAMATION

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

LEVIES AND IMPORT ORDER

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

FISCAL YEAR

The fiscal year of the Canadian Beef Cattle Research, Market Development Promotion Agency is July 1 to June 30. The Agency commenced financial operations July 1, 2002.

BOARD OF DIRECTORS – JUNE 30, 2011

The Board of Directors, as outlined in the proclamation, consists of 16 members (14 are beef cattle producers and two are importers). The importer members are appointed one each from the Canadian Association of Importers and Exporters and the Canadian Meat Council. The beef cattle producer members are appointed by the Canadian Cattlemen's Association from a list of nominees submitted by the 10 provincial cattle organizations. One producer from each province is nominated and the four remaining appointments are determined as per two Canadian Cattlemen's Association Executive Committee motions carried November 16, 2001:

- 1) *That the Chairman of the Agency will serve in his own right and once elected, an additional producer representative will be appointed from the Chairman's province of origin; and*
- 2) *That three additional producer representatives be appointed – two from Alberta, and one rotating between Saskatchewan and Ontario.*

The by-laws of the Agency were approved by the Agency members at their first meeting on March 16, 2002. Accommodation was made for any committee member who is unable to attend a meeting in person or via electronic means to send a proxy to the meeting.

2010/11 BOARD OF DIRECTORS

Chair - Marlin Beever, Manitoba
Vice-chair – Kim Hextall, Saskatchewan
2nd Vice Chair – John Gillespie, Ontario
Treasurer - Bob Lowe, Alberta
Bill Freding, British Columbia
Gordon Graves, Alberta
Herb Groenenboom, Alberta
Brian Ross, Saskatchewan
Greg Johnson, Manitoba
Rick Hobbs, Ontario
Gib Drury, Quebec
Ed Crandlemire, New Brunswick
Jim Bremner, Nova Scotia
Ivan Johnson, Prince Edward Island

Dwight Greer, Canadian Association of
Importers and Exporters
Brian Read, Canadian Meat Council

Named Alternate:

Michel Dessureault, Quebec
Margo Ladouceur, Canadian Meat Council

STAFFING UP TO JUNE 30, 2011

The Canadian Cattlemen's Association has been contracted to provide administrative and management services for the Agency. This arrangement allows the Agency to access specialized skills on an as-needed basis and reduces administrative costs. Locating the Agency in the same office as the Canadian Cattlemen's Association also allows for an important communication link between the Agency and the industry. R.G. (Rob) McNabb, P.Ag., of the Canadian Cattlemen's Association is the Executive Director and Legal Counsel is Adrienne Waller.

Restructuring of the Agency

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

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

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

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

This single organization was created effective July 1, 2011 by restructuring the Canadian Beef Cattle Research, Market Development and Promotion Agency which assumes the responsibilities, programs and core functions of all three organizations. Research responsibilities continue to be assigned to the Beef Cattle Research Council. The new Agency will operate as Canada Beef Inc. Supporting the transition period for Canada Beef Inc. to become fully operational as a new Agency, a six-month transition business plan for the period July 1, 2011 to December 31, 2011 was implemented. The six-month Transition Plan followed the historical direction of the founding organizations BIC and CBEF, and was the last plan to incorporate specific Commercial Beef programs funded by the Legacy Fund. The subsequent Business Plan incorporated the strategic vision and direction of the newly formed organization Canada Beef Inc.

2011/12 BOARD OF DIRECTORS

Chair - Brad Wildeman, Saskatchewan
Vice Chair- Dane Guignon, Manitoba
Grant Huffman, British Columbia
Chuck MacLean, Alberta
Jeff Warrack, Alberta
Paul Sharpe, Ontario
Gib Drury, Quebec
Jennifer MacDonald, New Brunswick

Members-at-large:

Jim Bremner, Nova Scotia
John MacDonald, Prince Edward Island

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

Beef Processing and Distribution

Brian Read – XL Foods
Francis Labrecque – Levinoff Meat Products
Mike Kennedy – Cargill
Arthur Batista – Ecolait
Scott Ellerton – Sysco Canada

STAFFING – JULY 1, 2011

Effective July 1, 2011 the Agency operating as Canada Beef Inc. was managed by the executive staff of Canada Beef Inc. including Robert Meijer (President), John Baker (Executive VP Global Marketing), Ron Glaser (VP Corporate Affairs and Operations), Rob Giguere (VP Programs), and Michael Shittu (VP Finance).

