



Canadian Beef
Check-Off Agency

Annual Report 2019-2020

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Vision

A unified and sustainable national funding strategy for Canadian beef cattle research, market development and promotion.

Mission

To deliver measurable value to the Canadian beef industry through prudent and transparent management of the Canadian Beef Cattle Check-Off.

Message from the Chair

CHAD ROSS

This past year as the Chair of the Agency, I have witnessed our organization hit it's full stride and take hold of the matters important to producers. It is our job to oversee the check-off administration and investments on behalf of Canadian beef producers and I can confidently say that I am proud of what these investments continue to accomplish.

I was fortunate to be able to meet with producers across the country at various AGMs and meetings, and was thankful to be able to work directly with other boards and producer groups to keep our Agency pointed in the right direction. It is the provincial cattle associations, led by Canadian beef and veal producers, that drive our strategies. In 2019/20, we focused a lot of time on ensuring that what we do provides value to those provincial partners and their producer constituents.

I am also pleased to say, that near the end of the 2019/20 fiscal year, we were able to sign agreements with the Veal Farmers of Ontario (VFO) as a check-off collector in Ontario. We have worked hard to structure the agreements in a way that ensures we can work together to bring more value for veal producers in Canada. It is important that we are committed to measurable returns for the check-off and import levy that are invested in our country, and that includes our veal producers.

It has been one of my priorities to strengthen relationships between the Agency and provincial cattle associations, national organizations and stakeholder groups that we work closely with. We are transparent and team-oriented, and know that the only way to grow our industry is working side by side pulling in the same direction. I am confident that we

are at a place now where we can move forward and face any challenges together.

We were able to have our Marketing Committee fully functional for it's second year. The group is incredibly dedicated and producers can rest assured that this committee has their best interests at heart. The Committee operated at arms length from the Agency, while guiding the strategic direction of Canada Beef, the organization investing check-off dollars into market development and promotion. The Committee ensured continued separation from the Agency administration, and clear lines of governance and communication.

We have amazing talent investing check-off on behalf of producers. The people at our service provider organizations, the Beef Cattle Research Council, Canada Beef and the Public and Stakeholder Engagement team work so hard each and every day to deliver check-off benefits for our industry. There is so much knowledge amongst these teams, and we're really lucky to have them working on our behalf.

With a record amount of check-off being collected this year, I know that we have an important job to do. The check-off investments made to research, marketing and public and stakeholder engagement need to make a



measurable difference to the industry, and help our beef and veal producers see valuable returns. It is up to our Agency Board to ensure that the dollars are invested into programs and strategies that will make a difference today, tomorrow, and down the road. The Agency also spent time on some of our regulatory framework this year, reviewing the Proclamation under which we operate. We worked with our provincial partners to ensure that the framework continued to allow us the freedom to provide the best possible value for Canadian beef and veal producers.

The end of the fiscal year brought some incredibly difficult times for our industry, and I know that there have been many sleepless nights and difficult conversations by producers and industry partners alike about the future of our industry. In light of that, I want to assure you that our Agency, and all those who invest check-off dollars on your behalf, have been working incredibly hard to do what's right for the Canadian beef industry. And while things might look different for the foreseeable future in so many ways, rest assured that we continue to focus on the best interests of our Canadian beef and veal producers every single day.

I'd like to take this opportunity to thank the Agency Members for their continued dedication to our industry, and for representing



stakeholders at the national table. Our board is as diverse as the beef industry in Canada, and I'm incredibly thankful to work with some of the most dedicated representatives in our industry. These women and men who represent beef and veal producers, and value chain industry partners, work tirelessly to ensure that our industry from coast to coast is done right by.

Speaking of working tirelessly, I have to thank the Agency staff, Melinda German and Tayla Fraser, for the work they do to keep us moving forward. The Agency is so grateful to have staff who can keep us on the right track and help us be our very best. Thank you for all the work you do.

And to everyone that is a part of our industry: thank you. Thank you for continuing to provide food to Canadians and the world, and

for being dedicated to what you do. It is your dedication and passion for our industry that makes this job so rewarding.

Regards,

A handwritten signature in red ink, appearing to read 'Chad Ross', with a stylized flourish at the end.

Chad Ross
Chair

Message from the General Manager

MELINDA GERMAN

It has been four years since our provincial cattle association partners drove the change that created the Agency in the form as we know it today. Since then, we have grown into our roles as staff and board, and have carved out a more defined place in the industry.

Over the past four years, we have shifted our focus from managing both the check-off dollars and marketing, to zeroing in on only the administration of the check-off. It has meant the Agency and everyone from board and staff have had to undergo a huge culture change, and this past year it occurred to me how big of a feat this has been to accomplish. It has helped us to focus on what is important for producers – delivering a measurable return for their investments.

The producer representatives at our board table are incredible advocates for the industry across Canada, which can be complicated at times with such a diverse nation when it comes to cattle production. But in the end, it is their commitment to the National Beef Strategy, along with all of the other industry stakeholders on our board, that keeps the Agency doing what's right for our industry as a whole.

The Agency's own administration and programming are focused on areas like regulatory compliance and stakeholder communication. These areas are important to ensuring that check-off dollars are collected in a fair way, and that the ways they are invested deliver the most value possible for Canada's beef and veal producers. Activities like our audit and inspection program, which helped us reach a

new audience of producers and dealers, and our communication strategies, help the Agency maximize the dollars that can be invested into research, market development and promotion. We have found new ways to reduce slippage of check-off and import levy dollars, and continue to support our provincial partners in doing the same.

The Agency's programs, while important, are only a fraction of the dollars invested into the industry by producers. The bulk of the funds are invested into research, marketing, and public and stakeholder engagement programs that deliver measurable value. The service providers behind these areas, the Beef Cattle Research Council, Canada Beef, the Public and Stakeholder Engagement program have an exceptional amount of talent and industry knowledge that help them find the best ways to deliver value to our industry. It is these service providers who do all the heavy lifting and producers can be proud of the dedication these leaders have to deliver programs on their behalf.

We have developed and just implemented a new three year strategy, and we're excited to start a new chapter with our defined identity. We hear quite often that our organization exudes passion – that the people who lead us are so



dedicated to doing right by those that they represent. This is something to be proud of and to shape ourselves around. We want to continue doing right by Canadian beef and veal producers, and delivering them every cent of value for their investment that we can. This means through our own programs at the Agency, and through the programs and strategies implemented by our national service providers.

The Agency's goals can be achieved if we continue to work together with our provincial and national partners, and stay connected with the 60,000 Canadian beef and veal producers from coast to coast. I know we are committed to this, and to the open and transparent management of our organization and of check-off dollars.

I am looking forward to working through our new strategy, and to working closely with all of our great industry partners.

Regards,

A stylized handwritten signature in red ink, consisting of a series of loops and a long horizontal stroke.

Melinda German
General Manager

2019/20 Agency Board of Directors

The Agency's board consists of 16 Agency Members from across Canada. Ten seats are allocated to producers nominated by their provincial cattle associations, and six are representatives from the Canadian Meat Council, importers and retail and foodservice operators. These six representatives are nominated by their respective organizations, or by the delegates at the Annual General Meeting.

- Chair – Chad Ross, Saskatchewan
- Vice Chair – Jeff Smith, Alberta
- Terry Wiebe, British Columbia
- Doug Sawyer, Alberta
- Mary Paziuk, Manitoba
- Jack Chaffe, Ontario
- Kirk Jackson, Quebec
- Trevor Welch, New Brunswick
- Larry Weatherby, Nova Scotia
- David Francis, Prince Edward Island
- Coral Manastersky – I.E. Canada
- Russ Mallard – Canadian Meat Council
- Mike Kennedy – Canadian Meat Council
- Alexandre Fontaine – Canadian Meat Council
- Leslie Bielak – Canadian Meat Council
- Stephen Christie – Retail and Foodservice Sector

The Board works both as a whole, and through focused advisory and operational committees to achieve its mandate. The Governance Committee and Finance Committee operate as advisory committees, and are made up of Agency Members only. The one operational committee, the Marketing Committee, is made up through an appointment of Agency Members, and an election of producers and members-at-large. The Marketing Committee is responsible for the oversight of Canada Beef, the organization tasked with investing check-off dollars into market development and promotion. The members of this committee are appointed and elected from the best of the best in beef and marketing, ensuring that the Canadian beef industry receives strong value from their marketing investment through check-off.



Back L-R: Russ Mallard, CMC; Trevor Welch, New Brunswick Cattle Producers; Chad Ross, Chair, Saskatchewan Beef Producers; Doug Sawyer, Alberta Beef Producers; Terry Wiebe, BC Cattle Industry Development Council; Alex Fontaine, CMC; Mike Kennedy, CMC; Larry Weatherby, Nova Scotia Cattle Producers.

Front L-R: Kirk Jackson, Quebec Beef Producers; David Francis, PEI Cattle Producers; Jack Chaffe, Beef Farmers of Ontario; Mary Paziuk, Manitoba Beef Producers; Steve Christie, Retail & Foodservice; Coral Manastersky, I.E. Canada; Jeff Smith, Vice Chair, Alberta Beef Producers.

Missing: Leslie Bielak, CMC

Agency Overview

In 2019/20 the Canadian Beef Cattle Check-Off revenue totalled \$17,906,566 on cattle marketed, net of the provincial portion of the federal levy.

Of the total check-off funds collected, net administration, 49 per cent was allocated to market development and promotion, 34 per cent to research, 12 per cent was retained by the provincial cattle organizations for regional marketing and research programs and 5 per cent was allocated to Public and Stakeholder Engagement.

The Import Levy on beef cattle, beef and beef products imported into Canada was also collected at a rate of \$1 per head equivalent, for a total of \$1,100,342. These funds, net administration, are allocated to unbranded, generic beef marketing such as nutrition marketing, recipe development and culinary skills education.

ADMINISTRATION

The Agency operations and administration expenses totaled \$718,870, which included both the Board of Directors and the Marketing Committee.

The Agency was pleased to enter into agreements with the Veal Farmers of Ontario. The agreements strengthen Canadian veal marketing as a part of the larger Canadian veal marketing initiative, while adding an additional levy collector to the provincial cattle associations across the country.

