



2016–2017
ANNUAL REPORT

Canadian Beef Cattle Research,
Market Development & Promotion Agency

THROUGH THE CANADIAN BEEF CATTLE CHECK-OFF, PRODUCERS COLLECTIVELY INVEST IN RESEARCH, MARKET DEVELOPMENT AND PROMOTION TO ACHIEVE THE INDUSTRY'S LONG-TERM VISION OF A DYNAMIC AND PROFITABLE CANADIAN INDUSTRY WITH CANADIAN HIGH QUALITY BEEF PRODUCTS RECOGNIZED AS THE MOST OUTSTANDING BY CANADIAN AND WORLD CUSTOMERS.

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MESSAGE FROM THE CHAIR

ON BEHALF OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY (THE AGENCY), I AM PLEASED TO PRESENT THIS ANNUAL REPORT FOR THE PERIOD OF APRIL 1, 2016 TO MARCH 31, 2017.

This past year, the Agency continued to focus on transparency and the distinct management of the Check-Off and marketing divisions.

With support from our provincial funders, separation between the division responsible for Check-Off administration and the marketing division has continued to evolve. Our Board of Directors have proven to be an engaged group, and have driven positive discussion and movement for the Agency, to ensure continued distinct separation.

With the hiring of the Agency's General Manager, Melinda German, in March of last year, the Agency was set on course to ensure separate and distinct management. Melinda's focus on transparent administration has allowed the Agency to maintain positive working relationships with the provincial cattle organizations, Canadian industry partners and the Farm Products Council of Canada (FPCC).

The Agency's relationship with FPCC has grown more positive and productive, and FPCC leadership continue to tout the Agency's appointment of dedicated staff and quality of information as a benchmark for agencies which they oversee.

The level of engagement between the Agency and our provincial cattle association partners continues to strengthen and grow. Progress continues around the increase of the Canadian Beef Cattle Check-Off to create valuable returns for Canadian beef producers.

Our core partners, Canada Beef, the Beef Cattle Research Council (BCRC), and the Canadian Cattlemen's Association (CCA), which currently houses Issues Management, continue to bring value to Canadian producers for their Canadian Beef Cattle Check-Off investments.

Market development and promotion efforts undertaken by Canada Beef in 2016/17 focused on enhancing and leveraging the Canadian Beef brand story both around the world and here at home in Canada. The Board of Directors was charged with recruiting a new Canada Beef corporate leader after the resignation of Rob Meijer in September. The Board was thorough in the creation of a new leadership role for Canada Beef, taking extra time to ensure that both the role and a newly selected leader were a fit for the organization and the industry. Francis Andres joined Canada Beef as the Executive Vice President just after the close of the 2016/17 fiscal year and has already been a positive force for the organization.

As the leader in national beef cattle research, the BCRC played an important role in 2016/17, supporting the Canadian beef industry's research priorities and influencing public sector investment in beef cattle research. The BCRC facilitated and encouraged collaboration and coordination among researchers, other funding agencies and industry partners in order to maximize the benefits obtained from all investments in beef cattle research.

The Issues Management team, housed under the CCA, invested Canadian Beef Cattle Check-Off funds for the first time in 2016/17. The main focus of the Issues Management hub is to develop stronger industry relationships and networks, and increase and maintain public confidence in our industry. Issues Management ensured that the focus, strategies and resources put in place were of benefit to the entire industry to support the National Beef Strategy's call for increased focus on this area.

On behalf of the Board of Directors, I would like to thank the staff of both Agency divisions for their hard work this past year. There were challenges on both sides, including the gap of the corporate leadership position for Canada Beef, and it was encouraging to see the hubs come together to ensure that the strategy laid out was implemented without interruption.

It has been a pleasure working with the national and provincial organizations this year as the Chair, and I look forward to the continuation of positive movement in the years to come.

Regards,



Linda Allison, Chair
*Canadian Beef Cattle Research, Market Development
and Promotion Agency*



MESSAGE FROM THE GENERAL MANAGER

IN 2016/17, THE CANADIAN BEEF CHECK-OFF AGENCY WAS FOCUSED ON THE TRANSPARENT ADMINISTRATION AND SEPARATE MANAGEMENT OF THE CANADIAN BEEF CATTLE CHECK-OFF FROM THE MARKETING DIVISION, AND I AM PROUD OF THE STRIDES WE HAVE MADE TOGETHER THIS PAST YEAR.

From a governance standpoint, we had the opportunity to work through newly approved by-laws, guiding the Agency towards a more defined structure.

It was through our provincial cattle association partners that we could reach out across the country to ensure that each province was getting the support and dedication that was needed. The Agency had the privilege to be invited to five provincial annual meetings, four provincial board meetings and held countless calls with organizations from coast to coast not only to communicate the Agency's evolved role, but to better understand the unique challenges and nuances associated with Check-Off collection and remittance in each province.

The growth of these relationships made way for two provinces – New Brunswick and Nova Scotia – to sign their new provincial agreements. The updating of these agreements was a learning curve for both the Agency and the provincial cattle associations, to ensure that our regulatory framework was considered and requirements were met.

January 1, 2017 was an exciting day as the Nova Scotia Cattle Producers enacted an increased Canadian Beef Cattle Check-Off, and began collecting \$2.50 per head marketed in their province. This is an incredibly large and positive step forward for not only Nova Scotia and the Agency, but for the country as a whole.

A targeted communications strategy is always instrumental in times of change, and the Agency's plan to reach out to both provincial cattle associations, and their constituents directly, proved to increase the understanding of the value of Check-Off in Canada. With new tools like the Gatepost newsletter, our social media outreach and the growth of relationships, the Agency's message of the value of Check-Off has continued to spread. By engaging with producers at a grassroots level, we can encourage them to stay connected with us on a national level.

The progress made on administration and management of internal processes have been monumental. The development of policy manuals, business plans, reporting tools, tracking of costs and other operational practices has intensified this past year, and will continue to grow as the Check-Off division evolves. We are working with provinces to simplify the reporting and remittance processes, and engaged with many on reducing slippage and missed collections.

It has been more than two years since we first began the conversations across the country about moving towards a separate and distinct management of the two divisions of the Agency, we have made incredible progress. The Farm Products Council of Canada continues to use the Agency as a benchmark against which other federal agencies are held, and our industry relationships have strengthened.

I am proud of what we accomplished this year, but am prepared for the hard work and dedication of the organization to continue. It remains a priority to show a more defined internal divisional structure, and streamlined and separate operations. We will continue to work in tandem with our provincial cattle association partners, and strive to deliver measurable value for Canadian beef producers.



Melinda German, General Manager
Canadian Beef Check-Off Agency



CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY



2016/17 Board of Directors

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

Chair – Linda Allison, British Columbia

Vice Chair – Heinz Reimer, Manitoba

Doug Sawyer, Alberta

Jeff Smith, Alberta

Chad Ross, Saskatchewan

Garnet Toms, Ontario

Kirk Jackson, Quebec

Jennifer MacDonald, New Brunswick

Larry Weatherby, Nova Scotia

David Francis, Prince Edward Island

Canadian Association of Importers and Exporters Inc. (I.E. Canada)
Coral Manastersky, Maple Leaf Foods

Canadian Meat Council

Arthur Batista, Ecolait

Mike Kennedy, Cargill

Anthony Petronaci, Ryding Regency

David Colwell*, JBS

Retail and Food Service Sector

Lonnie Lake, Sysco Canada

*David Colwell replaced Eduardo Bernardes in 2017, who replaced Wesley Batista in 2016

SENIOR MANAGEMENT

Canadian Beef Check-Off Agency

Melinda German, General Manager

Canada Beef, Marketing Division

Francis Andres, Executive Vice-President



From left to right: Chad Ross, SK; Mike Kennedy, Cargill; Coral Manastersky, IE Canada; Heinz Reimer, MB; Jeff Smith, AB; Larry Weatherby, NS; Jennifer MacDonald, NB; Anthony Petronaci, Ryding Regency; Kirk Jackson, QC; David Francis, PEI; Linda Allison, BC; Garnet Toms, ON; Lonnie Lake, Sysco Canada; Arthur Batista, Ecolait; Doug Sawyer, AB
Missing: Missing: David Colwell, JBS

EXECUTIVE SUMMARY



THIS 2016/17 ANNUAL REPORT OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY PROVIDES A SUMMARY OF PROGRAMS AND RESULTS OF CANADIAN BEEF CATTLE CHECK-OFF FUNDED ACTIVITIES BETWEEN APRIL 1, 2016 AND MARCH 31, 2017.

