

**ALBERTA LIVESTOCK AND MEAT AGENCY LTD.**

# Annual Report

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**2014-15**

**ALMA**

**5/26/2015**

The 2014-15 Annual Report highlights activities of ALMA in its catalyst role to further development of a profitable and internationally competitive Alberta livestock and meat industry.

# Transmittal Letter

May 27, 2015

Honourable Oneil Carlier  
Minister of Agriculture and Forestry  
#423 Legislature Building  
10800 97 Avenue  
Edmonton, AB T5K 2B6

Dear Minister,

On behalf of the Board of Directors, we are pleased to submit the Alberta Livestock and Meat Agency's 2014 - 2015 Annual Report.

The report contains a summary of the transactions and affairs of the agency and the audited financial statements, including Statements of Financial Position, Statements of Operations, and Statements of Cash Flows for the year ended March 31, 2015.

Yours truly,



Dr. David A. Chalack, DVM  
ALMA Board Chair



Gordon Cove  
President and CEO

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## Message from the Minister

The livestock industry is an important contributor to a strong and diversified provincial economy. The ongoing success of the industry relies on its ability to continue to evolve to meet the needs of consumers and to adapt to the challenges of a highly competitive global marketplace.

The Alberta Livestock and Meat Agency (ALMA) has a vital role in helping ensure the livestock sector is well-positioned for responsible and sustainable growth.

Working in close partnership with producers and processors, ALMA provides important support to encourage innovation, enhance productivity and stewardship, and strengthen market development.

Alberta's livestock sector has a well-deserved reputation for quality, and there are incredible opportunities for even greater success on the road ahead.

As Minister of Agriculture and Forestry, I look forward to working with ALMA and the livestock sector to continue to build the long-term prosperity of our province's agriculture industry.

[Original signed by]

Oneil Carlier  
Minister of Agriculture and Forestry



## Message from the Chair



There is growing optimism about the future of Alberta's livestock and meat sector and its role in contributing to a strong, growing, sustainable economy. Our sector adds to the province's economic diversity with wealth and jobs. In 2010, the cattle and hog sectors contributed \$7.2 billion to Gross Domestic Product (GDP) of Alberta and were directly or indirectly responsible for employment of over 96,000 workers. This impact is forecast to increase to \$11.6 billion and 157,000 workers by 2025<sup>1</sup>. ALMA is a catalyst organization encouraging development of innovative ideas and technologies which drive new economic activity and helps diversify our economy.

The Alberta livestock and meat sector strives to become an even bigger contributor to the province's economy. Achievement of this greater share will be driven by the worldwide demand for quality meat products, especially in the Asian markets.

Fiscal 2014-15 saw progress in trade liberalization. The Canada Korea Free Trade Agreement (CKFTA) successfully concluded in January, 2015. Agreements between South Korea and the European Union, U.S., Australia and Chile are in place, so an agreement with Canada was critical to leveling the playing field. Gradual elimination of tariffs on beef and pork products will take between 5 to 15 years. August 2014 also witnessed the conclusion of the Comprehensive Economic and Trade Agreement (CETA) with Europe. We await the resolution of technical matters so industry can capitalize on these opportunities. Unfortunately, we did not see the Country Of Origin Labeling come to a successful conclusion, but the next year holds promise.

Opportunities abound but challenges to industry are relentless; the major ones being the tight supply of livestock and labour. Changes by the federal government to the access to foreign workers intensified the labour situation. ALMA responded with support for the Alberta Labour Summit to help stimulate meaningful industry engagement on the issue. The labour environment in Alberta remains highly competitive and access to foreign workers is critical for our sector. Industry continues to work hard to find solutions and it is hoped that a future of sustained prices will stimulate investment.

Progress on the sustainability priority is apparent. Partnerships with the Alberta Biodiversity Monitoring Institute and Alberta Innovates Technology Futures will lay the scientific groundwork of ecosystem services on agricultural lands, contributing to accurate assessments of the sustainability. The McDonald's sustainable beef strategy pilot will also be a stepping stone on a path of sustainability. With agreement on indicators and verification process tools in hand, industry will be well equipped to build greater consumer awareness and confidence in Canadian beef. And even more great news in this area is that of the new Canadian Roundtable for Sustainable Beef – advancing sustainability efforts within the Canadian cattle industry.

Continued push on genomics – over the last five years, ALMA has invested \$25.9 million in livestock genomics in Alberta and Canada. This fiscal, we announced the ALMA-Genome Alberta call – a five million dollar commitment for three years. Projects stemming from this support will further improve the

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<sup>1</sup> Informa Economics, in partnership with Serecon Inc. and Dr. Surendra Kulshreshtha, 'Medium-Term Economic Outlook for Alberta's Cattle and Hog Sectors. May 2015.

rate of technology adoption, production efficiency, product quality, verification and animal health. We look to advancements related to “green” impacts with reduced waste products and lower methane emissions.

Good governance is essential to effective decision making and is reflected in our vision, goals, and strategies. My fellow board members have provided oversight and direction, are sensitive to the expectations of our stakeholders and bring that knowledge to the table. I thank them for their stewardship. I likewise thank the management and staff of ALMA for another year of dedication and toil. This report tells you what ALMA is, does, and speaks to the value it can provide as a collaborative partner when working with industry.



Dr. David A. Chalack, DVM  
ALMA Board Chair

## Message from the CEO and Management's Responsibility for Reporting



ALMA entered into fiscal 2014-15 with great momentum. I am pleased to report on the work ALMA carried out this fiscal to help advance our livestock and meat industry.

Last fiscal year, ALMA launched a renewed business plan. Our mission remains – *to be a catalyst in the development of a profitable and internationally competitive Alberta livestock and meat industry*. Our Board of Directors set clear direction to further customer access and market development; enable product differentiation; enhance productivity through the supply chain and promote sustainable development. Through the year, projects and resources were aligned with these priorities, representing 217 projects, \$28.5 million commitments, at an estimated total project value of \$146.36 million.

Market development activities included trade mission support. ALMA teamed up with Canada Beef Inc. to support a standalone red meat booth at the Salon International de l'Agroalimentaire (SIAL), the largest food innovation trade show in October. Support was also awarded to the Alberta Elk Commission to participate as part of a Canadian delegation in Korea. Outcomes included relationship building with the Korean Deer Association and pursuit of a Memorandum of Understanding to collaborate on a number of issues.

ALMA looked to a more targeted approach to research with specific calls for product differentiation, production excellence, and sustainability with approved projects of nearly \$1.5 million, \$1.6 million, and \$3.8 million, respectively. ALMA has also entered into a \$950,000 strategic arrangement with the Alberta Beef Producers on a joint call focused on forage research. Projects stemming from these calls will strengthen our industry's competitiveness. These projects will provide novel technologies, enhanced quality, safety, and value-based attributes and supply chain coordination on sustainable practices.

On the commercialization side, ALMA supported 59 projects with commitments of over \$9 million for automation and efficiency improvements. Initiatives include the implementation of upgrade beef fabrication and refrigeration equipment; sausage line capacity; increase efficiency of milk manufacturing; and value-added processing expansions. In fiscal 2014-15, industry reported increased volume of product of 33.5 million kg stemming from partnerships with ALMA.

Other efforts to enhance productivity included such projects as the partnership with the Agriculture Industry Labour Council Alberta on the Labour Summit; the Alberta Cattle Feeders' Association's (ACFA) recruitment campaign; research into enriched beef fat with beneficial fatty acids, assessment of beef toughness, Radio-frequency identification (RFID) and DNA collection, and electronic livestock trading solutions.