Regulatory compliance was an important piece of the Agency's business plan for the year, and both check-off and import levy collections were targeted. The federal levy on interprovincial marketings was targeted for inspections on auction markets and dealers with the focus on

education and understanding levy remittances.

By taking a more strategic approach to import levy collections, the Agency has been able to hold the amount of uncollectable levies to approximately 5 per cent of total import levy receivables. This has been a monumental task for the Agency, reviewing over 200 invoices per month and following up with hundreds of companies to ensure timely payments were received. The reduction of uncollectable or doubtful accounts has led to additional revenue being allocated to the generic beef marketing programs led by Canada Beef.

The Agency's focus on accurate and consistent reporting has led to increased transparency in reporting and a more clear understanding of marketings across Canada. The Agency's reporting data can support other industry organizations in making projections and funding allocations.

Website traffic grew through the year, with a total of 5,333 unique users visiting the site. The site, along with the Agency's social media channels increased reach to producers to new audiences, focusing on young producers. The public trust panel, powered by the Canadian Beef Cattle Check-Off, was a highlight of the 2019 Canadian Beef Industry Conference. The Agency made it a priority to promote the work of the organizations that invest check-off, to ensure that measurable value is shared with stakeholders.

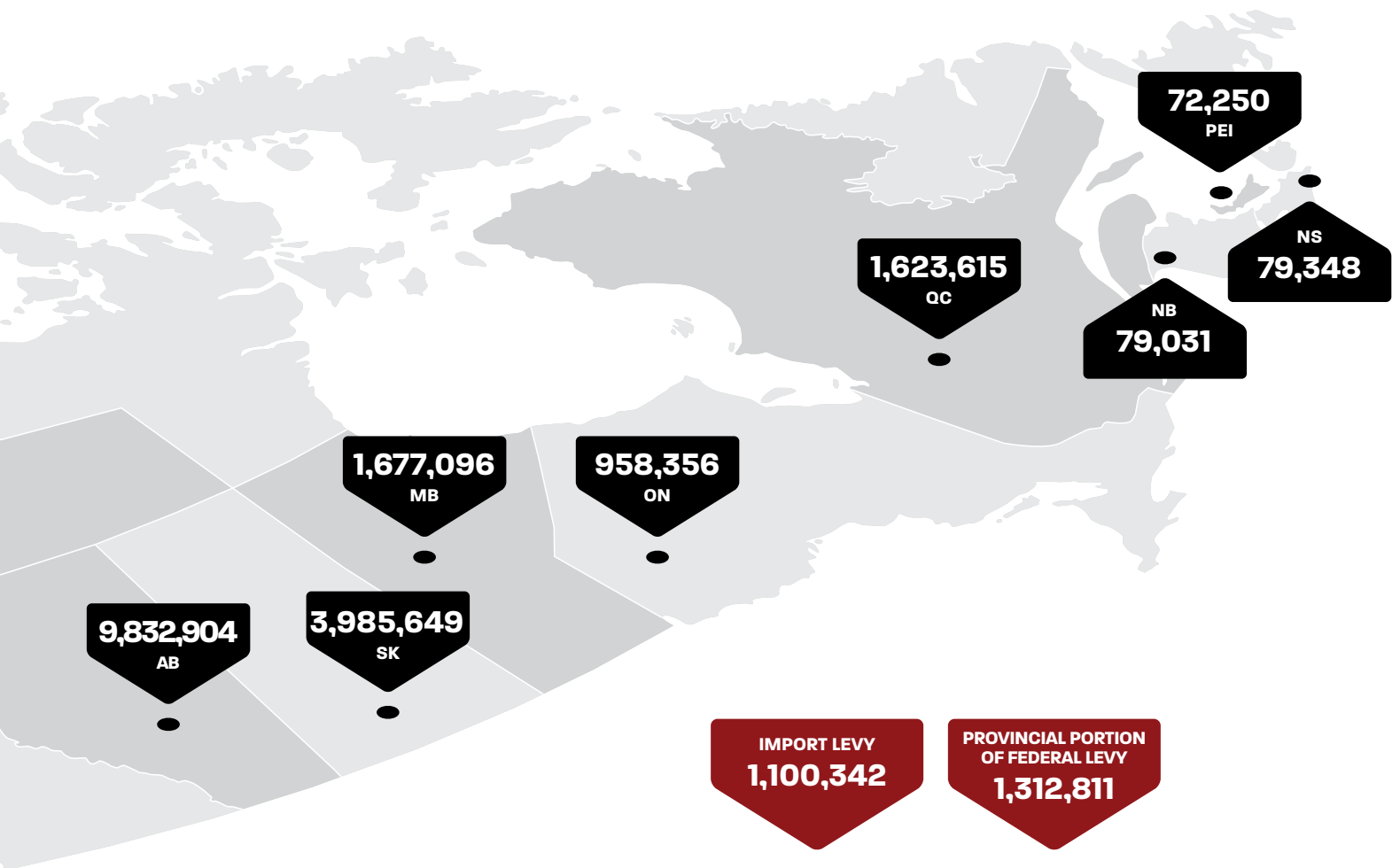
A new relationship with the Cattlemen's Beef Board (CBB) counterparts in the U.S. was also

formed this past year, with a renewed effort to share information and work together to create efficiencies and information in areas like stakeholder communications, inspection, and compliance.

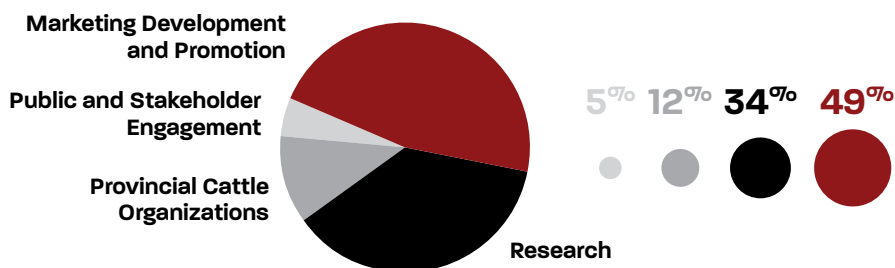
The Agency's Board was committed to transparent governance and to developing strong policies to govern the Agency. The strengthened policy manual and the work done on succession planning and business continuity this year will help guide the Agency now, and as the industry grows and transforms. By working with the board members who have the interest and skills to grow their leadership roles at the Agency, the board is able to plan for the future and ensure a sustainable leadership model.



*"By taking a more strategic approach to import levy collections, the Agency has been able to hold the amount of uncollectable levies to approximately **5 per cent of total import levy receivables.**"*



Allocation of Revenue



Research

TOTAL RESEARCH ALLOCATION: \$5,851,638

Service Provider: Beef Cattle Research Council



The Beef Cattle Research Council (BCRC) is funded in part through a portion of a producer-paid national levy, the Canadian Beef Cattle Check-Off. This funding was leveraged with the Agriculture and Agri-Food Canada (AAFC) Canadian Agricultural Partnership (CAP) funding, where industry contributed 29 per cent or \$1.34 million and government contributed 71 per cent or \$3.3 million. In addition, the BCRC leveraged the Canadian Beef Cattle Check-Off for an additional \$1.6 million in research funding from government and industry partners through initiatives outside of the Beef Science Cluster.

*"In 2019/20, the BCRC received on average **\$0.85 of every \$2.50** of the Canadian Beef Cattle Check-Off collected by the provinces."*

There were 24 research and extension Cluster projects reporting activities between April 1, 2019 and March 31, 2020. All projects covered areas relating to one of the following priority areas: Beef Quality and Food Safety; Animal Health, Welfare and Antimicrobial Resistance; Feed Production and Feed Efficiency; Forage Productivity and Environmental Sustainability; or Knowledge and Technology Transfer. With 2019/20 being only the second year of the five-year Cluster program, the reportable results are very limited; however, there were some preliminary findings. Relating to food safety, analyses of 750 STEC isolates collected from cattle and processing plants indicate that E. coli are not becoming more resistant to heat-based food safety interventions. Specific to animal health, preliminary data indicates that aside from body energy status, a rest stop did not benefit the welfare, health or performance of weaned, conditioned calves

transported for 12 or 36 hours. Related to feed efficiency, findings have helped researchers better understand how bacteria use substrates such as pre and probiotics.

In 2019/20 researchers were awarded funding through an open call for proposals where BCRC received applications from researchers. This marks the BCRC's second annual open call for proposals in over a decade. The Check-Off funding awarded for these projects is matched with government and other industry funding at a minimum 1:1 ratio. Under the open call for proposals, the BCRC received 74 letters of intent from researchers representing 31 different institutions. Of these, 35 researchers were invited to submit a full proposal, with 32 forwarding a proposal for funding. The BCRC engaged internal and external peer reviewers in the proposal selection process, and in February 2020 funding was approved for 16 projects. Several projects,

expected to start as early as April 2020, will be delayed due to COVID-19 impacts including limited ability to procure matching funds and/or to start projects given the severe restrictions on research facilities.

In addition to the knowledge and technology transfer activities under the Beef Science Cluster, such as the development and distribution of articles, decision tools, videos, blog posts and webinars, Knowledge and Technology Transfer is being advanced through a Canadian Beef Technology Transfer Network. In 2019/20 the network continued to facilitate greater communication and collaboration, resources and expertise were shared, and collaborative groups developed effective resources and strategies. Funding was also approved for five 2019 Proof of Concept (POC) projects – short-term (six months to one year) proof of concept-based research to help inform whether it is worth pursuing as a larger, more defined research investment in that area. As well, the BCRC continued to support the Cost of Production Network managed by Canfax Research Services. This Network, through its development of economic baseline data and analysis, supports industry competitiveness

with a goal to have Canadian beef cattle cost of production data in every province/ecoregion to guide technology transfer and research priorities. It is difficult to measure or qualify the adoption of innovative knowledge, especially in the short term. BCRC's technology transfer efforts appear to be successful based on consistently positive feedback from producers and other stakeholders, increasing website traffic, increasing subscribers and followers to BCRC newsletters and social media, and continued growth in the redistribution of resources by other publications and organizations.