The office of the Agency is located at:

310, 6715 – 8 Street NE
Calgary, Alberta T2E 7H7
Tel: (403)275-5890

Executive Summary

This 2010/11 annual report of the Canadian Beef Cattle Research, Market Development and Promotion Agency, commonly referred to as the National Check-off Agency (NCOA), provides a summary of programs and results of national check-off funded activities between July 1, 2010 and December 31, 2011. The audited financial statements covering this reporting period (July 1, 2010 to June 30, 2011 and July 1, 2011 to December 31, 2011) are included at the end of the report.

Through the national check-off, Canadian beef cattle producers collectively invest in research, market development and promotion to achieve the industry's long-term vision of a dynamic and profitable Canadian industry with Canadian high quality beef products recognized as the most outstanding by Canadian and world customers. Throughout 2010/11, market development and promotion emphasized the Canadian Beef Advantage or CBA - a value proposition positioning Canada's beef industry as a world leader in quality beef production. The CBA promotes the benefits of choosing Canadian beef based on attributes achieved from farm to fork. These benefits/attributes of the CBA include conscientious production practices, environmental stewardship, beef quality and yield advantages, plus Canada's global animal health status and food safety record.

Restructuring of the Agency:

In 2010, the Canadian beef industry stakeholders investigated a new beef marketing organizational structure for maximizing efficiencies and effectiveness for domestic and international beef marketing activities. In doing so, the roles of the Beef Information Centre (BIC), Canada Beef Export Federation (CBEF), the Global Marketing Advisory Committee (GMAC) and the two major funding organizations, the Canadian Cattlemen Market Development Council (CCMDC) and the Canadian Beef Cattle Research, Market Development and Promotion Agency (NCOA) were reviewed. The outcome was the merging of CBEF, BIC and the NCOA to create a single independent national beef cattle marketing, promotion and research organization. Effective July 1, 2011, the new organization operated as Canada Beef Inc.

National check-off funded activities and results in 2010/11.

1. Research:

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

The Beef Cattle Industry Science Cluster, a partnership between Agriculture and Agri-Food Canada and the CCA, was initiated in 2009 to support beef and cattle research projects. Industry and government funding through the Cluster totals \$11.25 million directed to 32 research projects. Each national check-off dollar is matched by six AAFC dollars under the cluster. In addition to the investments made through the Beef Science Cluster, the BCRC has contributed over \$4 million to nearly 60 other research initiatives. These BCRC investments have leveraged other industry and government dollars, leading to total funding exceeding \$20 million.

The program priority areas under the Cluster in 2010/11 included:

1. Forage and Grassland Productivity
2. Beef Quality
3. Feed Efficiency
4. Animal Health and Welfare
5. Food Safety

Significant progress has been made on the research projects to date. Preliminary results of a forage and grassland productivity project to identify strategies to maximize forage nutrient yield and minimize winter feeding costs suggest that winter feeding costs can be reduced by 27-45% by swath grazing corn or triticale; feed efficiency projects have confirmed that improved feed efficiency not only means an increase in returns to the producers but also has measurable environmental benefits; and beef quality research suggests that consumers' satisfaction levels have improved on measures of tenderness, juiciness and flavour over the past decade.

The BCRC continues to focus on communications through print and electronic publications. As part of the Beef Cattle Industry Science Cluster, emphasis is being placed on the development of a long-term strategy to improve technology transfer and knowledge dissemination. The strategy includes an enhanced website and exploration of social media to keep producers, researchers, and funders informed on research results, industry practise and new technologies, and the value of the national check-off investments.

Through the BCRC, Canada's beef on-farm food safety quality assurance program *Verified Beef Production*[™] (VBP) continued to be implemented. The VBP is a HACCP-based auditable program that is recognized by the CFIA and has the potential for international recognition. The program continues to focus on animal health management, medicated feed/water and non-ruminant feeds, cattle shipping, pesticide control and training and communications. Uptake of the program has continued to grow with producers identifying VBP as part of the future where industry looks for product differentiation – an integral element of the Canadian Beef Advantage. VBP participation has grown to over 15,400 cattle operations, with 55-60% of Canada's beef being produced at these VBP-trained operations.

2. National Market Development and Promotion

The national check-off funded domestic, commercial beef, and export marketing programs were managed by the Beef Information Centre and Canada Beef Export Federation prior to the creation of Canada Beef Inc. Effective July 1, 2011 when Canada Beef Inc. became operational, the programs were managed by the single organization Canada Beef Inc. The national check-off was supplemented with funding from the Canadian Beef Cattle Market Development Fund to cover the full cost of the industry's global marketing strategy. This Fund, also known as the Legacy Fund, was established in 2005 to support long-term market development for Canada's beef and beef cattle genetics industry. This funding is matched by industry through the national check-off paid by cattle producers and support from market partners.