In support of the sustainable development priority ALMA committed over \$10 million for 73 projects. One of these initiatives led by the Canadian Cattlemen's Association (CCA) project will help establish competitiveness benchmarking for the Canadian beef industry. This work flows directly from one of the recommendations arising from the Straw Man initiative regarding the need for the industry to establish and monitor performance measures and targets. ALMA also provided support for strategic and business planning and indicator development for the Canadian Roundtable for Sustainable Beef, a pilot for sustainable beef supply by 2016, biodiversity assessment, and ecosystem valuation of grasslands.

Getting the message out to inform industry of developments stemming from ALMA commitments is critical. One of our key events, FutureFare 2014, showcased the success stories of some of ALMA supported initiatives. Keynotes like Cameron Bruett, JBS, informed our audience of the global push toward sustainability. ALMA also awards grants to not-for-profit organizations in support of their outreach efforts. Events like Alberta Cattle Feeders Association's 'Big on Beef' saw 3000 consumers connect with ranching families to answer a range of questions from animal welfare, antibiotic use, hormones and cooking. Conferences also provide the forum for sharing ideas and getting immediate feedback from credible experts. ALMA has contributed to nearly 40 events crossing all species sectors and linking science and the meat industry. Examples range from symposiums that better understanding feeding behaviour to improve animal well-being and productivity to that of shared expert analysis of markets and trends.

While our results this year are impressive, the potential to reach and serve more exists. Financial resources were tightened and ALMA's funding and positions were reduced, but with the resources we had, we still enabled industry partnerships, adoption of new approaches and processes, and pushed the innovation boundary. I would like to express my appreciation to our industry partners, researchers, co-funders who joined us on this journey. And a special thanks to the Board of Directors and ALMA team who make it all possible.

Best wishes,



Gordon Cove  
President and CEO  
Alberta Livestock and Meat Agency

## ALMA Overview

**Vision:** to be a catalyst in the development of a profitable and internationally competitive Alberta livestock and meat industry.

**Our Structure:** Established as a provincial corporation in 2009, and accountable to the Minister of Agriculture and Rural Development, ALMA is governed by a skill-based board. As an agency, ALMA does operate with a degree of autonomy from government, while ensuring fiscal accountability and commitment to industry priorities.

### **Our Goals / Strategic Priorities:**

- ✓ Increased customer access and market development
- ✓ Enabled product differentiation
- ✓ Enhanced productivity through the supply chain
- ✓ Sustainability development underpinning a social license to operate

ALMA has a leadership role to help position the livestock and meat industry for success. Under the auspices of the Livestock and Meat Strategy (ALMS), ALMA works in partnership with industry and government to ensure that the Alberta livestock and meat industry realizes its potential as the supplier of choice.

ALMA's initiatives align with the mandate of the Agriculture and Rural Development (ARD) ministry, ARD priorities and the Rural Economic Development Action Plan. Over the past six years, ALMA's role as a catalyst for idea, information and investment is now well-defined. We have established relationships and partnerships with businesses large and small and expanded the processing capacity in Alberta.

### **Our Programs and Services:**

ALMA assesses industry needs and facilitates the development of broad innovation strategies that compliments industry stakeholder business strategies; investigates new strategic opportunities; provides policy advice to government and industry; and disseminates new information and project results administered through:

- ✓ Strategic Initiatives and research and development programs;
- ✓ Industry Investments including industry market and development and commercialization programs (Growing Forward 2 Agri-Processing Product and Market Development Program and Growing Forward 2 Agri-Processing Automation and Efficiency Program);
- ✓ Livestock Development funds: the Diversified Livestock Fund of Alberta Ltd. (DLFOA) and the Alberta Livestock Industry Development Funds (ALIDF).



## Results Analysis

Performance Measures		Year 2012-13	Year 2013-14	Target 2014-15	Year 2014-15
<b>Goal One: Increased customer access and market development</b>					
1.a	Engagement with company missions into Key/Priority Markets <sup>1</sup>	3	4	12	9
1.b	ALMA-supported market development activities in key markets.	3	4	3	6
1.c	Market and competitive research reports (i.e.: GIRA)	2	1	3	3
<b>Goal Two: Enabled product differentiation</b>					
2.a	New products developed	125	48	100	30
2.b	New leader development	425	524	400	547
2.c	New educated professionals (i.e.: HQP)	307	435	200	360
2.d	Market profile research studies	-	-	2	2
<b>Goal Three: Enhanced productivity</b>					
3.a	Number of ALMA supported initiatives focused on efficiency and productivity gains.	55	59	50	59
3.b	Leverage ratio with the Agri-Processing Automation and Efficiency Program.	5.52	9.94	4.5	9.88
3.c	Knowledge transfer events	40	35	45	33
<b>Goal Four: Sustainable development</b>					
4.a	New partnerships in sustainability.	1	-	2	5
4.b	Sustainability information and reporting.	-	-	2	2
4.c	Leverage ratio of sustainability projects.	-	2.73	1.25	2.89
4.d	New research initiatives for sustainable production.	-	11	10	37

1 Key/Priority markets include China, Japan, EU and South Korea. Strategic positioning continues with TPP members.

### GOAL 1: Increased customer access and market development

ALMA supporting growth opportunities with key customers in target markets of China, Japan, EU, and South Korea and facilitates export ready agri-food businesses on trade missions and business-to-business meetings. This strategy was implemented through the support of such initiatives as:

- Genome Alberta's Agri-food trade mission to China to increase the profile of Alberta farm animal genetics, research and ultimately general advancement. Efforts were targeted toward increasing partnerships amongst researchers, academics and agri-food companies, and, working towards developing an Memorandum of Understanding regarding goals and promoting trade.
- Alberta Animal Genetics Consulting Group Ltd.'s efforts regarding the marketing of swine genetics as frozen boar semen and live pigs primarily to India and China. This initiative included and incoming missions with India and China and building relationships with selected porcine industries with each country's government regulatory agencies.
- The Alberta Elk Commission's Korean trade and relationship enhancement project which helped to open access to Korea for Canadian elk velvet antler (EVA) products including raw antler (whole antler), further processed, value-added and branded Canadian products. This trip saw the development of relations between the Alberta Elk Commission and Embassy and Alberta Trade

Office staff, the Korea Deer Breeders Association, Korea Velvet Buyers Association and nutraceutical representatives.

- Alberta Elk Commission's Asian trade and relationship enhancement project where the Alberta Elk Commission took a lead role working through the Canadian Cervid Alliance with the Canadian Trade Secretariat to develop the a plan of action to achieve market access for Elk Velvet Antler (EVA) into China. Business connections with buyers of cervid products in China and new value chains for cervid products will increase revenue and profits for cervid producers and processors in Canada

ALMA's strategy for consumer/customer focused leadership and education development were reinforced by such initiatives as:

- Edmonton Northlands' International Agriculture Program that brought international cattle buyers to Alberta to make them aware of Canadian cattle and encourage them to purchase more Canadian stock. The program saw 43 qualified buyers including 11 new qualified buyers from Brazil and Uruguay.
- Canadian Cattlemen's Association's (CCA) "Competitiveness Benchmarking for the Canadian Beef Industry" project provides a clearer view of how competitive Canadian beef is in key areas when compared to competing nations. The Performance Measurement Framework monitors inputs, activities and short term outputs and connects them with desired outcomes of the National Strategy.