Webinar registrations and recording views have increased, and social media networks continue to grow. Survey feedback from the 2019/20 webinar series has been very positive, with the expectations of the majority of participants being met or exceeded. Participants also noted on the surveys that they had learned something new and/or intended to make production changes based on the information or motivation provided.

To support the implementation of long-term research capacity in research priority areas identified by the Canadian beef industry, two Research Chairs selected in 2018/19 successfully procured



BCRC develops and launches images that quickly share snippets of beef research for sharing online or printing.

*"BCRC's technology transfer efforts appear to be successful based on **consistently positive feedback from producers and other stakeholders**, increasing website traffic, increasing subscribers and followers to BCRC newsletters and social media, and continued growth in the redistribution of resources by other publications and organizations."*

matching funds and were contracted during 2019/20. These Chairs include a Beef Production Systems Chair at the University of Alberta and a Chair in One Health and Production-Limiting Diseases at the University of Saskatchewan. BCRC investments for these two Chairs are 10-year investments of \$1.5 million each (\$150,000/year), leveraged by a minimum of \$1.5 million from external funding.

The BCRC continues to oversee the Verified Beef Production Plus (VBP+) program. In 2019/20 BCRC funding facilitated the ongoing operation of the national VBP+ program, including the maintenance of a national standard, maintenance of the national CORS data management system and national website, and coordination of provincial delivery, audit systems, and record keeping.

Marketing

TOTAL ALLOCATION: \$8,422,270 (CHECK-OFF) + \$1,038,809 (IMPORT LEVY)

Service Provider: Canada Beef



Canada Beef works to enable and sustain consumer and customer loyalty to the Canadian Beef brand and build strong relationships with trade customers and partners around the world. These efforts increase demand for Canadian beef and the value producers receive for their cattle. Canada Beef delivers its business strategy by leveraging the Canadian Beef brand through consumer marketing and business development activities.

The Canada Beef 2019/20 business plan focused on using market segmentation tools to identify high-growth, high-value consumer groupings by demographics, behavior, ethnicity, geography, etc. Canada Beef completed extensive consumer research in Canada, Mexico, Japan, China and Taiwan looking at consumer and customer attitudes towards beef products and production systems to better understand relative strengths and weaknesses specific to those markets. This information was used to develop promotional and marketing creative concepts to be as effective as possible with consumer marketing investments.

Consumption data for 2019 shows a slight decrease in per capita beef consumption due to larger net exports of Canadian beef. Eighty-one per cent of beef consumed in Canada was sourced from domestic production, up 2 per cent from 2018. The retail beef demand index was down -1.6 per cent while the wholesale demand index was up 2.7 per cent.

By focusing on brand partners with large volumes and influence (such as Sobeys, Costco, Loblaw, Walmart, Federated Co-op, Tim Hortons, Swiss Chalet, Montana's, Subway, Sysco), Canada Beef ensured that these partners are well-versed in Canadian beef, and can leverage the value of the Canadian Beef brand.

*"With over **61,000 followers** and **7.2 million impressions**, Canada Beef continues to successfully build relationships and drive demand."*

Moreover, these programs build loyalty and commitment to Canadian beef among trade partners and consumers thus generating sustained demand and increased value for producers.

Last year, Canada Beef introduced two new domestic trade marketing programs called the Domestic Market Development Program and the Independent Retail Operators Program.

The Domestic Market Development Program provides cost-shared funding support for eligible Canadian Beef representative company initiated projects and activities in five broad based categories essential for facilitating export market growth. The program is cost shared 50/50 for eligible stakeholder initiatives for generic, branded and co-branded projects in Canada.

The Independent Retail Operators Program supports independent regional retail operations, butcher shops, gourmet boutiques and on-line distributors. Program components include custom point of sale materials, price tag pins,

static cling graphics, Canada beef and veal labels, merchandising materials and access to consumer marketing resources. This program utilizes a non-licensed Canada Beef and Veal branding strategy and can be partnered with national/provincial cattle or veal associations.

Canada Beef's social and digital spaces engage and connect with consumers and producers to build brand loyalty. With over 61,000 followers and 7.2 million impressions, Canada Beef continues to successfully build relationships and drive demand. At Canadabeef.ca website consumers and producers can source information regarding recipes, beef know-how, media releases, beef campaigns and events in both English and French. The Make it Beef (MIB) monthly e-newsletter is deployed to almost 40,000 subscribers covering topics that are both culinary and brand focused. The Roundup App is a mobile beef buying and cooking app, designed to help consumers have better success with beef when they cook at home. This resource is offered in English,

French and Spanish and was adapted for the Chinese market.

Closely related to consumer marketing are efforts to build the beef industry's social license with the public. Canada Beef continues to partner with the Canadian Cattlemen's Association (CCA) and other beef industry groups to address public and consumer concerns about beef production, while also building/reinforcing the Canadian Beef brand.

In response to the launch of Canada's Food Guide in January 2019, a social media campaign around sustainability and beef was developed. The posts highlighted key facts around nutritional benefits of beef and sustainability facts and information. The team prepared responses in advance to provide correct information and answers to consumer questions. The joint issues management team coordinated a response strategy for the launch of the food guide that included responding to over 50 interview requests; resource kits produced and shared with national and provincial organizations; collaboration with other animal protein groups; and media training for key spokesmen.

The Import Levy collected on beef imports continues to provide funding for positive beef messaging across Canada. With consumers' diminishing food skills, concerns over healthy diets and public trust issues, Canada Beef developed targeted initiatives to positively influence consumer preference for beef over other proteins. Activities supported by the import levy included print advertising, social media, television and radio interviews, and generated over 24 million consumer impressions.



From foodservice menu concept development to new retail cut merchandising testing, the Canadian Beef Centre of Excellence (CBCE) offers a wide range of beef product development options in both domestic and export markets.

The Canadian Beef Centre of Excellence (CBCE) provides a place where staff can offer solutions to beef category challenges for existing customers, and introduce new customers and markets to Canadian beef for the first time. To date, the CBCE has had visitors from more than 32 countries, hosted over 90 international missions and over 140 domestic missions representing over 450 companies from across the global.

Canada Beef's work in export markets is creating opportunities for the Canadian beef industry to realize greater value for the carcass than could be realized in the domestic market alone. As well as offering competitive bids on middle meats, the export markets can deliver better returns for end meats, credit/thin meats and offal than here at home. Canfax Research Services estimates that well over \$600/head in additional value is added to the carcass by export markets.

With heightened competition from other beef exporters, there is a need to intensify business

development programs in export markets where Canada Beef is currently present. Canada Beef introduced a new export program this year called the Canada Beef Export Market Development Program that provides cost-shared funding support for eligible Canadian Beef representative company initiated projects and activities essential for facilitating export market growth.

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

In addition to national check-off and import levy funding, Canada Beef leverages cattle producer dollars with private market partner investments, and government industry development funding to maximize the benefits of producer check-off investment.

Public and Stakeholder Engagement

TOTAL ALLOCATION: \$807,970

**Service Provider: Canadian Cattlemen's Association
& Canada Beef Joint Program**



The 2019/20 fiscal year represented immense growth of the Public and Stakeholder Engagement (PSE) program, just into its second term with full funding. The team focused on carrying out the objectives of the 2019/20 work plan, concentrating on the areas of operational governance, issues management, strategic partnerships, and the creation of promotional content.

Managing and responding to issues remained a key area of responsibility for the PSE team, in coordination with Canada Beef and the national communications managers. In July of 2019, the Weather Network published a video on its social media channels encouraging a reduction in meat consumption. PSE coordinated a meeting with the CEO of Palmorex, the parent company of the Weather Network, who was interested in learning more about the environmental benefits of beef production. Following the discussion, The Weather Network posted a statement on their website, explaining, "the purpose of this article was merely to focus on sustainability and upon further review, we determined that our video and post did not reflect that intention."

The interest from the media in covering this story was immediate and widespread. Broadcast TV stations, Global, CTV and CBC all covered the story as well as mainstream print publications in Vancouver, Calgary and into Ontario. The top 10 videos and articles covering the Weather Network issue response had an estimated reach of over 21 million. While the message of the original video was unfortunate, it provided an immense platform with which to communicate the sustainability

*"The top 10 videos and articles covering the Weather Network issue response had an estimated reach of over **21 million**."*

commitment of the Canadian beef industry to consumers and the public.

The 3% Project, spearheaded by Steve Lee, aims to reach one million young adults across the country through school presentations on climate change and sustainability. The PSE team reached out to Lee after being alerted to false information in his presentation on how cattle are raised in Canada. A series of on-farm visits were facilitated with various producers across the country including the Maritimes, Ontario, and Alberta. Following the tour, Lee decided to highlight several outstanding young beef producers in his blog posts, celebrating their innovations on farm and efforts to conserve native grasslands.

While Lee has not yet become an outspoken advocate for all sectors of the beef industry, it is notable that there was considerable progress made between his original position to cattle being promoted as a solution for preserving

grasslands and sequestering carbon. Moving the needle in a positive direction is still a win and allows for future opportunities to advance beef advocacy narratives.

Building on a new connection with the Royal Ontario Museum (ROM), two videography students from the museum travelled to southern Alberta last summer. PSE coordinated interviews with representatives from Ducks Unlimited Canada and the Nature Conservancy of Canada as well as local ranchers. The final video is a permanent addition to the biodiversity exhibit at the museum and represents a complete turnaround from the original display that stated cattle were destroying native grasslands, to cattle being vital to their preservation.

Establishing strategic partnerships is essential to building public confidence in the Canadian beef industry and reaching non-agricultural audiences. Alongside the annual membership with the Canadian Center for Food Integrity, the PSE program is

supporting the Simpson Centre for Agricultural and Food Innovation and Public Education, which works to strengthen public education and independent dialogue around food and agriculture by delivering sound research to the public. The PSE program specifically supports the Public Outreach pillar of the program, working to amplify ongoing efforts in disseminating beef industry information and resources as part of a credible public trust partnership.

