



ANNUAL REPORT
April 1, 2014 to March 31, 2015

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

Operating as
Canada Beef



Message from the Chair



JACK HEXTALL, CHAIR
CANADA BEEF

On behalf of the Canadian Beef Cattle Research, Market Development and Promotion Agency, commonly referred to as **Canada Beef**, I am pleased to present this annual report for the period of April 1, 2014 to March 31, 2015.

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 cattle sold in Canada and pay the levy to the Agency.

This report marks the third annual report of the single independent national beef cattle marketing, promotion and research organization which merged and integrated three entities: 1) Canada Beef Export Federation 2) Beef Information Centre, and 3) National Check-off Agency. The consolidated

Agency began operating as Canada Beef effective July 1, 2011. This past year wrapped up the third year of the initial three year strategic plan for Canada Beef. We have achieved all of the goals we set for ourselves as an organization on behalf on the Canadian beef industry. Canada Beef is on target to continue creating efficiencies and measurably-driven results.

The work of Canada Beef to establish the Federal Proclamation, as well as the implementation of the Beef Import Levy, proves to be an achievement. The import levy brought in \$900,000 in funding to Canada Beef in 2014/15, its first full year of collection, adding to our abilities to promote the healthfulness, nutritional benefits, and safety of beef.

The opening of the Canadian Beef Centre of Excellence (CBCE) in March of 2015 was a huge milestone for both Canada Beef and the industry from coast to coast and gives us a home for the Canadian beef brand. The CBCE is a place where we have the opportunity to connect, collaborate, communicate and consult with everyone from long time stakeholders to potential partners, and everyone in between.

During the past year, Canadian beef demand and exports increased to near record levels. As well, strong cattle prices were supported by smaller North American supplies and solid global beef demand, in addition to a lower Canadian dollar pushing up local prices. Beef exports were up 14 per cent in volume and 46 per cent in value totalling \$1.94 billion. This is the third largest export value on record for the Canadian beef industry. Another important milestone and a key aspect of the industry’s recovery from BSE is the diversification of exports with particular focus on Asia and other emerging markets. In 2014, 23 per cent of exports went outside of North America (compared to only 15 per cent in 2002).

This report includes 2014/15 financial statements and a high level summary of market development and promotion, research and provincial activities funded by the national check-off.

Canada Beef fully utilizes the structure and authority of the Canadian Beef Cattle Research, Market Development and Promotion Agency by consolidating responsibility and accountability to one organization for the development of domestic and international brand and marketing programs. This has truly resulted in a single unified brand and marketing team and provides clearer accountability for contributors including cattle producers and other funding partners including government.

The **Beef Cattle Research Council** remains the national research group funded through national check-off. 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. 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.

A strong focus over the past year was refining the administration of the national check-off. Canada Beef has been, and remains committed to working closely with funders across the country to create efficient practices that are well-administered and clearly understood, enabling us to work together towards a common goal. By uniting under a single brand, our industry is greater than the sum of its parts.

Canada Beef also joined the major players in the Canadian beef industry to launch the National Beef Strategy in January 2015. As an industry leader, we firmly believe that this strategy will continue to unite us from coast to coast, and will create opportunities for us to align around the table. The strategy allows us to take advantage of the growing demand for Canadian beef, and bring together all of the industry and funder priorities and achieve future goals set out for our organization.

While this is a time to look back and be proud of what we have accomplished, we also have worked hard to prepare for the next phase of our organization.



Jack Hextall, Chair
Canada Beef

Agency Profile

PROCLAMATION

The Canadian Beef Cattle Research, Market Development and Promotion Agency (now commonly referred to as **Canada Beef**) was proclaimed on January 17, 2002 and the registration published in the Canada Gazette, Part II on January 30, 2002.

LEVIES AND IMPORT ORDER

The *Domestic Levy Order* was registered April 14, 2005. All provinces with structured beef cattle organizations are signatories to the Agency's agreements in their respective provinces (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island). 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. Efforts continue in the Maritimes to address collection procedures to accommodate inter-provincial sales and collection of the levies.

A major development in 2014/15 was the implementation of an import levy on beef cattle, beef and beef products. The import levy allows for equitable treatment between domestic beef producers and beef importers. After many years of work, the amendment to the *Beef Cattle Research, Market Development and Promotion Levies Order* to include an import levy was announced by Canada Beef and Agriculture Minister Gerry Ritz July 30, 2013. Effective January 1, 2014, all imports of beef and beef products into Canada were subject to the levy of \$1 per head or carcass equivalent. Canada Beef conducted a series of information sessions with importers to provide information on the collection mechanism and continues this effort to reach as many importers as possible.

