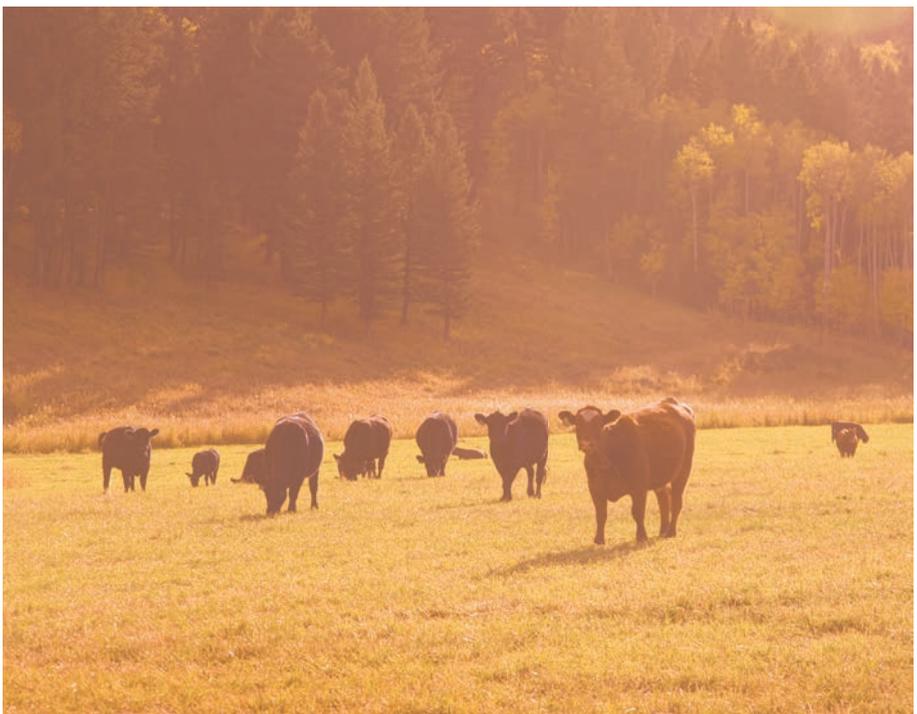


2015–2016 ANNUAL REPORT

Canadian Beef Cattle Research,
Market Development & Promotion Agency





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.

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MESSAGE FROM THE CHAIR

ON BEHALF OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY (THE AGENCY), I AM PLEASED TO PRESENT THIS ANNUAL REPORT FOR THE PERIOD OF APRIL 1, 2015 TO MARCH 31, 2016.

In consultations with the organizations named in the Proclamation, the Agency has been on a road of change this past year.

At the recommendation of our provincial funders, separation between the National Check-Off division and the marketing division has been evolving since last fall. We have held several meetings with the provincial funders that have been very constructive to the process. Understanding the different issues that face each of the different regions across the country has been the key to moving forward.

A strong focus over the past year was refining the administration of the National Check-Off and the structure of the Agency. The Agency has been, and remains committed to working closely with funders across the

...We firmly believe that the national beef strategy will continue to create opportunities to unite and align us from coast to coast...

country. This creates efficient practices that are well-administered and clearly understood, enabling us to work together toward a common vision, as defined in the National Beef Strategic Plan: a dynamic and profitable Canadian cattle and beef industry.

Our core partners, Canada Beef and the Beef Cattle Research Council (BCRC), continue to bring value to Canadian producers for their National Check-Off investments.

Market development and promotion efforts undertaken by Canada Beef in 2015/16 focused on enhancing and leveraging the Canadian Beef Brand Story around the world, and here at home in Canada. The Canadian Beef Centre of Excellence (CBCE) played a huge role in the delivery of the brand story to industry and global brand partners.

As the leader in national beef cattle research, the BCRC played an important role in 2015/16 by continuing to identify the industry's research priorities and subsequently influencing public sector investment in beef cattle research. The BCRC facilitated and encouraged collaboration and coordination among researchers, other funding agencies and industry in order to maximize the benefits obtained from all investments in beef cattle research.

As industry leaders, we firmly believe that the National Beef Strategy will continue to create opportunities to unite and align us from coast to coast. The strategy allows us to take advantage of the growing demand for Canadian beef, bring together all of the industry and funder priorities and achieve future goals set out for our organizations.

While this is a time to look back and be proud of what we accomplished, we are also mindful of the journey ahead. Our industry is capable of great things when we work together towards a common vision.

Regards,



Jack Hextall, Chair
Canadian Beef Cattle Research, Market Development and Promotion Agency



MESSAGE FROM THE GENERAL MANAGER

IT HAS BEEN A YEAR OF CHANGE FOR THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY (THE AGENCY), AS WE CONTINUED TO MOVE FORWARD ON THE RECOMMENDATIONS FROM THE PROVINCIAL FUNDERS ON HOW THE AGENCY ADMINISTERS AND OVERSEES THE NATIONAL CHECK-OFF.

To remain transparent and accountable to the provincial funders, the Agency created a General Manager position, which provides oversight on the Agency itself, the National Check-Off agreements and collection, and facilitates a separation within the Agency between the check-off and Canada Beef.

Canada Beef continues to operate as an internal division of the Agency, and provides leadership in market development and promotion both at home and abroad. The Beef Cattle Research Council (BCRC) continues to work diligently to identify and develop research priorities for the Canadian beef industry.

In the brief time that I have been with the Agency, my primary focus has been on the renewal of the agreements between the Agency and the provinces around the collection, remittance and utilization of National Check-Off dollars. Agreement renewal is critical to reflect the amendments to the Canadian Beef Cattle Research, Market Development and Promotion Agency Proclamation, the internal organizational changes within the Agency and the National Beef Strategy.

The Agency partners also recommended a focused communication to producers to regularly extend the value of check-off at the farm level. Targeted communications continue to show the value of research, market development and promotion of beef and beef products back to the farm and ranch level. We continue to use The Gatepost to share success stories from our partners at the Beef Cattle Research Council and Canada Beef and how what they do provides value back to the industry.

The next year will be both challenging and rewarding, as we continue to refine our focus within the Agency and work with our partners to continue to advance the beef industry in Canada. I look forward to continuing to strengthen partnerships across Canada and working with our stakeholders to build a bright future for the Canadian beef industry.



A handwritten signature in dark blue ink, which appears to be 'M. German'. The signature is fluid and cursive, with a long horizontal line extending to the right.

Melinda German, General Manager
*Canadian Beef Cattle Research, Market Development
and Promotion Agency*

AGENCY PROFILE



Act and Proclamation

The *Farm Products Agencies Act* allowed for the creation of the Farm Products Council of Canada (FPCC). The Act also provides the legal foundation for the creation of the Canadian Beef Cattle Research, Market Development and Promotion Agency (the Agency).

The Agency was created with the directive to promote the research, marketing and promotion of Canadian cattle and beef products, both domestically and abroad.

Levies and Import Order

The amendment to the *Beef Cattle Research, Market Development and Promotion Levies Order* to include an import levy was announced on July 30, 2013. Since January 1, 2014, all imports of beef and beef products into Canada were subject to the levy of \$1 per head or carcass equivalent. Funds generated from the import levy were approximately \$911,737 in 2015/16.

2015/16 Board of Directors

The Board of Directors consists of 16 members from across Canada. Ten director seats are allocated to beef cattle producers nominated by their provincial cattle associations, and six are representatives from the packers/processors, importers and foodservice/retail operators, also nominated from their respective associations, or by the delegates at the Annual Forum (foodservice/retail).

In 2015/16, the Board of Directors were as follows:

Chair – Jack Hextall, Saskatchewan

Vice Chair – Linda Allison, British Columbia



Doug Sawyer, Alberta

John Schooten, Alberta

Heinz Reimer, 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

Through the majority of the fiscal year, the Agency 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) until March 1st, 2016, at which time Melinda German (General Manager) was hired and assumed the leadership role of the Agency.

