



ANNUAL REPORT
April 1, 2013 to March 31, 2014

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

Operating as
Canada Beef



Message from the Chair



**Chuck MacLean, 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, 2013 to March 31, 2014.

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.

A major development in 2013/14 was the introduction of an import levy on beef cattle, beef and beef products. 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. These regulations give Canada Beef the right to collect a levy on imports of beef cattle, beef and beef products, something that has not been done with other agricultural products coming into Canada. It is a significant and historical step forward not only for the beef industry but for the Canadian agriculture sector. Throughout the process, the Farm Products Council of Canada and the Minister of Agriculture and Agri-food Canada have been supportive and of great assistance.

Funds resulting from the import levy will be further leveraged with industry investment, and will contribute to a significant increase to the funding of marketing, promotion and research for the beef industry.

This report marks the second 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 newly consolidated Agency began operating as Canada Beef effective July 1, 2011. The evolution and business approach Canada Beef has employed is working and the future is bright. Canada Beef is on target to continue creating efficiencies and measurably driven results. Industry profitability also took a brighter turn the latter half of 2013 which was marked by dramatic reductions in feed costs, improved margins and higher global beef prices. Cattle prices continued to strengthen in 2014 at levels not experienced for a number of years.

This report includes 2013/14 financial statements and 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.

Canada Beef is a young organization and is well on its way to reaching its operational stride. It is setting its own course with accomplishments through a coordinated national research strategy, exciting marketing and promotions, and the new cutting-edge initiative, the Canadian Beef Centre of Excellence (see page 8). Together we are delivering strong return on check-off investment and building a strong future for our industry.

As I look back, Canada Beef Inc. has accomplished a lot in a very short time. In the two years I have had the privilege of being the Chair of Canada Beef, this organization has never slowed down and we are proud to be showing progress. There is also incredible feedback and input from producers and provincial groups across Canada, which we value and appreciate.

A handwritten signature in black ink, appearing to read 'Chuck MacLean', with a long horizontal flourish extending to the right.

Chuck MacLean, 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 2013/14 was the introduction 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, estimated to be worth \$600,000 to \$800,000 annually depending on market conditions, can be further leveraged with industry investment - and will create a significant increase to the funding of marketing, promotion and research for the beef industry.

Canada Beef, on behalf of the entire industry, appreciates the support and assistance of the Farm Products Council of Canada and the Minister of Agriculture and Agri-food Canada to finally achieve enactment of the import levy.

THE RESTRUCTURED (CONSOLIDATED) AGENCY

This report marks the second 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.

2013/14 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 2013/14, the Board of Directors were as follows:

Chair – Chuck MacLean, Alberta	<i>Canadian Association of Importers and Exporters</i>
Grant Huffman, British Columbia	Dwight Greer – Eastern Meat Solutions
John Schooten, Alberta	
Jack Hextall, Saskatchewan	<i>Beef Processing and Distribution</i>
Trevor Atchison, Manitoba	Arthur Batista – Ecolait
Arden Schneckenburger, Ontario	Mike Kennedy – Cargill
Kirk Jackson, Quebec	Anthony Petronaci – Ryding Regency
Jennifer MacDonald, New Brunswick	Willie Van Solkema – JBS
Terry Prescott, Nova Scotia	
John MacDonald, Prince Edward Island	Lonnie Lake – Sysco Canada

STAFFING

The Agency operating as Canada Beef was managed by the executive staff of Canada Beef including: Robert Meijer (President); John Baker (Executive VP, Global Marketing); 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 2013/14 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, 2013 and March 31, 2014. 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.

Throughout 2013/14, the industry continued to focus on positioning Canada's beef industry as a world leader in quality beef production through the Canadian Beef Advantage (CBA). This common vision is the underpinning for nationally check-off funded research, market development and promotion programs to advance the Canadian beef industry. The Canadian Beef Advantage is a value proposition based on a brand strategy of differentiation for Canadian beef compared to other beef producing countries. The CBA promotes the benefits of choosing Canadian beef based on attributes achieved from farm to fork. These benefits/attributes include conscientious production practices, environmental stewardship, beef quality and yield advantages, plus Canada's global animal health status and food safety record.