In 2016/17 the Canadian Beef Cattle Check-Off investment totalled \$7,342,550, which currently remains at \$1 per head marketed across Canada, except for Nova Scotia, which increased to \$2.50 as of January 1, 2017. Of that total, 64 per cent was directed towards market development and promotion, 18 per cent to research, 19 per cent was retained by the provincial cattle organizations.

Approximately \$347,000 was retained by the Agency for administering the Check-Off. This amount does not include the in-kind operations and administrative services provided by Canada Beef due to a shared office and shared staff roles.

With a new structure driving the Agency, there was a renewed focus on transparent administration of the Check-Off, communication and updating the agreements with the Agency's provincial cattle association partners. Two provinces, Nova Scotia and New Brunswick, signed updated agreements with the Agency in 2016/17.

A study evaluating the economic benefits from the Canadian Beef Cattle Check-Off was completed in June of 2016. The study reports that on average from 2011/12 to 2013/14, every Check-Off dollar invested in national research and marketing resulted in a benefit cost ratio (BCR) of 14:1 or a \$14 of benefit for Canadian cattle producers. This is up from the \$9 average between 2005 and 2008.

- Research BCR of \$34.5, (\$46 in 2005-08)
- Marketing BCR of \$13.5 (\$7.55 in 2005-08)

In addition, the average benefit cost ratio grew steadily between 2011 and 2014. This implies that despite positive benefits, there has been under-investment in research and marketing activities for the Canadian beef cattle industry.

The Beef Cattle Research Council is Canada's only national industry-led funding agency for

beef research. A division of the Canadian Cattlemen's Association, the BCRC is directed by a committee of beef producers from across the country. It plays an important role in identifying the industry's research priorities and maximizing the value of research to improve the competitiveness of the Canadian beef industry and subsequently influence public sector investment in beef research. The BCRC is funded through a portion of a producer-paid Canadian Beef Cattle Check-Off, with additional funding provided through the Agriculture and Agri-Food Canada (AAFC) Beef Cattle Industry Science Cluster under Growing Forward 2.

During 2016/17, 17 projects were funded under the Beef Science Cluster, each aligning with one of the following research priority areas:

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

In addition to funding research, the BCRC plays a leading role in increasing industry uptake of relevant technologies through the delivery of its national Technology Transfer strategy. It is also responsible for the delivery of the Verified Beef Production Plus (VBP+) national on-farm food safety program. VBP+ is the tool that connects the public and beef producers with the sound, scientifically based beef production practices that the beef industry has developed, perfected, and continues to improve. Through training and verification Canadian beef producers learn and implement sound, science based practices and

VBP+ then aggregates and proves their uptake in order to communicate it to the public and increase public trust in the beef production system.

The BCRC also leads the ongoing implementation of the National Beef Research Strategy, working in partnership with industry and government beef research funding agencies across Canada, to be more efficient with limited funding and ensure key research, capacity, and infrastructure priorities are addressed.

The role of Canada Beef, the market development and promotion division of the Agency, is to increase the demand that the global consumer has in our beef by making sure they know what the Canadian beef industry stands for and what the brand's values are. Canada Beef works to improve commitment to Canadian beef, which can be defined as how often consumers think about Canadian beef when they are hungry for beef. Considerable investments have been made in the areas of brand development to provide a compelling Canadian Beef Brand Story, which leverages both the functional and emotional attributes of the product and the industry.

Canada Beef delivered its strategic plan in 2016/17 based on three core functions, which allow the organization to increase demand for Canadian beef and the value producers receive for their cattle. The functions are:

- Brand Development
- Consumer Marketing
- Business Development

Canada Beef also operates the Canadian Beef Centre of Excellence (CBCE), the result of a strong partnership with the federal government, particularly Western Economic Diversification Canada and Agriculture and Agri-Food Canada. The CBCE has again facilitated a substantial amount of business, has continued to surpass goals and drive

domestic and global demand for Canadian beef. This past year also saw the retirement of long-time industry friend and CBCE Director Marty Carpenter. The industry will miss Marty's insight, but looks forward to working with the new Director, Mathieu Paré and his vision for the CBCE.

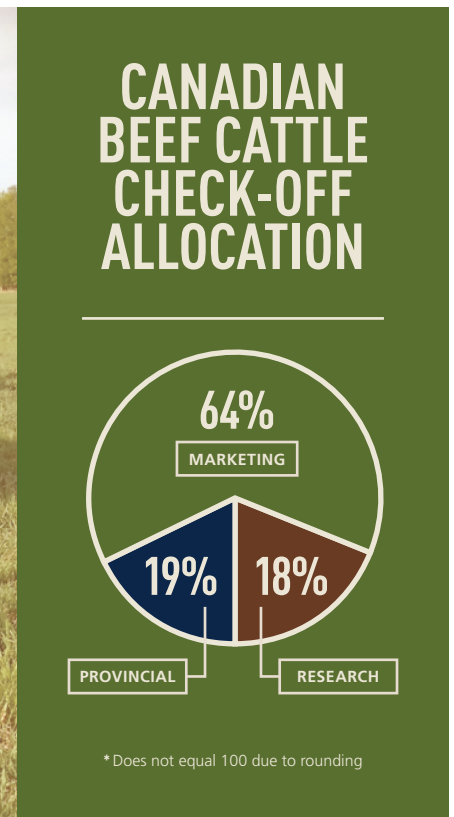
The Import Levy collected on beef and beef products imported into Canada continues to provide funding for generic beef marketing. In 2016/17, over \$900,000 was collected to promote the culinary and nutritional value of beef. ThinkBeef.ca was launched near the end of the fiscal year, which provides a platform for levy-funded programs and encourages Canadians to consider beef as a regular part of their diets. The Import Levy programs focused on areas such as recipe development, promoting beef as a choice source of protein and culinary skills to ensure consumers have a positive beef experience at home.

Issues Management, as housed under the Canadian Cattlemen's Association was a new investment in 2016/17 for the Canadian Beef Cattle Check-Off. The role of Issues Management is to address the disconnect between the public and beef cattle production. This includes anticipating trends, responding to challenging events, engaging critical stakeholders and promoting the positive attributes of the beef production system that contribute to sustainability and building public trust. Issues Management acts as a hub, bringing together national and provincial stakeholders to best address the issues or opportunities at hand.

In 2016/17, 19 per cent of Canadian Beef Cattle Check-Off funds was retained by six provincial associations for research or marketing initiatives with national benefits. The programs and projects where Canadian Beef Cattle Check-Off dollars were invested

provincially had direct correlations to achieving the goals set out in the National Beef Strategy.

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



CANADIAN BEEF CHECK-OFF AGENCY PROFILE

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.

Purpose: The Canadian Beef Check-Off Agency (the Agency) manages and administers the Canadian Beef Cattle Check-Off. By working with core partners, the Agency ensures that Check-Off dollars are invested into research, market development and promotion programs that deliver measurable value to the Canadian beef industry. The Agency is responsible for communicating the value of the Check-Off investment, as well as training, education, regulatory management, collection and administration of Check-Off dollars.

The Canadian Beef Cattle Check-Off

The Canadian Beef Cattle Check-Off is managed and administered by the Canadian Beef Check-Off Agency, which is the operating name of the Canadian Beef Cattle Research, Market Development and Promotion Agency.

The Canadian Beef Cattle Check-Off is a mandatory levy collected on cattle sales throughout Canada to fund research and marketing activities on behalf of the entire industry. It is collected from cattle producers when they market their cattle by provincial organizations, using their existing collection systems involving auction markets, order buyers, brand inspectors and others who handle cattle sales.

The goal of the Canadian Beef Cattle Check-Off is twofold – to increase sales of domestic and export beef and to find better and more efficient methods of producing beef and beef cattle. The Canadian Beef Cattle Check-Off generates \$7.5 million annually on average, and is a critical source of revenue to fund initiatives that will advance the industry and build strong markets for Canadian cattle and beef.

The Canadian Beef Cattle Check-Off provides industry funding for the Beef Cattle Research Council responsible for the industry's national research program, Canada Beef, to conduct market development and promotion programming, and for issues management, currently housed under the Canadian Cattlemen's Association.

The Canadian Beef Cattle Check-Off also collects an Import Levy, equivalent to \$1 per head of live cattle on beef and beef products. Import levy dollars are invested into generic beef programs, like #ThinkBeef, that do not bear the Canadian Beef brand mark, such as culinary skills, and health and wellness.

A study* evaluating the economic benefits from the Canadian Beef Cattle Check-Off was completed June 2016 and marks the second analysis of the effectiveness of national Check-Off expenditures on producers' economic well-being. The study reports that on average from 2011/12 to 2013/14, every Check-Off dollar invested in national research and marketing activities resulted in a benefit cost ratio (BCR) of 14:1 or a \$14 of benefit for Canadian cattle producers. This is up from the \$9 average between 2005 and 2008.