Fundamental to the marketing programs are Canadian beef and cattle production, inventory and marketing trends. In 2010, larger fed cattle production supported production and consequently export volumes, which were up 8% from 2009. As supplies tightened throughout the year, prices increased to reach their annual highs in December. In 2011, higher cattle prices occurred as a result

of tighter supplies in both North America and globally, as well as increasing beef demand in many emerging markets. The combination of smaller Canadian beef production and continued weakness in the North American economy, which has limited demand recovery, has resulted in decreased export volumes since 2010. Exports to United States and Mexico were down 15% and 33% respectively in 2011 compared to 2010, while exports to Taiwan were down 61% due to market access issues related to ractopamine residue limits. Exports to Russia and Japan were down 19% and 25% respectively, with exports to Hong Kong and Macau up 3% in 2011.

The global marketing strategy for national market development and promotion focussed on three priority goals in 2010/11. The following highlights the results of the programs relevant to each priority goal.

Build awareness of the Canadian beef brand and the Canadian Beef Advantage

The awareness of the CBA and the Canada Beef brand and/or supporting attributes has been heightened significantly over the past two years. Through various programs, CBA brand license agreements have focussed on 75% of market share in the retail and foodservice sectors. Of that target, approximately 55% are CBA brand license holders. With this increased awareness, the focus moves to building on the commitment by consumers and trade partners to Canadian product. The beef marketing materials, including print, electronic, and website, incorporated the CBA and inherent attributes and resulted in increased awareness. For instance, awareness of attributes associated with commercial beef increased from 85% in 2009 to 90% in 2010. And internationally, heightened awareness and improved confidence in Canadian product were garnered through an increased number of activities and resources incorporating the CBA.

Achieve growth in traditional, existing, new and emerging markets

Exports of Canadian beef in 2010 increased 8% over 2009, reaching 407,500 tonnes. Beef exports in 2010 were valued at \$1.42 billion, up 13% from 2009. Domestic consumption in 2010 decreased 2% from 2009 with the larger volumes exported. Canadian non-fed beef exports declined 32% in 2010, leading to increased domestic consumption of Canadian commercial beef. Beef exports in 2011 totaled 336,900 tonnes, down 17% from 2010. This supports inventories at the smallest numbers since 1991, reduced production levels (down 14% from 2010) and an appreciated Canadian dollar. Domestic consumption in 2011 was steady with 2010. In 2011 the proportion of Canadian beef that was consumed in Canada increased to 63% from 60% in 2010, with lower exports offsetting the increase in imports.

Many domestic and international partnerships and programs established in the retail and foodservice sectors in previous years were maintained and/or strengthened, and new ones were developed. However availability of consistent supplies of Canadian product at competitive prices continues to be a challenge for partner commitment.

Maximize total value through optimization of carcass, genetics and live cattle values

The sale of identified priority cuts has been advanced in international markets, including Japan where short plate, hanging tender and outside skirt sales volumes increased in 2010 compared to 2009. In Canada, the price discounts of heavy versus light carcasses were reduced in 2010 compared to 2009. Domestic programs in 2010/11 also focussed on increasing the share of source grinds at retail; although the volume of source grind sales at retail increased 14% over 2009, the overall share of total ground beef sales remained low at 1.6%. Recognizing that there are numerous market factors outside of the marketing organizations control that drive the North American boxed beef

values, the focus has also been on monitoring the spread between Canadian and U.S. prices. Marketing efforts overall focus on driving value for specific cuts into each of the retail and foodservice sectors.

3. Provincial Research Market Development and Promotion

In 2010/11, national check-off transferred funds for projects managed by: the Manitoba Beef Producers, New Brunswick Cattle Producers, Nova Scotia Cattle Producers, Ontario Cattlemen's Association and Prince Edward Island Cattle Producers. As well, the Fédération des Producteurs de Bovins du Québec continued to use the proceeds from their allocation for veal and beef promotion and research in Quebec.

Provincial programs focussed on the areas of research, consumer promotion and market development. Research projects on feed efficiencies, animal health and management, marketing strategies, and also research facility development were supported with check-off funds. Consumer directed promotions at retail and foodservice, including branded product development promoting provincially grown beef, were also managed by the respective provinces. Communicating the value of the national-check-off plays a part in the provincial programs, and the use of social media is becoming more prevalent in the marketing efforts and reaching various audiences.

June 30, 2011 Audited Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

**Financial Statements
Year Ended June 30, 2011**

November 16, 2011

Management's Responsibility

Calgary, Alberta

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is composed of members who are neither management nor employees of the Canadian Beef Cattle Research, Market Development and Promotion Agency. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Agency's external auditors.