Of total national check-off investment, 65 per cent was directed towards domestic and international market development and promotion, 13.7 per cent was directed to research, and 21.3 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 2013/14

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

In 2013/14 Canada Beef continued to develop and leverage a dynamic Canadian Beef Advantage specifically designed to “deliver recognized value”. Canada Beef marketing programs were targeted at a very specific customer base that represented the best opportunity to provide a return on investment. Those targeted customers were in markets and segments that could receive the highest values for high quality grain-fed beef and veal, and that valued Canadian beef quality and safety systems.

Programs focused on delivering more recognition, understanding and awareness of the Canadian beef brand both at home and around the globe. Priority continued to be placed on developing synergies with trade partners and brand licence partners for use of the Canadian beef brand mark, the visual symbol of the Canadian beef brand promise to customers.

There are now a total of 167 licensed brand partners globally, up from 134 a year ago. The total of licensees committed to the Canadian beef brand in the domestic market increased from 103 to 124.

Brand licenses continue to dominate the share of the domestic retail and food service distribution segments. Internationally, Canada Beef increased the total licensed partners to 43 with increases in key markets of United States, Mexico and the Middle East. In Asia, the brand mark continued to be very well received and utilized effectively in marketing initiatives.

A key performance measure for Canada Beef 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. In 2013/14, Canada Beef invested \$741,998.43 into partnered initiatives. The projects were leveraged through the Market Development Program, which evaluates the appropriate level of Canada Beef investment based on a set of objective measures and how the project aligns with objectives. Total industry investment leveraged through these programs was \$4,480,079.70, meaning that for every \$1 Canada Beef invested, industry partners invested \$6.04.

The Canadian Beef Story, which brings the brand to life, was further developed and integrated with marketing activities. It provides the platform to leverage the technical or functional attributes of the Canadian Beef Advantage into a consumer-friendly approach enhancing the emotional attributes including the connection to Canadian producers, the natural environment of Canada, and the commitment to sustainable beef production.

The Canadian beef story resources inspired a look and voice for the Canadian beef brand unifying consumer communications for Canada Beef, partners, and stakeholders. Canada Beef has begun to evolve as a 'resource hub' and leader for marketing tools communicating information and imagery representing Canadian beef. Voice, tone, style and imagery have taken shape to use the Canadian beef story in all markets. Resources included POS, flyers, social media, website, retail and foodservice materials, an app, videos, mascots "Rocky" and "Maple" in Japan as Canada Beef ambassadors for educational/promotional events and more. Consumer information continued to be developed and distributed, and programs for specific influencer segments such as physicians were implemented. Canada Beef looks forward to growing its resources, sharing them with partners and consumers and building the Canadian beef brand together.

The social media platform developed in 2012/13 was expanded in 2013/14 to include various social media tools such as Facebook, Twitter, Google Plus, and many others. The Canada Beef social media footprint reaches into both the consumer segments as well as the producer communities which assists in aligning key messages that can be further amplified by industry advocates. Canada Beef's social media reach increased significantly in all media program areas. Results include, a 42% increase in Facebook likes, 59% increase in You Tube views, 52% increase in twitter followers of @Canadianbeef and over 90% increase in @LoveCDNBeef.

From an operational perspective, the shift from a market specific approach to a regional hub approach in the Hispanic markets of the United States, Mexico, Cuba and also Central America continued to provide efficiencies and leverage expertise across the organization in that key target market segment. Canada beef reached new heights in the Hispanic hub in 2013/14 with highly successful marketing programs where Canada Beef partnered with major tourism, wine and culinary entities. With outreach in Chile, Panama, and Costa Rica in addition to the significant efforts in Mexico, the Latin hub has in its first year delivered results and built brand loyalty in these valuable global export markets.

The very positive experience with the Hispanic hub led to Canada Beef adopting an Asian hub approach in the fall of 2013 with senior leadership in Asia overseeing coordinated marketing efforts

across the entire region. This has allowed the regional offices to increase efficiencies, market intelligence and program alignment, and program execution. Canada Beef also worked with the Federal Government to better utilize existing in-market resources such as Embassies, Consulates and the Canadian trade commissioners to promote and market Canadian beef more effectively.