Initiatives like the CCA's CANFAX Cattle Market Forum 2014 further share information regarding elements of market readiness. 220 attendees heard of the experiences the Harmony Beef Company, global and Canadian economic outlooks and cattle and feed grains market updates. Presentations also covered aspects of fed cattle price discovery, connections within the beef food chain, and information relative to the Brazil and China beef markets.

ALMA continues to help create strong relationships with decision-makers and policy influencers and participates on several roundtables:

- Beef Value Chain Roundtable with focus on labour challenges; Antimicrobial Resistance; challenges and opportunities related to technology in meat plants; updates on the National Beef Research Strategy, the Canadian Roundtable for Sustainable Beef, the Livestock Market Interruption Strategy and the National Farmed Animal Health and Welfare Council.
- Pork Value Chain Roundtable focused on benchmarking competitiveness, market penetration, value chain integrity, and priorities for science and innovation. The Certified Quality Assurance program was updated, incorporating new Codes of Practice and modules on antibiotic use.
- Sheep Value Chain Roundtable as it develops a shared understanding of the key market challenges and opportunities facing the industry; and to enhance co-operation and interaction among all stakeholders in the sheep value chain.

As a member of GIRA Club, ALMA gains access to comprehensive global market insights and reports.

## GOAL 2: Enabled product differentiation

ALMA supported enabling technologies for validation of product quality and assurance through:

- A successful outcome to the Targeted Call in Product Differentiation resulted in 6 projects approved for a total of \$1,458,454 in ALMA funding.
- Research and development support to 14 projects committing \$2.495 million including work by the following lead applicants:

- Dr. Mike Dugan, Agriculture and Agri-Food Canada, and Dr. Leluo Guan, University of Alberta, will work together to enrich beef fat with beneficial fatty acids for the consumer. Dr. Dugan's team will feed cattle to improve the content of beneficial fats (beneficial natural trans fats), profile the fats and work with human nutrition researchers to examine the health benefits of these fats. Dr. Guan will examine how the animal converts the nutrients in the cattle diet into fatty acids and fat through their rumen microbial environment and metabolism, understanding pathways and enabling selection of cattle that have enriched levels of these beneficial fats in beef.
  - Dr. Heather Bruce, University of Alberta, work on assessment of beef toughness using polarized near-infra-red (NIR) spectroscopy. Invention of a non-invasive method of assessing meat toughness will allow for classification of carcasses or cuts into quality categories and facilitate product differentiation. This project will examine the use of polarized NIR light to predict cooked beef toughness from the raw product.
  - Mr. Glen Kathler, SAIT Polytechnic, will develop and evaluate an "all-in-one" Radio-frequency identification (RFID), DNA collection, and management tags. The project combines SAIT Polytechnic RADLab's research experience with RFID tags and Livestock Gentec and Delta Genomics to collect DNA for parentage information and biobanking.
- Support under Strategic Initiatives for three product differentiation projects in the order of \$583,400 including the work of:
    - David Moss, AgriClear, on an electronic livestock trading solution with physical clearing. The proposed project and business goals of AgriClear are to implement an electronic livestock trading solution based on a listing model (asking price/offer) with a strong focus on clearing to ensure that sellers are paid and buyers receive cattle with the specification that are conveyed. The design of the trading platform will be structured to enable increased conveyance of cattle attributes, management practices and records that influence value of the animals to downstream stakeholders.
  - Support through the DFLOA program for the work of lead applicant Dr. Lynn McMullen, University of Alberta on alternative strategies for horse meat harvest to ensure product quality and safety for export markets. Research will investigate optimal adjustments to meat harvest to improve tenderness, eating quality and safety. This in turn, will help Alberta horse meat processors in entry into EU market.

*ALMA supports the development of new products* through Growing Forward 2 Agri-Processing Product and Market Development Program. Seventeen initiatives were awarded just over \$ 343,000 generating 19 new products for 20 new markets ranging from beef and chicken pies, sausage rolls, pepperoni sticks and pizza pepperoni, new reformatted value added meats, lamb case ready, lamb burger and marinated products, new portion cuts and Halal into expansion into local, BC, Manitoba and into Eastern Canada, as well as such markets as Dubai, USA, Bahrain. It also resulted in the training of 326 staff and an estimated increase of 485 million kgs of product. Examples of projects include:

- Capital Packers Inc. for the reformulation of 20 existing products and development of 6 new meat products. This initiative improved costs, incorporated anti-microbial and anti-allergens ingredients and reduced sodium content to meet CFIA requirements. The 6 new products will be promoted under Capital/Mariano's new brand.
- Royal Food Products expansion of its participation in the Eastern Canadian market by launching recently developed frozen ready to eat foods. The beef pie, chicken pie and sausage rolls to be launched are already in production for the Western market.
- SunGold Specialty Meats Ltd. added new products (case ready, burgers and marinated products) for both retail and food service.

ALMA also collaborates on the transfer of new market knowledge to industry and supports cross-sector learning opportunities. Support included:

- a partnership between Canada Beef Inc., ALMA, and Alberta companies to jointly promote Alberta meat proteins at SIAL Paris. 200 consumers were educated as Canada Beef provided cooking and product demonstrations to qualified partners to drive awareness and demand for Canadian beef and align that demand with the supply chain present in the booth. Awareness for Canadian beef was promoted to high level decision makers that made up the 150,000 attendees. Strong business links were established with key distribution networks not only in the EU but also in Saudi Arabia, China, Japan, South Korea and North America.
- Collaboration with the Camrose Regional Exhibition and Agricultural Society on the Canadian Bull Congress School Education Program. 658 students attended .This project expanded the School Program that runs during the Canadian Bull Congress and exposes children to agriculture in all areas not just limited to beef, promotion of farm safety, have hands-on education components - a fun learning experience, expand the program and open it up to other youth and even the general public.
- Edmonton Northlands, Livestock Innovation Showcase by Edmonton Northlands with foot traffic through the displays of near the total Farmfair attendance of 91,156, including 43 participating inbound buyers who also visited the showcase. Three international guests requested follow-up with exhibitors: Brazil (Holstein genetics), United States (livestock equipment) and Mexico (livestock equipment).

### GOAL 3: Enhanced productivity

Through the Industry Market and Development program, ALMA committed over \$170 thousand to five initiatives focused on enhanced productivity. These initiatives **assist in the profitability of on-farm technologies and supply chain collaboration for improved knowledge transfer**. Examples include:

- Alberta Cattle Feeders' Association's (ACFA) recruitment campaign which showed people what the cattle industry looks like. Social media channels provided a sneak-peek into the feedlot sector's culture to help address the chronic labour challenges faced by the agriculture industry. Online tactics included an enhanced ACFA website recruitment section and an online recruitment Hub to connect feedlot employers and industry partners with potential employees.
- the University of Alberta's 2014 Western Nutrition Conference. There were 210 attendees. Information shared at the conference focused on improved animal health through sound nutritional management.