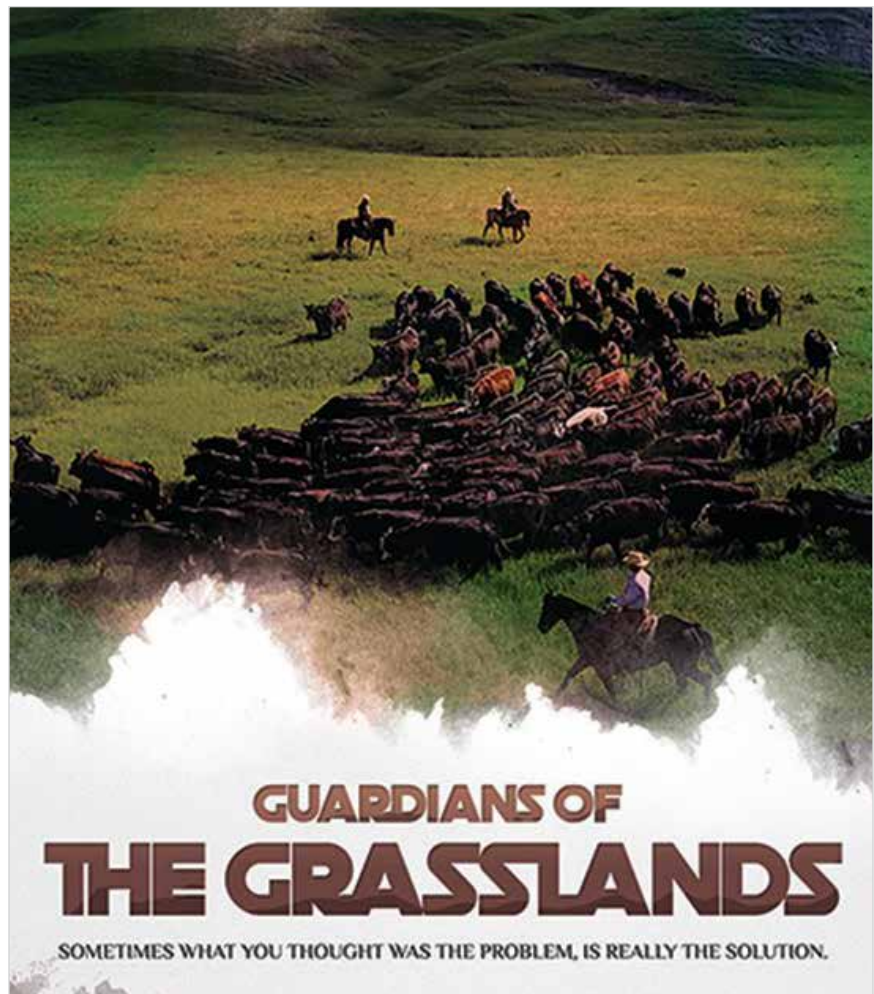
The area of proactive projects saw the largest growth this past year, in terms of both scale and scope. The Beef Advocacy website has grown to over 500 registered users and has received positive feedback on the new social media modules. Content Corral, a new social media sharing platform, was launched in mid-August to coincide with the Canadian Beef Industry Conference (CBIC). Over 210 pieces of content have been shared resulting in a potential reach of over 173,000 people including an earned media value of \$12,000. Over 130 users are registered on the program, which will also act as a conduit for campaigns created by the PSE team and be critical for quickly disseminating key messages for arising issues.

This year brought the short documentary *Guardians of the Grasslands*, produced in collaboration with Ducks Unlimited, the Nature Conservancy of Canada and the Waldron Ranch Grazing Co-op. The film showcased how cattle are essential to the preservation of the one of the most endangered ecosystems in the world - the temperate grasslands. Promotion of the film included large screening events in Calgary, Ottawa, Regina, Saskatoon, Winnipeg, and Toronto with partner organizations in conservation, agriculture, and food production.

*"Over **210 pieces of content** have been shared resulting in a potential reach of **over 173,000 people** including an earned media value of **\$12,000.**"*

To reach urban audiences, the target demographic of the project, the film was submitted to Canadian film festivals for consideration and has been an official selection at six separate festivals in Montreal, Toronto, and Vancouver. Over 200 requests for film screenings have been received by various schools, community groups, government agencies and agricultural events with an estimated 25,000 people reached thus far.

These highlights from the 2019/20 fiscal year demonstrate the increased connectivity among industry partners and organizations that allowed for issues to be managed efficiently and effectively, including pivoting exposure from mainstream media to highlight the benefits of cattle production in this country.



Provincial Investment

TOTAL ALLOCATION: \$2,064,467

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



"New technologies in the management of cattle herds will reduce labour and increase animal monitoring."

Manitoba Beef Producers

TOTAL ALLOCATION: \$91,711

Manitoba Beef and Forage Institute (MBFI) Research Support

MBFI's mission is to be a centre of agricultural innovation engaging in science-based research to benefit valuable ecosystems, improve producer profitability and build social awareness around the beef and forage industries. This supports the overall mission of the 2020-24 National Beef Strategy.

Previous funding was used to support capitalization on two former research farms, and initiate foundational research studies, field-scale applied research, and pilot study demonstrations of innovative production practices and technologies for sustainable beef production. Funding also supported MBFI's ability to conduct and coordinate knowledge transfer activities both on the farm and through a range of online and networking formats, with a focus on increasing awareness and adoption rates of innovative and sustainable practices to support growth in the industry.

Goals met during the 2019/20 fiscal year included a total of 17 active demonstration projects, eight academic research studies, and three studies approved and in development pending resources. MBFI is estimated to have reached over 6,000 people through various extension events, workshops, and tours.

Strategic Supplementation Grazing System

The goal of this project is to develop strategies for effective supplementation of cattle on pasture. Strategic supplementation of cattle in non-confined beef production systems may be a viable option to achieve increased productivity and identify sustainable protein sources while at the same time enhancing public trust in terms of animal welfare and wellbeing. The project uses recently-developed precision feeding technology with the capacity to limit and monitor individual animal intake of supplement.

Sampling was completed in July 2019 for the project, and the separation of forage species and feed analysis was conducted

during the fall and winter of 2019/20. The statistical analysis of the data is underway.

It is anticipated that exposure to new technologies in the management of cattle herds will reduce labour and increase animal monitoring and, hence, the ability to respond to changes in the pasture more expertly and more quickly.

Awareness and Innovation

Public trust is an extremely important component to the industry moving forward, as it can have a potential impact across the whole value chain. This is why awareness activities using new innovation is important for the beef sector within Manitoba and beyond. This area aligns with the Connectivity, Competitiveness, and Beef Demand pillars of the National Beef Strategy, but could have an overarching effect on the whole strategy.

MBP originally planned to leverage contributions from the national check-off with funds delivered through the Canadian Agricultural Partnership (CAP) for investments in equipment and technology aimed at outreach and awareness

activities. CAP funding was not received for this project, so funds were shifted in this activity to develop outreach videos to be used at various public facing events.

Perennial Forage Grain for Fall Grazing

Through a multidisciplinary effort from a team of scientists and supporting organizations representing beef industry stakeholders, MBP continues to contribute funding to a project that will investigate the capacity of perennial grains to improve the agronomic, environmental and economic sustainability of integrated crop-livestock systems. This project aligns with the productivity pillar of the National Beef Strategy.



MBFI is estimated to have reached over 6,000 people through various extension events, workshops, and tours.

Funding from MBP in Year 1 of the project was utilized to support an undergraduate research assistant for the summer field season to assist with much of the project. CAP funding has also been secured for ancillary research. Portions of the

research have been completed but the completion of the study is not expected until 2020/21.



Beef Farmers of Ontario TOTAL ALLOCATION: \$438,000

Livestock Research and Innovation Corporation (LRIC)

The Canadian Beef Cattle Check-off helped to fund the Beef Farmers of Ontario's (BFO) \$40,000 membership in the Livestock Research and Innovation Corporation (LRIC), an organization that provides leadership to the Ontario livestock sectors in research and innovation. Fundraising efforts through LRIC were made for Phase 2 of the new Ontario Beef Research Centre. Over \$150,000 was raised from

service sector businesses that support the Ontario beef industry, in support of modernization activities at the research facility.

The LRIC membership allowed BFO to utilize LRIC services to administer BFO's Research and Investment Strategy, including a 2020 call for proposals, with ten separate beef research projects funded. The Centre also submitted research priorities for the province's beef sector to inform the funding priorities for the province and the University of Guelph, and helped to secure a new Assistant Professor in Forages and Service Crops at the university as well.

*"The Ontario Beef Research Centre is now the **largest fully integrated and comprehensive beef research facility** in Eastern Canada."*

LRIC also hosted a forage research priorities session in October that had over 40 participants. Dr. Reynold Bergen attended as a speaker and participated. These knowledge and technology transfer sessions help move research to a practical, hands on level for producers to implement on their operations.

Elora Research Barn (Ontario Beef Research Centre)

Phase 1 of the construction of the new Ontario Beef Research Centre was completed in the summer of 2019, with cows moving in last fall. The facility includes 165,000 square feet between two barns,

with accommodations for 288 mature cows and 120 heifers. In order to facilitate top-quality research, the facility also includes 300 acres of upgraded pasture, 184 feed intake monitoring systems, a genomics lab, greenhouse gas monitoring equipment, rumen sensors to monitor pH and temperature, and low-stress handling equipment.

Research at the facility is focusing on feed, nutrition, meat quality, animal welfare, genetics, reproduction and performance. Construction is now underway on the new feedlot facility at the Centre, with plans to open in 2021. Check-off funds helped ensure plans for this modernized facility became a reality. The Ontario Beef Research Centre is now the largest fully integrated and comprehensive beef research facility in Eastern Canada.