An agreement was signed between Canada Border Services Agency (CBSA) and Agriculture and Agri-food Canada to allow dissemination of import data from CBSA to Agriculture Canada to enable collection of the levy. Monthly invoices produced by Agriculture Canada are provided to Canada Beef for onward transmission to importers. Funds generated from the import levy were approximately \$900,000 in 2014/15. This funding was further leveraged to access additional funding on the basis of matching industry dollars, thus resulting in a significant increase to overall funding of marketing, promotion and research for the beef industry.

THE RESTRUCTURED (CONSOLIDATED) AGENCY

This report marks the third annual report of the single independent national beef cattle marketing, promotion and research organization which merged and integrated three entities: 1) Canada Beef Export Federation 2) Beef Information Centre, and 3) National Check-off Agency.

This single consolidated organization was created effective July 1, 2011 by restructuring the Canadian Beef Cattle Research, Market Development and Promotion Agency which assumed 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 operates as Canada Beef.**

FISCAL YEAR

The fiscal year of the Canadian Beef Cattle Research, Market Development and Promotion Agency is April 1 to March 31. The Agency commenced financial operations July 1, 2002.

2014/15 BOARD OF DIRECTORS

The Board of Directors consists of 16 members (10 are beef cattle producers and six are representatives from the packers/processors, importers and foodservice/retail operators). The beef cattle producer members are nominated by their host provincial cattle producer associations and elected at the Canada Beef annual forum. The six packers/processors, importers and foodservice/retail operator positions are nominated by their host organizations and the Canada Beef governance committee and elected at the Canada Beef annual forum.

In 2014/15, the Board of Directors were as follows:

Chair – Jack Hextall, Saskatchewan

Grant Huffman, British Columbia

Chuck MacLean, Alberta

John Schooten, Alberta

Trevor Atchison, Manitoba

Arden Schneckenburger, Ontario

Kirk Jackson, Quebec

Larry Weatherby, Nova Scotia

John MacDonald, Prince Edward Island

Jennifer MacDonald, New Brunswick

Canadian Association of Importers and Exporters

Dwight Greer – Eastern Meat Solutions

Beef Processing and Distribution

Arthur Batista – Ecolait

Mike Kennedy – Cargill

Anthony Petronaci – Ryding Regency

Wesley Batista – JBS

Lonnie Lake – Sysco Canada

STAFFING

The Agency operating as Canada Beef was managed by the executive staff of Canada Beef including: Robert Meijer (President); Michael Shittu (VP, Finance); and Ron Glaser (VP, Corporate Affairs and Operations).

The Agency office is located at:

146, 6715 – 8 Street NE

Calgary, Alberta T2E 7H7

Tel: (403) 275-5890

Executive Summary

This 2014/15 annual report of the Canadian Beef Cattle Research, Market Development and Promotion Agency, **operating as Canada Beef**, provides a summary of programs and results of national check-off funded activities between April 1, 2014 and March 31, 2015. The audited financial statements covering this reporting period 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.

In 2014/15, Canada Beef marked a significant milestone in completing its inaugural three-year Strategic Plan. Since being formed after the industry consolidated three groups, Canada Beef has evolved to become not only a global advocate of the Canadian Beef brand, but also a catalyst of innovation and connectivity. The three-year Strategic Plan was developed with stakeholder input and has successfully fostered a collaborative effort to communicate a consistent Canadian beef brand message and fund leading-edge research to advance the competitiveness and sustainability of the Canadian beef cattle industry. With an overall focus on value and efficiency, Canada Beef has right-sized the organization, strategically aligned with industry partners including packers and funders, and developed programming to achieve maximum effectiveness and sustainable return on investment.

Of total national check-off investment, 65 per cent was directed towards domestic and international market development and promotion, 16 per cent was directed to research, and 19 per cent was retained by the provincial cattle producer organizations for marketing and research programs in their regions.

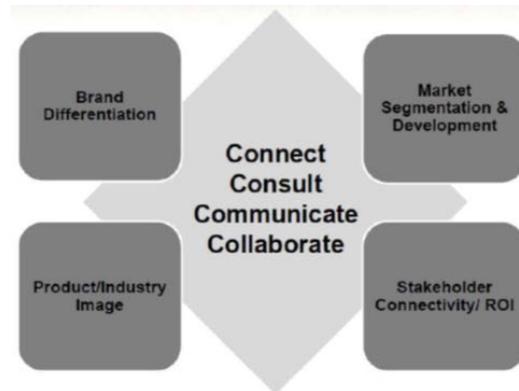
National Check-off Funded Activities and Results in 2014/15

1. National and International Market Development and Promotion – Canada Beef

In 2014/15, Canada Beef's marketing strategy continued to focus on four priorities:

1. Brand Differentiation – Canada Beef focused on the ongoing development and communication of a differentiated brand position for Canadian beef, leveraging the attributes of the Canadian Beef Advantage (CBA).
2. Market Segmentation and Development – Canada Beef ensured that resources were directed to markets and segments that represented opportunities for incremental value and return on marketing investments and efforts.
3. Product and Industry Image – Canada Beef enhanced overall consumer perceptions of Canadian beef from a product and industry perspective. Strategies included leveraging trade partners, direct to consumer marketing, and public relations and social media programs with consumers and key influencers.