To further build Canadian beef brand loyalty with key customers in emerging and international markets, Canada Beef started working on a significant new initiative in 2013/14, the establishment of a **Canadian Beef Centre of Excellence**. The Centre is intended to be a cutting-edge facility to showcase Canada's top-quality meats, drive innovation, build knowledge and expertise, and ultimately create value for Canadian beef and veal producers. The Centre will in effect "bring the Canadian Beef Brand to life".

The plan is for a state-of-the-art facility with space and resources to help the industry promote new beef products, provide training and education focused around the technical advantages of Canadian beef, and play a valuable role in marketing Canadian beef domestically and internationally. With a full commercial kitchen, meat case, classroom, dining facilities and broadcast capabilities, the Canadian Beef Centre of Excellence will be a cornerstone in the Canadian beef industry, and provide a focal point for domestic and international marketing opportunities, and incoming trade missions.

The Canadian Beef Centre of Excellence will be located in Calgary as part of Canada Beef's head office space. Canada Beef has offices in Canada (Calgary and Toronto), Mexico, Japan, China and Taiwan.

In its second year of operation, the newly consolidated agency has continued to right-size operations, create efficiencies, and moreover, seek areas for greater attention to detail and value creation by leveraging collective industry and government resources. As the administrator of the national check-off, Canada Beef initiated steps in 2013/14 to enhance accountability and reporting results of value creation, outcomes and overall achievements obtained through national check-off investment into both marketing and research from a national/international perspective. Canada Beef is engaging all of the entities that receive national check-off funding, including the provinces who access national check-off for regional research and beef and veal marketing programs, on future requirements for national check-off funded information, measurement and reporting.

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), operating as a division of the Canadian Cattlemen's Association, funds leading-edge research to advance the Canadian beef cattle industry. Research is a core component of the Canadian beef cattle industry's long-term strategy for sustainability, with a focus on improving competitiveness through improvements in beef quality, food safety, productivity and generational sustainability. The BCRC administers the research allocation of the national check-off and manages Canada's Beef Cattle Industry Science Clusters funded under AAFC Growing Forward programs with additional support from a number of industry and government funders.

The first Beef Cattle Industry Science Cluster was a four year initiative, funding research between April 1, 2009 and March 31, 2013. Industry, including national check-off dollars, and government funding commitments totalled approximately \$10.5 million directed to 32 research projects. Joint

industry and government commitments to a second Beef Cattle Industry Science Cluster (2013 – March 31, 2018) totalled \$20 million, including \$14 million in funding from AAFC and \$5 million in funding from the research allocation of the national check-off and provincial beef industry groups, in addition to investments by provincial governments. Funding has been directed to 26 research projects. Project summaries are available on the BCRC website.

In 2013/14, BCRC continued to develop a Knowledge Dissemination and Technology Transfer Strategy initiated during the first Beef Science Cluster to convert applied research into effective, utilized tools that drive industry competitiveness. Summaries of completed and in-progress research projects, advice on adopting technology and innovation into production practices, and commentaries that address misconceptions about modern beef production are continually made available through the BCRC Blog on www.beefresearch.ca. These articles are regularly referenced and redistributed by media and other organizations.

In order to demonstrate the value of national check-off investments in research, as well as to encourage government to enhance their own investments in research, industry has taken a leadership role in communicating the value of investments made in beef, cattle and forage research.

In 2013/14, the BCRC partnered with Canfax Research Services to develop and implement an economic assessment tool that aids 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. An inaugural results report was developed and released February 2014. The report outlines how dollars were invested between 2009 and 2013, and how that research is contributing to advancements in production efficiencies, quality and demand for Canadian beef. Understanding that some impacts may not be fully apparent for several years, the report revealed 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. The full report can be viewed at:

http://www.beefresearch.ca/files/pdf/BCRC_results_report_jan2014.pdf

The BCRC continued to expand its communication program in 2013/14. A series of 30 short videos called the Beef Research School developed in partnership with RealAgriculture was completed in December 2013. A separate video was also produced to highlight results of the latest National Beef Quality Audit to help producers continually prevent costly carcass defects. The BCRC also began hosting a webinar series to relay science-based production advice to producers from researchers and other industry experts. The videos and webinars are available on the BCRC website www.beefresearch.ca. Website traffic, blog subscriptions and social media engagement continues to increase each month, due in part to BCRC’s ‘Raise your beef IQ’ campaign. The series of quirky images presenting science-based facts is intended to raise awareness of and encourage producers to utilize extension resources, promote the value of ongoing investments in beef, cattle and forage research, and share positive messages about Canadian beef production.