Back (L-R): Doug Sawyer, AB; Jennifer MacDonald, NB; Larry Weatherby, NS; Dwight Greer, Canadian Association of Importers and Exporters; John MacDonald, PE; Lonnie Lake, Sysco; Arthur Batista, Ecolait; Anthony Petronaci, Ryding Regency

Front (L-R): Arden Schneckenburger, ON; John Schooten, AB; Mike Kennedy, Cargill; Jack Hextall, SK (Chair); Linda Allison, BC (Vice Chair); Kirk Jackson, QC; Heinz Reimer, MB

Missing: Wesley Batista, JBS

EXECUTIVE SUMMARY

THIS 2015/16 ANNUAL REPORT OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY PROVIDES A SUMMARY OF PROGRAMS AND RESULTS OF NATIONAL CHECK-OFF FUNDED ACTIVITIES BETWEEN APRIL 1, 2015 AND MARCH 31, 2016.

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 2015/16 the National Check-Off investment totalled \$7,664,602, which currently remains at \$1 per head marketed across Canada. Of that total, 65 per cent was directed towards market development and promotion, 16 per cent to research, and 19 per cent was retained by the provincial cattle organizations for marketing and research programs in their regions.

The National Beef Strategic Plan has been developed with the aim to achieve targeted industry goals that are aligned with the industry's vision and mission under four key pillars. The pillars identify key areas of focus where industry stakeholders will work together to collectively achieve the outcomes identified. Under each focus area, specific outcomes have been defined that work towards meeting the goals established by industry. The goals established are benchmarks to measure industry performance between 2015 and 2020.

Discussions around an increased National Check-Off under the National Beef Strategic Plan continued through 2015/16, with the goal of increasing the National Check-Off to \$2.50 per head marketed.

Foundations were also laid for new General Manager, Melinda German, to begin to manage and administer National Check-Off, renew Agency partner agreements, liaise with provincial cattle associations and federal governing bodies, and more.

The Import Levy collected on beef and beef products imported into Canada continues to provide funding for generic beef marketing. In 2015/16, over \$900,000 was collected to promote the culinary and nutritional value of beef.

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 \$0.16 of every \$1.00 of National Check-Off collected by the provinces.

During 2015/16, 26 projects were funded under the Beef Science Cluster, including some multi-year projects. Each initiative aligned with one of the following research priority areas:

- Forage and Grassland Productivity
- Feed Efficiency
- Animal Health and Welfare
- Beef Quality
- Food Safety
- Environment
- Technology Transfer and Knowledge Dissemination

In addition to sponsoring research, knowledge and technology transfer programs in support of the Canadian beef industry, BCRC oversees the Verified Beef Production™ Program (VBP). Throughout 2015/16 VBP has moved forward with the development of additional modules covering animal care, biosecurity, and environmental stewardship.





The main thrust of Canada Beef's 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.

The Canadian Beef Centre of Excellence (CBCE), the result of a strong partnership with the federal government, particularly Western Economic Diversification Canada and

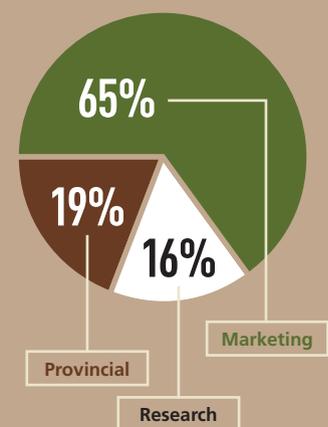
Agriculture and Agri-Food Canada, has facilitated a substantial amount of business. The CBCE continues to bring a level of sophistication in training, education and connectivity around the Canadian Beef Brand and Canadian Beef Advantage (CBA) with a network of partners unmatched in the industry. It has proved to be a unique place of creativity and connectivity working to drive meaningful results.

In 2015/16, a percentage of National Check-Off funds were retained by six provincial associations for research or marketing initiatives with national benefits.

Provincial programs focused on the areas of research, consumer promotion and market development. Research projects on feed efficiencies, animal health and management, marketing strategies and research facility development were supported with check-off funds.



NATIONAL CHECK-OFF ALLOCATION



CANADA BEEF PROFILE



AS THE AGENCY'S INTERNAL MARKETING DIVISION, CANADA BEEF WORKS TO PROMOTE ALL CANADIAN BEEF PRODUCTS COLLECTIVELY ON A GLOBAL SCALE.

Canada Beef's purpose is, "simply to increase the demand that the global consumer has in our beef by making sure they know what the Canadian beef industry stands for and what the industry's values are." Canada Beef works to improve mind-share, which can be defined as how often consumers think about Canadian beef when they are hungry for beef.

Canada's beef industry has an amazing story to tell the world about world-class standards, leadership in sustainability, the hard-working and dedicated beef producers and, of course, the great quality products that the Canadian beef industry produces. These are the four core pillars that support the Canadian Beef Brand, which Canada Beef works to promote around the world with consumers, brand partners, packers, trade commissioners and more.

The organization focuses on four main global market hubs: North America, Latin America, Asia and Emerging Markets. These hub teams work with Canada Beef's brand and go-to-market teams to achieve key strategic goals, ensuring that the Canadian beef industry sees returns for their investment into marketing and promotion.

Canada Beef receives a large percentage of its funding through the National Check-Off. The remainder of Canada Beef's funding is received through programs from government development funds and leveraged dollars with brand partner investment both domestically and around the world.



Rob Meijer, President
Canada Beef



THE BEEF CATTLE RESEARCH COUNCIL PROFILE



THE BEEF CATTLE RESEARCH COUNCIL (BCRC) IS CANADA'S NATIONAL INDUSTRY-LED FUNDING AGENCY FOR BEEF RESEARCH. THE BCRC IS FUNDED THROUGH A PORTION OF A PRODUCER-PAID NATIONAL CHECK-OFF AS WELL AS GOVERNMENT FUNDING, AND IS DIRECTED BY A COMMITTEE OF BEEF PRODUCERS FROM ACROSS THE COUNTRY.

The BCRC's mandate is to determine research and development priorities for the Canadian beef cattle industry and to administer National Check-Off funds allocated to research.

As the only national beef cattle industry research agency, the BCRC plays an important role in identifying the industry's research and development priorities and subsequently influencing public sector investment in beef cattle research.

Nationally, the BCRC receives on average 15 cents of every National Check-Off dollar. The BCRC also leverages funding from Agriculture and Agri-Food Canada (AAFC) through the Beef Cattle Industry Science Cluster.

As a leader in the development of a National Beef Research Strategy, the BCRC also facilitates and encourages collaboration and coordination among researchers, other funding agencies and industry in order to maximize the benefits obtained from all investments in beef cattle research.

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



Andrea Brocklebank, Executive Director
Beef Cattle Research Council



MARKET AND INDUSTRY OVERVIEW

THE ENTIRE 2014 PRICE RALLY WAS ELIMINATED OVER THE SUMMER AND FALL OF 2015, DROPPING TO US\$123/CWT IN DECEMBER. ALBERTA FED PRICES PEAKED IN MAY 2015 AT CDN\$202/CWT, AS THE LOWER EXCHANGE RATE SUPPORTED THE CANADIAN MARKET, BEFORE DROPPING 21PER CENT TO CDN\$160/CWT BY DECEMBER.

The Canadian dollar declined throughout the year from US\$0.82 in January to US\$0.73 in December. The price highs have probably already been seen for this cattle cycle. When the cattle cycle breaks from the highs, a loss of bargaining power is typically one of the main drivers behind lower prices. This appears to have occurred in 2015. So while larger supplies will pressure prices down as expansion occurs the biggest declines could be behind us at this point.

Alberta fed (19 per cent), 550 lb calves (25 per cent) and cow (19 per cent) prices were all higher than 2014. Greater price volatility at these higher prices over the next few years will add to the risk for all market participants. Producers will need to be watching cost carefully as the market adjusts.

Inventories, Marketing & Production

January 1, 2016 beef cow inventories were steady at 3.83 million head and total cattle inventories were up 0.3 per cent at 11.96 million head. Beef replacement heifers were up 4 per cent to 547,300 head but remain 1 per cent below the 10-year average. Expansion efforts were halted with dry conditions in June and July 2015.

Slaughter cattle marketings were down 13 per cent at 3.15 million head. Production was supported by a 33 lb increase in steer carcass weights. The proportion slaughtered domestically increased from 74.5 per cent in 2014 to 79 per cent in 2015.