* *Evaluating the Economic Benefits from the Canadian Beef Check-Off*, Prepared by James Rude and Ellen Goddard with the assistance of Violet Muringai, July 19, 2016.

Sign up for **The Gatepost**, the monthly Canadian Beef Cattle Check-Off newsletter, and check out archived issues: <http://bit.ly/cdnbeefcheckoff>



BEEF CATTLE RESEARCH COUNCIL PROFILE



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

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

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

Nationally, the BCRC receives on average 18 cents of every Canadian Beef Cattle Check-Off dollar. The BCRC also leverages funding from Agriculture and Agri-Food Canada (AAFC) through the Beef Cattle Industry Science Cluster.

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

In addition to funding research and technology transfer in support of the Canadian beef industry, the BCRC supports the Verified Beef Production Plus program.

The BCRC operates as a division of the Canadian Cattlemen's Association and was established by the CCA in 2001.



CANADA BEEF PROFILE



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

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

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

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

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



CANADIAN CATTLEMEN'S ASSOCIATION PROFILE



CANADIAN
CATTLEMEN'S
ASSOCIATION

National Voice Of Cattle Producers

THE CANADIAN CATTLEMEN'S ASSOCIATION (CCA) IS A NON-PROFIT ADVOCACY ORGANIZATION, ACTING AS THE "NATIONAL VOICE OF CANADIAN CATTLE PRODUCERS".

Founded by producers and led by a producer-elected board of directors, the CCA advocates on a wide range of national beef industry issues, both at the domestic and international levels. Representation on the board from eight provinces and all stages of beef production system (seedstock, cow/calf, and feedlot sector) allows the CCA to advise governments at the national and international level on issues of importance to the Canadian beef industry.

CCA also helps manage production level and consumer issues facing the industry by collaborating with other industry groups to create and implement communication strategies, gather production or market research, create key messages for industry and more.

CCA and other groups have also acted as liaisons for communicating research, new innovations, and tools to ensure cattle producers are armed with the latest information to help improve their production practices. The traditional advocacy role is also supplemented by an increasing effort toward public engagement, especially in communicating how cattle are raised and where they come from.



MARKET AND INDUSTRY OVERVIEW

Larger Protein Production Pressured Prices

Larger protein supplies globally have pressured prices in 2016 and created greater competition as pork prices fell faster than beef at retail. In 2016, larger U.S. beef production +5.3 per cent was somewhat offset by larger exports (+9 per cent) and smaller imports (-10.5 per cent). However, the U.S. beef cows numbers were up 3.5 per cent or 1 million head to 31.2 million head on January 1, 2017 and expansion continues with breeding heifer numbers up 1 per cent. This means larger beef production over the next 2-3 years. In contrast to larger production in North America, reduced Australian production presents an opportunity for North America. In 2016, beef production was down 17 per cent and exports down 21 per cent. In 2017, beef production is projected to drop 3 per cent and exports 5 per cent. However, herd recovery in Australia could take until 2020.

In 2016, all three major proteins had larger production with beef up 10 per cent, pork +2 per cent, and poultry +4 per cent. Total protein production is projected to up 4.6 per cent at 11.56 billion pounds; however, this is still below the peak of 12 billion pounds produced in 2008. Most of the additional production will be exported in 2016, resulting in only minor increases in per capita consumption. Canadian per capita protein consumption has dropped from a high of 181 pounds (retail weight) in 2001 to a low of 162 pounds in 2014. Even with the 3.5 pounds increase in 2015 it remains 4 pounds below the historic average of 169 pounds.

Marketings & Production Rebounded Despite Steady Inventories

January 1, 2017 beef cow inventories were steady at 3.8 million head and total cattle inventories were up 0.2 per cent at 12.0 million head. Beef replacement heifers were down 1.8 per cent to 536,600 head. Expansion was stalled as prices came down.

Despite steady inventories slaughter cattle marketings rebounded 8.4 per cent from the 13 per cent drop in 2015 to 3.36 million head with reduced feeder cattle exports to the U.S. In addition to larger marketings, beef production was supported by a 24 pound increase in steer carcass weights.

Canadian beef production in 2016 (domestic plus live slaughter exports) was up 10 per cent to 2.9 billion pounds, going back to 2014 levels after the drop in 2015. Domestic production was up 8 per cent at 2.45 billion pounds while live slaughter exports were up 20 per cent to 460 million pounds. The proportion slaughtered domestically dropped slightly from 79.8 per cent in 2015 to 78.7 per cent in 2016. Fed beef production was up 10.6 per cent to 2.4 billion pounds. Non-fed beef production was up 6 per cent to 511 million pounds.

The Alberta to Nebraska cash to cash basis averaged -\$6/cwt in 2016, slightly weaker than the -\$4.50/cwt in 2015 but stronger than the five-year average of -\$9.25/cwt. The strong basis kept cattle in Canada

for processing with the federally inspected slaughter utilization increasing to 80 per cent from 76 per cent in 2015.

Fed Cattle Price Made a Low in October Before Rebounding

In 2016, Alberta fed (-18 per cent), 550 lb calves (-29 per cent) and cow (-26 per cent) prices were all back to 2014 levels or below. Volatility remains as with high prices creating large risk on a per head basis for producers. Changes in carcass weight need to be watched closely as they impact overall production. The U.S. fed market made a low in October 2016 at CDN \$134/cwt. Prices have since rallied 31 per cent to CDN \$175/cwt in April 2017.

Domestic & International Demand Softer but Still Historically Strong

Total Canadian beef consumption was up 4.1 per cent at 907,103 tonnes (carcass weight) and per capita beef consumption was up 2.8 per cent at 18.2 kg (retail weight). This was the first year over year increase since 2012. While consumption was supported by larger domestic production, it was partially offset by a 40 per cent increase in net exports. Seventy-five per cent of domestic consumption was sourced from Canadian beef, up from 72 per cent in 2015. In 2016, beef and poultry gained market share from pork.

The combination of larger consumption and steady retail prices supported beef demand. The retail beef demand index, an indicator of consumer's willingness to pay for beef, was up 1.8 per cent at 125 (Index 2000=100). This remains the strongest retail demand since 1989. Wholesale demand, which includes foodservice was down 9.7 per cent in 2016 showing a significant difference between retail and foodservice performance.

International beef demand in 2016 softened 9 per cent to 112 (Index 2000=100), but remains above the previous peak of 106 in 2001.

Market Access and Trade

Beef and cattle exports were -6.6 per cent in value and up 8 per cent in volume at 622,000 tonnes valued at \$3.6 billion. This represented 47 per cent of total beef production (including live slaughter exports) in 2016, up from 45 per cent in 2015. Larger Canadian beef production, lower boxed beef prices, and improved market access compared to the first half of 2015 supported export volumes. Beef exports, were up 11.8 per cent in volume and 2 per cent in value at 359,600 tonnes (product weight) valued at \$2.27 billion. While volumes remain 12 per cent smaller than 2010, the annual value made a new record high.

The United States remains Canada's top market accounting for 73.5 per cent of total beef exports followed by Mainland China and Hong Kong (8.3 per cent), Mexico (6 per cent), Japan (5.7 per cent), South Korea (1.9 per cent), the Middle East and North Africa (1.2 per cent) with all other markets less than 1 per cent.

Exports to the U.S. were up 13.6 per cent in volume and 3.7 per cent in value at 264,000 tonnes valued at \$1.64 billion. Exports to Mexico were down 8 per cent in volume and 22 per cent in value at 22,400 tonnes valued at \$151 million. Exports to Mainland China and Hong Kong were down 26 per cent in volume and 32 per cent in value to 29,750 tonnes valued at \$214 million in 2016. The Chinese government's anti-smuggling campaign that saw more direct shipments in 2015 ended and volumes resumed going through Hong Kong resulting in more competition for Canadian product. Exports to Japan were up 63 per cent in volume and 74 per cent in value to 20,325 tonnes valued at \$142 million. With market access regained to South Korea, it was the first year with twelve full months of trade since 2002. Exports were up to 6,800 tonnes valued at \$43 million. Reduced volumes from Australia are presenting opportunities for North America to regain market share in both Japan and South Korea.

The AAA/Choice price spread which widened to -\$5.35/cwt in 2016 from -\$4.15/cwt in 2015 to be in line with the five-year average (-\$5.50/cwt). Similarly, the AA/select spread widened to -\$2.38/cwt

from \$2.30/cwt in 2015 to be wider than the five-year average of -\$1.90/cwt.