**ALMA supports improvements through manufacturing efficiencies and labour gains.** Through Growing Forward 2 Agri-Processing Automation and Efficiency Program, over \$9 million was committed to 57 projects. Results today include an increased volume of over 33.5 million kg of meat and dairy product. Examples of these projects include:

- Saputo Dairy Products Canada's facility in Red Deer that is undergoing an expansion and modernization to increase efficiency of the manufacturing plant and to allow processing of milk solids non-fat into highly value added milk products.
- Mountain Top Foods Ltd.'s project for equipment selection, product testing and planning for the Nanton Production Plant.
- Cargill's Case-Ready facility in Calgary, creating a second sausage line and two new muscle processing lines to keep up with demand and future production capacity.
- Harmony Beef Company Ltd.'s fabrication and refrigeration upgrade, In order to re-open the beef packing plant, a considerable capital expenditure is required to upgrade the fabrication and refrigeration equipment.
- Champion Petfoods (GP) Ltd.'s kitchen upgrades to enhance the degree of automation and productivity of four operations; the tote dump and surge station, the digest and other coating, the dry ingredient mixer and micro system.

- Sunworks Farm (2013) Ltd.'s automated organic poultry processing facility to provide for the acquisition, installation, and commissioning of automated poultry processing equipment.
- JBS Canada's efficiency improvements to increase cattle processing capacity, ensure food safety is not compromised, and reduce down time for kill, rendering and processing operations.
- Olymel S.E.C.'s automatic splitting saws for improvements in efficiency, quality, employee safety and food safety as carcass splitting is a critical point in the process.
- Heritage Frozen Foods Ltd.'s new production line installation and a new boiler to increase steam capacity to increase overall perogy production capacity. Increased production of perogy products require bacon, eggs, and dairy.

ALMA also supports enhanced productivity through the **advance of transformational innovation**. ALMA launched a successful targeted call in Production Excellence, with 8 projects approved for a total of \$1,588,220. Over \$3.95 million were committed to twenty research projects including work by the following lead applicants:

- Dr. Changxi Li, Agriculture and Agri-Food Canada, to identify functional Single Nucleotide Polymorphisms (SNPs) to enhance genomic prediction accuracy for feed efficiency and carcass merit traits in beef cattle. This project looks to prioritize functional SNPs as a way to improve genomic selection tools. Genomic selection is a method that predicts the genetic merits of candidates based on whole-genome DNA markers.
- Dr. D. Wade Abbott, Agriculture and Agri-Food Canada to design and validate inhibitors against *Clostridium perfringens* mucolytic enzymes to mitigate colonization and necrotic enteritis. Control of necrotic enteritis in broiler chicken is based on the inhibiting mucin degradation enzymes produced by *C. perfringens*. This innovative way to control this pathogen in broiler production could be an alternative to antibiotic use.
- Dr. Michael Gänzle, University of Alberta to evaluate functional glycans and their ability to prevent enteric pathogens from adhering to the intestine in swine. Intensified swine production increases the risk of infection and requires managing animal health with antibiotics. However, alternatives to antibiotics are required. The swine industry will benefit from this project by access to an improved toolset for control of enteric disease in swine.
- Dr. Markus Czub, University of Calgary, to generate novel vaccines for the livestock sector via reverse immunology technology. The objective of this study is to develop a vaccine capable of strong induction of neutralizing antibodies against porcine circovirus 2 (PCV2) in order to lead to prevention of viral infection, disease and shedding. The approach will be to purify neutralizing antibodies made from naturally-infected pigs and then use reverse immunology technology to identify small peptides that mimic neutralizing epitopes of PCV2 without having the same amino acid sequence or functions as the authentic PCV2 capsid proteins.
- Dr. Hilal Gul-Uludag, MySTeM Biotechnologies and University of Alberta will study the use of bovine colostrum-derived immune and stem cells to boost immunity and health of beef and dairy cattle. This technology will allow for enrichment of bovine colostrum through stem cells to improve health of beef and dairy cattle. This could have a large impact on replacement heifer health and fertility.
- Dr. Sylvia van den Hurk, University of Saskatchewan, will work on a treatment for Bovine respiratory disease (BRD). BRD still causes significant morbidity and mortality in feedlots. Induction of early, innate immune responses would bridge the susceptible period between vaccination and development of specific immunity and provide protection from infection. This project intends to develop a treatment with immune modulators, CpG ODN and/or poly(I:C) incorporated in cellulose nanoparticles to achieve this and reduce losses due to BRD at feedlot entry and/or a BRD outbreak at later times.

Through the DFLOA program, **three projects were supported focused on innovation for enhance productivity on animal health and performance**. The lead applicants included:

- Dr. John Gilleard, University of Calgary, to investigate and mitigate the emergence of *Haemonchus contortus* as a major pathogen of Western Canadian sheep. It is consistent with reduction of drug/antibiotic use in livestock and responsible treatment of disease. Intestinal parasites are the single most important cause of disease and production loss in sheep throughout the world.
- Mrs. Cherylynn Bos, The Bos Farm, to build the most automated and user friendly goat rotary in the world thereby revolutionizing the goat milking industry in Alberta by allowing farms to manage more animals per person and achieve higher returns. This in turn will increase the number of farms choosing dairy goats as a viable industry and increase Alberta's national presence and profitability in the manufacturing sector for goat milk and cheese products.
- Dr. Susan Markus, Agriculture and Rural Development, to understand how predicted dry matter intake (DMI) and average daily gain (ADG) from the SheepBytes ration formulation program compares with actual values determined using GrowSafe systems with the flocks at Lakeland and Olds Colleges.

Productivity is also enhanced by **supply chain collaboration** such as the project by the Food Processors Logistics Research Council to establish a strategic procurement buying group to achieve economies of scale, negotiation power, decrease costs, and standardize requirements and service levels.

## GOAL 4: Sustainable development

ALMA's targeted call in Sustainability resulted in 17 approved projects with total ALMA funding of \$3,834,669. Overall, thirty seven research projects (\$5.7 million ALMA commitment) **addressed gaps in information and balance of societal-environmental-economic priorities**, including:

- Dr. Tim McAllister, Agriculture and Agri-Food Canada / University of Calgary, work on the effects of antibiotic use on integrative conjugative elements (ICEs)-associated antimicrobial resistance (AMR) transfer in livestock production. This collaboration between Dr. Tim McAllister and Dr. Sylvia Checkley aims to investigate ICEs in the development of AMR and evaluate the effect of antibiotic use on ICE-mediated AMR transfer in Alberta beef and poultry industries with emphasis on the antimicrobials important to human and animal health.
- Dr. Daniel R. Farr, Alberta Biodiversity Monitoring Institute, work on biodiversity assessment of Alberta's beef industry. This project will fill the knowledge gaps of the impacts of beef production on biodiversity in Alberta, thereby enabling more accurate assessments of the sustainability throughout the beef production life cycle and increased adoption of management practices shown to benefit biodiversity.
- Dr. Marian Weber, Alberta Innovates Tech Futures, will develop information to support the provision of Ecosystem Services (ES) on agricultural lands. The goal of this project is to prototype an integrated decision support system for enabling the development of innovative ES programs and markets in agriculture. It represents a collaboration with Alberta Innovates Tech Futures, Alberta Bio Solutions and ALMA.
- Dr. Trevor Alexander, Agriculture and Agri-Food Canada, will study the impact of pathogen prevalence and antimicrobial resistance on bovine respiratory disease (BRD) in feedlot cattle. It is anticipated that this project will lead to reduced feedlot use of highly important classes of antimicrobials in human medicine and reduce economic loss due to effective treatment of BRD.
- Dr. Cameron Carlyle, University of Alberta, will examine whether grazing impacts on greenhouse gas (GHG) fluxes in Alberta's rangelands are mediated by the soil microbial community. The work will quantify the size and stability of C stores across grazed and ungrazed grasslands in Alberta, and comparing them to other land uses. This project will provide an important understanding of how grazing alters GHG flux, how managers can reduce GHG net emissions, and how policy makers can promote GHG reduction.