Canadian beef production in 2015 (domestic plus live slaughter exports) was down 9 per cent to 2.7 billion pounds. The decline is barely noticeable in the domestic market with domestic production down 4 per cent at 2.27 billion pounds as the decline has been pulled from live slaughter exports (-32 per cent) at 383 million pounds. The Alberta to Nebraska cash-to-cash basis averaged -\$4.36/cwt in 2015 the strongest since 1989. The strong basis kept cattle in Canada for processing. Fed beef production was down 8 per cent to 2.17 billion pounds. Non-fed beef production dropped 13 per cent to 483 million pounds.

Domestic & International Demand

Total Canadian beef consumption was down 6.9 per cent at 874,740 tonnes (carcass weight) and per capita beef consumption was down 7.7 per cent at 17.8 kgs (retail weight). This is the largest annual decline since 1979, and the first time that per capita beef consumption dropped below 18 kgs. Although beef consumption was constrained by tight

supplies, and beef's market share was challenged by competing meats in 2015, retail beef demand remained strong. The retail beef demand index, an indicator of consumer's willingness to pay for beef, was up 6.7 per cent at 123 (Index 2000=100). This is the strongest demand since 1989.

Commodity deflation and larger supplies of competing proteins will pressure beef prices in 2016; but tight global beef supplies will continue to be supportive. How much cattle prices decline as supplies increase will depend on domestic and international demand. International beef demand in 2015 was strong, up 18 per cent at 123 (Index 2000=100), surpassing the previous peak of 106 in 2001.

Market Access and Trade

Beef and cattle exports were steady in value but down 16 per cent in volume at 577,000 tonnes valued at \$3.9 billion. This represented 44.7 per cent of total beef production (including live slaughter exports) in 2015, down from 46 per cent in 2014. Reduced Canadian beef production, record high beef prices, and the temporary trade restrictions following the February 2015 BSE case resulted in lower export volumes in the first half of the year. Solid global demand coupled with a weakening Canadian dollar and improved market access in the second half of the year supported beef exports, which were up 1.2 per cent in volume and 15 per cent in value at 321,600 tonnes (product weight) valued at \$2.2 billion. While volumes remain 4 per cent smaller than 2011, the annual value was the second highest on record after 2001's \$2.24 billion.

Exports to the U.S. were up 3.7 per cent in volume and 16 per cent in value at 230,197 tonnes valued at \$1.57 billion. Exports to Mexico were down 17 per cent in volume but up 3 per cent in value at 19,417 tonnes valued at \$155 million. Exports to Asia have also seen robust growth with direct market access for Canadian beef. Exports to Mainland China increased 381 per cent in volume and 534 per cent in value to 32,869 tonnes valued at \$255 million in 2015. This was driven by the Chinese government's anti-smuggling campaign that saw more direct shipments. Exports to Hong Kong were cut in half (down 59 per cent in volume and 56 per cent in value) to 10,784 tonnes valued at \$88 million. Exports to Japan were down 24 per cent in volume and 9 per cent in value to 14,384 tonnes valued at \$93 million. Japanese beef imports have been negatively impacted by the devaluation of the Yen and poor economic performance reducing both consumption and total beef imports.

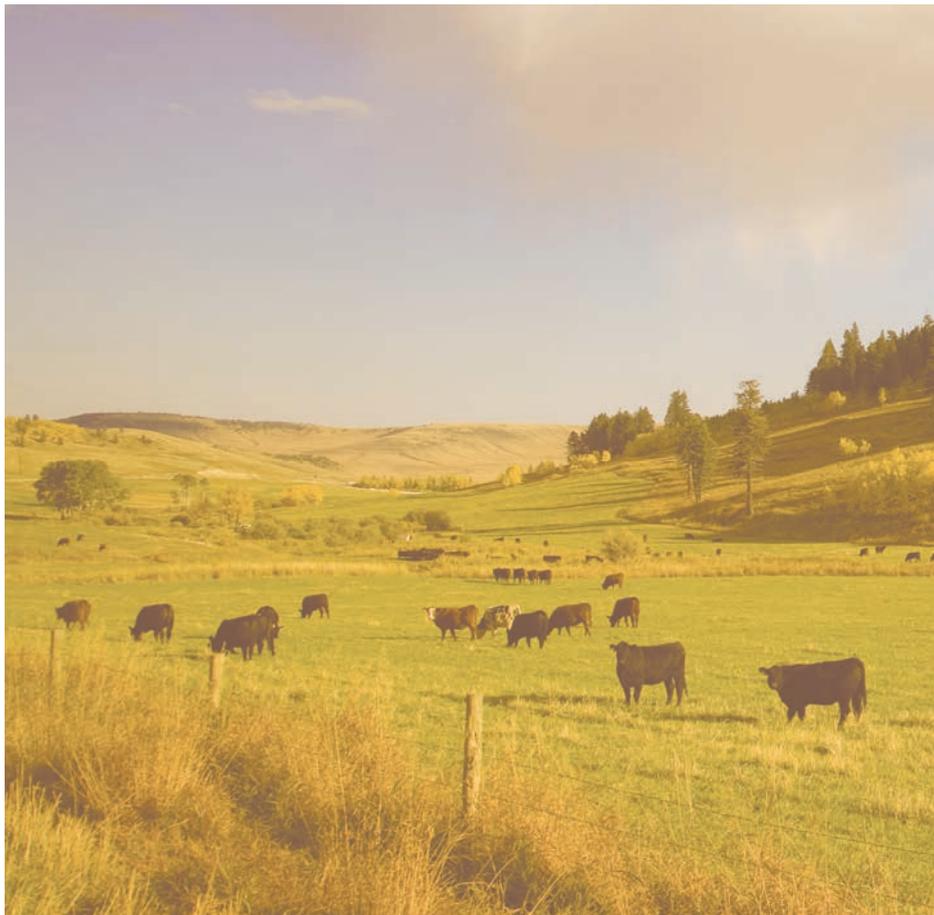
Mandatory Country of Origin Labelling (COOL) in the U.S. was repealed December 18, 2015. This will support Canadian fed cattle prices that had been discounted due to segregation costs. However, trade volumes will be determined by local supply and demand conditions.

First Quarter 2016

Moving into 2016, overall beef production has increased in North America with a 7 per cent increase in Canada and a 3 per cent increase

in the U.S. year to date. While this will support consumption, beef prices are experiencing some downward pressure. Strong demand will continue to be a crucial factor to prevent any sharp fall in beef prices. Beef exports in the first quarter are up 5 per cent in volume but down 4.5 per cent in value. Beef imports are up 8 per cent in volume and down 1.5 per cent in value as global prices have softened. Retail beef prices remain strong at \$20.50/kg in April up 7.8 per cent from last year but relatively steady since June 2015.

Prepared by Canfax Research Services



Beef replacement
heifers up

4%

Retail beef
demand index up

6.7%

International beef
demand index up

18%

CANADA BEEF

CANADA BEEF DELIVERS INDUSTRY-LEADING MARKETING AND PROMOTION INITIATIVES FOR CANADIAN BEEF WORLDWIDE, AS A DIVISION OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY.

In addition to National Check-Off funding, Canada Beef leverages dollars with brand partner investments and industry funding. Canada Beef also accesses government funds through federal programs such as *Growing Forward 2* and *Western Economic Diversification*.

Canada Beef drives the Canadian Beef Brand through three core functions:

1. Branding
2. Marketing (Go-to-Market)
3. Business Development

With limited overall Canadian beef supply leading to limited product availability and higher prices, Canada Beef's role in ensuring consumers understand the value of Canadian beef remains critical. As Canadian beef prices remain strong, ensuring the value consumers place on Canadian beef remains high is critical to providing a return on producer investment.

Canada Beef works with over 100 brand partners around the world to build relationships and capture commercial opportunities for Canadian beef, and has undertaken over 180 market development programs in the past five years, ensuring that for every \$1 Canada Beef invests, at least \$6 of partner investment is made to the program.

A return on investment is created by ensuring retail and foodservice partners focus on Canadian beef rather than competing proteins, and when the consumer has trust and confidence in how it was produced. By refining and communicating the Canadian Beef Brand, producers, industry and brand partners will be more aligned with the value that Canada Beef brings and will more closely align towards mutual goals.

In terms of refining and communicating the Canadian Beef Brand, the development of the **Canadian Beef Centre of Excellence (CBCE)** was a pivotal piece in Canada Beef's abilities to connect and collaborate with clients in a meaningful way. The CBCE ensures the industry can connect the technical attributes of the product with the emotional components such as taste and enjoyment, the trust in Canada's cattle producers, social license and more.