The development of a single National Beef Research Strategy with defined research outcomes was led by the BCRC and the Beef Value Chain Roundtable in 2012, with the participation of key stakeholders and major beef research funders across Canada. In 2013/14, the BCRC continued to encourage and facilitate coordination among funders to work toward achieving the Strategy’s goals. The BCRC collected and analyzed data voluntarily submitted by other beef research funding agencies. This

database will help funding agencies to better communicate, enhance collaboration, avoid duplication, and align funding decisions to address the priority research outcomes identified in the Strategy.

In addition to sponsoring research and technology development, the BCRC oversees and supports the beef industry's on-farm food safety program, Verified Beef Production™ (VBP). During 2013/14, VBP reported continued growth with increasing numbers of beef cattle operations trained. More than 17,100 beef operations across Canada are currently trained. This represents an estimated 67 per cent of all Canadian beef production. In addition, more than 1,000 cattle operations have participated in the optional validation audit to become registered with the VBP program. VBP is currently in the planning stages of adding modules for biosecurity, animal care and environmental stewardship with a five year agreement approved in December 2013. Additional modules are an opportunity for producers to secure further recognition for credible production practices.

3. Provincial Research, Market Development and Promotion

In 2013/14, national check-off transferred funds for regional research and beef and veal marketing programs managed by: Manitoba Beef Producers, Ontario Cattlemen's Association (now called 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. For example, Manitoba Beef Producers continued to promote beef through another season of The Great Tastes of Manitoba cooking show and high profile public outreach events. An interactive beef experience called Cattle Tales provided information on beef production, products and the people behind family ranches. Beef Farmers of Ontario promoted beef at a number of public events, conducted cooking demonstrations, distributed recipes and resources, and further promoted beef through mainstream media and social media campaigns.

The Fédération des Producteurs de Bovins du Québec continued to initiate research such as livestock health, feeding and herd management, marketing and environmental projects. Beef Farmers of Ontario funded projects in the areas of economic research and analysis, environmental sustainability, improved animal welfare, production efficiency, marketing and product development, production efficiency and safe products.

Programs and services in the Maritime Provinces included communications, research and promotion which were supportive of industry's overall efforts to market cattle and beef products and encourage the development of efficient and competitive practices within the industry.

More information is available from websites of provincial associations utilizing national check-off:

Manitoba Beef Producers www.mbbeef.ca

Beef Farmers of Ontario www.ontariobeef.com

Fédération des Producteurs de Bovins du Québec www.bovin.qc.ca

New Brunswick Cattle Producers www.bovinsnbcattle.ca

Nova Scotia Cattle Producers www.nscattle.ca

Prince Edward Island Cattle Producers www.peicattleproducers.com

Canadian Beef Cattle Research, Market Development and Promotion Agency
Financial Statements
March 31, 2014

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.

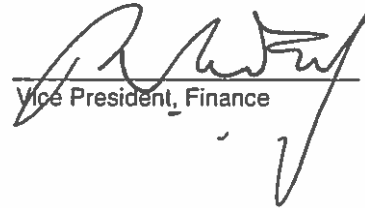
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records 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. The Committee is also responsible for recommending the appointment of the Agency's external auditors.