- Ms. Emily Murray, Cargill, leads the McDonald's Sustainable Beef Strategy Canadian Pilot Project. The pilot will enable McDonald's Canada to purchase a portion of its beef from verified sustainable sources by 2016. The project will identify specific indicators for recognizing sustainable beef production practices and include a mechanism to verify and trace sustainable beef operations throughout the supply chain. It will recognize current sustainable practices and provide a foundation for continuous improvement, as well as inform the CRSB's sustainable beef journey.

\$1.46 million was committed for three Strategic Initiatives projects in support of sustainability efforts by **stimulating and supporting dialogue around sustainability**:

- \$950,000 toward a targeted call for proposals, in partnership with Alberta Beef Producers, focused on forage research for improved yield and nutritional quality, grazing management, improved drought resistance and carbon sequestration.
- \$439,450 in support of to assist in the establishment and initial workings of Canadian Roundtable for Sustainable Beef including the development of a strategy and business plan, communication plan, sustainability indicators, and annual general meeting.
- An Organic Waste Inventory for Alberta led by Jeff Bell of Agriculture and Rural Development, co-funded with Alberta Innovates – Energy and Environment. The purpose of the project is to carry out primary data collection, analyze the data and develop a deliverable form that will be of use and convenience to identifying opportunities to add value to organic waste streams. The identification of adding value to waste streams is gaining in importance as supply chains address their sustainability.

The Industry and Market Development program also committed \$2.197 million through 42 projects that **support the development of awareness, understanding and industry action relative to sustainability**, such as:

- The work led by Michael Latimer, Canadian Beef Breeds Council, to preserving the legacy genetic samples of the Canadian beef breeds. This project will assist beef breed associations with transitioning their samples to a laboratory that has high density genotyping capability, and also includes developing a long-term biobanking and sample accessibility strategy. Preserving these legacy samples and ensuring they remain accessible enhances momentum created in the adoption of genomics technology and will continue to increase the rate of genetic improvement in the beef breeds.
- The Alberta Beef Community Engagement Campaign with Alberta Beef Producers to increase its scope to reach new Canadians and also to target niche consumer markets that prefer premium beef products. This project engages consumers through: labelling and collateral programs; targeted events and social media; engaging Foodies through targeted events and social media; and developing meaningful partnerships with stakeholders in Alberta.
- Work led by Nicholas Allan, The Institute for Applied Poultry Technologies, to evaluate and develop a self-sufficient system for end of lay and emergency poultry depopulation to create value from poultry by-products. This project is a collaboration of Alberta Hatching Egg Producers; Egg Farmers of Alberta; Poultry Health Services Ltd.; Alberta Agriculture and Rural Development; and Alberta Farm Animal Care Association. It looks at operational logistics, scheduling and procurement and system sustainability.
- The Business Risk Management Education program led by Stuart Cullum, Lethbridge College, in collaboration with ACFA to develop non-credit programming offered.

**Sustainable development** is also the focus of three ALIDF projects representing over \$711,500 commitment. The applicant leads are:

- Dr. Zhiquan Wang, University of Alberta, looking to improve feed efficiency and reduce methane emissions from dairy cows using milk mid-infrared spectroscopy to support "green Alberta milk".

The project will develop tools to select for enhanced feed efficiency and reduced methane emissions in dairy cattle based on simple analysis of routine milk samples. The deliverable will be a genetic selection program to improve feed efficiency, to reduce the carbon footprint, to enhance the environmental and production sustainability and the competitiveness of the Alberta dairy industry.

- Mary Lou Swift, Hi-Pro Feeds LP, to develop a Western Canadian Forage NIRS Database for use by industry and research communities. The project will develop NIRS capability in forage analysis using archived samples with wet chemistry analysis available from research programs in Western Canada, as well as to develop a database for fresh intact forage and total mixed rations.
- Dr. WenZhu Yang, Agriculture and Agri-Food Canada - Lethbridge Research Centre, on the use of probiotics to improve production efficiency and health of cattle. This work will develop probiotics that will reduce the use of antibiotics in cattle. The proposed approach tests probiotic candidates for their potential to improve feed efficiency, modulate the immune system and improve the health of cattle.

### ALMA Commitment by Goal (\$)

Goal	No. of Projects	ALMA Commitment	Industry Contribution	Other Partner Contribution	Total Value	Leverage
Customer Access and Market Development	9.1	276,129	\$514,234	\$81,045	\$871,397	3.16
Product Differentiation	46.4	\$4,051,771	\$3,087,524	\$3,648,574	\$10,787,869	2.66
Enhanced Productivity	87.7	\$14,093,698	\$82,545,794	\$7,303,426	\$103,942,917	7.38
Sustainable Development	73.8	\$10,081,803	\$10,199,136	\$10,496,975	\$30,777,913	3.05
	<b>217</b>	<b>\$28,503,390</b>	<b>\$96,346,688</b>	<b>\$21,530,019</b>	<b>\$146,380,097</b>	<b>5.14</b>



## ALMA Board Committee Reports

### Market Access Committee

John Weekes, Chair,  
Ted Bilyea, Robert Francis, Leighton Kolk, Jurgen Preugschas

ALMA's Market Access Committee provides strategic thinking on how to effectively promote more open and secure access to foreign markets and to assist industry in building relationships designed to improve economically beneficial access to international consumers.

The Committee works closely with industry stakeholders and the Ministry of Agriculture and Rural Development (ARD) to advance trade positions important to Alberta. It is also through industry partnerships on such industry-government forums as the Beef Value Chain Roundtable, Pork Value Chain Roundtable, Beef Cattle Market Access Committee and Canada Pork International that ALMA contributes to national market access strategies. In partnership with organizations like National Cattle Feeders' Association, a stronger voice for a cohesive Canadian strategy is advocated to the Beef and Cattle Trade Advisory Group, the federal Market Access Secretariat, and other federal officials responsible for trade negotiations.

The recent case of Bovine Spongiform Encephalopathy (BSE) is a reminder that Alberta needs to maintain its BSE focus. Following the confirmation of the BSE case in Alberta in February, 2015, several countries imposed temporary import restrictions on Canadian beef (Belarus, Peru, Taiwan, South Korea, and China) and on non-edible by-products for non-ruminant consumption (Indonesia). Canada's BSE controls, including the enhanced feed ban, surveillance programs and removal and disposal of specified risk material, and demonstrated compliance with the provisions of the World Organization for Animal Health (OIE) Terrestrial Animal Health Code have recognized Canada as a controlled BSE risk country. Alberta needs to continue its guard. Traceability, research, and capacity are recognized as important for BSE issues. Alberta/Canada must also maintain its ability to demonstrate their diligence in BSE surveillance.

Alberta is a net exporter and Japan is one of our most critical markets. In 2014, Canadian pork and beef exports to Japan were worth over \$851 million and \$103.2 million<sup>21</sup>, and Alberta pork and beef exports were worth \$189 million and \$73 million, respectively. Canada-Japan Economic Partnership Agreement (EPA) negotiations between Canada and Japan are important but progress is slow as Japan focuses its resources on the Trans-Pacific Partnership (TPP) negotiations with the United States. ALMA advocates that it is critical that Canada engage Japan in negotiations of conditions of market access.