The CBCE completed its first full year of operation and has had the opportunity to work with clients from all of Canada Beef's global market hubs. Its focus is on building the understanding and the emotional connection to Canada's high quality beef which includes specific

technical work around enhancing opportunity, the value of cuts and merchandizing techniques. Over the first year in operation, the CBCE hosted 38 specific missions, over 1,000 industry guests and leveraged approximately \$145,000,000 in new business.

The CBCE worked closely with the global market hubs to execute a broad suite of research initiatives to support market development opportunities, marketing initiatives and industry consultations for the business development teams around the world. This research, along with the Beef Quality Audit partnership with the Beef Cattle Research Council (BCRC) supports Canada Beef's ability to better understand consumer preferences, and ensure that global marketing initiatives are solidly positioned to tell the Canadian Beef Story.

Both domestic and export market programs that have taken place at the CBCE have seen positive results and returns.

The **Asian market hub** executed six missions to Canada through the CBCE, where the total estimated tonnage of Canadian beef imports through these partners represented was over 6,786,000 kg, with their imports of Canadian beef valued at approximately \$65,000,000.

The North American market hub executed 15 specific engagements with brand partners through the CBCE. These 15 brand partners (representing 79 companies) represented close to 40 per cent of the beef retail marketplace in Canada, with approximately 52,000,000 kg of combined volumes.

By focusing on brand partners with large volumes and influence, Canada Beef is able to ensure that these partners are well-versed in Canadian beef, and understand and leverage the value of the Canadian Beef Brand.

Canada Beef's work in export markets is creating opportunities for the Canadian beef industry to realize greater value for the carcass than what could be realized in the domestic market alone. Besides offering competitive bids on middle meats, the export markets can deliver better returns for end meats, credit/thin meats and offal than here at home.

In export markets, Canada Beef strategically positioned the Canada Beef Brand as premium grain-fed beef through marketing activities including the Canadian Beef Branding Series. Key marketing activities focused on strategic alignment with selected partners to communicate the Canadian Beef Brand to end users and consumers in order to strengthen their confidence and interest in Canadian beef and ensure local market



penetration. This approach brings together the brand (emotional elements) and the Canadian Beef Advantage (technical elements) to create brand loyalty.

The Latin America market hub continued to execute the Canadian Beef Branding Series with targeted trade and culinary partners. In the Mayan Rivera alone, over 60 individual culinary events focusing on the emotional and technical attributes of Canadian beef took place in partnership with Karisma Resorts. The partnership, in its third year, continued to be a driver of premium quality beef demand in the area.

Asian market hubs also continued to use the Canadian Beef Branding Series to drive education, understanding and loyalty to the Canadian Beef Brand. Two trade events were held, Shanghai in June and in Beijing in November. Between the events in China, nearly 30,000 people were engaged at various levels, including in person or interacting live online. Participants included targeted current and potential brand partners, leaders in trade, key media and more.

In export markets, Canada Beef also continued to position the Canadian Beef Brand through a series of educational cooking classes and professional chef seminars, integrated programs linking online and live events, culinary seminars or competitions, Canadian Beef community building in social media platforms and brand media campaigns. These marketing initiatives successfully brought the Canadian Beef Advantage (CBA) to end users as a real experience through cutting/cooking demonstrations and beef tasting, giving them an emotional connection to the brand, and creating the conversations with end users.

North America is not only Canada's largest and most important market – it is home. Canada and the United States form the foundation for the Canada Beef Brand to reach further corners of the globe. Canada Beef continued to invest domestically to ensure Canadian beef remains a staple of Canadian diets and continues to evolve to meet the ever-changing needs of the United States market.

Key Canadian quick-service restaurant partnerships continued to be a priority, focusing on Canadian beef messaging and branding alignment. In the Canadian retail landscape, Canada Beef continued to host the gate-to-plate "Canadian Beef Experiences" for industry partners, and find alignments with strong national brands. Social media events that were direct partnerships with Canadian brand partners garnered over 261,300,000 views and 67,190 posts, focusing on the Canadian Beef Brand, and leveraging partner resources to tell the Brand Story to consumers.

Canada Beef completed year two 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. An aligned CFL-focused partnership with PepsiCo and Overwaitea Food Group reached over 135,000 consumers, ensuring Canadian beef was positioned as the protein of choice.

The marketing team at Canada Beef continues to build brand identity, trust, loyalty and affinity through outreach tools, platforms and strategic marketing campaigns.

Launched in 2014, **The Roundup App** was marketed as a buying and cooking resource, replacing print programs. The following release created a French version and links back to the CBCE as the 'beef knowledge' hub. Efforts moving forward are to improve measurement metrics, subscribers and audience interaction on the platform and explore opportunities to launch in our global hubs. The number of downloads of The Roundup App grew by about 285 per cent in 2015/16.

The **Make It Beef Club** is Canada Beef's database and e-blast outreach platform of over 40,000 consumers. As recent insight surveys indicate, this group of loyal beef fans is interested in engaging in conversation across multiple social channels and a number of the subscribers are influential advocates. The Make It Beef Club continued to leverage ongoing domestic and international initiatives to grow the database of subscribers. Nearly 3,500 new members were added through **a contest**, leveraging the partnership of Canada Beef with Karisma Resorts. Growing the number of subscribers increases the number of beef-friendly consumers that Canada Beef has direct access to, and can call to action quickly.

The digital footprint of Canada Beef's communication and marketing efforts was expanded with the launch of a **new consumer-focused** website in January. The new site creates an immersive experience for visitors, and makes Canada Beef the go-to place for information on the industry – from farm to fork. Preliminary results show a growing engaged audience and a more integrated communication channel for the Canadian Beef Brand Story. The goal continues to be to grow the community through organic and targeted marketing campaigns, and ensuring brand loyalty from consumers, brand partners, industry partners and the like.

CANADA BEEF CONTINUED

Canada Beef continues to be a leader in the social media space. Their digital footprint has grown to include a variety of social media platforms, each reaching target audiences in helpful, informative, and engaging ways. Last year, Canada Beef joined Periscope, a social media platform linked with Twitter that hosts live-stream video feeds. Periscope enables Canada Beef to engage consumers around the world in the Canadian Beef Brand, in real-time.

The **Beef Advocacy Canada** program continued to grow in 2015/16, in partnership with the Canadian Cattlemen's Association (CCA). With 443 registered users, Beef Advocacy Canada is fast becoming one of the largest networks of online beef advocate producers in the country.

Course 2 of the Beef Advocacy Canada program was launched in early March 2016, and has gained over 100 approved applications in that short window. Advocates who have finished the program continue to be vocal spokespeople for our industry, being called on for projects like videos, volunteer opportunities, retail/foodservice programs and have sprung to action around industry social license issues with social media advocacy and letters to editors, public and corporations.

The Import Levy continued to provide funding for beef-positive messaging across Canada. With health and wellness remaining an important social license issue for the beef industry, Canada Beef developed targeted initiatives to positively influence consumer preference for beef over other proteins.

A national public relations campaign, **"The Power of Beef"**, moved its way across Canada, generating over 100 mainstream media stories, eight television segments, and millions of social media engagements. The initiative had an incredibly positive reaction across the country from consumers and nutrition professionals alike.

Canada Beef also leveraged partner resources in the area of health and wellness by working with Loblaw's registered dietician team, creating consumer campaigns to promote home food safety and beef positive messaging. With the release of the International Association of Research on Cancer (IARC) report in 2015, Loblaw's utilized Canada Beef resources to launch their own beef-positive health and wellness campaign.

Outreach around food skills and culinary education for Canadians was a focus for Canada Beef's consumer team, which paired well with the health and wellness messaging that moved across Canada. The team targeted a younger demographic than in the past, and focused on beef nomenclature and understanding how to prepare beef in the kitchen, landing nearly nine million views through partnered television segments.

Canada Beef continues to work towards building brand loyalty, and increasing the value that producers receive for their check-off investment and for their cattle in the marketplace. By continuing to leverage the strong Canadian story, consumers, brand partners, trade partners and industry members will increasingly demand the qualities that set Canadian beef apart, and above.