Kingston Ross Pasnak LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the board and management to discuss their audit findings.



Robert Meijer
President



Michael Shittu
Vice President, Finance

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An independent member firm



November 16, 2011

Edmonton, Alberta

Independent Auditor's Report

To the members of Canadian Beef Cattle Research, Market Development and Promotion Agency:

We have audited the accompanying statements of Canadian Beef Cattle Research, Market Development and Promotion Agency, which comprise the statement of financial position as at June 30, 2011, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Beef Cattle Research, Market Development and Promotion Agency as at June 30, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP

Chartered Accountants

Statement of Operations

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

	2011	2010
Revenues		
Cattle levies	\$ 8,310,289	\$ 6,870,436
Interest income	4,461	1,095
	8,314,750	6,871,531
Direct Expenditures		
Beef Information Centre	4,428,441	3,940,633
Canada Beef Export Federation	2,126,679	1,900,796
Beef Cattle Research Council	651,199	571,538
Quebec Cattle Producers Federation	620,192	-
Ontario Veal Promotion and Development	249,029	260,602
Meeting expenses	73,194	15,027
Manitoba Cattle Producer's Association	60,966	58,104
Prince Edward Island Cattle Producers	3,236	-
New Brunswick Cattle Producers	2,377	-
Nova Scotia Cattlemen's Association	1,964	1,354
	8,217,277	6,748,054
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ADMINISTRATIVE EXPENDITURES	\$ 97,473	\$ 123,477
Administrative Expenditures		
Professional fees	117,499	28,935
Consultants and contract fees	83,067	52,851
Project Support	57,575	-
Special meetings	23,827	-
Recruitment and training	14,513	-
Office	10,591	35,001
Rent	5,497	5,181
Travel and promotion	4,047	3,499
Amortization	689	1,166
Evaluation project	-	54,462
	317,305	181,095
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (219,832)	\$ (57,618)

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CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

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Statement of Changes in Net Assets

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

	Invested In		2011	2010
	Property and	Unrestricted	Total	Total
	Equipment			
BALANCE, BEGINNING OF YEAR	\$ 1,377	\$ 199,911	\$ 201,288	\$ 258,906
DISPOSAL OF PROPERTY AND EQUIPMENT	(688)	688	-	-
DEFICIENCY OF REVENUES OVER EXPENDITURES	(689)	(219,143)	(219,832)	(57,618)
BALANCE, END OF YEAR	\$ -	\$ (18,544)	\$ (18,544)	\$ 201,288

Statement of Financial Position

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

June 30, 2011

ASSETS

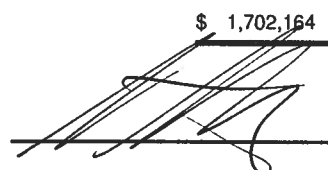
	2011	2010
CURRENT ASSETS		
Cash (Note 3)	\$ 66,266	\$ 185,387
Accounts receivable	1,635,898	147,044
Goods and Service Tax receivable	-	16,947
	1,702,164	349,378
PROPERTY AND EQUIPMENT (Note 4)	-	1,377
	<u>\$ 1,702,164</u>	<u>\$ 350,755</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,475,422	\$ 149,467
Goods and service taxes payable	20,286	-
Current portion of long term debt (Note 5)	83,425	-
	1,579,133	149,467
LONG TERM DEBT (Note 5)	141,575	-
	1,720,708	149,467
NET ASSETS		
Invested in property and equipment	-	1,377
Unrestricted	(18,544)	199,911
	(18,544)	201,288
	<u>\$ 1,702,164</u>	<u>\$ 350,755</u>

APPROVED BY THE BOARD

 Director

 Director

Statement of Cash Flow

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (219,832)	\$ (57,618)
Item not involving cash		
Amortization	689	1,166
Changes in non-cash working capital balances		
Accounts receivable	(1,488,854)	116,648
Goods and Services Tax receivable	37,233	3,932
Accounts payable and accrued liabilities	1,325,955	(113,854)
	(344,809)	(49,726)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	-	(2,543)
Proceeds on disposal of property and equipment	688	-
	688	(2,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long term debt	225,000	-
	225,000	-
NET DECREASE IN CASH	(119,121)	(52,269)
CASH, BEGINNING OF YEAR	185,387	237,656
CASH, END OF YEAR	<u>\$ 66,266</u>	<u>\$ 185,387</u>

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 1

Purpose of the Agency

The Canadian Beef Cattle Research, Market Development and Promotion Agency (the "Agency") was proclaimed on January 17, 2002. The Agency was established to provide a sustainable funding base to finance promotion, beef market development and relevant research activities for the benefit of the Canadian beef and beef cattle industry.