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



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, 2014 and the statement 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, 2014 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
July 21, 2014

MNP LLP
Chartered Accountants

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

As at

	<i>March 31 2014</i>	<i>March 31 2013</i>
Assets		
Current		
Cash and cash equivalents (Note 5)	5,447,236	5,312,346
Accounts receivable (Note 6)	3,416,093	1,981,025
Prepaid expenses and deposits	168,546	192,400
	9,031,875	7,485,771
Capital assets (Note 7)	212,078	115,383
	9,243,953	7,601,154
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	2,444,488	1,981,123
Deferred revenue	15,045	-
Due to related party (Note 9)	313,020	261,376
	2,772,553	2,242,499
Contingencies (Note 11)		
Net Assets		
Unrestricted	1,419,604	306,859
Consolidation reserve transfers (Note 2)	5,051,796	5,051,796
	6,471,400	5,358,655
	9,243,953	7,601,154

Approved on behalf of the Board

Director

Chuck MacLean

Director

Jack Hextall

The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency

Statement of Operations

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

	March 31 2014	March 31 2013 (Note 3)
Revenue		
Check-off revenue	7,989,230	8,737,508
Canadian Cattlemen Market Development Council	6,840,754	5,603,057
Import levies	181,807	-
Interest	55,997	70,949
Miscellaneous	150,411	8,940
	15,218,199	14,420,454
Expenses		
Operations (Schedule 1)	5,889,307	7,505,203
Market Development (Schedule 2)	5,533,792	4,431,735
	11,423,099	11,936,938
National Check Off (Note 13)		
Manitoba Cattle Producer's Association	58,186	63,960
Beef Farmers of Ontario	667,270	815,952
Federation des Producteurs de Bovins du Quebec	725,563	715,887
New Brunswick Cattle Producers	49,143	28,785
Nova Scotia Cattlemen's Association	16,852	21,868
Beef Cattle Research Council	1,131,055	1,177,167
Prince Edward Island Cattle Producers	32,314	2,161
Saskatchewan Cattlemen's Association	2,274	7,830
Others	(302)	3,593
	2,682,355	2,837,203
Total expenses	14,105,454	14,774,141
Excess (deficiency) of revenue over expenses	1,112,745	(353,688)

The accompanying notes are an integral part of these financial statements

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

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

	<i>March 31</i>	<i>March 31</i>
	<i>2014</i>	<i>2013</i>
Net assets beginning of period	5,358,655	4,947,890
Excess (deficiency) of revenue over expenses	1,112,745	(353,688)
Consolidation reserve transfers (Note 2)	-	764,453

Net assets, end of period	6,471,400	5,358,655
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The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency

Statement of Cash Flows

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

	March 31 2014	March 31 2013
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	1,112,745	(353,688)
Amortization	74,354	49,726
Loss on disposal of capital assets <i>(Note 7)</i>	4,187	-
	1,191,286	(303,962)
Changes in working capital accounts		
Accounts receivable	(1,435,068)	1,792,198
Inventory	-	2,302
Prepaid expenses and deposits	23,854	(109,912)
Accounts payable and accrued liabilities	463,365	58,761
Consolidation reserve transfers <i>(Note 2)</i>	-	764,453
Due to related party	51,644	261,376
Deferred revenue	15,045	-
	310,126	2,465,216
Investing		
Purchase of capital assets	(175,236)	(85,566)
Increase in cash resources	134,890	2,379,651
Cash resources, beginning of period	5,312,346	2,932,696
Cash resources, end of period	5,447,236	5,312,346

The accompanying notes are an integral part of these financial statements

Canadian Beef Cattle Research, Market Development and Promotion Agency

Notes to the Financial Statements

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

1. Purpose of Agency

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

The mission of the Agency is to enhance and sustain the profitability of Canadian beef producers through excellence in product promotion, positioning and the facilitation of domestic and international marketing initiatives. The Agency is funded by a non-refundable levy (or check-off) initially set at \$1.00 per head applied to Canadian beef cattle marketed domestically and imported into Canada.

2. Combination of operations

On July 1, 2011, the Agency combined operations with Beef Information Centre ("BIC") and Canada Beef Export Federation ("CBEF") and is now operating as Canada Beef Inc. The results of BIC and CBEF's operations have been included in these financial statements since that date. In accordance with the consolidation agreement between the Canadian Cattlemen's Association and the Agency, \$1,500,000 was held back to settle outstanding obligations of BIC. During the period ended March 31, 2013, \$764,453 was transferred from BIC to the Agency as the residual amount remaining after those obligations were settled.