Research Projects (BFO Research Investment Strategy)

Five separate beef research projects/initiatives were funded in whole, or in part, using funds invested from the Canadian Beef Check-off Agency in 2019/2020. Projects included:

- **Environmental Value of Ontario Beef Production and Agricultural Grasslands**

Agricultural grasslands in Ontario offer useful environmental benefits, including providing habitats to grassland birds and pollinators and acting as carbon sinks. These environmental values, and the role farmers play in creating them, are often overlooked, thus hindering a complete understanding of their contribution and the ways to maximize their environmental benefits. The increasing conversion of agricultural grasslands to cash crops and



BFO invested in a rebrand of the former consumer facing brand, including a new logo and consumer website.

for urban development is accelerating the already alarming decline of species and has the potential to increase carbon emissions. Ontario's agricultural grasslands require greater attention and improved protection to combat the climate and biodiversity crises. BFO must also fill key knowledge gaps, if agricultural grasslands are to meet their full potential.

- **National Surveillance of Antimicrobial Use and Antimicrobial Resistance (AMU/AMR) in Canadian Feedlot Cattle**

Collecting AMU and AMR data from feedlots located in the major fed cattle producing provinces of Alberta, Saskatchewan and Ontario, will fill a current gap in our national surveillance program (CIPARS). It will support the increasing demands by OIE, federal and provincial governments, consumers, trading partners, and retailers to be able to describe how antimicrobials are currently used in agri-food. The AMU/AMR project is in progress.

This project is important because AMR and enteric diseases are issues of increasing public concern. AMR is a

phenomenon that reduces the ability to effectively treat bacterial infections in humans and animals. AMR has been associated with the misuse of antibiotics in the human population but there is also concern with AMU and AMR in agri-food production. The contamination of animals and animal products with AMR bacteria has been identified as a potential risk factor for human infections with antimicrobial resistant organisms.

- **Effect of Rest Stop Duration and Quality on the Welfare of Cattle Transported by Road**

Revisions to Canadian Transport regulations place new restrictions for un-weaned and weaned calves by limiting transport to a maximum of 12 and 36 hours, respectively, before an 8 hour rest is required. However, there are few scientific studies assessing the effect of rest stop duration on the welfare of beef calves transported by road. Therefore, the aim of this study, which is still in progress, is to assess the effect of rest duration after 12 and 36 hours of transport on physiological and behavioral indicators of welfare in 7-8-month-old beef calves.

- **Enhancing Euthanasia Methods and Training for the Ontario Livestock Industry**

The goal of this project is to increase the number of producers and livestock industry members that achieve competence in methods of livestock euthanasia, and compliance with the various Livestock Codes of Practice concerning euthanasia. Training sessions led by veterinarians for producers and industry personnel are delivered through classroom and hands-on training sessions across the province. Attendees who complete the course and submit a euthanasia plan for their farms qualify for subsidized pricing on selected appropriate euthanasia devices for their farm.

- **Annual Top-up Contribution to the National Beef Science Cluster**

BFO provides an annual top-up of \$30,000 over and above check-off

contributions through the research allocations of dollars collected in Ontario, to BCRC for National Beef Science Cluster projects.

Consumer Engagement Program

Extensive work was done in 2019 under BFO's consumer engagement work plan to re-brand the former Make it Ontario Beef identity, create a new logo and consumer website, and reintroduce Ontario beef to consumers. Ontario Beef is the new consumer-facing brand that engages directly with the public to drive awareness and purchase of Ontario beef. Consumer engagement activities support the Joint Marketing Committee and their efforts, as well as individual producers, brands, retailers and more. 2019 was spent predominantly on content creation, with the marketing strategy kicking off in December of that year.

The focus of the social media strategy was on developing the Ontario Beef social media channels for the first half of 2019, while the second half of the year was maintenance and strategy-building. The first few months of 2020 saw the implementation of the full Ontario Beef social media strategy using a combination of paid and organic content. Results indicate reaching nearly 25 per cent of the potential target audience, which is exceptional by social media standards.

BFO and Ontario Beef also participated in multiple events like the Royal Agricultural Winter fair, and also partnered with Canada Beef (and others) on a Pinty's curling event, and a nutrition conference, which drove additional consumer awareness to BFO and the Ontario Beef brand.



*"From May 21 to October 31, 2019, the Veau du Québec food trailer **visited 17 special events in different regions.**"*

Les Producteurs de bovins du Québec

TOTAL ALLOCATION: \$1,467,487

Les Producteurs de bovins du Québec (PBQ) collect levies based on various classes of cattle, and in turn, their plans to invest their provincial allocations into classes of cattle/beef as well. The association allocates 100 per cent of net check-off back to their province.

Feeder Calf Programs

PBQ recently established stronger producer links with the Verified Beef

Production Plus (VBP+) program, and made the program easier for feeder calf producers to join. There has been additional work by PBQ to increase value and transparency for the VBP+ program by providing opportunities to display VBP+ certification status during marketings. PBQ also took steps to reduce inefficiencies in feeder calf marketing, allowing producers more streamlined options when marketing feeder calves.

To encourage growth, marketing and educational materials were developed for producers to promote Québec's feeder calf industry.

Fed Cattle Programs

Market development and promotion activities for Québec milk-fed and grain-fed veal were a top priority for PBQ, which strongly support the province's "100% local" veal program, aimed at both consumers, and retail/foodservice. From May 21 to October 31, 2019, the Veau du Québec food trailer visited 17 special events in different regions.

The fed cattle sales agency collaborated with the St. Helen's Meat Packers slaughter facility and representatives from Ontario Corn Fed Beef to implement a differentiated beef program for

Québec. A certification protocol was developed to certify fed cattle operations in this program, which is named Bœuf du Québec nourri au maïs (Québec corn-fed beef).

Since February, fed cattle producers have had access to a new daily newsletter containing information on market reference prices. It was created as a decision-making tool for farmers to use when selling their cattle. At a glance, readers can view prices from the USA, Ontario, and Western Canada as well as the electronic auction price from the fed cattle sales agency. The American prices are converted using the exchange rate and the Canadian carcass yield to make it easier for producers to make comparisons with the prices they are being offered.

Veal Programs

To improve product labelling for grain-fed and milk-fed veal in grocery stores, an agreement with Pratico Média was signed in mid-May to allow the direct distribution of a cookbook to butchers working at IGA and Metro for display on the meat counter. The cookbook is entitled Le Veau du Québec en mode BBQ (Québec veal BBQ style). A total of 416 sales outlets have been visited and restocked.



A new media strategy in Quebec put veal front and centre for consumers in a variety of retail outlets and online.

A few veal-focused research projects were also undertaken, including a study to determine whether the sector should review the grading criteria for grain-fed veal. Studies were also commissioned to compare production of milk-fed veal in the Netherlands to that in Québec, and to improve biosecurity during transportation of veal animals.

Additional work around veal included research to improve biosecurity in transport, and on-farm biosecurity intervention plans.

Cull Cattle and Bob Calf Programs

For cull cattle and bob calves, PBQ has a strong plan to drive initiatives to add value in these cattle classes.

To add value to the bob calf industry in Québec, PBQ finalized the work of

the Bob Calf Health Working Group, establishing stronger producer networks to share views and establish common priorities, and a continuing evaluation of the potential to develop a Holstein fed cattle production sector in Québec. There was also continued evaluation and research of the use of beef cattle semen in dairy herds to develop information tools for dairy producers. A literature review has been conducted and communication tools for producers will be distributed.

In 2019, this sector implemented a strategy to target diseases with significant commercial impact on links in the veal value chain. The objective is to propose concrete projects to reduce the risks of propagating diseases among dairy farms and within large calf operations.



New Brunswick Cattle Producers

TOTAL ALLOCATION: \$20,566

Improving Cattle Handling Systems

The New Brunswick Cattle Producers (NBCP) have created a producer program to encourage safe handling practices and equipment, as well as to implement and enhance herd health and overall beef herd quality. These

programs can assist producers in increasing the profitability of their herd, and of beef in Canada. Through this program, NBCP encouraged producers to collectively invest \$161,358 into improvements.

"NBCP encouraged producers to collectively invest \$161,358 into improvements."

Producers, their staff and veterinarians see the definite benefits with improving safety on farm by improving their handling systems. Having the proper equipment enables producers to work much more efficiently and safely.

Workshops

NBCP offered a series of management workshops covering a variety of topics to connect with producers and encourage value added opportunities for their operations.

The 2019 workshop series was designed to prepare producers for accessing premium markets that are available or under development. Further to accessing premium markets, the workshops included a

strong focus on understanding and managing the cow-calf farm cost of production, with specific emphasis on the forage and pasture component of the cost structure.

The Atlantic Forage Field Day continued to be an important event for beef producers in New Brunswick. Attendees had access to various forage trials and research, and had education opportunities focused around soil, forages and the various benefits to livestock and the environment. Last year was the third year that the event was co-hosted, and proved to be one of the best yet, with 120 farmers, agriculture advisors, academics and government staff in attendance.

The development of a financial literacy and banking management

workshop was a strategy that NBCP implemented to assist producers in improving profitability. With these workshops, producers were able to learn how to make stronger decisions based on their operation type and production challenges. The first workshop had 30 participants, but subsequent workshops scheduled for March 2020 were postponed due to COVID-19 restrictions.

NBCP continues to be a strong supporter of the VBP+ program, and continued to hold VBP+ training workshops through the year. Last year, 29 producers were trained in the program.

Additional support was provided to the Maritime Beef Council – Combined Maritime Initiatives below.



*"57 bulls were tested, and the **project was entirely industry funded**, with no government funding support."*

Nova Scotia Cattle Producers

TOTAL ALLOCATION: \$25,304

Vaccination Administration Validation

The Nova Scotia Cattle Producers (NSCP) carried forward this vaccination validation project from 2018/19. The program aimed to verify the vaccination status of cattle marketed as vaccinated, and the value of the premiums delivered to cattle marketed as vaccinated through the program.

The validation research found that only 33 of the 63 (52 per cent) vaccinated lots tested positive for BVD antibodies. There is still work to be done within the industry to increase the effectiveness of vaccines, which largely appears to

be contributed to vaccination administration. This is something the NSCP aims to educate producers on through future extension work, with the participation of veterinarians and the local stockyards. This project provided several learning opportunities for producers, vets as well as industry extension specialists. Based on the results, there needs to be significant focus on the proper administration of vaccines.