First Quarter 2017

Moving into 2017, overall beef production has increased in North America with a 2 per cent increase in Canada and a 4 per cent increase in the U.S. year to date. While this will support consumption, beef prices are experiencing some downward pressure. Strong demand will continue to be a crucial factor to prevent any sharp fall in beef prices. In the first quarter of 2017, retail beef prices are down 5-6 per cent from the record highs last year. Beef exports in the first quarter are steady in volume but down 3 per cent in value. Beef imports are down 14 per cent in volume and 8 per cent in value with a large drops from Australia (-74 per cent), New Zealand (-20 per cent) and Uruguay (-12 per cent).

Prepared by Canfax Research Services



Beef cow
inventories

3.8
MILLION HEAD

2016 Canadian beef
production up

10%

Total Canadian beef
consumption up

4.1%

BEEF CATTLE RESEARCH COUNCIL

THE BEEF CATTLE RESEARCH COUNCIL (BCRC) FUNDS LEADING-EDGE RESEARCH TO ADVANCE THE COMPETITIVENESS AND SUSTAINABILITY OF THE CANADIAN BEEF CATTLE INDUSTRY. THE BCRC ADMINISTERS THE RESEARCH ALLOCATION OF THE CANADIAN BEEF CATTLE CHECK-OFF AND CURRENTLY RECEIVES ON AVERAGE \$0.18 OF EVERY \$1.00 OF CANADIAN BEEF CATTLE CHECK-OFF COLLECTED BY THE PROVINCES.

The BCRC leverages federal government funding under Growing Forward 2 with industry Canadian Beef Cattle Check-Off dollars on a 1:3 (industry:government) basis through Canada's Beef Cattle Industry Science Cluster. It also collaborates with other funding agencies to maximize the value of all investments in research within the Canadian beef cattle industry.

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

2016/17 is the fourth year of the Growing Forward 2 Beef Science Cluster, with research programming under the Cluster centered on the following areas:

- Maintaining or improving competitiveness in the production of beef cattle
- Supporting science-based policy, regulation and trade
- Supporting science-based public education and advocacy
- Supporting the Canadian Beef Advantage through continual advancements in beef quality and food safety, and
- Accelerating the adoption of new innovations in the Canadian Beef Industry

The research allocation of the Canadian Beef Cattle Check-Off administered by the BCRC averages 18 per cent of the monies collected by the provinces. The Check-Off revenue and additional funding from industry and government stakeholders leverages funding through the Beef Cattle Industry Science Cluster on a 1:3 industry:government ratio. The second Science Cluster, covering the period April 1, 2013 to March 31, 2018, is a \$20 million program, with \$5 million from industry including the Canadian Beef Cattle Check-Off, \$1 million from provincial government, and \$14 million from AAFC.

The full BCRC Annual Report available online includes a list of Cluster research projects funded by Canadian Beef Cattle Check-Off dollars and other industry investments. Although the research continues for many projects to be completed in 2018, several success stories are included in the full report, with examples listed below.

Under the area of Forage and Grassland productivity, long-term breeding programs for grass and legumes have made progress in

improving yields of various plant materials, under various soil moisture and nutrient conditions. Research also focused on the most economical extended grazing practices to meet the cow herd's nutritional requirements through the winter. Results indicated that economic and environmental benefits can be realized with various grazing practices, through reduced fuel usage and a reduced carbon footprint.

In the area of feed efficiency, researchers developed a new way to look at interactions between prebiotics (feed ingredients that the animal can't digest but the bacteria can) and probiotics (bacteria that benefit the host) and synbiotics (combination of pre and probiotics) to assess how they function in the animal. These advances will help to create performance benchmarks to ultimately increase beef production. Research also showed that partial substitution of barley or corn grain with a high-lipid high-fibre by-product pellet can be an effective dietary strategy for finishing beef cattle. And three barley and triticale varieties with superior yield and quality that were approved for registration were developed.

Relating to animal health and production limiting disease, researchers identified specific habitat characteristics for ticks which carry and spread the bacteria that cause anaplasmosis in cattle. Data collected, including the distribution and relative density of ticks, will support developing industry recommendations to help avoid anaplasmosis. In the area of food safety, antimicrobial use and resistance are mutual concerns for consumers, the public and beef producers. Research continues to focus on antimicrobial resistance (AMR) bacteria, and the risk of AMR bacteria being transferred from the manure to soil, water and municipal water supplies. Preliminary findings indicate that the bacteria or genes that pose the greatest risk to humans are seldom found in cattle.

The National Beef Quality Audit, measuring production related defects in beef carcasses, indicated that fewer injection site lesions were found in 2016 compared to 1999 and that consumer satisfaction with Canadian retail beef has been steady since 2009 but significantly improved relative to 2001. Providing consumers product and preparation information remains very important, with opportunities to address this through on-package information. Research on the environmental footprint of the Canadian beef industry remained a priority. Considering the varying beef production systems and existing blanket recommendations, a review paper outlining the different methods of quantifying water use in cattle was developed. This will lead to meaningful water use assessments.

The technology and knowledge dissemination program delivered a range of extension tools with a focus on accelerating the uptake of research results and outcomes by industry. Regular communication with producers and other stakeholders was achieved through development and distribution of fact sheets, articles, infographics, and videos that discuss research outcomes or priorities. Bov-Innovation, a modular,

interpersonal technology transfer session with producers, was held for the first time at the inaugural Canadian Beef Industry Conference in August 2016. Producer extension events throughout the year included webinars and additional Bov-Innovation sessions. BCRC resources are available at www.BeefResearch.ca, and many BCRC communication tools have proved to be valuable resources for the industry. Website traffic has increased each month, articles and fact sheets have been regularly redistributed by trade magazines and other media, views per video are increasing and social media networks of stakeholders continually grow. Perhaps most significant, follow-up with webinar participants one year later confirms that many producers make changes on their operation following the information and advice presented during a BCRC webinar.

In addition to sponsoring research and technology development in support of the Canadian beef industry, BCRC oversees the Verified Beef Production Plus program. The VBP+ program grew from its roots in the Quality Starts Here (QSH) program, an educational initiative started to help the beef industry move toward the highest beef quality in the world through on-farm verification of practices relating to food safety and beef quality. The VBP+ program builds on the QSH program by adding an on-farm sustainability practices verification to the food safety and beef quality aspects of the program.

VBP+ launched three additional modules supporting sustainability, specifically focused on animal care, biosecurity, and environmental stewardship, in June 2016. Since that time VBP+ has worked towards new producers being trained and registered as well as getting producers who were registered under the old program trained and registered under the new VBP+ program. The process of fully transitioning to VBP+ is not yet complete but is expected to be completed by late March 2018.

The VBP+ program is expected to grow in importance, as it begins to deliver on all four modules and becomes a core pillar in verifying sustainable beef production in alignment with the Canadian Roundtable for Sustainable Beef, Canada Beef, and end-users looking for options to communicate what is happening at the farm level through verification and reporting.

A national research priority workshop was held in Calgary on June 22 and 23, 2016. Over the 1.5 days, 103 participants considered the progress on research outcomes of the 2012 National Beef Research Strategy and assessed and defined where continued research is required. Attention was focused on identifying new and emerging research priorities that should be included in the Canadian Beef Research and Technology Transfer Strategy 2018-2023. The workshop also provided a forum to review the National Beef Research Inventory (mentioned above) to examine projects that have been funded over the last five years across all funding agencies. The BCRC and the Beef Value Chain Roundtable engaged provincial and federal government and industry funders in discussions about opportunities to improve funding coordination and delivery of research that clearly aligns with industry's established research priorities and defined research outcomes.

A national beef technology transfer workshop was held in Saskatoon on September 28, 2016. Twenty-nine extension specialists from across Canada, representing provincial and national organizations, discussed beef extension priorities. The workshop resulted in increased awareness of and collaboration between extension groups, and identification of innovations that, if adoption rates increased, would have the greatest potential to advance the competitiveness and sustainability of the Canadian beef industry.

50%

of cows in Western Canada may be copper deficient.

Cows with blood copper levels below 0.4 ppm prior to breeding are at increased risk of not becoming pregnant.

One cow winter grazed for

100 days

reduces carbon footprint by 18.27 kg C.

A 1% improvement in feed efficiency has the same

ECONOMIC IMPACT

as a 3% increase in rate of gain.