The following table summarizes the consolidation reserve transfers:

	<i>March 31</i> <i>2013</i>
Opening Balance	4,287,343
Canadian Beef Cattle Research, Market Development and Promotion Agency	
Beef Information Centre	764,453
Canada Beef Export Federation	-
<u>Consolidation reserve transfers</u>	<u>5,051,796</u>

As part of the combination, in 2013 the Agency changed its year end from December to March and, as such, comparative figures in these financial statements reflect the fifteen month period ended March 31, 2013.

3. Change in accounting policy

The Agency has changed its policy for check-off revenues that are remitted to provincial associations. The Agency now presents the revenues and expenses remitted to provincial associations on a net basis, whereas the Agency had previously shown the revenues and expenses on a gross basis. The change in accounting policy provides more reliable and relevant information as the change in accounting policy presents revenues and expenses in a similar fashion as other not-for-profit organizations and better represents the Agency's limited role as a facilitator of those funds rather than as a primary user.

The Agency's statement of operations has been restated to retrospectively take into account the change in accounting policy. The effect of the change in accounting policy for the fifteen month period ended March 31, 2013 is a decrease in check-off revenue of \$935,044, and a decrease in national check-off expenses of \$935,044.

The change in accounting policy did not affect the comparative statement of financial position, statement of changes in net assets, or statement of cash flows.

Canadian Beef Cattle Research, Market Development and Promotion Agency

Notes to the Financial Statements

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

4. 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 through out 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.

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

Revenue recognition

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

Import levies received from cattle importers through cattle purchases are unrestricted and are recognized in the period in which the cattle sales occur and collectability is reasonably assured.

The Agency identifies new cattle sales and delivery organizations, as well as reviews cattle sales volumes from existing cattle sales and delivery organizations through its compliance review activities. Any amendments arising from this review are recorded by the Agency as adjustments to revenue in the current period in which the amendments are made. The revenues reported represent 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 periods and such adjustments may be material to the financial position of the Agency.

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

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian 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.

Canadian Beef Cattle Research, Market Development and Promotion Agency

Notes to the Financial Statements

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

4. Significant accounting policies (continued from previous page)

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 9).

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 parties 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.

5. 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.

6. Accounts receivable

The following table summarizes the composition of accounts receivable as at March 31, 2014:

	<i>March 31, 2014</i>	<i>March 31, 2013</i>
Check-off revenue	1,584,051	1,136,610
Canadian Cattlemen Market Development Council	1,663,986	823,115
Import levies	145,997	-
Other	22,059	21,300
	3,416,093	1,981,025

Canadian Beef Cattle Research, Market Development and Promotion Agency

Notes to the Financial Statements

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

7. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>March 31 2014 Net book value</i>	<i>March 31 2013 Net book value</i>
Computer hardware and software	80,890	55,421	25,469	35,603
Furniture and fixtures	142,210	38,032	104,178	22,835
Leasehold improvements	42,399	8,708	33,691	32,202
Office equipment	54,185	15,629	38,556	10,185
Website and logo	21,870	11,686	10,184	14,558
	341,554	129,476	212,078	115,383

During the period, the Agency closed its office located in South Korea, and disposed of assets with a cost of \$6,988, accumulated amortization of \$2,801, and a total net book value of \$4,187. The Agency recorded a loss on disposition of \$4,187, which is included as part of operating expenses.

8. Accounts payable and accrued liabilities

The following table summarizes the composition of accounts payable as at March 31, 2014:

	<i>March 31, 2014</i>	<i>March 31, 2013</i>
Check-off transfers	764,863	732,732
Trade accounts payable	696,151	494,554
GST Payable	2,455	14,163
Accrued liabilities	981,019	739,674
	2,444,488	1,981,123

9. Related party transactions

The Agency shares certain administration costs with the Canadian Cattleman's Association and Alberta Beef Producers. The Canadian Cattleman's Association and Alberta Beef Producers are related by virtue of certain directors who serve on the Agency's board. During the twelve month period, the Agency allocated \$51,082 (March 31, 2013 - \$52,287) for contract service expenses and \$28,657 (March 31, 2013 - \$225,606) for office, rent and other expenses as determined by the discretion of the Board of Directors on an annual basis. At March 31, 2014, included in accounts payable and accrued liabilities is \$1,101 (March 31, 2013 - \$4,255) 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 period, 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, 2014, \$313,020 (March 31, 2013 - \$261,376) was due to Canada Beef International Institute as a reimbursement. This amount bears no interest, is unsecured and has no fixed repayment terms.