Genetic Marketing Program

A cornerstone of the Maritime Beef Industry Development and Expansion Strategy is to improve genetic evaluations and herd performance. Nova Scotia is home to the only public genetic evaluation

station in Atlantic Canada and annually over 100 bulls from across the region are tested for performance traits such as average daily gain and residual feed intake. This project was designed to encourage breeders to have bulls evaluated and improve awareness and purchase of bull selection based on genetic performance measures.

This program encouraged an increased understanding of genetic measures, improved genetic testing, and improved herd performance for the beef industry in Nova Scotia. 57 bulls were tested, and the project was entirely industry funded, with no government funding support.

Additional support was provided to the Maritime Beef Council – Combined Maritime Initiatives below.



Prince Edward Island Cattle Producers

TOTAL ALLOCATION: \$21,399

Burger Love

PEI Burger Love is a campaign that was designed to promote 100% Island Beef, and has been running annually since 2011. The campaign was developed when the affects of BSE were still lingering, and it was deemed an excellent way to encourage consumers to eat more beef while showing their support for local beef producers. The number of participating restaurants has grown from 11 to 85 since inception.

The 2018 campaign saw growth to include 85 restaurants, 71,000 pounds of beef, and more than 180,000 burgers sold. In total, the



campaign has encouraged more than \$13.2 million in burger sales since 2011, with over 439,000 pounds and over one million burgers sold. The campaign continues to benefit the industry year after year, through the increased awareness of beef, buying local and recognition of the PEI Cattle Producers (PEICP).

*"In total, the campaign has encouraged more than **\$13.2 million** in burger sales since 2011, with **over 439,000lbs** and **over one million** burgers sold."*

Levy Compliance and Inspection

To ensure a strong and robust check-off system in Canada, regulatory compliance is paramount on all levels. The PEICP invested in regulatory compliance strategies to ensure compliance with all levels of regulatory framework, and to ensure levies were collected consistently. In turn, this enabled PEICP to continue to invest in innovative, strategic programming to support the beef industry.

Additional support was provided to the Maritime Beef Council – Combined Maritime Initiatives below.

Maritime Beef Council – Combined Maritime Initiatives

The Maritime Beef Council (MBC), which includes the New Brunswick Cattle Producers (NBCP) the Nova Scotia Cattle Producers (NSCP) and the Prince Edward Island Cattle Producers (PEICP) have submitted a joint, co-operative plan to increase beef demand, productivity, competitiveness and connectivity within the three Maritime provinces. Funding for these joint programs is contributed through each of the three province's provincial investment allocations listed above.

*"In 2019/20, **67 producers from the region** were VBP+ trained and **12** were audited."*

Maritime Beef Strategy Implementation

The Maritime Beef Sector Development and Expansion strategy was developed as a means to support the growth of the Maritime beef industry. In 2019, the MBC delivered on activities under this program, including hosting a Forage Field Day, a knowledge and tech transfer project proposal which includes parts of the project being

implemented, and other projects that increased alignment within the beef industry in the Maritimes.

Verified Beef Production Plus

The MBC aimed to expose 80 producers to the Verified Beef Production Plus (VBP+) program. By growing the number of producers participating in the VBP+ program, the Council encouraged producers to meet

animal health and welfare standards, as well as improve the value of cattle by accessing specific markets. In 2019/20, 67 producers from the region were VBP+ trained and 12 were audited.

Production Clubs

Maritime beef sector leaders have studied the Ontario calf club model over the past several years, seeing the success of this initiative as something to add value to Maritime cattle. By evaluating the herd health status of the cow herd and feeder calves entering regional or export destination feedyards, MBC has taken steps to improve their beef industry. Multiple meetings and sessions were held across the Maritimes to gauge interest and begin planning, with the feedlot club showing strong interest across the region. The creation of the calf clubs is seen as a critical first step to supporting industry growth, prosperity and renewal.

Maritime Beef Conference

In light of the COVID-19 pandemic, the Maritime Beef Conference was cancelled for March 2020.

Data Management

Collectively, the Maritime provinces aimed to educate regional producers on various technology platforms with respect to traceability, record keeping and enhanced herd health. The program continued to develop databases as required by regulatory bodies, and provide training support for various technology platforms to support the seamless flow of information through the beef value chain. A select group of producers were introduced to various herd management software solutions, and reported on their experience. Additional sessions will continue in future years.

Dairy Beef Value Chain Alignment

An identified gap in the beef and dairy industry is producers' ability to get small, newborn calves to a 400 pound marketable weight. The value chain alignment program included a dairy-beef calf club, along with the exploration of marketing options, and the beginning stages of a strategy to effectively engage consumer and retail groups. The end goal of the program is to provide an

opportunity to increase the value of bob calves, which is particularly of interest to providing a return on investment of check-off dollars to the dairy sector in the Maritimes. This program will continue in future years to encourage added value to the dairy beef industry.

Atlantic Beef School

The nine module Atlantic Beef School program was developed for producers to improve their management practices and add value to their operations across the region. The curriculum included a feedlot school dairy-beef module, feeding and nutrition, pasture management, herd replenishment, reproductive management, handling systems, health management, farm management and marketing/value chain management. Four of the modules have been delivered to date, with delivery of the remaining modules to be completed by January 2021. The modules were developed to transfer industry knowledge and research into the hands of producers, showcasing opportunities for increased profitability, efficiencies and the value of improved operational practices to their bottom line.



Non-Consolidated Financial Statements of

**CANADIAN BEEF CATTLE RESEARCH,
MARKET DEVELOPMENT AND
PROMOTION AGENCY**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the non-consolidated statement of financial position as at March 31, 2020
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes net assets for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the non-consolidated financial position of the Entity as at March 31, 2020, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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



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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 25, 2020

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

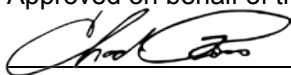
Non-Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

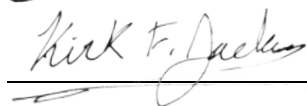
	2020 (note 15)	2019
Assets		
Current assets:		
Cash (note 3)	\$ 4,808,590	\$ 4,541,619
Internally restricted cash (note 12)	3,000,000	—
Accounts receivable (note 4)	6,073,979	6,328,487
Prepaid expenses and deposits	92,303	66,276
Due from related party (note 8)	70,410	—
	14,045,282	10,936,382
Capital assets (note 5)	682,346	883,867
Investment (notes 2(a) and 8)	100	100
	\$14,727,728	\$11,820,349
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 2,810,884	\$ 2,407,997
Due to related parties (note 8)	260,453	232,672
Deferred revenue (note 7)	155,455	—
	3,226,792	2,640,669
Deferred capital contributions (note 9)	416,169	522,425
	3,642,961	3,163,094
Net assets:		
Unrestricted	6,132,971	3,705,459
Internally restricted (note 12)	4,000,000	4,000,000
Consolidation reserve (note 12(b))	951,796	951,796
	11,084,767	8,657,255
Commitments (note 10)		
	\$14,727,728	\$11,820,349

See accompanying notes to non-consolidated financial statements.

Approved on behalf of the Board



Director



Director

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Non-Consolidated Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020 (note 15)	2019
Revenues:		
Canadian beef check-off:		
Domestic beef check-off (note 13)	\$19,219,377	\$18,300,229
Import levies	1,100,342	1,094,435
Other income	156,935	42,300
	20,476,654	19,436,964
Marketing:		
Government of Canada – Canadian Agriculture Partnership	1,470,819	1,208,183
Amortization of deferred capital contributions (note 9)	106,256	250,073
Government of Alberta – EMD	11,316	–
Government of Canada – Canadian Agriculture Adaptation Program	–	61,068
Government of Canada – Growing Forward II	–	(145,768)
	1,588,391	1,373,556
	22,065,045	20,810,520
Expenses:		
Canadian beef check-off:		
Board of Directors	227,809	210,208
Canadian Beef check-off operations	491,061	449,202
	718,870	659,410
Programs:		
Public stakeholder and engagement	748,380	736,624
Marketing (note 14):		
Marketing – Generic Beef	1,016,608	818,190
Marketing – Branded	7,924,759	8,193,415
Research	5,851,638	5,589,419
Provincial investment (note 13)	2,064,467	2,003,887
Provincial portion of the Federal Levy	1,312,811	1,143,405
	18,918,663	18,484,940
	19,637,533	19,144,350
Excess of revenues over expenses	\$ 2,427,512	\$ 1,666,170

See accompanying notes to non-consolidated financial statements.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Internally restricted	Consolidation reserve	2020	2019
Net assets, beginning of year	\$ 3,705,459	\$ 4,000,000	\$ 951,796	\$ 8,657,255	\$ 6,991,085
Excess of revenues over expenses	2,427,512	—	—	2,427,512	1,666,170
	\$ 6,132,971	\$ 4,000,000	\$ 951,796	\$11,084,767	\$ 8,657,255

See accompanying notes to financial statements.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in) the following activities		
Operations:		
Excess of revenues over expenses	\$ 2,427,512	\$ 1,666,170
Non-cash recognition of deferred capital contributions (note 9)	(106,256)	(250,073)
Amortization (note 5)	273,983	277,545
Loss on disposal of capital assets	3,735	—
	2,598,974	1,693,642
Changes in working capital accounts:		
Accounts receivable	254,508	(1,563,305)
Due from related party	(70,410)	—
Prepaid expenses and deposits	(26,027)	(7,366)
Accounts payable and accrued liabilities	402,887	(784,010)
Deferred revenue	155,455	—
Due to related parties	27,781	(122,477)
	3,343,168	(783,516)
Investments:		
Purchase of capital assets	(76,197)	(21,065)
	(76,197)	(21,065)
Increase (decrease) in cash	3,266,971	(804,581)
Cash, beginning of year	4,541,619	5,346,200
Cash, end of year	\$ 7,808,590	\$ 4,541,619
Cash consists of:		
Unrestricted cash	\$ 4,808,590	\$ 4,541,619
Internally restricted cash (note 12)	3,000,000	—
Cash, end of year	\$ 7,808,590	\$ 4,541,619

See accompanying notes to financial statements.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

1. Purpose of Agency:

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

The mission of the Agency is to deliver measurable value to the Canadian beef industry through prudent and transparent management of the Canadian Beef Cattle Check-Off and the beef import levy. The Agency is funded by a non-refundable levy (or Check-Off) initially set at \$1.00 per head applied to Canadian beef cattle marketed domestically and beef cattle, beef and beef products imported into Canada.