CANADA BEEF

AS A DIVISION OF THE CANADIAN BEEF CATTLE RESEARCH, MARKET DEVELOPMENT AND PROMOTION AGENCY, CANADA BEEF IS THE CATTLE PRODUCER-FUNDED AND RUN ORGANIZATION RESPONSIBLE FOR DOMESTIC AND INTERNATIONAL BEEF AND VEAL MARKET DEVELOPMENT. IT HAS 32 STAFF IN OFFICES ACROSS CANADA, MEXICO, JAPAN, CHINA, AND TAIWAN.

In addition to Canadian Beef Cattle Check-Off funding, Canada Beef leverages cattle producer dollars with private market partner investments and government industry development funding such as Growing Forward 2 and Western Economic Diversification to maximize the benefits of producer Check-Off investment.

Canada Beef works to enable and sustain 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 on its three year business strategy through three core functions:

1. Brand Development
2. Consumer Marketing
3. Business Development

With limited overall Canadian beef supply leading to limited product availability and higher prices, Canada Beef's role in ensuring consumers understand the value of Canadian beef is critical.

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

In terms of refining and communicating the Canadian beef brand, the Canadian Beef Centre of Excellence was a pivotal piece in Canada Beef's abilities to connect and collaborate with clients in a meaningful way. The CBCE ensures the industry can connect the technical attributes of the product with the emotional components such as taste and enjoyment, the trust in Canada's cattle producers, social license and more. Building both understanding and opportunity with domestic clients looking for solution-based approaches to beef category challenges, as well the opportunity to introduce new customers from key export markets to the Canadian beef value chain in a comprehensive "pasture to plate format" is a unique and powerful competitive tool to build a loyal and informed customer base.

In the 2016/17 year, the Centre directly engaged 90 domestic and 87 foreign companies in business development programming. This opportunity to effectively position the Canadian beef brand and

connect with companies to highlight specific Canadian beef attributes important to these companies helps to "sets the stage" for commercial success. Specifically, the Centre hosted five trade missions from Mexico and other Latin markets; seven missions from Asia and two missions from the Middle East.

The Centre also hosted 16 cattle industry events with groups such as provincial cattle producer associations, breed associations, etc. As well, the Centre hosted eight engagements with either federal or provincial government partners, including a portion of the federal/provincial agriculture ministers' meeting. An additional 12 trade or agri-food organizations, such as other commodity groups from non-competing sectors, held events at the Centre.

The Centre has also worked with packers, further processors and foodservice clients to consult and focus on new cut concepts and product development with 27 separate engagements dedicated to new product development and creating more value for the beef carcass.

North America is not only Canada's largest and most important market – it is home. Canada and the United States form the foundation for the Canada Beef brand to reach further corners of the globe. Canada Beef continued to invest domestically to ensure Canadian beef remains a staple of Canadian diets. 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 is able to ensure that these partners are well-versed in Canadian beef, and understand and leverage the value of the Canadian Beef Brand.

These partnerships continued to be a priority, focusing on Canadian beef messaging and branding alignment. Canada Beef continued to host the gate-to-plate "Canadian Beef Experiences" for industry partners and find alignments with strong national brands. To further leverage its influence, Canada Beef had a large presence at the Restaurants Canada and Canadian Federation of Independent Grocers trade shows which included keynote seminars and presentations.

Canada Beef completed the third year of a partnership with the Canadian Football League (CFL) to build consumer brand awareness of Canadian beef. Partnering with an iconic Canadian brand such as the CFL allowed Canada Beef to further leverage a relationship with retailers, consumer packaged goods companies, provincial cattle producer associations and conventional and social media. Canada Beef partnered with retail partners Federated Co-op, Save on Foods,

Dennigners to host a Grey Cup tour that featured the Grey Cup traveling to selected store locations from BC to Ontario. On-field advertising during the play-off games and Grey Cup was seen by an average television audience of over 7 million viewers.

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

Launched in 2014, The Roundup App was marketed as an online beef buying and cooking resource. Since then, additional content as well as French and Spanish language versions have been added. Subscribers to the App in the past year increased 40 per cent from 10,000 to 14,000 users. This tool is key in providing readily accessible beef purchase and cooking information for consumers.

The Make It Beef Club is Canada Beef's data-base and e-blast outreach platform of over 40,000 consumers. As recent insight surveys indicate, this group of loyal beef fans is interested in engaging in conversation across multiple social channels and a number of the subscribers are influential advocates. The Make It Beef Club continued to leverage ongoing domestic and international initiatives to grow the database of subscribers – increased by 5,000 this past year. Growing the number of subscribers increases the number of beef-friendly consumers that Canada Beef has direct access to, and can call to action quickly.

The digital footprint of Canada Beef's communication and marketing efforts was expanded with additional development of the new consumer-focused website. The new site creates an immersive experience for visitors, and makes Canada Beef the go-to place for information on the industry from farm to fork.

Canada Beef continues to be a leader in the social media space. The digital footprint has grown to include a variety of social media platforms, each reaching target audiences in helpful, informative, and engaging ways. The Canadian Beef Facebook page current has just under 17,500 followers – an increase of 3,000 this past year. Canada Beef's producer-focused Facebook page has over 4,800 followers. The consumer Twitter account has just under 10,700 followers and the producer Twitter account has just over 12,800 followers.



CANADA BEEF CONTINUED

The Import Levy (collected on beef imports at the equivalent rate of \$1 per head) continued to provide funding for beef-positive messaging across Canada. With consumers' diminishing food skills as well as health and wellness remaining an important social license issue for the beef industry, Canada Beef developed targeted initiatives to positively influence consumer preference for unbranded, generic beef over other proteins. Activities in this area included print advertising, social media (i.e. blogs), television and radio interviews with subject experts, generated over 24 million consumer impressions. Readers are encouraged to visit www.thinkbeef.ca for access to marketing resources generated by import levy funding.

To celebrate and leverage Canada's 150th birthday in 2017, Canada Beef has begun a yearlong campaign that ties the national celebration into the Canadian beef brand. Initiatives under this campaign completed in this fiscal included a partnership with the Fairmont hotel chain featuring a celebration of Canadian beef, wine and celebrity chefs. As well, a 30 second Canadian beef brand video was featured prior to the movie at Cineplex Theatres in March. The Canada 150 campaign will carry on into the next fiscal year.

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

In export markets, Canada Beef strategically positioned the Canada Beef brand as premium grain-fed beef through marketing activities including the Canadian Beef Branding Series. Key marketing activities focused on strategic alignment with selected partners to communicate the Canadian beef brand to end users and consumers in order to strengthen their confidence and interest in Canadian beef and ensure local market penetration. This approach brings together the brand (emotional elements) and the Canadian Beef Advantage (technical elements) to create brand loyalty.

The Latin America market hub continued to support various marketing and promotional programs as well as social media marketing in collaboration with leading export partners JBS and Cargill and with retail and foodservice distributors in Mexico and Latin America. With successful programs such as the Canadian Beef Culinary Series, promotions featuring high-profile celebrity chefs and business development outreach through trade shows and trade missions, Canada Beef is creating brand awareness and positioning the product in the minds of consumers and key influencers.

Asian market hubs also continued to use the Canadian Beef Branding Series to drive education, understanding and loyalty to the Canadian Beef Brand. Canada Beef also continued to position the Canadian beef brand through a series of educational cooking classes and professional chef seminars; integrated marketing programs linking online and live events; culinary seminars or competitions; Canadian Beef community building in social media platforms and brand media campaigns. The marketing initiatives successfully brought the Canadian Beef Advantage to end users as a real experience through cutting/cooking demonstrations and beef tasting – giving them an emotional connection to the brand and creating the conversations with end users.

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





6,345
INDIVIDUALS

educated on the
Canadian Beef Brand
within established
markets

\$200
MILLION

in new Canadian beef
business as a result of
CBCE programming

7 million
VIEWERS

of the Canadian Beef
Brandmark during
CFL playoffs and Grey Cup

Roundup App
subscribers increased

40%

CANADIAN CATTLEMEN'S ASSOCIATION – ISSUES MANAGEMENT

ISSUES MANAGEMENT INVOLVES PRIORITIZING AND PROACTIVELY ADDRESSING PUBLIC CONFIDENCE AND REPUTATION ISSUES AROUND PRODUCTION PRACTICES THAT CAN AFFECT THE CANADIAN BEEF CATTLE INDUSTRY. THIS INCLUDES ANTICIPATING TRENDS, RESPONDING TO CHALLENGING EVENTS, ENGAGING CRITICAL STAKEHOLDERS AND PROMOTING THE POSITIVE ATTRIBUTES OF THE BEEF PRODUCTION SYSTEM THAT CONTRIBUTE TO SUSTAINABILITY AND BUILDING PUBLIC TRUST.