The Agency administers the funding for the domestic promotion, export market development and research. Together, these initiatives will cultivate enduring markets for Canadian cattle and beef. 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 over the past year.

Note 2

Significant Accounting Policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Not-for-Profit Financial Statement Presentation

The Agency has chosen to continue to present net assets invested in property and equipment as a separate category of internally restricted net assets.

Income taxes

The Agency is proclaimed under the Farm Products Agencies Act and therefore is not subject to income taxes under the Income Tax Act (Canada).

Property and equipment

The Agency records its property and equipment at cost less accumulated amortization. Amortization on furniture and fixtures is recorded using the straight line method at a rate of 20% per annum, pro-rated on a monthly basis. Amortization on computer equipment is recorded at the rate of 50% in the year of acquisition, 25% in the second year and 25% in the third year, pro-rated on a monthly basis.

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 2

Significant Accounting Policies Continued...

Revenue Recognition

Cattle levies received from cattle producers through cattle sales and delivery organizations are unrestricted and are recognized in the year in which the cattle sales occur and when collectability is reasonably assured.

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

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

Statement of Cash Flow

The Agency is using the indirect method in its presentation of the Statement of Cash Flow.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates pertain to the estimated useful lives of property and equipment, the net recoverability of accounts receivable, and the amount of cattle levies collected.

Disclosure of allocated expenses

The Agency follows CICA Handbook Section 4470, which establishes 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.

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 2

Significant Accounting Policies Continued...

Financial Instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the Statement of Financial Position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in excess of revenues over expenses. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the instrument is derecognized or impaired.

The association has made the following classifications:

- Cash is classified as held-for-trading and is measured at fair value.
- Accounts receivable is classified as loans and receivables and is measured at amortized cost using effective interest method.
- Accounts payable, accrued liabilities and long term debt are classified as other liabilities and are measured at amortized cost using the effective interest method.

The Agency has chosen to continue to apply Section 3861, Financial Instruments - Disclosure and Presentation, instead of adopting Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation.

Financial Statement Concepts

The Canadian Institute of Chartered Accountants has announced amendments to Handbook Section 1000 "Financial Statement Concepts" and the definition of an asset. The amendments disallow the recognition of assets and liabilities solely based on the principle of matching revenues and expenses. The Agency follows CICA Handbook Section 1000 "Financial Statement Concepts".

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 3

Cash

Cash consists of cash on hand and interest bearing bank balances (including temporary bank overdrafts). Cash is currently earning interest at 1.00%, with no fixed maturity.

Note 4

Property and Equipment

			2011	2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ -	\$ -	\$ -	\$ 1,377
	\$ -	\$ -	\$ -	\$ 1,377

Amortization provided for in the current year totalled \$689; (2010 - \$1,166).

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 5

Long Term Debt

	2011	2010
Alberta Beef Producers loan is payable in monthly payments of \$10,000 including interest at prime +0.5%, commencing on April 1, 2012. The loan matures on January 1, 2013 and is secured by a general security agreement over future levies payable from Alberta Beef Producers to the Agency.	\$ 100,000	\$ -
Saskatchewan Cattlemen's Association loan is payable in monthly payments of \$10,000 including interest calculated at prime +0.5% with payments commencing on April 1, 2012. The loan matures on January 1, 2013 and is secured by a general security agreement over future levies payable from Saskatchewan Cattlemen's Association to the Agency.	100,000	-
Ontario Cattlemen's Association loan is payable in monthly payments of \$10,000 including interest calculated at prime +0.5% with payments commencing on April 1, 2012. The loan matures June 1, 2012 and is secured by a general security agreement over future levies payable from Ontario Cattlemen's Association to the Agency.	25,000	-
	\$ 225,000	\$ -
Current portion of long term debt	83,425	-
Portion of long term debt due after one year	\$ 141,575	\$ -

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 6 Related Party Transactions

The Agency shares certain administration costs with the Canadian Cattleman's Association. The Canadian Cattleman's Association is related by virtue of certain directors who serve on the Agency's board. During the year, the Agency was allocated the following expenses. The allocation is at the discretion of the board of directors and is determined on an annual basis:

	2011	2010
Contract services	\$ 48,942	\$ 48,158
Rent	5,497	5,181
	<u>\$ 54,439</u>	<u>\$ 53,339</u>

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.