On September 18, 2015, a resolution was passed by the Agency’s voting delegation to increase the Federal levy from \$1.00 to \$2.50. The increase in levy was determined necessary in order to implement the new Canadian Beef Sector National Beef Strategy announced in 2014. The strategy is intended to promote a united approach to position the Canadian beef industry for greater profitability, growth and continued production of a high quality beef product.

As at March 31, 2020, the federal levy of \$2.50 is applicable to the following eight provinces effective the following dates:

Nova Scotia – January 1, 2017

Prince Edward Island – June 1, 2017

New Brunswick – February 1, 2018

Alberta – April 1, 2018

Saskatchewan – April 1, 2018

Manitoba – April 1, 2018

Quebec – June 1, 2018

British Columbia – July 1, 2018

At the close of the Agency’s fiscal year end on March 31, 2020, the Canadian Beef Cattle Check-Off in Ontario remained at \$1.00 per head. The Import Levy also remained at \$1.00 per head or equivalent.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Alberta resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

As at the reporting date, the Agency has determined that COVID-19 has had no impact on its contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Management has assessed the financial impacts of the COVID-19 pandemic and did not identify any impacts on its non-consolidated financial statements as at March 31, 2020.

The factors discussed above, which present uncertainty over future revenues and cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

The Agency's significant accounting policies are as follows:

(a) Basis of presentation:

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

The Agency also controls Canada Beef International Institute Inc. (the "Institute Inc.") by way of ownership of 100% of the issued class A common shares. The Institute Inc. is a for-profit entity and as such, the Agency has elected the accounting policy to consolidate for profit entities, however, the Institute Inc. is not material and therefore balances are not consolidated in these financial statements as at March 31, 2020.

Financial information on each controlled entity is disclosed in note 8.

(b) Foreign currency translation:

Transaction amounts denominated in foreign currencies are translated into Canadian dollar equivalents at exchange rates prevailing at the transaction dates. The accounts of the Agency's Japan, the People's Republic of China, Taiwan and Mexico representative office

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

2. Significant accounting policies (continued):

(b) Foreign currency translation (continued):

operations are translated at the rate of exchange in effect at the statement of financial position date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average exchange rates prevailing throughout the year. Gains and losses resulting from these translation adjustments are included within revenue and expenses included on the statement of operations.

(c) Income taxes:

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

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

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

(e) Revenue recognition:

The Agency follows the deferral method of accounting for contributions.

Contributions include provincial payments for Check-Off, Import levy, other income and government grants.

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

Import levies received from importers of beef cattle, beef and beef products are unrestricted and are recognized in the year in which the imports occur and collectability is reasonably assured.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

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

Government grants are recognized as revenue in the year in which the related expenses are incurred and when collection is reasonably assured. Deferred revenue is recorded when grant funds have been received relating to expenses of future periods. Deferred revenue will be recognized when performance occurs.

(f) Deferred contributions related to capital assets:

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

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Significant management estimates pertain to the estimated useful lives of capital assets, the net recoverability of accounts receivable and the amount of cattle levies recognized. Actual results could differ from those estimates.

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

(h) Disclosure of allocation of expenses:

The Agency follows CPA Canada Handbook Section 4470, which established disclosure standards for not-for-profit organizations that classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate. Allocations are based on submissions from the provincial cattle associations, who determine the percentage of revenue generated in their province that is allocated to each function.

(i) Financial instruments:

All financial instruments are recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Agency has not elected to carry any such financial instruments at fair value.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

2. Significant accounting policies (continued):

(i) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Agency determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Agency expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

(j) Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections as follows:

- i. Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

2. Significant accounting policies (continued):

(j) Changes in accounting policies (continued):

- ii. Section 4434, Intangible Assets Held by Not-for-Profit Organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

- iii. Section 4441, Collections Held by Not-for-Profit Organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at April 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after April 1, 2019.

The implementation of these changes had no impact on these financial statements.

3. Cash:

Cash consist of cash on hand and interest bearing bank balances held with reputable financial institutions.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

4. Accounts receivable:

	2020	2019
Check-Off	\$ 3,098,423	\$ 2,833,735
Government of Canada		
Growing Forward II	—	1,952,236
Canadian Agriculture Partnership	2,682,290	1,208,183
Canadian Agriculture Adaptation Program	—	61,068
Import levies	192,371	209,858
Loan to New Brunswick Cattle Producers	23,180	23,180
Other	77,715	40,227
	<u>\$ 6,073,979</u>	<u>\$ 6,328,487</u>

5. Capital assets:

			2020	2019
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 204,209	\$ 154,498	\$ 49,711	\$ 16,304
Furniture and fixtures	233,890	210,534	23,356	28,268
Leasehold improvements	1,209,666	614,466	595,200	718,993
Office equipment	51,059	48,087	2,972	5,093
Kitchen equipment and appliances	548,346	537,239	11,107	110,670
Website and logo	47,529	47,529	—	4,539
	<u>\$ 2,294,699</u>	<u>\$ 1,612,353</u>	<u>\$ 682,346</u>	<u>\$ 883,867</u>

Amortization of \$273,983 (2019 – 277,545) is included in Canadian Beef check-off operations and marketing program expense captions for the year ended March 31, 2020.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

6. Accounts payable and accrued liabilities:

	2020	2019
Check-off transfers	\$ 1,462,125	\$ 1,336,740
Trade accounts payable	692,070	504,098
Government remittances	13,672	21,467
Accrued liabilities	643,017	545,692
	<u>\$ 2,810,884</u>	<u>\$ 2,407,997</u>

7. Deferred revenue:

The components of deferred revenue as at March 31 were as follows:

	2020	2019
Balance, beginning of year	\$ —	\$ —
Add: amounts received related to expenses of future periods	166,771	—
Less: amounts recognized into revenue in the year	(11,316)	—
	<u>\$ 155,455</u>	<u>\$ —</u>

8. Related party transactions:

(a) Canadian Cattlemen's Association:

The Canadian Cattlemen's Association is related by virtue of directors who serve on the Agency's Board of Directors. During the year, the Agency incurred \$13,364 (2019 – \$15,600) for contract services expenses and \$11,465 (2019 – \$8,678) for other expenses as determined by the discretion of the Board of Directors on an annual basis.

These transactions occurred in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

8. Related party transactions (continued):

(b) Canada Beef International Institute:

Canada Beef Export Federation (the "Federation") was incorporated under the Societies Act of the Province of Alberta on November 16, 1989 for the purposes of promoting demand for Canadian beef products in the international market place. On July 1, 2011, the majority of the Federation's operations were transferred to the Agency and the Federation was left active in order to settle its remaining obligation as well as remain active as it is a known entity in many non-Canadian markets in which it operated. The Federation changed its name to Canada Beef International Institute (the "Institute") on January 18, 2012. It is registered as a not-for-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes.

During the year, the Agency incurred expenses to be reimbursed by the Institute for conducting business in certain foreign jurisdictions. As at March 31, 2020, \$65,894 was due from the Institute as a reimbursement (2019 – \$221,705 due to the Institute). This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

In order to maintain its status as a registered not-for-profit organization under the Act, the Institute must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Agency exercises control over the Institute by virtue of its ability to appoint all of the Directors of the Institute.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

8. Related party transactions (continued):

(b) Canada Beef International Institute (continued):

The accounts of the Institute have not been consolidated in these financial statements. The financial information of the Institute as at March 31, 2020 are summarized as follows:

	2020	2019
Total assets	\$ 603,481	\$ 542,482
Total liabilities	69,894	6,500
Total net assets	533,587	535,982
Total liabilities and net assets	\$ 603,481	\$ 542,482

	2020	2019
Total expenses	\$ 2,395	\$ 5,800
Deficiency of revenues over expenses	\$ (2,395)	\$ (5,800)

	2020	2019
Increase in cash	\$ 29,842	\$ 118,177

(c) Canada Beef International Institute Inc.:

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

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

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

8. Related party transactions (continued):

(c) Canada Beef International Institute Inc. (continued):

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

As at March 31, 2020, \$260,453 (2019 – \$10,967) was due to the Institute Inc. as a reimbursement. This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

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

The accounts of the Institute Inc. have not been consolidated in these financial statements. The financial information of the Institute as at March 31, 2020 are summarized as follows:

	2020	2019
Total assets	\$ 260,512	\$ 10,967
Total liabilities	255,362	500
Total retained earnings	5,050	10,367
Total share capital	100	100
Total liabilities and retained earnings	\$ 260,512	\$ 10,967

	2020	2019
Total expenses	\$ 5,317	\$ 500
Deficiency of revenues over expenses	\$ (5,317)	\$ (500)

	2020	2019
Increase in cash	\$ 59	\$ –

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

9. Deferred capital contributions:

In prior years, the Agency received funding from Western Economic Diversification for the construction and operation of the Canadian Beef Centre of Excellence ("The Centre") which commenced operations in spring 2015. The total funds committed where were \$1,231,278 of which \$827,771 was spent on capital improvements to the premises and \$403,507 was spent on equipment. \$106,256 (2019 – \$250,073) of the deferred amount was recognized as revenue in the current year.

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2020	2019
Balance, beginning of year	\$ 522,425	\$ 772,498
Less: amortization of deferred capital contributions	(106,256)	(250,073)
	\$ 416,169	\$ 522,425

10. Commitments:

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

2021	\$ 279,316
2022	255,009
2023	181,538
2024	32,240
2025	173
Thereafter	—
	\$ 748,276

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

10. Commitments (continued):

The Agency's controlled entities entered into various lease agreements which the Agency will advance funds to pay for. The estimated minimum annual payments under these contracts are as follows:

Canada Beef International Institute:

2021	\$	114,242
2022		78,840
2023		65,700
2024		—
2025		—
Thereafter		—
	\$	258,782

11. Financial instruments:

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

(a) Currency risk:

The Agency is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Agency enters into transactions denominated in foreign currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2020, the following items are denominated in foreign currency:

	2020	2019
Cash	\$ 11,950	\$ 11,950
Accounts receivable	60,783	12,886
Accounts payable and accrued liabilities	299,850	299,824

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

11. Financial instruments (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its regulatory obligations resulting in a financial loss. The Agency derives the majority of its revenue and accounts receivable in the form of levies from associations involved in the cattle industry, and the beef import levy.