In November 2015, the Canadian Cattlemen's Association hired Tom Lynch-Staunton as issues manager, on a part-time basis with interim funding support from the CCA and the Canadian Beef Cattle Check-Off, to develop and implement an issues management program. This position reports to the Canadian Beef Advisors and the National Beef Strategy. The purpose of the issues management program itself is to address the disconnect between the public and beef cattle production. This gap has resulted in a general unease about how cattle are raised and how beef is produced, a perception which is challenging the beef cattle industry's social licence to operate and public confidence in beef production.

In recognition of this growing threat, the National Beef Strategy includes a goal to increase connectivity with consumers and the general public by actively addressing industry issues. Strategy partners including the CCA, Canada Beef, the Beef Cattle Research Council, National Cattle Feeders Association, and Canadian Beef Breeds Council, along with the provincial beef associations, all supported the objectives of the connectivity pillar to enhance industry synergies and connect positively with consumers, the public, government and partners.

Additionally, under the National Beef Strategy goal of increasing beef demand, key outcomes include strengthening public confidence and building a strong social licence to operate, both of which can be addressed through a coordinated issues management program.

For these reasons, the proposed increase to the Canadian Beef Cattle Check-Off does include funding for an issues management program. The program will be housed at CCA, but will report to the Canadian Beef Advisors and report back to the Canadian Beef Cattle Check-Off Agency.

Quarterly progress reports and yearly work plans will be submitted to the Agency for ongoing review of the program. Although still in the development stages, the success of the issues management program as proposed under the National Beef Strategy and administered by CCA will be determined by developing an effective strategy and plan, create buy-in, collaboration, and co-ordination from industry partners for the new program, and effective communications between the beef industry and consumers.

The main goals of the issues management program are to:

- 1) Develop stronger relationships and connectivity among industry partners and organizations to manage issues more efficiently and effectively.
- 2) Maintain and increase public confidence, and enhance the credibility, reputation, and trust in the Canadian beef industry, thereby increasing overall demand for beef in Canada.

Between November 2015 and December 2016, several key issues management activities took place. This includes the development of the Issues Management Strategy, 5-year Budget, and 2016/2017 Budget. The strategy has already created a basis for discussion by the five industry partners in the National Beef Strategy, resulting in presentations at several annual general meetings, conference calls, and in-person meetings about how each partner can contribute and collaborate in the issues management program.

Some activity highlights for the period include:

- 22 presentations/industry and partner engagements;
- 12 articles/letters of response to issues (humane treatment, antibiotic use, animal welfare, climate impacts); and
- More than 100 media interviews by CCA and industry partners.

Ongoing activities in the program involve the creation and development of the key message resource repository for industry partners to access quickly and easily when dealing with issues as they arise. Draft fact sheets, which include key messages, background of the problem, key spokespeople, lead organizations, research to inform the key messages and additional links to further information have been drafted for several issues. These issues include climate change, Cowspiracy, beef nutrition, antibiotic use, growth hormones, animal care and humane treatment of animals, animal transportation, Halal and Kosher slaughter, red meat and cancer and other issues. This information is provided by consultation with industry, government and academic partners.

In terms of greater co-ordination and connectivity, CCA hosted the first National Communication Managers meeting in August 2016 with the provincial communication managers, and other industry organization communications personnel, to discuss issues management and the coordination of efforts. This is part of the ongoing effort for strengthening relationships of the provincial organizations and helping enable and empower them to take the lead on issues as they arise in their region, with support from CCA and National Beef Strategy partners.

For training industry spokespeople and leaders, a staff media training workshop was held in November, and will continue to occur on a regular basis for directors and other partners. In addition, Stina Nagel has moved into the issues management program, where one of her key duties as the Advocacy Coordinator will be to lead the Beef Advocacy Program, expanding it into a comprehensive training program for producers, industry organization staff and directors, and consumers. It will not only serve as a resource for internal industry training, but also key messaging and materials for external communication to the public.

Lastly, the issues manager continued to work on consumer issues as they arose through media stories, working closely with CCA Communications, to develop key messaging, industry updates, interview scheduling, and mobilization of key individuals to communicate our messages. The highest-profile issue was the announcement by Earls restaurant chain that it would not source beef locally. This gave the industry an enormous amount of media time to discuss the humane treatment of animals, industry programs, sustainability, and the use of growth hormones and antibiotics in the beef industry. The team worked closely with the provincial organizations as well, most notably Alberta Beef Producers, B.C. Cattlemen's Association, Saskatchewan Cattlemen's Association and Manitoba Beef Producers to help with their own provincial messaging.

The Earls issue resulted in an extensive amount of positive media coverage, new members in the Canadian Roundtable for Sustainable Beef, and interest from Canada's restaurant and foodservice industry association, Restaurants Canada, plus Sobey's, and other retailers, to work with the beef industry on ongoing consumer concerns.

The next year will be a continuation of ongoing activities highlighted above, as well as the development of yearly work plans which will include performance measures and metrics to track success of the program, specific issues management plans, further development of the issue fact sheets and key message repository, and continued development of the Beef Advocacy Program with a focus on communications and professional development training for industry producers, directors, organizational staff and partners.



8,000+
PEOPLE REACHED
during spring calving
livestream video

12 articles
or letters of response
to issues like humane
treatment, antibiotic use,
animal welfare
and climate impact.

100+
MEDIA INTERVIEWS
by industry partners

22
presentations or
partner engagements

PROVINCIAL INVESTMENT OVERVIEW AND RESULTS

Manitoba Beef Producers

The vision of the National Beef Strategy is to create a dynamic and profitable Canadian beef and cattle industry. Beef producers are striving to increase the **Productivity** of their operations and, in turn, increase the **Competitiveness** of the entire industry, helping to ensure its long-term sustainability through forage research pertaining to beef production.

This shared vision led to the establishment of Manitoba Beef & Forage Initiatives Inc. (MBFI). This is a resource that will help the beef and forage industries reach their goals. MBFI provides three sites, totalling 1,500 acres, which can host discovery and applied research projects; tours, demonstrations and workshops; and public awareness events. The ultimate goal is to increase awareness of beef and forage production and support the uptake of new, improved or innovative ranch management strategies. MBFI is 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 industry. Major funding for MBFI – outside the cash and in-kind from Manitoba Beef Producers – is provided by the federal and provincial governments through Growing Forward 2, with funding committed until March 2018.

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

and recommendations. The project has gained visibility through events like tours, demonstrations and public awareness events, and has put in place the Western Canada Forage Industry Chair and two graduate students to work with the Chair on projects. Future results of the project will include improvements to the complement of forage varieties, including recommendations on the most suitable tame and annual varieties in forage mixes for extended grazing, and the economics of differing forage varieties for their use in an extended grazing strategy.

New Brunswick Cattle Producers

The investments made by the New Brunswick Cattle Producers (NBCP) in 2016/17 focused on building cattle capacity in the region, and implementing systems that encourage the industry to work together to build a stronger, more profitable beef industry in the Maritime provinces.

Work continued on encouraging producers to align with the Premise ID program. A robust traceability program is essential to the Canadian Beef Advantage and the National Beef Strategic Plan's **Competitiveness** pillar, maintaining Canada's reputation as a nation with high safety standards and technological expertise ensuring the quality of the beef produced from coast to coast.

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



The results of the Maritime Beef Testing Society (MBTS) bull test help to determine the correlation between purchase price and tested performance, and provide information to producers on the economic value of specific breeding traits for **Competitiveness** and **Productivity**. Performance evaluation completed at MBTS has included productive efficiency traits such as average daily gain (ADG) and, more recently, residual feed intake (RFI); performance traits including body composition ultrasound measures, body weights, age and reproductive measures including calving ease, scrotal circumference, and reproductive function measured by breeding soundness evaluation.

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

Nova Scotia Cattle Producers

The Nova Scotia Cattle Producers (NSCP) invested Canadian Beef Cattle Check-Off funds on two initiatives focusing on increasing value chain coordination and producer engagement.

With several emerging opportunities in the Maritime beef industry, especially with the increased market share of Atlantic Beef Products, NSCP focused on improving the quality, consistency and quantity of beef animals moving into the only federally inspected processor in Atlantic Canada. In an effort to promote the Certified Island Beef program, NSCP collaborated with Perennia, Atlantic Beef Products and Dynamic Outcomes to host producer engagement sessions, focused on growing **Beef Demand** for Nova Scotia cattle in the program. The sessions also covered how producers can meet production protocol, and growing **Connectivity** between cow-calf producers and feedlot operators. Safe and humane handling is a key component of the program, and humane handling workshops were held for producers and transporters, allowing them to participate in the Certified Island Beef program. A total of 35 engagement sessions, 32 Atlantic Beef Products tours and 68 safe handling workshops were held.