Note 7 Future Accounting Changes

The Canadian Institute of Chartered Accountants (CICA) has issued a new set accounting standards which will affect the Agency's financial statements in subsequent fiscal years.

Developments in Not-for-Profit Accounting Standards

In December 2010, the Accounting Standards Board (AcSB) issued Part III of the CICA Handbook entitled "Accounting Standards for Not-for-Profit Organizations." These new accounting standards are available for early adoption and carry forward the Section 4400 series and relevant material relating specifically to not-for-profit organizations in other sections of the current Handbook, including Sections 1000, 1100, 1400 and 3031, largely without change. For years beginning on or after January 1, 2012, not-for-profit enterprises must choose to adopt either the Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards. Management has not yet determined which set of standards the Agency will adopt.

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 8 Financial Instruments

Fair Value

Cash is measured at fair value.

The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Agency for debt with similar terms.

Credit Risk

The Agency derives its revenues and accounts receivable in the form of levies from associations involved in the cattle industry. The Agency is exposed to credit risk with respect to these revenues to the extent that these associations may experience financial difficulty and be unable to meet their obligations as a result of those risks associated with the cattle industry in general. At year-end, 88% of the balance of the Agency's accounts receivable was due from three of these associations.

Interest Rate Risk

The Agency is exposed to interest rate risk due to fluctuations in interest rates as all cash balances over \$50,000 earn interest at 1.00%

Notes to the Financial Statements

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Year ended June 30, 2011

Note 9

Capital Disclosures

The Agency's objectives in managing capital are to ensure sufficient liquidity to meet monthly operating requirements and undertake selective expansion initiatives while at the same time taking a conservative approach towards management of financial risk.

The Agency's capital is comprised of net assets. The Agency's primary use of capital is to finance capital expenditures for leasehold and information technology system improvements and to fund programs to stimulate, increase, and improve the production and marketing of cattle producers. The Agency currently funds these requirements through service charges, federal levys, government grants and internally generated cash flows. At June 30, 2011 the Agency's balance of net assets was (\$18,544) (2010 - \$201,288).

The Agency is not subject to any externally imposed capital restrictions.

Note 10

Subsequent Event

Through the Provincial cattle organizations, the industry requested that the Beef Information Centre and Canada Beef Export Federation consolidate into one marketing organization for the industry. Subsequent to a task force being formed and charged with facilitating the consolidation, it was determined that consolidating the two marketing groups under the Canadian Beef Cattle Research, Market Development and Promotion Agency was the best option as the Agency has the legislated mandate to collect and expend the check-off for marketing and research on behalf of the industry. Legal agreements have been signed and transfers of assets and liabilities were initiated prior to the fiscal year end with December 31 2011 set as the completion date. At June 30, 2011 there were no assets or liabilities transferred as a part of these agreements.

An estimate of the financial impact to the organization as a result of this consolidation cannot be made at this time.

December 31, 2011 Audited Financial Statements

Canadian Beef Cattle Research, Market Development and Promotion Agency Financial Statements *December 31, 2011*

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

For the six month period ended December 31, 2011

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Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

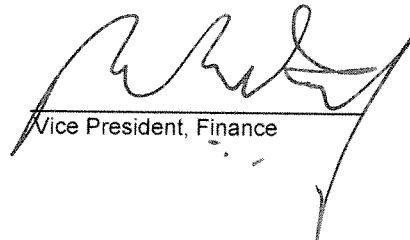
The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Agency. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Agency's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 11, 2012

A stylized, circular signature in blue ink.

President

A stylized signature in blue ink, written over a horizontal line.

Vice President, Finance

Independent Auditors' Report

To the Members of Canadian Beef Cattle Research, Market Development and Promotion Agency:

We have audited the accompanying financial statements of Canadian Beef Cattle Research, Market Development and Promotion Agency, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Beef Cattle Research, Market Development and Promotion Agency as at December 31, 2011 and the results of its operations, changes in net assets and its cash flows for the six month period then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Agency combined operations with Beef Information Centre ("BIC") and Canada Beef Export Federation ("CBEF") effective July 1, 2011. Because of the significance of the combined operations, comparative information is not meaningful to the financial statement users, therefore, these financial statements only present the operations for the six-month period from July 1, 2011 to December 31, 2011.