January 1, 2015, saw the Canada's first free trade agreement in the Asia-Pacific region come into force. Under the Canada Korea Free Trade Agreement, duties of up to 25 percent for fresh, chilled and frozen pork will be eliminated in 5 to 13 years; and duties that range from 40 to 72 percent for fresh, chilled and frozen beef cuts, and some processed beef, will be eliminated in 15 years.

Although the negotiation with the EU on Comprehensive Economic and Trade Agreement (CETA) have completed, there still remain some technical matters to resolve (red meat equivalency, recycled hot water, harmonized conditions for equine/porcine semen, import conditions for colostrum) which may determine the extent to which industry may be able to utilize the new tariff rate quotas.

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<sup>2</sup> Agriculture and Agrifood Canada website: <http://news.gc.ca/web/article-en.do?nid=953659>, Quick facts.

Last fall, the World Trade Organization (WTO) released its Compliance Panel report confirming that the U.S. Country of Origin Labelling (COOL) requirements for beef and pork are a breach of international obligations. The Appellate body is considering the appeal by U.S. Canada and Mexico should be in a position to request retaliation.

Pork is the most widely consumed meat in China and the market holds huge opportunity for pork and beef exports. In June, 2014, China formally agreed to work with Canadian officials to provide access for Canadian bone-in beef derived from animals less than thirty months of age as well as access for live cattle and to modernize live swine protocol, reflecting recent animal health and disease control science-based approaches. However, in October of 2014, China implemented a requirement for Canada to register information on third-party cold storage on the export certificate thus stalling the approval of establishments.

Alberta/Canada operates in an environment of competitive trade liberalization and, in addition to the importance of building relationships of trust with end-users in foreign markets, is the monitoring of achievements of major competitors. Korea now has Free Trade Agreements (FTA) with Australia and New Zealand has just concluded an FTA with Korea. China has an FTA with New Zealand and is concluding a high-quality FTA with Australia. Japan has a FTA with Australia effective January 2015. Australia and New Zealand are both ahead of Canada in negotiating free trade access to various Southeast Asian nations.

Market access is essential for reaching the consumer. In the competitive marketplace, retailers are looking for a way to differentiate themselves from their rivals. Thus the value proposition is crucial to success.

## Programs and Services Committee

John F.T. Scott, Chair,  
David Andrews, Ted Bilyea, Ron Jackson, Anne Wasko

ALMA's Program and Services Committee assists the ALMA Board on all matters relating to ALMA's suite of funding programs and the review and approval processes. Technical and Research Review Subcommittees contribute valuable insights into application analysis and recommendations.

The ALMA application review process is rigorous, consisting of internal and external assessment. The internal review checks for eligibility compliance, completeness and support of strategic priorities. The external review provides the ideas, questions, and concerns that help our Committee understand more accurately the strengths and weaknesses of each proposed project. All are taken into consideration for the final decision. This rigour is essential to maintaining our edge and ensuring that the selected projects are relevant and maintain the standard of excellence.

ALMA looks to leveraging as an indicator of collaboration and partnership. It signals the commitment from other parties and demonstrates that others are committed to the project. Those who sign on at the start of the project as partners tend to have greater incentive to continue support after the project ends. Since every project funded must be aligned with ALMA's priorities, leveraging also provides an indication of how well projects align with other organizations' priorities.

ALMA administers the following programs:

- The Research and Development program is designed to enable both basic and applied research initiatives complementary to ALMA's product differentiation, productivity and sustainability goals.
- Strategic Initiatives addresses policy analysis and market access issues.

- Commercialization programs including the Agri-Processing Product and Market Development and the Agri-Processing Automation and Efficiency Programs (in partnership with Growing Forward 2, a federal-provincial-territorial initiative) help organizations in getting Alberta-made products into new markets, adopting best practices and new technologies, and stimulating new investment in value-added food and agri-product processing sectors.
- The Industry and Market Development program is designed to support business, market and capacity development in the livestock and meat industry with focus on leadership development; domestic and international market development; initiatives that enhance competitiveness and profitability; as well as consumer education.
- Livestock Development Funds include the grant agreements from two sponsored programs for which ALMA has assumed administrative responsibility: the Diversified Livestock Fund of Alberta Ltd. (DLFOA) and the Alberta Livestock Industry Development Funds (ALIDF). These funds target industry recovery from the BSE crisis and encourage growth and development of the industry.

During fiscal 2014-15, ALMA delivered on 217 projects which carried a commitment of over \$28.5 million, and (with leverage considered) had an overall total project value of \$146.4 million. Since ALMA's incorporation, ALMA has committed approximately \$195 million with a total potential leveraged value of over \$771 million to the industry. The average leveraging on ALMA programs has been 5.14, driven by the strong industry leverage on Agri-Processing Automation and Efficiency (9.88).

ALMA's programs make a significant difference! This can be directly attributed to the dedication and complementary expertise of members of the Programs and Services Committee; our Technical and Research Subcommittee and most significantly to the ALMA team. To all of them we offer our sincere appreciation for their work and exceptional commitment to the ALMA goals and objectives.

### Summary of 2014-15 ALMA Commitments

Program	No. of Projects	ALMA Commitment	Industry Contribution	Other Partner Contribution	Total Value	Leverage
Research and Development	65	12,158,467	6,946,551	17,882,780	36,987,798	3.04
Strategic Initiatives	9	\$2,384,493	\$1,317,080	\$514,770	4,216,343	1.77
Diversified Livestock Funds of Alberta / Alberta Livestock Industry Development Funds	7	\$1,611,945	\$1,836,530	\$1,137,710	\$4,586,185	2.85
Industry and Market Development	60	\$2,937,530	\$5,776,602	\$1,555,653	\$10,269,785	<b>3.50</b>
Agri-Processing Automation and Efficiency	59	\$9,067,644	\$80,083,234	\$439,106	89,589,984	9.88
Agri-Processing Product and Market Development	17	\$343,311	\$386,691		730,002	2.13
	<b>217</b>	<b>\$28,503,390</b>	<b>\$96,346,688</b>	<b>\$21,530,019</b>	<b>\$146,380,097</b>	<b>5.14</b>

## Governance and Human Resources

Anne Wasko, Chair

David Andrews, Kim McConnell, John Weekes

The Governance and Human Resources Committee of the Board of Directors has responsibility for all corporate governance matters including making recommendations to the Board of Directors in relation to composition of the Board of Directors and its standing committees. The Committee also administers the self-assessment process for the Board, its standing committees and individual directors. Performance reviews were conducted for the Chairman and President and CEO positions. Evaluations are part of the ALMA culture and performance is assessed annually.

Adherence to high standards of corporate governance is a hallmark of the way ALMA conducts its business. ALMA's governance practices conform to those recommended by the Agency Governance Secretariat under the Alberta Public Agencies Governance Act (APAGA) and the Public Agencies Governance Framework (Framework). Members adhere to the Board Governance Handbook. New members are provided with orientation as soon as they assume their duties. The Board engages in governance training to enhance effectiveness and achieve continuous improvement.

The Committee has completed a thorough review of governance policies and practices, including the Governance Handbook, Mandate and Roles document, Code of Conduct and Conflict of Interest, By-Laws, and the terms of references for the standing committees.