\$6 for \$1 INVESTMENT

For every \$1 Canada Beef invests, at least \$6 of partner investment is made to the program

"THE POWER OF BEEF"
campaign generated over

100
MAINSTREAM
MEDIA STORIES,
eight TV segments, and
millions of social
media engagements

The Canadian Beef
Centre of Excellence
leveraged over

\$145
MILLION
in new business

THE 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 COLLECTED BY THE PROVINCES. THIS REPORT PRESENTS THE RESULTS OF RESEARCH ACTIVITIES DURING THE PERIOD APRIL 1, 2015 TO MARCH 31, 2016.

The BCRC invests industry National Check-Off dollars to leverage federal government funding under Growing Forward 2 through Canada's Beef Cattle Industry Science Cluster. The current Science Cluster (April 1, 2013 to March 31, 2018) is a \$20 million program, with \$5 million from industry (including National Check-Off), \$1 million from provincial governments, and \$14 million from Agriculture and Agri-Food Canada. The BCRC also collaborates with other funding agencies to maximize the value of all investments in research within the Canadian beef cattle industry.

During 2015/16, 26 projects were funded under the Beef Science Cluster, including some multi-year projects. Each initiative aligned with one of the following research priority areas:

- Forage and Grassland Productivity
- Feed Efficiency
- Animal Health and Welfare
- Beef Quality
- Food Safety
- Environment
- Technology Transfer and Knowledge Dissemination

Forage and Grassland Productivity

Productive forages are key to a competitive and sustainable beef industry. Research at sites in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the Maritimes is focused on plant breeding, management strategies and developing producer tools to cost-effectively improve the yield, nutritional value, water and nutrient use efficiency of annual, perennial and native forages.

Pasture trials are identifying grass and legume species mixtures that provide the best opportunity to enhance beef productivity in both Western and Eastern/Central Canada.

Beef Cluster funding facilitated the creation of a forage industry chair position to support university teaching, student training, research and producer extension. The successful candidate is identifying stockpiled annual forages and perennial grass and legume species that

demonstrate good potential for extending the grazing season in the Eastern prairies.

For more details on **Forage and Grasslands Productivity** research, visit: BeefResearch.ca

Feed Efficiency

The profitability and health of the finishing sector relies heavily on the production of high quality and yielding feed, and animals that can efficiently convert feed into beef. Research in this area provides identification and validation of economical methods of identifying seedstock with improved feed efficiency and the development of new feeds and alternative feeding strategies.

Studies of barley, triticale and corn are identifying strains and varieties with superior feed grain and silage characteristics. Collaborations between the beef and grain industries have enabled the program to leverage resources from additional sources, support plant breeding nurseries in Saskatchewan, Manitoba, Ontario and PEI, and make major improvements in plant breeding programs.

The BCRC, New Brunswick Cattle Producers (NBCP), Nova Scotia Cattle Producers (NSCP) and Prince Edward Island Cattle Producers (PEICP) supported a project to find better ways to identify feed efficient cattle in commercial settings. A comprehensive assessment made on the heifers in this project is available to producers and will assist in making production decisions in the breeding herd. A pair of studies are examining whether selection for feed efficiency has negative impacts on fertility, growth performance or beef quality.

For more details on **Feed Efficiency** research, visit: BeefResearch.ca

Animal Health & Welfare

Animal diseases can be costly or devastating for an individual herd, and can harm the entire beef cattle industry. Applied research is developing effective and economical on-farm management practices, improved diagnostic tests for a range of respiratory and enteric bacterial, viral and protozoal pathogens, disease and disease vector surveillance, and treatment tools to reduce the costs of animal health issues on beef operations.

Other research is identifying optimal timing, methods and pain mitigation practices for castration, evaluating producer attitudes and adoption rates

around pain mitigating drugs, and identifying nutritional management practices to reduce the risk of ruminal acidosis. These research results will be invaluable in informing future revisions to Canada's Code of Practice for the Care and Handling of Beef Cattle.

For more details on **Animal Health** research, visit: BeefResearch.ca

Food Safety

Ensuring the food safety of Canadian beef is critical to maintaining and reinforcing domestic and international consumer confidence. Research and innovation is focused on improving food safety interventions that simultaneously counteract multiple pathogens and quantifying the effectiveness of these interventions in commercial beef operations. A new hide-on carcass wash is a very effective means of controlling *E. coli* on beef carcasses, and findings have been communicated to and implemented in federally-inspected plants. A number of other interventions have been developed and implemented by large and small packing plants to reduce the number of generic *E. coli* on dressed carcasses to an undetectable level, as well as cleaning protocols to reduce the risk that conveyor belts, equipment, knives, and gloves will re-contaminate beef with bacteria as it moves through the processing plant.

Public concern regarding antimicrobial resistance is increasing and pressuring industry and regulators to address concerns regarding antimicrobial use in livestock. Research is quantifying AMU in commercial feedlot operations, using advanced genomic fingerprinting methodologies to assess whether AMR genes flow from feedlot manure, through soil and downstream water to municipal reservoirs, to humans. The ability of alternative manure management practices to effectively

degrade AMR bacteria and genes is also being studied.

For more details on **Food Safety** research, visit: BeefResearch.ca

Beef Quality

The high quality of Canadian beef forms the basis of domestic and international consumer demand and contributes significantly to the competitiveness of Canadian beef with other beef exporting nations and competing protein sources. Canada's beef industry recognizes the importance of strengthening our competitive advantages by continuing to improve beef quality and consistency to meet the evolving consumer expectations.

Recent research demonstrated that high pressure processing (HPP) improved the eating quality and shelf life of marinated beef, with no adverse effects on nutritional, chemical, or sensory properties, and provided the data needed for Health Canada to approve the sale of HPP beef in Canada.

A comprehensive study of dark cutting cattle conducted with industry engagement characterized cattle types most likely to be at risk. These results will help Canadian feedlot managers and packers to effectively reduce the incidence of dark cutting and thereby avoid the significant economic penalties associated with this condition. A number of genetic markers that may influence the risk of dark cutting have been identified for further study. A separate study is searching for the genes responsible for collagen (connective tissue) content in beef. Discovering and validating reliable markers for various beef quality traits would allow much more rapid and effective improvement of beef quality in breeding stock and commercial feeder cattle.

Greenhouse gas associated with the production of 1 kg of Canadian beef declined by

15%
from
1981 to 2011

EFFECTIVE TECHNOLOGY TRANSFER

is needed to ensure that the benefits of research efforts are adopted by industry

The largest financial improvements to industry over the past 5 years were in the priority areas of
ANIMAL HEALTH & WELFARE
and
FEED GRAINS & FEED EFFICIENCY

THE BEEF CATTLE RESEARCH COUNCIL CONTINUED

The National Beef Quality Audit interviewed 1,200 Canadian consumers following in-home preparation of steaks obtained from a sample of Canada's national retail banners, and found that consumer satisfaction with Canadian beef had remained at the high levels reported in the 2009 audit. Ensuring consumer satisfaction is more important than ever, given recent record-high retail prices.

For more details on **Beef Quality** research, visit: BeefResearch.ca

Environment

Research at the interface between cattle production and the environment in which it is produced will provide producers with tools and knowledge to be optimal stewards of their land. Research also demonstrates the environmental benefits of cattle production by measuring its contributions to plant and animal biodiversity, carbon sequestration, reduced soil erosion and watershed protection. This research also helps develop science-based regulations and supports public confidence in the environmental sustainability of beef production.

The environmental impact of agricultural commodities has attracted increasing public interest and debate. One major research project completed in 2015/16 reported that technology has allowed the environmental footprint of Canadian beef production to become considerably smaller. For instance, the amount of greenhouse gas associated with the production of each kg of Canadian beef declined by 15 per cent between 1981 and 2011. This was largely due to increased average daily gain and slaughter weight, improved reproductive efficiency, reduced time to slaughter, increased crop yields and a shift towards high-grain diets that enable cattle to be marketed at an earlier age.

For more details on **Environmental** research, visit: BeefResearch.ca

Technology and Knowledge Dissemination

Industry and government both make significant investments to find better, more efficient and more economical ways to produce high quality beef and beef cattle, but effective technology transfer is needed to ensure that the benefits of research efforts are adopted by industry. Governments and universities used to employ many extension specialists and support field days and other initiatives, but these activities have greatly declined over the past two decades. This has hindered industry adoption of new knowledge and technology.