4. Stakeholder Connectivity – Canada Beef undertook a leadership position in a collaborative effort to enhance the industry’s ability to respond to challenges, communicate a consistent Canadian beef brand message and transparently measure and communicate the benefits delivered through national check-off investment in Canada Beef.



The main thrust of the marketing strategy focused on enhancing loyalty to the Canadian beef brand. Considerable investments have been made in the areas of content development to provide a compelling Canadian Beef Story, which leverages both the functional and emotional attributes of the product and the industry. This has become the underpinning of comprehensive marketing efforts which in 2014/15 included: consumer directed marketing campaigns; leveraging brand license holders; utilizing mainstream print and electronic multi-media applications to the domestic market where consumer perceptions can be most positively impacted; and highly targeted export marketing activities.

Export markets were critical to driving incremental value for Canadian production and providing higher value markets for niche programs. Canada Beef allocated resources to markets that delivered the highest possible returns on Canada Beef marketing efforts.

In order to identify the proper allocation of resources for export markets, exporters were engaged during the planning stage and asked to participate in an annual market assessment to assist in identifying priority export markets. Exporters consisting of large Canadian beef packers (representing over 90 per cent of Canada’s federally inspected beef slaughter) Canadian veal packers, smaller specialized Canadian exporters and vertically integrated value chain Canadian branded beef programs provided feedback on market priorities and products that are targeted for each market.

When compared to resource allocations from the previous year, allocations were increased in Japan as well as China and the emerging markets of Middle East/Europe for the second straight year. Allocations were stable in Southeast Asia (with an eye to emerging Asian markets) and decreased in the United States, Latin America and Hong Kong, due to the relative maturity of those markets. Although Korea no longer has representation, resources were allocated to maintain brand loyalty with the existing customer base in collaboration with the embassy and Trade Commissioner Service, and the closing of the tariff gap through a long awaited trade agreement. No resources were allocated to Russia as access conditions dictate the market was not commercially viable for exports.

This past year, Canada Beef developed a new market outreach approach called the **Canada Beef Branding Series** in the Asian hub. A Branding Series brings together key trade contacts, media, government and foodies to learn about the Canadian beef industry, brand and Canadian Beef Advantage at an emotional and technical level as a way to differentiate Canadian beef from other brands. Several Branding Series were held throughout Asia with Agriculture Minister Gerry Ritz actively participating in many of them.

With the shift from a market-based execution strategy to a more flexible hub-based strategy, Canada Beef has enhanced its ability to reach targeted high-valued segments in regional markets without creating additional overhead expenses. The approach has enabled Canada Beef to reach segments of markets through targeted approaches, including the launch of the Canadian Beef Branding Series. The development of relationships through these initiatives, and also by partnering with the Trade Commissioner Service in select markets has also provided an opportunity to extend Canada Beef's reach and drive the brand awareness of Canadian beef in markets with and without representation on the ground.

For the domestic market, a new initiative was the initiation of a three year partnership with the Canadian Football League (CFL) to build consumer brand awareness of Canadian beef. Partnering with a Canadian icon like the CFL allows Canada Beef to further leverage that relationship with retailers, consumer packaged goods companies, provincial cattle producer associations and conventional and social media. Elements of the partnership include highlighting the Canadian beef brand to a national audience, extending Canada beef's digital and social media reach through the CFL, highlighting local Canadian beef farming families with provincial association partners, and the opportunity to widely distribute positive health and nutritional messaging. This supports ongoing efforts of Canada Beef's nutrition program.

Canada Beef has begun a complete redesign of its digital properties to optimize performance with mobile devices, streamline its web offerings, reduce complexity, and reduce costs. Over the past five years, traffic to the consumer site has grown almost 500 per cent to 624,000 visitors in 2014. Traffic to the other Canada Beef web properties has increased over 200 per cent during the past four years to 116,000 visitors in 2014. The development of The Roundup App and other Canadian Beef Story assets such as YouTube videos set a new path as the base for building a Canada Beef brand image and brand marketing tools for a unified Canadian beef consumer voice.

A key performance measure for the organization is the amount of industry investment that Canada Beef activities can leverage in the market with aligned initiatives that are executed in partnership with trade partners and brand licensees. The projects were leveraged through the Market Development Program, which evaluates the level Canada Beef will invest based on a set of objective measures and how the project aligns with Canada Beef objectives. A total of 45 Market Development Programs were completed in 2014/15, with 15 domestic programs and 30 international programs. In the fiscal year Canada Beef invested \$494,297.15 into partnered initiatives. Total industry investment leveraged through these programs was \$2,971,568.33 - meaning that for every \$1 Canada Beef invested, industry partners invested \$6.