In accordance with its succession plan, competencies were identified and in July two new members joined the Board: Mr. David Andrews, owner of Lazy A Farms Ltd., and Mr. Leighton Kolk, president and co-owner of Kolk Farms Ltd. Both members bring extensive experience to ALMA.

A process is in place for directors to acknowledge annually ALMA's *Code of Conduct and Conflict of Interest* in the same way as officers and members, and all the directors have done so. All directors have also declared their interests in all other companies where they serve as directors or officers.

The Board of Directors is directly and closely involved in the preparation and approval of ALMA's rolling three-year strategic plan which is reviewed and assessed annually by the Board of Directors.

The Committee oversees the management of and negotiation of collective bargaining agreements with the union. This fiscal year saw a successful agreement.

The Board recruitment process was initiated in late fall of this fiscal year. An open competition and review process has resulted in the recommendation of potential candidates to fill one position. Appointment is pending.

ALMA and the Governance & HR Committee remain committed to governance excellence. Good governance is critical to making and implementing sound business decisions.

## Communications Committee

Jeff Kroll, Chair,

Ted Bilyea, Robert Francis, Kim McConnell

The Communications Committee provides oversight to communications at ALMA, to position ALMA as an effective and respected catalyst for change within the livestock and meat industry. Strategic direction is provided to continually improve communications and ensure effective industry engagement.

The tools at ALMA's disposal include special hosted events like FutureFare; e-communication like electronic distribution of information bulletins, website, feature articles, and videos; and a monthly newsletter targeting latest industry events, scientific developments, innovations, and market developments.

This fiscal, FutureFare 2014 showcased some of the innovative projects that received ALMA grants. The event included representatives from across the value chain. Its theme, *Feeding the Demand*, drew over 245 participants to hear from keynotes like Cameron Bruett, Head, Corporate Affairs; Chief Sustainability Officer, JBS, U.S. and Mario Pillozzi, Former President and CEO, Wal-Mart Canada. In addition to a sampling of researchers and industry partners who shared their success stories of collaborations with ALMA, exhibitors and research posters also provided snippets of achievements from ALMA funded projects.

ALMA is focused on improving its communication effectiveness. A recent stakeholder survey emphasized stakeholder interest in hearing about results of projects and success stories. ALMA's monthly was seen as a good way of getting information out and reaches a subscription base of over 1150.

ALMA is addressing the recommendations stemming from the findings of the stakeholder survey. Efforts are targeting the ALMA website to refresh its navigation and provide timely information targeted for all industry audiences. Arguably the website needs to motivate and compel various stakeholders (not just inform them) to help advance its goals. The Committee is giving consideration to strategies to better promote ALMA's strategic plan and industry priorities.

The social media energies are growing with nearly 1000 followers on Twitter. ALMA recognizes that social media is an excellent tool to engage and connect with the younger generation.

In-person communications between stakeholders and ALMA Board and staff are still regarded as critical. Events, conferences and meetings are foundational to communication efforts. These activities, as well as media relation and pick-up, are key to ensuring that information is transferred to the producer grassroots.

### Audit, Finance and Risk Committee

Ron Jackson, Chair

Jurgen Preugschas, John F.T. Scott, Leighton Kolk

The Audit Committee assists the Board with its oversight responsibilities related to fiscal management, financial reporting, annual budgets/quarterly forecasts, quarterly/annual financial statements as well as internal/external audit plans, reports and internal controls. The committee is also responsible for enterprise risk management relating to the above areas including compliance with applicable laws and regulations.

ALMA continues to implement an Enterprise Risk Management (ERM) process to identify, rank and address risks that may be perceived to have an impact on the implementation of the ALMA business plan. Management and Board members find the ERM process stimulates good dialogue relative to perspectives of risks, controls and ensures communication and common understandings of issues.

The result of the committee's work culminated in this annual report with the publication of audited financial statements. During the 2014-15 fiscal year, the Committee continued to focus on ensuring the appropriate processes and procedures adhered to legislated requirements and demonstrated effective internal controls.

# Financial Statements

# **Alberta Livestock and Meat Agency Ltd.**

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Financial Statements

Year Ended March 31, 2015

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS

MARCH 31, 2015

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Expenses – Detailed by Object

Schedule of Salary and Benefits

Schedule of Related Party Transactions

Schedule of Budget





## Independent Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Livestock and Meat Agency Ltd., which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and 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 public sector accounting standards, 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.

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Livestock and Meat Agency Ltd., as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 26, 2015

Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015  
(in thousands)

	2015		2014
	Budget (Schedule 4)	Actual	Actual
<b>Revenues</b>			
Government Transfers			
Government of Alberta Grants	\$ 35,390	\$ 31,236	\$ 27,689
Investment Income	66	83	62
Other Revenue	1,601	1,955	1,413
	<b>37,057</b>	<b>33,274</b>	<b>29,164</b>
<b>Expenses</b>			
Industry Investment	14,927	12,109	10,847
Strategic Initiatives	14,976	16,841	13,763
Corporate Services	4,637	3,141	3,524
Livestock Development	2,582	1,456	1,244
	<b>37,122</b>	<b>33,547</b>	<b>29,378</b>
<b>Annual operating deficit</b>	<b>\$ (65)</b>	<b>\$ (273)</b>	<b>\$ (214)</b>

*The accompanying notes and schedules are part of these financial statements.*

Approved by the Board of Directors:

Dr. David Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015  
(in thousands)

	2015	2014
<b>Assets</b>		
Cash and Cash Equivalents (Note 3)	\$ 10,335	\$ 8,103
Due from Government of Alberta	3,086	6,690
Accounts Receivable	53	94
Tangible Capital Assets (Note 4)	1,089	1,362
	<b>\$ 14,563</b>	<b>\$ 16,249</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 551	\$ 471
Grants Payable	8,920	9,088
Unearned Revenue (Note 5)	1,314	2,639
	<b>10,785</b>	<b>12,198</b>
<b>Net Assets</b>		
Net Assets at Beginning of Year	4,051	4,265
Accumulated Operating Deficit	(273)	(214)
Net Assets at End of Year	3,778	4,051
	<b>\$ 14,563</b>	<b>\$ 16,249</b>

Contractual Obligations (Note 6)

*The accompanying notes and schedules are part of these financial statements.*

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015  
(in thousands)

	2015	2014
<b>Operating Transactions</b>		
Annual Operating Deficit	\$ (273)	\$ (214)
Non-cash Items:		
Amortization of Tangible Capital Assets	348	362
	<b>75</b>	<b>148</b>
Decrease in Accounts Receivable and Due from Government of Alberta	3,645	2,065
Increase (Decrease) in Accounts Payable and Accrued Liabilities	80	(1,170)
(Decrease) Increase in Grants Payable	(168)	3,671
Decrease in Unearned Revenue	(1,325)	(1,201)
Cash Provided by Operating Transactions	<b>2,307</b>	<b>3,513</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(75)	(148)
Transfer of Tangible Capital Assets to		
Department of Agriculture and Rural Development	-	3
Cash Applied to Capital Transactions	<b>(75)</b>	<b>(145)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>2,232</b>	<b>3,368</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>8,103</b>	<b>4,735</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,335</b>	<b>\$ 8,103</b>

*The accompanying notes and schedules are part of these financial statements.*

## Notes to the Financial Statements for the Year Ended March 31, 2015

### Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. is a Provincial Agency incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta), and operates under the authority of the *Financial Administration Act*.