BCRC's tech transfer program is guided by the 10-year Knowledge Dissemination and Technology Transfer Plan that was developed by the BCRC under the first Beef Cluster. The project includes regular communication with industry through creation, distribution of fact sheets that summarize projects, articles that discuss research outcomes,

new resources, webpages, videos, cost of production tools for producers and more. Engagement of researchers with industry is also being improved through the Beef Researcher mentorship program.

Benefits of the tech transfer and knowledge dissemination program were positively evident during the release of the interim results of the environmental impact project.

Verified Beef Production™

In addition to sponsoring research and technology development in support of the Canadian beef industry, BCRC oversees the Verified Beef Production™ (VBP) Program. VBP's on-farm food safety program identifies practical, industry-sanctioned practices to enhance confidence in Canadian beef.

Throughout 2015/16 VBP has moved forward with the development of additional modules covering animal care, biosecurity, and environmental stewardship. Pilot audits of the new modules were initiated in 2015/16 and will be completed in 2016/17. 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 alignment with the Canadian Roundtable for Sustainable Beef and end-users looking for options to verify on-farm production practices.

For more details on the **Verified Beef Production™** Program, visit: www.VerifiedBeef.org

Ongoing research Performance Reporting and Evaluation

BCRC has taken a leadership role in communicating the value of investments, including the National Check-Off, made in beef, cattle and forage research. The BCRC has partnered with Canfax Research Services to develop and monitor a series of research indicators that aid in assessing the economic returns to beef research in Canada, developing BCRC research priorities, and tracking the economic benefit of BCRC-funded research over the long term. In many cases the financial impacts of deliverables to the industry were calculated while some impacts may not be fully apparent for several years. The intent is to complete a similar evaluation in 2018 upon the completion of the current 5-year research plan through the Beef Science Cluster, which ends on March 31, 2018.

The 2014 report reveals that the largest financial improvements to industry over the past five years were in the priority areas of 'animal health and welfare' and 'feed grains and feed efficiency,' as research in these areas allow for almost immediate adoption of new technology and have a high level of private investment.

For more details on **Performance Reporting and Evaluation**, visit: BeefResearch.ca

PROVINCIAL INVESTMENT OVERVIEW & RESULTS

IN 2015/16, 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 WITH NATIONAL BENEFITS.

New Brunswick Cattle Producers

The investments made by the New Brunswick Cattle Producers (NBCP) in 2015/16 focused on building cattle capacity in the region, and implementing systems that encourage the industry to work together to build a stronger, more profitable beef industry in the Maritime Provinces.

The results of a commercial cow-calf viability assessment proved that aggressive expansion will be required to secure sustained profitability in the province. Expansion of this extent has national benefits for operations across the country, and NBCP will continue to use the results of the assessment to educate producers on the model of production to increase profitability of producers, and **Competitiveness**, which is a key pillar of the National Beef Strategic Plan.

Work was also completed by the NBCP on encouraging producers to align with the Premise ID program. A robust traceability program is essential to the Canadian Beef Advantage and the National Beef Strategic Plan's **Competitiveness** pillar, maintaining Canada's reputation

as a nation with high safety standards and technological expertise ensuring the quality of the beef produced from coast to coast.

The NBCP undertook two key initiatives around handling practices and herd health programs to improve overall quality of beef produced and to increase herd profitability, aligning with the National Beef Strategic Plan **Productivity** pillar. Part of the initiative also ties into the Verified Beef Production Program, and encouraged producers to seek verification and other value added opportunities. Canada continues to be a world leader in beef quality, and successful programs in this area from the NBCP ensure that producers are knowledgeable and consistent in this respect.

The National Beef Strategic Plan also calls out **Connectivity**, and the NBCP took steps to enhance industry synergies and encourage the producer's ability to speak to and advocate for the Canadian beef industry through investment in the Maritime Beef Conference.



PROVINCIAL INVESTMENT OVERVIEW & RESULTS CONTINUED

Prince Edward Island

The Prince Edward Island Cattle Producers (PEICP) utilized National Check-Off funds to support initiatives in 2015/16 that encouraged consumption of Canadian beef, and increased productivity of producers through feed efficiency research.

The PEI Burger Love campaign returned for 2016, and was designed to promote 100 per cent Island Beef. The campaign has continued to grow since the inception in 2011, and was developed as a way to encourage consumers to eat more beef while showing their support for beef producers. The social media outreach of the campaign has national benefits, encouraging consumers to enjoy beef across the country. The campaign enhances the public image of Canada's beef industry and boost consumer confidence in Canadian beef, as laid out in the National Beef Strategic Plan's **Beef Demand** pillar.

Also in the **Beef Demand** pillar in alignment with boosting consumer confidence, the PEICP invested in the promotion and marketing of the Certified Island Beef (CIB) program. The brand was developed to reflect the story of PEI's small family farms and landscape, which appeals to consumers looking to connect with the story behind their food. PEICP continues to focus also on increasing the supply of cattle marketed under the CIB program, which has positive effects nationally. The program has shown strong commitment from farmers, processors, distributors, retailers, chefs and customers. PEICP intends to grow the brand to include feeders from outside the province, so producers in other regions can take advantage of the financial opportunities the CIB brand can offer.

Research around improving feed efficiencies was undertaken and will contribute to the overall improvement of the Maritime beef herd, increasing **Productivity**. The beef industry is challenged with reducing feed costs that represent the largest production expense, and also challenged with minimizing the environmental impact from resource use and greenhouse gas emissions. Improving the efficiency of feed utilization through the research supported by PEICP could mitigate these challenges.

Manitoba Beef Producers

The vision of the National Beef Strategy is to create a dynamic and profitable Canadian beef and cattle industry. Beef producers are striving to increase the productivity of their operations and, in turn, increase the competitiveness of the entire industry, helping to ensure its long-term sustainability through forage research pertaining to beef production. In 2015/16, the Manitoba Beef Producers (MBP) invested in two forage research projects with national benefits.

This past year, the MBP led the way in the establishment of the Manitoba Beef & Forage Initiatives Inc. (MBFI). This resource will help beef and forage industries reach goals set out through the pillars of the National Beef Strategic Plan, including **Productivity, Beef Demand** and **Competitiveness**. Through the three MBFI sites, the goal is to increase awareness of beef and forage production, and support the uptake of new, improved or innovative ranch management strategies. This facility is a Centre of innovation engaging in science-based research that can improve producer profitability and build social awareness around the beef and forage industry across the country. MBFI also has many other national ties, including collaborations between Canadian researchers, and partnerships being cultivated with other groups, including the Alberta Beef Producers.

In order to remain competitive and productive, Canada's beef producers need access to high-quality, well-yielding forage varieties. MBP saw this as an opportunity to invest into BCRC research that focuses on building long-term capacity for cow-calf production systems. Forage management is both a critical resource to beef producers, and provides a number of environmental benefits that ensures a sustainable industry. Collaboration on this initiative reaches across the Prairie provinces, and yields results beneficial to producers from coast-to-coast. MBP contributes specifically for communications and extension work, ensuring that producers can connect to and implement research results and recommendations.

Beef Farmers of Ontario

In 2015/16, the Beef Farmers of Ontario (BFO) investments focused on capacity-building and priority research funding, in alignment with the National Beef Strategic Plan's **Productivity, Competitiveness** and **Beef Demand** pillars.

BFO's investment into the Livestock Research Innovation Centre (LRIC) has far-reaching benefits for beef production in eastern Canada. By committing to the facility, BFO is supporting innovative research needed to drive components of the National Beef Research Strategy, being mindful not to duplicate research initiatives currently in progress across the country. By leveraging the BFO investment, the LRIC has encouraged the University of Guelph to update aging facilities, benefiting the national beef industry with increased research capacity. Through the BFO Research Investment Strategy, research priorities are laid out to benefit the beef industry priorities with the greatest potential to make a positive impact for the industry.

Research remained an important focus for BFO, with the goal of the research program to increase the development, adaptation, assessment and easy adoption of on-farm technologies that help producers respond to changing demands. Investment into an ongoing research initiative around water quality for finishing beef cattle will yield results and recommendations that can be adopted by producers across the country. BFO continues to work closely with BCRC to determine research and development priorities for the Canadian beef industry.