NSCP worked with the Maritime Beef Council to organize the third annual Maritime Beef Conference, bringing together more than 80 producers and 30 industry stakeholders to learn about maximizing production of pasture, forages and animals. The conference also highlighted several local, regional and national marketing initiatives. The event will continue to be an opportunity to bring industry and stakeholders together to engage around research, market development and production practices.

Beef Farmers of Ontario

In 2016/17, the Beef Farmers of Ontario (BFO) investments focused on capacity-building and priority research funding, in alignment with the National Beef Strategic Plan's **Productivity**, **Competitiveness** and **Beef Demand** pillars.

Cow herd expansion efforts continued to be a priority for BFO, and continued to promote the concept of cow herd expansion in Northern Ontario. Canadian Beef Cattle Check-Off dollars were invested to assist with implementation strategies that included producer and stakeholder engagement and communications, tools and resources, mentorship training and support. To complement BFO's efforts to rebuild and expand in the North, consultations also continued in the Southern and Eastern part of the province, to identify ways to expand in these areas. Priority areas were identified, such as financial assistance for fencing, improving the breeder finance program, and the potential for cover crop grazing. BFO is also investigating best management practices and new production practices to be able to carry more cows on existing land. Open houses and roundtables were set up to present these ideas and gauge producer uptake. Increasing the cow herd in Ontario will strengthen Beef Demand in Eastern Canada, and allow Ontario to ensure Competitiveness in the marketplace.

BFO's investment into the Livestock Research Innovation Centre (LRIC) has far-reaching benefits for beef production in eastern Canada. The BFO Research Investment Strategy was initially launched in 2014 in collaboration with LRIC and a group of 40 leaders from across the beef supply chain. This strategy serves as a road map for investment to help BFO better target its research dollars that have the greatest potential to make a positive impact on the industry without duplication across the industry. A Research Advisory Committee, responsible to the LRIC Board of Directors, is comprised of Canadian and International experts who provide advice on a wide range of global challenges and livestock research and extension systems designed to address those challenges. BFO's annual membership fee supports LRIC to deliver on its mandate of knowledge creation, collection, and transfer of knowledge.

BFO continues to invest in the research facilities in Elora, University of Guelph, along with other industry and federal funding partners. The new research centre will act as a hub for bovine research in Eastern Canada, and will host technologies needed to drive components of the National Beef Research Strategy, developed by the Beef Cattle Research Council. Support for the reinvigoration of this facility will support the long-term strength and success of the industry and the broader economy it supports.

Prince Edward Island Cattle Producers

The Prince Edward Island Cattle Producers (PEICP) utilized Canadian Beef Cattle Check-Off funds to support initiatives in 2016/17 that encouraged consumption of Canadian beef, and aimed to grow beef demand.

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

PROVINCIAL INVESTMENT OVERVIEW AND RESULTS CONTINUED

Beef Strategic Plan's **Beef Demand** pillar. The 2016/17 Burger Love campaign made headlines in Canadian Living, and was announced in the House of Commons in Ottawa by a PEI Member of Parliament. This year, there were 84 participating restaurants, and over 184,000 burgers sold during the one month campaign, with a record setting 78,000lbs of local island beef consumed.

Also in the **Beef Demand** pillar in alignment with boosting consumer confidence, the PEICP invested in the promotion and marketing of the Certified Island Beef CIB program and brand growth. The objective of the project was to develop and maintain momentum for Certified Island Beef that leads to an increased supply, and increased consumer demand for the product. The number of producers on the program continues to grow, increasing the number of cow-calf operations by 40 in 2016/17, and adding five feedlots to the program. By increasing the amount of local beef consumed in a net-import region in a profitable way, the industry and value chain are able to see benefits.

Les Producteurs de bovins du Québec

Les Producteurs de Bovins du Québec (PBQ; Quebec Beef Producers Association) focused on driving consumer awareness around locally-produced Quebec veal, feed and forage research, and work around fed cattle marketing with their provincially invested Check-Off dollars.

Seasonal campaigns across multiple retailers and avenues drove consumers through web, flyers and advertising towards Quebec's grain-fed and milk-fed veal. By connecting consumers with the veal brands in Quebec consistently through the year, they increased the interaction and engagement rate for consumers looking for more information on recipes or where they could purchase the product. Veal recipes on websites and advertisements in Ricardo Cuisine, Signe M Magazine, La Presse and through social media

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

By partnering on research focusing on a mix of grasses and legumes for sustainable cattle production, the PBQ are supporting three objectives: determining a grass-legume combination to provide the most improved productivity in cattle, determining the impact of nitrogen fertilization on legumes, and the influence of alfalfa, red clover and lotus silage on **Productivity** and beef quality.

Research around stockpiling complex mixtures in Eastern Canada was also undertaken, focusing on challenges seen in this part of the country. While research, data and production opportunities exist that were developed in Western Canada, this research supported by PBQ focuses on opportunities for Eastern producers and their varied environmental and weather concerns. This three-year project will provide more detailed data and results for producers in this area, ensuring strong **Competitiveness** across the country.

The PBQ also worked towards enhanced market development around fed cattle. By ensuring the demand for fed cattle was strong, the organization was able to work with abattoirs and producers to both ensure strong supply, and create improved efficiencies. There was also an emphasis placed on the Verified Beef Production Plus Program, with over 60 per cent of production in VBP+ compliance.





**TOTAL INVESTMENT
DOLLARS**

MANITOBA

\$37,099

NOVA SCOTIA

\$8,960

NEW BRUNSWICK

\$19,143

ONTARIO

\$437,394

PRINCE EDWARD ISLAND

\$17,230

QUÉBEC

\$876,974

Independent Auditors' Report

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

We have audited the accompanying financial statements of Canadian Beef Cattle Research, Market Development and Promotion Agency, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Beef Cattle Research, Market Development and Promotion Agency as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Canadian Beef Cattle Research, market Development and Promotion Agency as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2016.

The image shows a handwritten signature in blue ink that reads "KPMG LLP". Below the signature is a horizontal line that starts under the "K" and extends to the right, ending under the "P" of "LLP".

Chartered Professional Accountants

Calgary, Alberta

June 23, 2017

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 6,211,863	\$ 6,230,765
Accounts receivable (Note 4)	4,662,523	4,430,984
Prepaid expenses and deposits	88,818	178,549
	10,963,204	10,840,298
Capital assets: (Note 5)	1,373,461	1,609,000
	\$ 12,336,665	\$ 12,449,298
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	\$ 2,550,941	\$ 1,931,373
Due to related party (Note 7)	235,750	563,934
	2,786,691	3,705,238
Commitments (Note 9)		
Deferred capital contributions (Note 8)	1,035,421	1,209,931
Net Assets:		
Unrestricted	3,562,756	3,692,264
Internally restricted (Note 11)	4,000,000	4,100,000
Consolidation reserve (Note 11)	951,796	951,796
	8,514,552	8,744,060
Commitments (Note 9)		
	\$ 12,336,665	\$ 12,449,298

See accompanying notes to financial statements.

Approved on behalf of the Board



Linda Allison, Director



Lonnie Lake, Director

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue		
Canadian Beef Check-Off		
Domestic Beef Check-Off	\$ 7,342,551	\$ 6,803,465
Import levies	937,469	918,401
Other income	75,505	82,891
	8,355,525	7,804,757
Marketing		
Government of Canada – Growing Forward II	1,977,994	1,090,146
Canadian Cattlemen Market Development Council	1,395,000	3,488,495
Western Economic Diversification	1,197,431	902,463
	4,570,425	5,481,104
	12,925,950	13,285,861
Expenses		
Canadian Beef Check-Off		
Board of Directors	\$ 234,259	\$ 303,520
Canadian Beef Check-Off Operations	346,915	148,843
Canadian Beef Check-Off Distributions (Note 12)	1,396,800	994,471
	1,977,975	1,446,834
Programs		
Issues Management	95,238	-
Marketing (Note 13)	9,793,766	9,830,425
Research	1,288,478	1,261,143
	11,177,483	11,091,568
	13,155,458	12,538,402
Excess (deficiency) of revenue over expenses	\$ (229,508)	\$ 747,459

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

2017	Unrestricted	Internally restricted	Consolidation reserve	2017	2016
Net assets, beginning of year	\$ 3,692,264	\$ 4,100,000	\$ 951,796	\$ 8,744,060	\$ 7,996,601
Transfer (Note 11)	100,000	(100,000)	-	-	-
Excess (deficiency) of revenue over expenses	(229,508)	-	-	(229,508)	747,459
	\$ 3,562,756	\$ 4,000,000	\$ 951,796	\$ 8,514,552	\$ 8,744,060