Over three years ago, Canada Beef held a vision to create a **Canadian Beef Centre of Excellence**, with the desire to 'bring the brand to life'. The intention was to create a global focal point which would express and showcase the Canadian Beef Advantage in real terms.

In 2014, a multi-year funding agreement with Western Economic Diversification Canada was secured that allowed for an investment in both infrastructure and programming. Construction began that summer with the Centre becoming operational in February 2015. Today, the Canadian Beef Centre of Excellence is open as a result of a strong partnership and recognition by the federal government, particularly Western Economic Diversification Canada and Agriculture and Agri-Food Canada. The Canadian Beef Centre of Excellence promises to bring a level of sophistication in training, education and connectivity around the Canadian beef brand and CBA with partners and markets unlike anything else in the industry. Canada Beef considers it a unique place of creativity and connectivity working to drive meaningful results.

More information on Canada Beef programs and activities is available at www.canadabeef.ca.

2. Research – Beef Cattle Research Council

The Beef Cattle Research Council (BCRC) funds leading-edge research to advance the competitiveness and sustainability of the Canadian beef cattle industry. The BCRC administers the research allocation of the national check-off and currently receives on average \$0.15 of every \$1.00 of national check-off collected by the provinces.

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

In addition to national check-off dollars, the majority of BCRC's research and extension programming in 2014/15 was funded through the Beef Cattle Industry Science Cluster under Growing Forward 2. This is the second Science Cluster and runs for the period April 1, 2013 to March 31, 2018. It is a \$20 million program, with \$5 million from industry including the national check-off, \$1 million from provincial governments, and \$14 million from AAFC. The national check-off dollars are leveraged with federal government funding under the Beef Cattle Industry Science Cluster on a 1:3 ratio (industry:government). BCRC also collaborated with other funding agencies to identify the industry's research priorities, maximize the value of research investment, and influence public sector investment in beef cattle research.

During 2014/15, 26 projects were funded under the Beef Science Cluster, each aligning with one of the following research priority areas:

- Forage and Grasslands Productivity
- Feed Efficiency
- Animal Health and Production Limiting Diseases
- Food Safety
- Environment
- Technology and Knowledge Dissemination.

Although the research continues, several success stories can be reported for 2014/15. For example, under food safety, it was found that high pressure processing can extend shelf life of beef with no negative effects on meat quality, nutritional quality, or consumer sensory attributes. A generic model cleaning practice has been developed that allows beef processing facilities to greatly improve the microbiological conditions of the equipment and in turn, that of the beef product. Regarding beef quality, between 1999 and 2014, the incidence of injection site lesions dropped by 36 to 90 per cent in two of the five sub-primals examined. Opportunities to further reduce the incidence of injection site lesions through producer education were identified.

Research in the areas of forage and grassland productivity and feed efficiency will help beef producers manage costs of production and choose appropriate forage varieties for swath-grazing that reduce the costs of maintaining the cow herd in winter. In the course of developing research protocols, it was identified how to successfully manufacture a durable high fiber / high fat pellet, providing opportunities to convert canola hulls and screenings into a value-added beef cattle supplement. A new barley variety released through a breeding program had yielded 29 per cent more forage with 11 per cent more starch than the control variety. The creation of a forage industry chair, under the Science Cluster, will help ensure that Canada continues to conduct leading-edge forage research.

Specific to animal health, research validated that industry's recommendation to castrate calves as early in life as possible is appropriate from both animal production and animal welfare perspectives. Strategies to avoid or alleviate the animal health and welfare challenges associated with feed restriction and acidosis continue to be identified. The environmental impact of Canadian beef production over the 30 years between 1981 and 2011 is being documented. Early results indicate that each kg of beef produced in Canada required 22 per cent less land and 28 per cent fewer cattle, and produced 17 per cent less methane, 19 per cent less nitrous oxide, and 15 per cent less CO₂ in 2011 than in 1981. The Green House Gas intensity per kg of beef produced has decreased by 16 per cent during this time period.

BCRC is also responsible for the delivery of the Verified Beef Production (VBP) national on-farm food safety program as well as the incorporation of new VBP modules for animal care, biosecurity, and environment. In 2014/15, significant focus was placed on the development of these new VBP modules. The VBP program is expected to grow in importance as it begins to deliver on all four modules and becomes a core pillar in verifying sustainable beef production in partnership with end-users such as McDonalds. Consequently as part of the module development process, the BCRC also initiated a strategic planning process in 2014/15 focused on the development of a long-term business and funding plan.