Calgary, Alberta

September 11, 2012

Chartered Accountants

**Canadian Beef Cattle Research,
Market Development and Promotion Agency
Statement of Financial Position**

As at December 31, 2011

2011

Assets

Current

Cash and cash equivalents (Note 4)	2,932,696
Accounts receivable	3,773,223
Inventory	2,302
Prepaid expenses	82,488

6,790,709

Capital assets (Note 5)

79,543

6,870,252

Liabilities

Current

Accounts payable and accrued liabilities	1,922,362
--	-----------

Net Assets

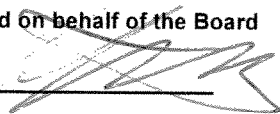
Unrestricted	660,547
Consolidation reserve transfers (Note 2)	4,287,343

4,947,890

6,870,252

Approved on behalf of the Board

Director



Director



The accompanying notes are an integral part of these financial statements

**Canadian Beef Cattle Research,
Market Development and Promotion Agency
Statement of Operations**

For the six month period ended December 31, 2011

2011

Revenues

Check-off revenue	4,504,771
Canadian Cattlemen Market Development Council	3,226,540
Interest	7,592
Miscellaneous	1,163

7,740,066

Expenses

Operations - Schedule 1	3,246,175
--------------------------------	------------------

Market Development - Schedule 2	2,020,227
--	------------------

National Check-off Transfers

Federation des Producteurs de Bovins du Quebec	617,205
Beef Cattle Research Council	599,786
Ontario Cattlemen's Association	378,690
Saskatchewan Cattlemen's Association	155,128
Manitoba Cattle Producer's Association	37,757
Alberta Beef Producers	11,907
Prince Edward Island Cattle Producers	6,925
New Brunswick Cattle Producers	4,069
Nova Scotia Cattlemen's Association	1,287
Cattle Industry Development Council (British Columbia)	363

1,813,117

Total expenses	7,079,519
-----------------------	------------------

Excess of revenues over expenses and unrestricted net assets, end of six month period	660,547
--	----------------

The accompanying notes are an integral part of these financial statements

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**
Statement of Changes in Net Assets
For the six month period ended December 31, 2011

	<i>2011</i>
Excess of revenues over expenses and unrestricted net assets, end of six month period	660,547
Consolidation reserve transfers (Note 2)	4,287,343
Net assets, end of six month period	4,947,890

The accompanying notes are an integral part of these financial statements

**Canadian Beef Cattle Research,
Market Development and Promotion Agency
Statement of Cash Flows**

For the six month period ended December 31, 2011

2011

Cash provided by (used for) the following activities

Operating

Excess of revenues over expenses and unrestricted net assets, end of six month period	660,547
Amortization	8,198

668,745

Changes in working capital accounts

Accounts receivable	(3,773,223)
Inventory	(2,302)
Prepaid expenses and deposits	(82,488)
Accounts payable and accruals	1,922,362
Consolidation reserve transfers	4,287,343

3,020,437

Investing

Purchase of capital assets	(87,741)
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Increase in cash resources, and cash resources, end of period	2,932,696
--	------------------

The accompanying notes are an integral part of these financial statements

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**
Notes to the Financial Statements
For the six month period ended December 31, 2011

1. Purpose of the Agency

Canadian Beef Cattle Research, Market Development and Promotion Agency ("the Agency"), operating as Canada Beef Inc., 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 enhance and sustain the profitability of Canadian beef producers through excellence in product promotion, positioning and the facilitation of domestic and international marketing initiatives. 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.

2. Combination of operations

On July 1, 2011, the Agency combined operations with Beef Information Centre ("BIC") and Canada Beef Export Federation ("CBEF") and is now operating as Canada Beef Inc. The results of BIC and CBEF's operations have been included in these financial statements since that date.

The following table summarizes the reserves on the date of the combination:

Canadian Beef Cattle Research, Market Development and Promotion Agency	(18,198)
Beef Information Centre	2,229,735
Canada Beef Export Federation	2,075,806
<hr/>	
Consolidation reserve transfers	4,287,343

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Income taxes

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

Capital assets

Capital assets is 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.

	<i>Rate</i>
Computer hardware and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	5 years
Office equipment	10 years
Website and logo	5 years

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**
Notes to the Financial Statements
For the six month period ended December 31, 2011

3. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

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

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

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

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 period. Actual results could differ from those estimates.

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.

Disclosure of allocation of expenses

The Agency follows CICA Handbook Section 4470, which establishes 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.

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 Japanese, Korean, Hong Kong, the People's Republic of China, Taiwanese and Mexican branch 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 through-out the year. Gains and losses resulting from these translation adjustments are included within revenue and expenses included on the statement of operations.

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in excess of revenues over expenses. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the instrument is derecognized or impaired.

The agency has made the following classifications:

- Cash and cash equivalents is classified as held-for-trading and is measured at fair value;
- Accounts receivable is classified as loans and receivables and is measured at amortized cost using the effective interest method;
- Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost using the effective interest method.