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in) the following activities		
Operation		
Excess (deficiency) of revenue over expenses	\$ (229,508)	\$ 747,459
Non-cash recognition of deferred capital contributions (Note 8)	(195,857)	(283,904)
Amortization	316,912	328,093
Gain on disposal of capital assets	(361)	(46)
	(108,814)	791,602
Changes in working capital accounts		
Accounts receivable	(231,539)	(1,397,547)
Prepaid expenses and deposits	89,731	18,506
Accounts payable and accrued liabilities	619,568	(383,500)
Due to related party	(328,184)	27,842
Deferred revenue	-	(9,202)
	40,763	(952,299)
Investments		
Purchase of capital assets	(81,747)	(82,192)
Proceeds from disposal of capital assets	735	2,950
Receipt of cash for deferred capital contributions	21,347	623,887
	(59,665)	544,645
Decrease in cash and cash equivalents	(18,902)	(407,654)
Cash, beginning of year	6,230,765	6,638,419
Cash, end of year	\$ 6,211,863	\$ 6,230,765

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017, with comparative information for 2016

1. Purpose of Agency

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

The mission of the Agency is to deliver measurable value to the Canadian beef industry through prudent and transparent management of the Canadian Beef Cattle Check-Off. 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 and beef products imported into Canada.

2. Significant Accounting Policies

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

(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 the Institute. The Agency has elected the accounting policy to not consolidate this entity. Financial information on the controlled entity is disclosed in note 7.

(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 Japanese, the People's Republic of China, Taiwanese and Mexican branch operations are translated at the rate of exchange in effect at the statement of financial position date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average exchange rates prevailing throughout the year. Gains and losses resulting from these translation adjustments are included within revenue and expenses included on the statement of operations.

(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:

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

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

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

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

(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 Agency's Canadian Beef Centre of Excellence. Recognition of these contributions as revenue is deferred up to the point where the related capital assets are amortized at which point the contributions are recognized as income over the useful lives of the related assets.

(g) Measurement uncertainty:

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. Actual results could differ from those estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the years in which they become known. Significant management estimates pertain to the estimated useful lives of capital assets, the net recoverability of accounts receivable and the amount of cattle levies recognized.

(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.

(i) Financial asset impairment:

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

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

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and interest bearing bank balances.

4. Accounts Receivable

	2017	2016
Canadian Beef Check-Off	\$ 1,832,949	\$ 1,703,539
Canadian Cattleman Market Development Council	140,990	1,193,351
Government of Canada	2,041,994	1,090,146
Western Economic Diversification Canada	343,215	210,259
Import levies	249,318	173,949
Other	54,057	59,740
	\$ 4,662,523	\$ 4,430,984

5. Capital Assets

	Cost	Accumulated depreciation	2017 Net book value	2016 Net book value
Computer hardware and software	\$ 186,122	\$ 171,501	\$ 14,621	\$ 20,703
Furniture and fixtures	201,800	131,786	70,014	88,236
Leasehold improvements	1,208,042	261,395	946,647	1,052,941
Office equipment	49,743	36,502	13,241	19,148
Kitchen equipment and appliances	533,769	219,165	314,604	406,600
Website and logo	47,530	33,196	14,334	21,372
	\$ 2,227,006	\$ 853,545	\$ 1,373,461	\$ 1,609,000

During the year, the Agency disposed of capital assets for total proceeds of \$735 (2016 – \$2,950). These capital assets had cost of \$16,765 (2016 – \$4,841), accumulated amortization of \$16,391 (2016 – \$1,937) and a net book value of \$374 (2016 – \$2,904). The Agency recorded a gain on disposition of \$361 (2016 – \$46), which is included as part of operating expenses.

During the year, the Agency received \$nil (2016 – \$81,800) as a tenant improvement allowance in order to assist in covering the cost of the improvements to the Centre of Excellence. The allowance was applied against the cost of leasehold improvements.

6. Accounts Payable and Accrued Liabilities

	2017	2016
Check-Off transfers	\$ 1,059,264	\$ 843,522
Trade accounts payable	742,497	463,343
Government remittances	4,072	461
Accrued liabilities	745,108	624,047
	\$ 2,550,941	\$ 1,931,373

7. Related Party Transactions

(a) The Agency

The Agency shares certain administration costs with the Canadian Cattleman's Association. The Canadian Cattleman's Association is related by virtue of certain directors who serve on the Agency's Board of Directors. During the year, the Agency allocated \$95,403 (2016 – \$112,676) for contract services expenses and \$22,591 (2016 – \$10,849) for other expenses as determined by the discretion of the Board of Directors on an annual basis.

During the year, the Canada Beef International Institute of ("CBII") an entity related to the Agency through common directorship, incurred expenses to be reimbursed by the Agency for conducting business in certain foreign jurisdictions. As at March 31, 2017, \$235,750 (2016 – \$563,934) was due to CBII as a reimbursement. This amount bears no interest, is due on demand, unsecured and has no fixed repayment terms.

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.

(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 Canadian Beef Cattle Research, Market Development and Promotion 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.

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 Entity exercises control over the Institute by virtue of its status as the 'single member' of the Institute. As such, the Entity's Board of Directors annually approves the elected Institute Board of Directors.

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

	2017	2016
Total assets	\$ 560,799	\$ 569,199
Total liabilities	8,000	8,000
Total net assets	552,799	561,199
Total liabilities and net assets	\$ 560,799	\$ 569,199
	2017	2016
Total expenses	\$ 8,400	\$ 3,040
Deficiency of revenues over expenses	\$ (8,400)	\$ (3,040)
	2017	2016
Increase (decrease) in cash	\$ 319,784	\$ (38,382)

8. 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. \$195,857 (2016 – \$283,904) of the deferred amount was recognized as revenue in the current year. As at March 31, 2017 \$558,546 (2016 – \$210,259) of the committed funding was in accounts receivable.

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.

	2017	2016
Balance, beginning of year	\$ 1,209,931	\$ 1,442,409
Additional contributions received	21,347	51,426
Less amortization of deferred capital contributions	(195,857)	(283,904)
	\$ 1,035,421	\$ 1,209,931

9. Commitments

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

2017	\$ 401,316
2018	272,066
2019	263,064
2020	264,558
2021	252,584
Thereafter	207,597
	\$ 1,661,185

10. Financial Instruments

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

(a) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency enters into transactions in the normal course of business denominated in foreign currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2017, the following items are denominated in foreign currency:

	2017	2016
Cash and cash equivalents (bank overdraft)	\$ 12,780	\$ 7,575
Accounts receivable	6,567	18,224
Accounts payable and accrued liabilities	390,179	414,750

(b) Credit risk:

The Agency derives its revenue and accounts receivable in the form of levies from associations involved in the cattle industry. The Agency is exposed to credit risk with respect to these revenues to the extent that these associations may experience financial difficulty and be unable to meet their obligations as a result of those risks associated with the cattle industry in general. As at March 31, 2017, 37% (2016 –34%) of the balance of the Agency's accounts receivable balance was due from three of these associations.

11. Net Assets

(a) Internally restricted net assets:

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

(b) Consolidation reserve transfers:

On July 1, 2011, the Agency combined operations with Beef Information Centre ("BIC") and Canada Beef Export Federation ("CBEF"). 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.

12. Canadian Beef Check-Off Distributions

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

	2017	2016
Canadian Beef Check-Off		
Les Producteurs de bovins du Québec	\$ 876,974	\$ 459,716
Beef Farmers of Ontario	437,394	422,054
Manitoba Cattle Producer's Association	37,099	35,365
New Brunswick Cattle Producers	19,143	31,632
Nova Scotia Cattle Producers	8,960	25,813
Prince Edward Island Cattle Producers	17,230	19,891
	\$ 1,396,800	\$ 994,471

	2017	2016
Market Development – North America		
Canada market development	\$ 1,465,387	\$ 1,477,818
Market Development – Global Markets		
China	534,863	496,946
Hong Kong	–	(5)
Emerging Markets	108,010	119,271
Japan	480,702	525,414
Korea	98,696	10,314
South East Asia	296,869	184,085
Latin America	695,917	759,507
Global Markets	1,052,564	1,008,720
Canadian Beef Centre of Excellence	557,851	403,757
	3,825,472	3,508,009
Total Marketing – Market Development Programs	\$ 5,290,859	\$ 4,985,827
Total Marketing – Operations & Market Development Programs	\$ 9,793,766	\$ 9,830,425

14. Comparatives

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.





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