The BCRC also leads the ongoing implementation of the National Beef Research Strategy, working in partnership with industry and government beef research funding agencies across Canada, to be more efficient with limited funding and ensure key research, capacity, and infrastructure priorities are addressed. The National Beef Strategy is available at <http://www.beefresearch.ca/about/national-beef-research-strategy.cfm>.

The BCRC plays a leading role in increasing industry uptake of relevant technologies through the delivery of its technology and knowledge dissemination strategy. Visit www.beefresearch.ca to learn more about the resources available, including videos, fact sheets, webinars and decision making tools. The successful development and launch of the Beef Researcher Mentorship Program in 2014 facilitated greater engagement of up-and-coming new applied researchers with Canada's beef industry. Three selected mentees participated, and were provided the opportunity to deepen their understanding of the needs of the beef industry in a practical and meaningful way, preparing them for a productive career in applied beef and forage research, teaching and extension.

A more comprehensive 2014/15 BCRC results report, with results from individual projects, is available through the following link: <http://www.beefresearch.ca/resources/reports.cfm>

3. Provincial Research, Market Development and Promotion

In 2014/15, national check-off transferred funds for regional research and beef and veal marketing programs managed by: Manitoba Beef Producers, Beef Farmers of Ontario, the Fédération des Producteurs de Bovins du Québec, New Brunswick Cattle Producers, Nova Scotia Cattle Producers, and Prince Edward Island Cattle Producers. Provincial programs focused on the areas of regional research, consumer promotion and market development.

MANITOBA BEEF PRODUCERS utilized national check-off funding towards the establishment of a Western Canadian Forage Industry Chair to increase the pool of expertise across western Canada in this area of research. The role of the Forage Industry Chair is to enhance communication and technology transfer between researchers and those involved in the beef and forage industries. Another activity was the establishment of perennial forage plots at the Western Beef Development Centre and University of Manitoba. Other research included disease management and control through enhancement of the surveillance of Bovine Tuberculosis in Manitoba and completion of On-Farm Risk Assessments to identify specific TB risk areas on farms.

www.mbbeef.ca

BEEF FARMERS OF ONTARIO utilized national check-off funding towards the beef facility at the University of Guelph Livestock Research and Innovation Centre to replace the cow/calf barns. Funding was also applied to seven research projects pertaining to economic research and analysis, environmental sustainability, animal health and welfare, product development for Ontario beef, production efficiency and beef safety. As well, a beef research and development strategy planning session with 40 supply chain stakeholders was convened to roadmap future research investment.

In the area of market development and promotion, Beef Farmers of Ontario used national check-off to continue promotion of Ontario Corn Fed Beef which is now carried in more than 240 stores in the province. A Blendability consumer campaign with Mushrooms Canada saw the development of new beef (and mushroom) recipes, cooking videos, exhibits and sponsorship at the Food Bloggers of Canada conference. Recipes and website resources were also featured at makeitontariobeef.ca in partnership with Ontario Independent Meat Processors. A longer term project was initiated to consider sustainable re-development of northern farmland to help expand the province's cow herd and establish young beef farmers.

www.ontariobeef.com

FÉDÉRATION DES PRODUCTEURS DE BOVINS DU QUÉBEC utilized national check-off funds to support various research and market development programs. Research programs included: pasture forage quality and production; vaccine efficiency for feeder calves; marketing systems and quality improvement for dairy calves; and grain and crop by-products feeding. Investments in market development and promotion included: market opportunity studies; consumer videos highlighting veal production; consumer veal advertising; development of a grain-fed veal website in French and English; various retail and foodservice veal promotions; and newspaper consumer advertising. .
www.bovin.qc.ca

NEW BRUNSWICK CATTLE PRODUCERS utilized national check-off funds for three research and production-based programs focusing on identifying high performance breeding bulls for commercial cattle producers, implementing enhanced herd health programs to improve the value and performance of feeder calves, and improving on-farm animal handling systems. Their focus has been on promotion, education and communication with producers regarding the benefits of working together on these new programs as well as the value of the national check-off and the return to producers. They are working very closely with livestock dealers to determine their needs to build a strong industry in New Brunswick. They are also working very closely with Nova Scotia and PEI on several projects through the Maritime Beef Council such as a Levy Harmonization project to establish a level playing field between producers and livestock dealers in the three provinces.
www.bovinsnbcattle.ca

NOVA SCOTIA CATTLE PRODUCERS utilized national check-off funding for two research projects: productive performance and indirect measures for feed efficiency, and bull fertility and feed efficiency. Market development and promotion included Meet Your Farmer at the Mall which was a joint effort with commodity organizations and the Nova Scotia Department of Agriculture. This was a two-day event at the largest shopping center in the province located in Dartmouth and attracted more than 40,000 people. During the event, farmers and staff informed consumers about the benefit of beef consumption, where to purchase locally produced beef and provide recipes and cooking tips. Another joint effort was the Farmer for a Day program to educate grades three and four students on the benefits of agriculture and where their food comes from.
www.nscattle.ca