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**
Notes to the Financial Statements
For the six month period ended December 31, 2011

3. Significant accounting policies *(Continued from previous page)*

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Agency expects to adopt Part III of the Handbook as its new financial reporting standards. The Agency has not yet determined the impact of the adoption of Part III of the Handbook on its financial statements.

4. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and interest bearing bank balances. Cash is currently earning interest at 1% per annum, with no fixed maturity.

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2011 Net book value</i>
Computer hardware and software	18,408	3,068	15,340
Furniture and fixtures	29,675	1,484	28,191
Leasehold improvements	6,413	321	6,092
Office equipment	14,800	1,480	13,320
Website and logo	18,445	1,845	16,600
	87,741	8,198	79,543

6. Related party transactions

The Agency shares certain administration costs with the Canadian Cattleman's Association and Alberta Beef Producers. The Canadian Cattleman's Association and Alberta Beef Producers are related by virtue of certain directors who serve on the Agency's board. During the six month period, the Agency allocated \$30,000 for contract services and \$54,469 for rent expense 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.

**Canadian Beef Cattle Research,
Market Development and Promotion Agency**
Notes to the Financial Statements
For the six month period ended December 31, 2011

7. Commitments

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

2012	459,527
2013	497,558
2014	286,075
2015	174,160
2016	174,160
Thereafter	109,854
	<hr/>
	1,701,334

8. Capital management

The Agency's objectives when managing capital are to ensure sufficient liquidity to meet monthly operating requirements and undertake selective expansion initiatives while at the same time taking a conservative approach towards management of financial risks.

The Agency's capital is comprised of net assets. The Agency's primary use of capital is to finance capital expenditures for leasehold and information technology system improvements and to fund programs to stimulate, increase, and improve the production and marketing of cattle producers. The Agency currently funds these requirements through federal levies, government grants and internally generated cash flows. As at December 31, 2011 the Agency's balance of net assets was \$4,947,890.

The Agency is not subject to any externally imposed capital restrictions.

9. Financial instruments

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

Fair value

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are approximated by their fair value due to their short-term nature.

Foreign currency risk

The Agency enters into transactions in the normal course of operations denominated in foreign currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at December 31, 2011, the following items are denominated in foreign currencies:

	2011 CAD\$
Cash and cash equivalents	101,825
Accounts receivable	62
Accounts payable and accrued liabilities	125,475

Credit risk

The Agency derives its revenues and accounts receivable in the form of levies from associations involved in the cattle industry. The Agency is exposed to credit risk with respect to these revenues to the extent that these associations may experience financial difficulty and be unable to meet their obligations as a result of those risks associated with the cattle industry in general. At period-end, 39% of the balance of the Agency's accounts receivable was due from two of these associations.

**Canada Beef Cattle Research,
Market Development and Promotion Agency
Schedule 1 - Operations**

For the six month period ended December 31, 2011

2011

Operations (Canada)

Amortization	5,952
Bank charges	6,059
Computer maintenance and supplies	67,526
Consulting, legal and audit	303,620
Foreign exchange loss / (gain)	(1,989)
Licenses and subscriptions	30,310
Office and meeting	88,905
Recruitment and training	71,150
Rent and lease payments	172,674
Salaries and benefits	1,278,560
Sponsorship and donations	11,500
Travel and Insurance	266,816
Utilities	56,280

2,357,363

Operations (Foreign)

Amortization	2,246
Bank charges	2,348
Computer maintenance and supplies	2,466
Consulting, legal and audit	15,278
Foreign exchange loss / (gain)	(3,746)
Licenses and subscriptions	4,751
Office and meeting	50,108
Recruitment and training	9,474
Rent and lease payments	127,199
Salaries and benefits	617,149
Sponsorship and donations	-
Travel and Insurance	38,193
Utilities	23,346

888,812

3,246,175

**Canada Beef Cattle Research,
Market Development and Promotion Agency
Schedule 2 - Market Development**

For the six month period ended December 31, 2011

2011

Market Development

North America

Canada market development	427,996
Mexico market development	132,644
United States market development	281,499
Commercial beef	226,749
Customer service support	120,944
Public relations	95,310
Stakeholder communications	72,605
Issues management	44,394
Trade communications	6,773
Value added initiatives	4,695
Corporate communications	-

1,413,609

Asia and Emerging Markets

Japan	150,441
Partner market development program	150,417
Emerging markets	102,280
Hong Kong	93,478
China	59,290
Taiwan	36,185
Korea	14,527
Russia	-

606,618

2,020,227