During the period, CBII reported total revenues of \$nil (2013 - \$13,047), expenses of \$25,030 (2013 - \$146,800) and net assets of \$580,528 (2013 - \$605,558).

Canadian Beef Cattle Research, Market Development and Promotion Agency

Notes to the Financial Statements

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

10. Commitments

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

2015	572,611
2016	492,578
2017	385,542
2018	333,269
2019	326,201
Thereafter	1,399,150
	3,509,351

11. Contingencies

The Agency was named as a defendant in a legal claim associated with the normal course of operations. The lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of the lawsuit or to estimate the loss, if any, which may result.

12. Financial instruments

The Agency, as part of its operations, carries a number of financial instruments. It is management's opinion that the Agency is not exposed to significant interest rate, 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, 2014, the following items are denominated in foreign currency:

	<i>March 31</i>	<i>March 31</i>
	<i>2014</i>	<i>2013</i>
	<i>CADS</i>	<i>CADS</i>
Cash and cash equivalents (bank overdrafts)	(1,512)	599
Accounts receivable	6,652	11,753
Accounts payable and accrued liabilities	328,954	338,238

Credit risk

The Agency derives its revenues and accounts receivable in the form of levies from associations involved in the cattle industry. The Agency is exposed to credit risk with respect to these revenues to the extent that these associations may experience financial difficulty and be unable to meet their obligations as a result of those risks associated with the cattle industry in general. At year-end, 40% (2013 – 78%) of the balance of the Agency's accounts receivable was due from three of these associations.

13. National Check Off

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.

Canadian Beef Cattle Research, Market Development and Promotion Agency
Schedule 1 - Schedule of Operations

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

	2014	2013
Operations (Canada)		
Amortization	60,936	32,188
Bank charges and interest	14,645	11,146
Computer maintenance and supplies	11,874	59,858
Consulting, legal and audit	166,809	392,381
Gain on disposal of assets	(2,680)	-
Foreign exchange loss	-	3,599
Licenses and subscriptions	30,031	68,827
Office and meeting	246,079	165,405
Recruitment and training	22,658	57,034
Rent and lease payments	388,898	385,553
Salaries and benefits	2,446,680	3,616,571
Sponsorship and donations	6,631	14,425
Travel and insurance	627,937	580,382
Utilities	106,452	123,906
	4,126,950	5,511,275

	2014	2013
Operations (Foreign)		
Amortization	13,418	17,538
Bank charges and interest	9,247	11,005
Computer maintenance and supplies	2,423	5,327
Consulting, legal and audit	43,396	111,206
Foreign exchange loss / (gain)	(4,490)	4,316
Licenses and subscriptions	11,564	21,754
Office and meeting	63,599	89,654
Recruitment and training	3,221	32
Rent and lease payments	255,100	302,313
Salaries and benefits	1,216,553	1,263,251
Travel and insurance	98,477	101,201
Utilities	45,662	66,331
Loss on disposal of assets	4,187	-
	1,762,357	1,993,928
	5,889,307	7,505,203

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

For the year ended March 31, 2014 and the fifteen month period ended March 31, 2013

	2014	2013
Market Development - North America		
Branding campaign	71,476	-
Canada market development	1,474,840	1,340,505
Customer service support	158,647	449,193
Issues management	26,000	70,607
Market outreach initiative	110,224	84,804
Mexico market development	2,999	365,473
Nutrition communications	217,280	252,374
Public relations	180,595	103,666
Stakeholder communications	254,854	326,905
United States market development	513,834	411,866
Value added initiatives	(1,679)	1,679
	3,009,070	3,407,072

	2014	2013
Market Development – Global Markets		
China	317,240	99,450
Hong Kong	141,829	36,330
Emerging Markets	386,193	342,550
Japan	433,855	339,971
Korea	139,743	165,368
Taiwan	-	40,994
South East Asia	95,765	-
Latin America	706,640	-
Global Markets	303,457	-
	2,524,722	1,024,663
	5,533,792	4,431,735