PRINCE EDWARD ISLAND CATTLE PRODUCERS utilized national check-off funding to fund research on improved feed efficiency in replacement beef heifers. Market development and promotion projects included the PEI Burger Love Campaign which engaged consumers and restaurants in a social media campaign to purchase burgers and rate them online to crown PEI's most loved burger. Funding also went towards the Certified Island Brand to help grow and support the brand. A strategic planning session for the PEI beef industry was convened to identify objectives that could be shared between industry and Atlantic Beef Products. As well, a traceability forum was held in conjunction with the Maritime Beef Council to review requirements of impending federal traceability regulations.
www.peicattleproducers.com

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Financial Statements
March 31, 2015

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 accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

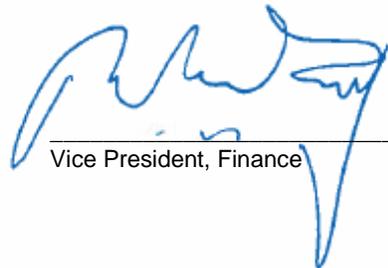
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records 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. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Governor General in Council, on the recommendation of the Minister of Agriculture and Agri-Food 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.



President



Vice President, Finance

Independent Auditors' Report

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

We have audited the accompanying financial statements of Canadian Beef Cattle Research, Market Development and Promotion Agency, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 obtained in our audit 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 March 31, 2015 and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
June 23, 2015

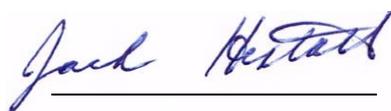
MNP LLP
Chartered Accountants

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Statement of Financial Position

As at

	<i>March 31 2015</i>	<i>March 31 2014</i>
Assets		
Current		
Cash and cash equivalents (Note 3)	6,638,419	5,447,236
Accounts receivable (Note 4)	3,605,898	3,416,093
Prepaid expenses and deposits	197,055	168,546
	10,441,372	9,031,875
Capital assets (Note 5)	1,857,805	212,078
	12,299,177	9,243,953
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	2,314,873	2,444,488
Deferred contributions related to capital assets (Note 8)	1,442,409	-
Deferred revenue	9,202	15,045
Due to related party (Note 7)	536,092	313,020
	4,302,576	2,772,553
Commitments (Note 9)		
Contingencies (Note 10)		
Net Assets		
Unrestricted	2,944,805	1,419,604
Restricted (Note 13)	4,100,000	-
Consolidation reserve transfers (Note 13)	951,796	5,051,796
	7,996,601	6,471,400
	12,299,177	9,243,953

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
Operating as Canada Beef
Statement of Operations

For the year ended

	March 31	March 31
	2015	2014
Revenue		
Check-off revenue	7,664,602	7,989,230
Canadian Cattlemen Market Development Council	5,377,200	6,840,754
Western Economic Diversification	419,709	-
Import levies	911,737	181,807
Interest	62,965	55,997
Miscellaneous	12,599	150,411
	14,448,812	15,218,199
Expenses		
Operations (Schedule 1)	5,274,704	5,889,307
Market Development (Schedule 2)	4,973,146	5,533,792
	10,247,850	11,423,099
Research		
Beef Cattle Research Council	1,228,387	1,131,055
Provincial Investment (Note 12)		
Federation des Producteurs de Bovins du Quebec	679,937	725,563
Beef Farmers of Ontario	652,077	667,270
Manitoba Cattle Producer's Association	46,640	58,186
Prince Edward Island Cattle Producers	31,995	32,314
Nova Scotia Cattlemen's Association	22,900	16,852
New Brunswick Cattle Producers	13,288	49,143
Saskatchewan Cattlemen's Association	537	2,274
Others	-	(302)
	2,675,761	2,682,355
Total expenses	12,923,611	14,105,454
Excess of revenue over expenses	1,525,201	1,112,745

The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Statement of Changes in Net Assets

For the year ended

	Unrestricted	Restricted	Consolidation reserve transfer	March 31, 2015	March 31, 2014
Net assets beginning of year	1,419,604	-	5,051,796	6,471,400	5,358,655
Excess of revenue over expenses	1,525,201	-	-	1,525,201	1,112,745
Allocation to restricted funds (Note 13)	-	4,100,000	(4,100,000)	-	-
Net assets, end of year	2,944,805	4,100,000	951,796	7,996,601	6,471,400