Increasing the cow herd in Ontario continued to be an area of focus for BFO in 2015/16. To continue to meet consumer demand for locally produced beef, BFO worked with value chain partners to determine the feasibility of a Premium Northern Beef System, called "Beef North." The program focuses on attracting new producers and herd expansion, which has

benefits for producers, and communicating the results of the profitability and sustainability study surrounding the new beef system.

Nova Scotia Cattle Producers

The Nova Scotia Cattle Producers (NSCP) invested National Check-Off funds in a variety of projects and initiatives focusing on increasing capacity, producer engagement, consumer education and check-off education/industry improvement.

In collaboration with other Maritime provincial cattle organizations, NSCP collaborated on two **Productivity** pillar research initiatives around improving feed efficiencies. The research that was undertaken will contribute to the overall improvement of the Maritime beef herd. Improving the efficiency of feed utilization



AGGRESSIVE EXPANSION

has national benefits for operations country-wide

MANITOBA'S LIVESTOCK RESEARCH INNOVATION CENTRE

supports innovative research needed to drive components of the National Beef Research Strategy

Quebec's online veal education contest generated over

90,000
WEBSITE HITS

IMPROVING FEED UTILIZATION EFFICIENCY

through research could minimize environmental impact from resource use and greenhouse gas emissions

PROVINCIAL INVESTMENT OVERVIEW & RESULTS CONTINUED

through the research supported by NSCP will result in the mitigation of increased production (feed) costs and environmental impact.

By investing in consumer-facing events, NSCP continued to connect beef producers with the consumers through educational information on beef production practices and innovative food practices. In alignment with the National Beef Strategic Plan's **Beef Demand** and **Connectivity** pillars, the events showed positive results in boosting consumer confidence in beef production.

NSCP also made it a priority to invest in agricultural events to increase producer engagement, education and productivity. Producer education sessions around tagging, body condition scoring and more, aligned with the National Beef Strategic Plan's **Beef Demand** and **Productivity** pillars and encouraged producers to adopt practices that ensure that consumers receive safe, quality beef at the point of purchase.

The investment in education by NSCP encouraged producers and dealers to better understand the importance of an accurate check-off collection and administration process. By prioritizing efficient and robust collection practices, NSCP has been able to significantly reduce the amount of check-off slippage.

Fédération des Producteurs de Bovins du Québec

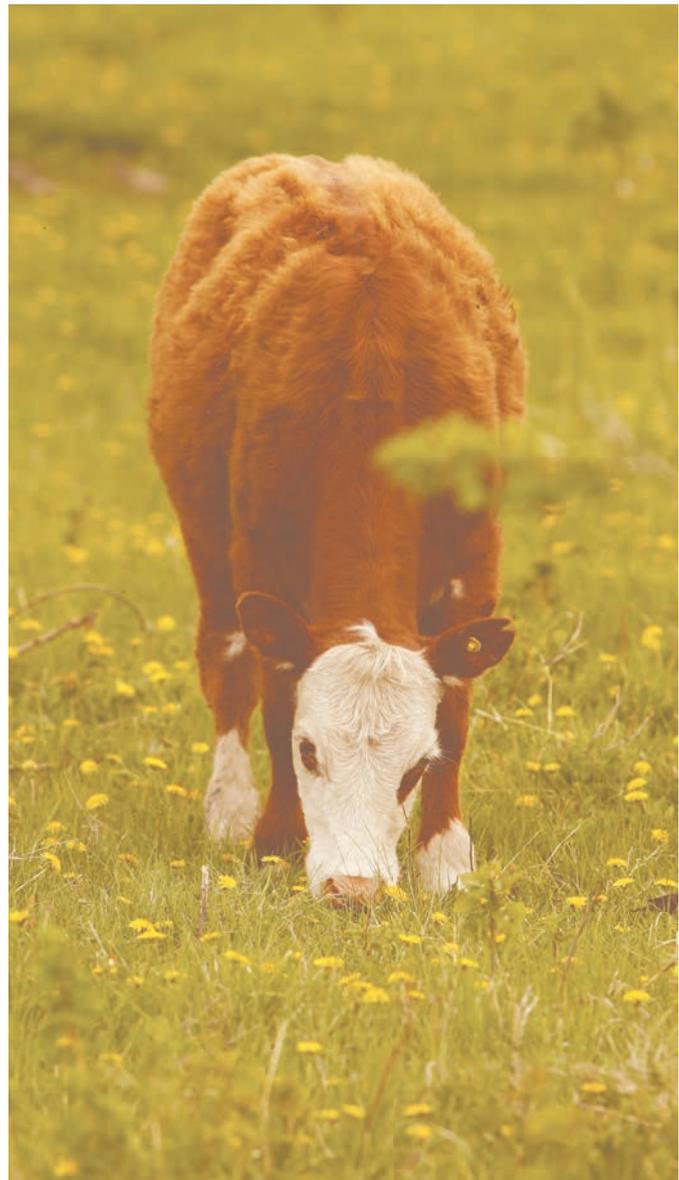
The Quebec association focused on driving consumer awareness around locally-produced Quebec veal with their provincially invested check-off dollars. Four seasonal campaigns across multiple retailers and avenues drove consumers through web, flyers and advertising towards Quebec's grain-fed and milk-fed veal.

By connecting consumers with the veal brands in Quebec consistently through the year, they increased the interaction and engagement rate for consumers looking for more information on recipes or where they could purchase the product.

Winter contests in partnership with Ricardo Cuisine, an online culinary portal, encouraged consumers to learn more about veal in Quebec, and identify with the local veal brands. The contest and winter campaign generated over 90,000 website hits, bringing value and recognition to the Quebec veal brands.

Veal recipes on websites and advertisements in Ricardo Cuisine, Signe M Magazine, La Presse and through social media were consistently among fan favorites.

By continuing to highlight and create a strong consumer **Demand** for Quebec-produced veal, producers in Quebec were able to see increased consumer engagement, which would lead to an increased value back to producers through sales.



CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Financial Statements

March 31, 2016



FINANCIAL STATEMENTS

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.



Melinda German, General Manager



Rob Meijer, President



Michael Shittu, Vice President,
Finance

June 29, 2016

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, 2016 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 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, 2016 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.

The logo for MNP LLP is written in a stylized, green, handwritten-style font. The letters 'M', 'N', and 'P' are large and connected, with 'LLP' in smaller letters to the right.

Chartered Professional Accountants

Calgary, Alberta

June 29, 2016

Statement of Financial Position

As at March 31

	2016	2015
Assets		
Current		
Cash and cash equivalents (Note 3)	6,230,765	6,638,419
Accounts receivable (Note 4)	4,430,984	3,605,898
Prepaid expenses and deposits	178,549	197,055
	10,840,298	10,441,372
Capital assets (Note 5)	1,609,000	1,857,805
	12,449,298	12,299,177
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	1,931,373	2,314,873
Deferred contributions related to capital assets (Note 8)	1,209,931	1,442,409
Deferred revenue	-	9,202
Due to related party (Note 7)	563,934	536,092
	3,705,238	4,302,576
Commitments (Note 9)		
Net Assets		
Unrestricted	3,692,264	2,944,805
Restricted (Note 12)	4,100,000	4,100,000
Consolidation reserve transfers (Note 12)	951,796	951,796
	8,744,060	7,996,601
	12,449,298	12,299,177

Approved on behalf of the Board



Jack Hextall, Chairman
Board of Directors



Lonnie Lake, Chairman
Finance Committee

Statement of Operations

	For the year ended March 31,	
	2016	2015
Revenue		
National Check-Off revenue	6,803,465	7,664,602
Canadian Cattlemen Market Development Council	3,488,495	5,377,200
Government of Canada – Growing Forward II	1,090,146	-
Western Economic Diversification	902,463	419,709
Import levies	918,401	911,737
Interest	51,373	62,965
Miscellaneous	31,518	12,599
	13,285,861	14,448,812
Expenses		
National Check-Off		
Board of Directors	303,520	224,496
NCO Administration	148,843	-
NCO Provincial Investment (<i>Schedule 1</i>) (<i>Note 11</i>)	994,471	1,447,376
	1,446,834	1,671,872
Research		
Beef Cattle Research Council	1,261,143	1,228,387
Marketing		
Operations (<i>Schedule 2</i>)	4,844,598	5,050,206
Market development (<i>Schedule 3</i>)	4,985,827	4,973,146
	9,830,425	10,023,352
Total expenses	12,538,402	12,923,611
Excess of revenue over expenses	747,459	1,525,201