The Agency is exposed to credit risk with respect to these receivables to the extent that importers may default on payment of import levies on the importation of beef cattle, beef or beef products. The Agency assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. As at March 31, 2020, 5% (2019 – 5%) of the balance of the Agency's accounts receivable balance was due relating to the beef import levy.

(c) Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts and monitors grant funding to ensure it has sufficient funds to fulfill its obligations.

Refer to note 2 for discussion around changes to the risk exposure due to COVID-19.

12. Net assets:

(a) Internally restricted cash and net assets:

During the year ended March 31, 2015, the Board of Directors of the Agency restricted \$4,100,000 of net assets as a contingent fund to allow for orderly operations to continue in the event of a change in funding or a wind down of the Agency. During the year ended March 31, 2017, the Board of Directors of the Agency released \$100,000 for special program expenditures.

During the year ended March 31, 2020, the Board of Directors of the Agency internally restricted cash reserve of \$3,000,000 (2019 – \$nil) for the event of any future of wind-down under the Agency. In addition, \$1,000,000 (2019 – \$4,000,000) is held by Canada Beef as restricted net assets, for total restricted net assets of \$4,000,000 (2019 – \$4,000,000).

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

12. Net assets (continued):

(b) Consolidation reserve transfers:

On July 1, 2011, the Agency combined operations with Beef Information Centre ("BIC") and the Federation (now, the Institute). In accordance with the consolidation agreement between the Canadian Cattleman's Association and the Agency, \$5,051,796 was transferred from BIC and CBEF to the Agency as the residual amount remaining after those obligations were settled.

13. Canadian Beef Check-Off Collections and Distributions:

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

	2020	2019
Collections:		
Cattle Industry Development Council (British Columbia)	\$ 911,128	\$ 746,236
Alberta Beef Producers	9,832,904	9,673,668
Saskatchewan Cattlemen's Association	3,985,649	3,723,753
Manitoba Cattle Producer's Association	1,677,096	1,433,176
Beef Farmers of Ontario	958,356	931,522
Les Producteurs de bovins du Québec	1,623,615	1,585,171
New Brunswick Cattle Producers	79,031	72,223
Nova Scotia Cattle Producers	79,348	75,990
Prince Edward Island Cattle Producers	72,250	58,490
Total collections	\$19,219,377	\$18,300,229
Less: Agency administration	\$ 865,081	\$ 894,928
	\$18,354,296	\$ 17,405,301

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

13. Canadian Beef Check-Off Collections and Distributions (continued):

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

	2020	2019
Distributions:		
Manitoba Cattle Producer's Association	\$ 91,711	\$ 79,183
Beef Farmers of Ontario	438,000	453,259
Les Producteurs de bovins du Québec	1,467,487	1,407,097
New Brunswick Cattle Producers	20,566	20,703
Nova Scotia Cattle Producers	25,304	25,915
Prince Edward Island Cattle Producers	21,399	17,730
	<u>\$ 2,064,467</u>	<u>\$ 2,003,887</u>

14. Marketing (Operations & Market Development Programs):

	2020	2019
Market Development – North America:		
Canada market development	\$ 1,795,106	\$ 1,551,895
Market Development – Global Markets:		
China	384,631	430,101
Emerging Markets	61,444	192,238
Japan	625,213	497,766
Korea	98,565	88,896
South East Asia	152,825	213,182
Latin America	262,004	344,148
Global Markets	896,229	640,290
Canadian Beef Centre of Excellence	344,733	369,394
	<u>2,825,644</u>	<u>2,776,015</u>
Total Marketing – Market Development Programs	<u>\$ 4,620,750</u>	<u>\$ 4,327,910</u>

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

14. Marketing (Operations & Market Development Programs) (continued):

	2020	2019
Operations (Canada):		
Amortization	\$ 258,824	\$ 259,181
Bank charges and interest	6,937	10,231
Computer maintenance and supplies	69,612	80,433
Consulting, legal and audit	71,814	289,827
Foreign exchange (gain) loss	—	(2,940)
Licenses and subscriptions	28,709	34,425
Office and meeting	118,075	84,128
Recruitment and training	10,937	10,202
Rent and lease payments	384,163	381,886
Salaries and benefits	1,901,465	2,137,155
Sponsorship and donations	17,500	550
Travel and insurance	133,578	108,085
Utilities	33,387	33,204
	3,035,001	3,426,367
Operations (foreign):		
Amortization	17,732	18,364
Bank charges and interest	3,175	3,721
Computer maintenance and supplies	43,029	30,141
Consulting, legal and audit	85,339	191,149
Foreign exchange loss	2,277	3,039
Licenses and subscriptions	10,409	10,720
Office and meeting	12,363	8,136
Recruitment and training	73,659	1,938
Rent and lease payments	203,581	173,856
Salaries and benefits	835,656	777,452
Travel and insurance	11,684	26,740
Utilities	50,063	51,095
Consumption tax	(63,351)	(39,023)
	1,285,616	1,257,328
Total Marketing - Operations	\$ 4,320,617	\$ 4,683,695
Total Marketing – Operations & Market Development Programs	\$ 8,941,367	\$ 9,011,605
Allocation of funds:		
Marketing – Generic Beef	\$ 1,016,608	\$ 818,190
Marketing – Branded	7,924,759	8,193,415
Total Marketing – Operations & Market Development Programs	\$ 8,941,367	\$ 9,011,605

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

15. Functional information:

The Agency has elected to present information on its main functions separately for reader information.

(a) Agency:

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

(b) Marketing:

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

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

15. Functional information (continued):

Statement of Financial Position

	Marketing	Transfers (i)	Agency	Transfers (i)	2020
Assets					
Current assets:					
Cash	\$ 4,348,001	\$ —	\$ 460,589	\$ —	\$ 4,808,590
Internally restricted cash	3,000,000	(3,000,000)	3,000,000	—	3,000,000
Accounts receivable	4,302,353	(1,542,348)	3,320,963	(6,989)	6,073,979
Prepaid expenses and deposits	92,303	—	—	—	92,303
Due from related party	377,958	(310,714)	3,166	—	70,410
	12,120,615	(4,853,062)	6,784,718	(6,989)	14,045,282
Capital assets (note 5)	679,637	—	2,709	—	682,346
Investment (note 2(a))	100	—	—	—	100
	\$ 12,800,352	\$ (4,853,062)	\$ 6,787,427	\$ (6,989)	\$ 14,727,728
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,336,658	\$ (6,989)	\$ 3,334,277	\$ (1,853,062)	\$ 2,810,884
Internally restricted cash	—	—	3,000,000	(3,000,000)	—
Due to related parties	260,453	—	—	—	260,453
Deferred revenue	155,455	—	—	—	155,455
	1,752,566	(6,989)	6,334,277	(4,853,062)	3,226,792
Deferred capital contributions	416,169	—	—	—	416,169
Net assets:					
Unrestricted	5,679,821	—	453,150	—	6,132,971
Internally restricted	4,000,000	—	—	—	4,000,000
Consolidation reserve	951,796	—	—	—	951,796
	10,631,617	—	453,150	—	11,084,767
	\$ 12,800,352	\$ (6,989)	\$ 6,787,427	\$ (4,853,062)	\$ 14,727,728

(i) Transfers reflect adjustments required to eliminate inter-functional transactions. For description of each functions' responsibilities, refer to previous discussion in note 15(a) and (b).

(ii) For comparative information, refer to the non-consolidated statement of financial position.

CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY

Notes to the Non-Consolidated Financial Statements

Year ended March 31, 2020, with comparative information for 2019

15. Functional Information (continued):

Statement of Operations

	Marketing	Transfers (i)	Agency	Transfers (i)	2020
Revenue:					
Canada Beef Check Off:					
Domestic Beef Check-Off:	\$ —	\$ —	\$19,219,377	\$ —	\$19,219,377
Transfers from Agency					
Marketing	8,422,270	(8,422,270)	—	—	—
Public Stakeholder and Engagement	202,705	(202,705)	—	—	—
Import levies	1,045,650	(1,038,809)	54,692	1,038,809	1,100,342
Other income	152,674	—	4,261	—	156,935
	9,823,299	(9,663,784)	19,278,330	1,038,809	20,476,654
Government of Canada – CAP	1,470,819	—	—	—	1,470,819
Amortization of DCC	106,256	—	—	—	106,256
Government of Alberta – EMD	11,316	—	—	—	11,316
	1,588,391	—	—	—	1,588,391
	11,411,690	(9,663,784)	19,278,330	1,038,809	22,065,045
Expenses:					
Canada Beef Check Off:					
Board of Directors	46,395	—	181,414	—	227,809
Canadian Beef Check-Off Operations	—	—	491,061	—	491,061
	46,395	—	672,475	—	718,870
Programs:					
Public and Stakeholder Engagement	143,115	—	807,970	(202,705)	748,380
Transfers to Marketing	—	—	8,422,270	(8,422,270)	—
Marketing–					
Generic Beef	1,016,608	—	—	—	1,016,608
Branded	7,924,759	—	—	—	7,924,759
Research	—	—	5,851,638	—	5,851,638
Provincial investment	—	—	2,064,467	—	2,064,467
Provincial portion of the Federal Levy	—	—	1,312,811	—	1,312,811
	9,084,482	—	18,459,156	(8,624,975)	18,918,663
	9,130,877	—	19,131,631	(8,624,975)	19,637,533
	\$ 2,280,813	\$ (9,663,784)	\$ 146,699	\$ 9,663,784	\$ 2,427,512

(i) Transfers reflect adjustments required to eliminate inter-functional transactions. For description of each functions' responsibilities, refer to previous discussion in note 15(a) and (b).

(ii) For comparative information, refer to the non-consolidated statement of operations.

Notes

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