The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Statement of Cash Flows

For the year ended

	March 31 2015	March 31 2014
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	1,525,201	1,112,745
Non-cash recognition of deferred capital contributions (<i>Note 8</i>)	(15,765)	-
Amortization	114,682	74,354
Loss on disposal of capital assets (<i>Note 5</i>)	22,733	4,187
	1,646,851	1,191,286
Changes in working capital accounts		
Accounts receivable	592,915	(1,435,068)
Prepaid expenses and deposits	(28,509)	23,854
Accounts payable and accrued liabilities	(129,615)	463,365
Due to related party	223,072	51,644
Deferred revenue	(5,843)	15,045
	2,298,871	310,126
Investing		
Purchase of capital assets	(1,788,831)	(175,236)
Proceeds from disposal of capital assets (<i>Note 5</i>)	5,689	-
Receipt of cash for deferred capital contributions (<i>Note 8</i>)	675,454	-
	(1,107,688)	(175,236)
Increase in cash resources	1,191,183	134,890
Cash resources, beginning of year	5,447,236	5,312,346
Cash resources, end of year	6,638,419	5,447,236

The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency

Operating as Canada Beef

Notes to the Financial Statements

For the year ended March 31, 2015

1. Purpose of Agency

Canadian Beef Cattle Research, Market Development and Promotion Agency (the "Agency"), operating as Canada Beef, 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 research, 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 and imported into Canada.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

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, South 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 throughout the period. Gains and losses resulting from these translation adjustments are included within revenue and expenses included on the statement of operations.

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 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.

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

Revenue recognition

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 beef cattle importers through beef cattle purchases are unrestricted and are recognized in the year in which the beef cattle sales occur and collectability is reasonably assured.

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

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

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

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Notes to the Financial Statements
For the year ended March 31, 2015

2. **Significant accounting policies** (continued from previous page)

Deferred contributions related to capital assets

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

Measurement uncertainty

The preparation of 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 period. 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 periods in which they become known. 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.

Financial instruments

The Agency recognizes its financial instruments when the Agency becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA 3840 Related Party Transactions (refer to Note 7).

At initial recognition, the Agency may irrevocably elect to subsequently measure any financial instrument at fair value. The Agency has not made such an election during the period.

The Agency measures its financial instruments as follows:

- Cash and cash equivalents are measured at fair value;
- Accounts receivable are measured at amortized cost using the effective interest method; and,
- Accounts payable and accrued liabilities and due to related party are classified as measured at amortized cost using the effective interest method.

Financial asset impairment:

The Agency assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Agency determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the period. If so, the Agency reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the statement of operations.

The Agency reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Notes to the Financial Statements

For the year ended March 31, 2015

3. Cash and cash equivalents

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

4. Accounts receivable

	March 31, 2015	<i>March 31, 2014</i>
Check-off revenue	1,561,757	1,584,051
Canadian Cattlemen Market Development Council	1,111,710	1,663,986
Western Economic Diversification Canada (<i>Note 8</i>)	782,720	-
Import levies	116,640	145,997
Other	33,071	22,059
	3,605,898	3,416,093

5. Capital assets

	March 31 2015	<i>March 31 2014</i>	Net book value	<i>Net book value</i>
	Cost	Accumulated amortization		
Computer hardware and software	158,698	102,124	56,574	25,469
Furniture and fixtures	171,783	57,308	114,475	104,178
Leasehold improvements	1,238,303	20,266	1,217,074	33,691
Office equipment	42,304	19,750	22,354	38,556
Kitchen equipment and appliances	427,082	8,729	419,516	-
Website and logo	44,464	16,652	27,812	10,184
	2,082,634	224,829	1,857,805	212,078

During the year, the Agency disposed of capital assets for total proceeds of \$5,689. These capital assets had cost of \$47,751, accumulated amortization of \$19,328, and a net book value of \$28,423. The Agency recorded a loss on disposition of \$22,733, which is included as part of operating expenses.

6. Accounts payable and accrued liabilities

	March 31, 2015	<i>March 31, 2014</i>
Check-off transfers	829,888	764,863
Trade accounts payable	571,856	696,151
Government remittances	248	2,455
Accrued liabilities	912,881	981,019
	2,314,873	2,444,488

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Notes to the Financial Statements
For the year ended March 31, 2015

7. 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 of Directors. During the year, the Agency allocated \$40,524 (March 31, 2014 - \$51,082) for contract service expenses and \$16,992 (March 31, 2014 - \$28,657) for other expenses as determined by the discretion of the Board of Directors on an annual basis. At March 31, 2015, included in accounts payable and accrued liabilities is \$6,641 (March 31, 2014 - \$1,101) related to these amounts.

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.