Statement of Changes in Net Assets

	For the year ended March 31,				
	Unrestricted	Restricted	Consolidation reserve transfer	2016	2015
Net assets beginning of year	2,944,805	4,100,000	951,796	7,996,601	6,471,400
Excess of revenue over expenses	747,459	-	-	747,459	1,525,201
Net assets, end of year	3,692,264	4,100,000	951,796	8,744,060	7,996,601

Statement of Cash Flows

	For the year ended March 31,	
	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	747,459	1,525,201
Non-cash recognition of deferred capital contributions (Note 8)	(283,904)	(15,765)
Amortization	328,093	114,682
(Gain) loss on disposal of capital assets (Note 5)	(46)	22,733
	791,602	1,646,851
Changes in working capital accounts		
Accounts receivable	(1,397,547)	592,915
Prepaid expenses and deposits	18,506	(28,509)
Accounts payable and accrued liabilities	(383,500)	(129,615)
Due to related party	27,842	223,072
Deferred revenue	(9,202)	(5,843)
	(952,299)	2,298,871
Investing		
Purchase of capital assets	(82,192)	(1,788,831)
Proceeds from disposal of capital assets (Note 5)	2,950	5,689
Receipt of cash for deferred capital contributions	623,887	675,454
	544,645	(1,107,688)
(Decrease) increase in cash resources	(407,654)	1,191,183
Cash resources, beginning of year	6,638,419	5,447,236
Cash resources, end of year	6,230,765	6,638,419

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

1. Purpose of Agency

Canadian Beef Cattle Research, Market Development and Promotion Agency (the "Agency"), was proclaimed on January 17, 2002 and is registered as a not-for-profit organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes. In order to maintain its status as a registered not-for-profit organization under the Act, the Agency must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The mission of the Agency is to 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, 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 year. 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.

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 year. Actual results could differ from those estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the years in which they become known. 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 CPA 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 year.

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 year. 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 year the reversal occurs.

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 cent per annum,

with no fixed maturity.

4. Accounts Receivable

	2016	2015
National Check-Off revenue	1,703,539	1,561,757
Canadian Cattlemen Market Development Council	1,193,351	1,111,710
Government of Canada	1,090,146	-
Western Economic Diversification Canada (Note 8)	210,259	782,720
Import levies	173,949	116,640
Other	59,740	33,071
	4,430,984	3,605,898

5. Capital Assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer hardware and software	172,337	151,634	20,703	56,574
Furniture and fixtures	180,859	92,623	88,236	114,475
Leasehold improvements	1,193,522	140,581	1,052,941	1,217,074
Office equipment	48,755	29,607	19,148	22,354
Kitchen equipment and appliances	519,012	112,412	406,600	419,516
Website and logo	47,530	26,158	21,372	27,812
	2,162,015	553,015	1,609,000	1,857,805

During the year, the Agency disposed of capital assets for total proceeds of \$2,950 (2015 – \$5,689). These capital assets had cost of \$4,841 (2015 – \$47,751), accumulated amortization of \$1,937 (2015 – \$19,328), and a net book value of \$2,904 (2015 – \$28,423). The Agency recorded a gain on disposition of \$46 (2015 – loss of \$22,733), which is included as part of operating expenses.

During the year, the Agency received \$81,800 as a tenant improvement allowance in order to assist in covering the costs of the improvements to the Centre of Excellence. The allowance was applied against the cost of leasehold improvements.

6. Accounts Payable and Accrued Liabilities

	2016	2015
Check-Off transfers	843,522	829,888
Trade accounts payable	463,343	571,856
Government remittances	461	248
Accrued liabilities	624,047	912,881
	1,931,373	2,314,873

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 \$112,676 (2015 – \$40,524) for contract service expenses and \$10,849 (2015 – \$16,992) for other expenses as determined by the discretion of the Board of Directors on an annual basis. At March 31, 2016, included in accounts payable and accrued liabilities is \$nil (2015 – \$6,641) 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, 2016, \$563,934 (2015 – \$536,092) 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 \$3,040 (2015 – \$16,289) and net assets of \$561,198 (2015 – \$564,239).

8. Deferred Contributions Related to Capital Assets

During the prior year, the Agency received funding from Western Economic Diversification for the construction and operation of the Canadian Beef Centre of Excellence ("the Centre") which commenced operations in spring 2015. The total funds committed were \$1,400,338, of which \$920,605 was spent on capital improvements to the premises and \$479,733 was spent on equipment. \$283,904 (2015 – \$15,765) of the deferred amount was recognized as revenue in the current year. As at March 31, 2016, \$210,259 (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:

2017	314,164
2018	207,071
2019	187,632
2020	193,406
2021	194,900
Thereafter	566,595
	<u>1,663,768</u>

10. Financial Instruments

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

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, 2016, the following items are denominated in foreign currency:

	2016 CAD	2015 CAD
Cash and cash equivalents	7,575	8,023
Accounts receivable	18,224	11,857
Accounts payable and accrued liabilities	414,750	398,551

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, 2016, 83 per cent (2015 – 77 per cent) of the balance of the Agency's accounts receivable was due from three (2015 – three) of these associations.

11. NCO 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.

12. Net assets

Restricted net assets

During the year ended March 31, 2015, the Board of Directors of the Agency restricted \$4,100,000 of net assets as a contingent fund to allow for orderly operations to continue in the event of a change in funding or a wind down of the Agency.

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.

Schedule 1 – NCO Provincial Investment

	For the year ended March 31,	
	2016	2015
National Check-Off		
Federation des Producteurs de Bovins du Quebec	459,716	679,938
Beef Farmers of Ontario	422,054	652,078
Manitoba Cattle Producer's Association	35,365	46,640
New Brunswick Cattle Producers	31,632	13,288
Nova Scotia Cattlemen's Association	25,813	22,900
Prince Edward Island Cattle Producers	19,891	31,995
Saskatchewan Cattlemen's Association	-	537
	994,471	1,447,376

Schedule 2 – Operations

	For the year ended March 31,	
	2016	2015
Operations (Canada)		
Amortization	317,098	103,061
Bank charges and interest	10,824	11,523
Computer maintenance and supplies	64,813	57,033
Consulting, legal and audit	80,124	231,337
(Gain) loss on disposal of assets	(46)	7,627
Foreign exchange gain	(859)	(504)
Licenses and subscriptions	13,135	28,954
Office and meeting	191,630	203,517
Recruitment and training	13,644	37,781
Rent and lease payments	420,898	398,952
Salaries and benefits	2,265,019	2,073,811
Sponsorship and donations	3,813	5,443
Travel and insurance	137,453	288,464
Utilities	76,164	96,467
	3,593,710	3,543,466
	2016	2015
Operations (Foreign)		
Amortization	10,995	11,620
Bank charges and interest	4,248	6,583
Computer maintenance and supplies	3,363	2,548
Consulting, legal and audit	18,556	41,105
Foreign exchange (gain) loss	(5,568)	5,783
Licenses and subscriptions	11,996	13,898
Loss on disposal of assets	-	15,107
Office and meeting	536	26,619
Recruitment and training	990	20,697
Rent and lease payments	171,157	197,365
Salaries and benefits	954,252	1,076,506
Travel and insurance	41,346	46,396
Utilities	39,017	42,513
	1,250,888	1,506,740
	4,844,598	5,050,206

Schedule 3 – Schedule of Market Development

	For the year ended March 31,	
	2016	2015
Market Development – North America		
Branding campaign	-	300,000
Canada market development	1,478,157	723,544
Customer service support	(11)	258,345
Market outreach initiative	-	4,853
Nutrition communications	(28)	320,850
Public relations	-	232,321
Stakeholder communications	(300)	213,141
United States market development	-	245,364
Value added initiatives	-	-
	1,477,818	2,298,418
	2016	2015
Market Development – Global Markets		
China	496,946	406,756
Hong Kong	(5)	130,904
Emerging Markets	119,271	297,346
Japan	525,414	521,799
Korea	10,314	68,572
South East Asia	184,085	284,367
Latin America	759,507	501,718
Global Markets	1,008,720	463,266
Canadian Beef Centre of Excellence	403,757	-
	3,508,009	2,674,728
	4,985,827	4,973,146



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