During the year, the Canada Beef International Institute ("CBII"), an entity related to the Agency through common directorship, incurred expenses to be reimbursed by the Agency for conducting business in certain foreign jurisdictions. As at March 31, 2015, \$536,092 (March 31, 2014 - \$313,020) was due to CBII as a reimbursement. This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

During the year, CBII reported total expenses of \$16,289 (2014 - \$25,030) and net assets of \$564,239 (2014 - \$580,528).

8. Deferred contributions related to capital assets

During the year, the Agency received funding from Western Economic Diversification, for the construction and operation of the Canadian Beef Centre of Excellence ("the Centre"). The total funds committed were \$1,458,174, of which \$1,024,497 was spent on capital improvements to the premises and \$433,677 was spent on equipment. The Centre began operations in spring 2015 and, as such, \$15,765 of the deferred amount was recognized as revenue in the current year. As at March 31, 2015, \$782,720 of the committed funding was in accounts receivable.

9. Commitments

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

2016	379,128
2017	232,379
2018	180,135
2019	163,857
2020	168,766
Thereafter	548,115
	1,672,380

10. Contingencies

In 2014, the Agency was named as a defendant in a legal claim in the amount of \$300,000 associated with the normal course of operations. The lawsuit was settled in December 2014 for a lump sum payment of \$75,000.

Canadian Beef Cattle Research, Market Development and Promotion Agency
Operating as Canada Beef
Notes to the Financial Statements
For the year ended March 31, 2015

11. 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.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency enters into transactions in the normal course of business 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, 2015, the following items are denominated in foreign currency:

	March 31	<i>March 31</i>
	2015	<i>2014</i>
	CAD	<i>CAD</i>
Cash and cash equivalents (bank overdrafts)	8,023	(1,512)
Accounts receivable	11,857	6,652
Accounts payable and accrued liabilities	398,551	328,954

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. As at March 31, 2015, 77% (2014 – 40%) of the balance of the Agency's accounts receivable was due from three (2014 – three) of these associations.

12. Provincial Investment

These are portions of federal levies returned to the respective provincial cattlemen's associations based on the agreed national check off allocation percentages. The remittance to Saskatchewan related to federal levies collected on live cattle imports from the United States.

13. Net assets

Restricted net assets

During the year, 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.

Consolidation reserve transfers

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. In accordance with the consolidation agreement between the Canadian Cattlemen'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.

Canadian Beef Cattle Research, Market Development and Promotion Agency

Schedule 1 - Schedule of Operations

For the year ended March 31,

	2015	2014
Operations (Canada)		
Amortization	103,061	60,936
Bank charges and interest	11,523	14,645
Computer maintenance and supplies	57,033	11,874
Consulting, legal and audit	231,337	166,809
Loss on disposal of assets / (gain)	7,627	(2,680)
Foreign exchange loss	(504)	-
Licenses and subscriptions	28,954	30,031
Office and meeting	221,812	246,079
Recruitment and training	37,781	22,658
Rent and lease payments	398,952	388,898
Salaries and benefits	2,078,103	2,446,680
Sponsorship and donations	5,443	6,631
Travel and insurance	490,374	627,937
Utilities	96,468	106,452
	3,767,964	4,126,950

	2015	2014
Operations (Foreign)		
Amortization	11,621	13,418
Bank charges and interest	6,583	9,247
Computer maintenance and supplies	2,547	2,423
Consulting, legal and audit	41,105	43,396
Foreign exchange loss / (gain)	5,783	(4,490)
Licenses and subscriptions	13,898	11,564
Loss on disposal of assets	15,106	4,187
Office and meeting	26,619	63,599
Recruitment and training	20,697	3,221
Rent and lease payments	197,365	255,100
Salaries and benefits	1,076,506	1,216,553
Travel and insurance	46,396	98,477
Utilities	42,514	45,662
	1,506,740	1,762,357
	5,274,704	5,889,307

Canadian Beef Cattle Research, Market Development and Promotion Agency
Schedule 2 – Schedule of Market Development

For the year ended March 31,

	2015	2014
Market Development - North America		
Branding campaign	300,000	71,476
Canada market development	723,543	1,474,840
Customer service support	258,345	158,647
Issues management	-	26,000
Market outreach initiative	4,852	110,224
Mexico market development	-	2,999
Nutrition communications	320,850	217,280
Public relations	232,321	180,595
Stakeholder communications	213,141	254,854
United States market development	245,364	513,834
Value added initiatives	-	(1,679)
	2,298,416	3,009,070

	2015	2014
Market Development – Global Markets		
China	406,756	317,240
Hong Kong	130,905	141,829
Emerging Markets	297,347	386,193
Japan	521,799	433,855
Korea	68,572	139,743
South East Asia	284,367	95,765
Latin America	501,718	706,640
Global Markets	463,266	303,457
	2,674,730	2,524,722
	4,973,146	5,533,792