The Alberta Livestock and Meat Agency Ltd. (the Agency) was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

The Agency is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under the *Income Tax Act*.

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### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting Standards (PSAS).

#### Basis of Financial Reporting

**Revenues** – All revenues are reported on the accrual basis of accounting.

**Government Transfers** – Transfers from the Government of Alberta are referred to as government transfers.

Government transfers and the associated externally restricted income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Agency's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Agency is eligible to receive the funds.

#### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met by the recipient, and a reasonable estimate of the amounts can be made.

#### Valuation of Financial Assets and Liabilities

The Agency has no financial assets or liabilities measured in the fair value category and has not engaged in Foreign Currency transactions. The Agency has no remeasurement gains or losses and consequently has not presented a Statement of Remeasurement Gains and Losses. The Agency's financial assets and liabilities are measured at cost or amortized cost.

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets are limited to financial claims, such as advances to and receivables from other organizations.

**Cash** – Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Treasury Board and Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

**Tangible Capital Assets** – are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and amortized on a straight-line basis over the estimate useful lives of the assets.

Work in progress, which includes development of information systems, is not amortized until after a project is complete and the asset is put into service.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met by the recipient and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

**Net Assets** - Net assets/net liabilities represent the difference between the carrying value of assets held by the Agency and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Agency operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

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## Note 3 Cash and Cash Equivalents (in thousands)

Cash and cash equivalents consists of:

	2015	2014
Cash	\$ 9,021	\$ 5,464
Restricted Cash <sup>(1)</sup>	1,314	2,639
	<u>\$ 10,335</u>	<u>\$ 8,103</u>

<sup>(1)</sup> Restricted cash consists of unearned revenue. Further details are provided in Note 5.

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**Note 4 Tangible Capital Assets**  
(in thousands)

	2015				2014
	Equipment 10 years	Computer Hardware and Software 3 -5 years	Leasehold Improvements 5 years	Total	Total
<b>Estimated Useful Life</b>					
<b>Historical Cost <sup>(a)</sup></b>					
Beginning of Year	\$ 901	\$ 1,427	\$ 133	\$ 2,461	\$ 2,324
Additions	-	75	-	75	148
Transfers Out <sup>(b)</sup>	-	-	-	-	(11)
	<u>\$ 901</u>	<u>\$ 1,502</u>	<u>\$ 133</u>	<u>\$ 2,536</u>	<u>\$ 2,461</u>
<b>Accumulated Amortization</b>					
Beginning of Year	\$ 420	\$ 552	\$ 127	\$ 1,099	\$ 745
Amortization Expense	91	251	6	348	362
Transfers Out <sup>(b)</sup>	-	-	-	-	(8)
	<u>\$ 511</u>	<u>\$ 803</u>	<u>\$ 133</u>	<u>\$ 1,447</u>	<u>\$ 1,099</u>
<b>Net Book Value at March 31, 2015</b>	<u>\$ 390</u>	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ 1,362</u>
<b>Net Book Value at March 31, 2014</b>	<u>\$ 481</u>	<u>\$ 875</u>	<u>\$ 6</u>	<u>\$ 1,362</u>	

<sup>(a)</sup> Historical cost includes work-in-progress at March 31, 2015 totaling \$103 comprised of computer software (2014 - \$176).

<sup>(b)</sup> Includes transfer of computer hardware to Department of Agriculture and Rural Development, comprised of historical cost of \$0 (2014 - \$11) and accumulated amortization of \$0 (2014 - \$8).

**Note 5 Unearned Revenue**  
(in thousands)

As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the Agency which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2015	2014
Unearned Revenue	<u>\$ 1,314</u>	<u>\$ 2,639</u>
	<u>\$ 1,314</u>	<u>\$ 2,639</u>

**Note 5 Unearned Revenue (continued)**  
(in thousands)

	2015			2014	
	ALIDF Fund 2 - 2004 Post BSE Commercialization and Development	ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative	DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	Total	Total
Balance, beginning of year <sup>(1)</sup>	\$ 190	\$ 699	\$ 1,750	\$ 2,639	\$ 3,840
Received during the year	-	-	-	-	-
Restricted Realized Investment Income	2	8	23	33	43
Less amounts recognized as revenue	(173)	(489)	(696)	(1,358)	(1,244)
Balance, end of year	<u>\$ 19</u>	<u>\$ 218</u>	<u>\$ 1,077</u>	<u>\$ 1,314</u>	<u>\$ 2,639</u>

**Note 6 Contractual Obligations**

(in thousands)

Contractual obligations are obligations of the Agency to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2015	2014
Obligations:		
Operating Leases	\$ 2,292	\$ 3,006
Contracts	220	132
Programs	12,144	13,749
	<u>\$ 14,656</u>	<u>\$ 16,887</u>

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF (\$237) and the DLFOA (\$298). In addition, the Agency has obligations resulting from new grant agreements (\$11,609).

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Contracts	Programs	Total
2015-16	\$ 551	\$ 220	\$ 9,545	\$ 10,316
2016-17	551	-	1,587	2,138
2017-18	551	-	748	1,299
2018-19	549	-	264	813
2019-20	91	-	-	91
	<u>\$ 2,292</u>	<u>\$ 220</u>	<u>\$ 12,144</u>	<u>\$ 14,656</u>



**Note 7 Benefit Plans**

(in thousands)

The Agency participates in the multi-employer pension plans: Management Employees' Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The Agency accounts for these multi-employer pension plans on a defined contribution basis. The Agency is not responsible for future funding of the plan deficit other than through contribution increases.

The expense for these pension plans is equivalent to the annual contributions of \$397 for the year ended March 31, 2015 (2014 – \$358).

The Agency does not have sufficient plan information on the MEPP/PSPP/MRCA to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pensions expense recorded for the MEPP/PSPP/MRCA is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805 (2013 – surplus of \$50,547), the Public Service Pension Plan reported a deficiency of \$803,299 (2013 – deficiency \$1,254,678), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$17,203 (2013 – deficiency \$12,384).

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**Note 8 Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

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**Note 9 Approval of Financial Statements**

The financial statements were approved by the Board of the Agency.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE TO FINANCIAL STATEMENTS  
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT  
YEAR ENDED MARCH 31, 2015  
(in thousands)

	<b>2015</b>		<b>2014</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Salaries, Wages and Employee Benefits	\$ 3,597	\$ 3,284	\$ 3,040
Supplies and Services	5,184	2,171	2,530
Grants	28,191	27,744	23,446
Amortization of Tangible Capital Assets	150	348	362
	<u>\$ 37,122</u>	<u>\$ 33,547</u>	<u>\$ 29,378</u>

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2015  
(in thousands)

	2015				2014	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>	Total	Total	Total
Chairman of Board <sup>(4)</sup>	\$ -	\$ 138	\$ -	\$ 138	\$ 142	\$ 142
Board Members <sup>(4)</sup>	\$ -	348	-	\$ 348	\$ 339	\$ 339
President and						
Chief Executive Officer	\$ 197	\$ 10	\$ 46	\$ 253	\$ 242	\$ 242

<sup>(1)</sup> Base salary includes regular salary.

<sup>(2)</sup> Other cash benefits include an automobile allowance, health spending account payments, honoraria and other lump sum payments. There were no bonuses paid in 2015.

<sup>(3)</sup> Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.

<sup>(4)</sup> The Board consists of a maximum of 12 members including the Chairman, whose salary is disclosed separately. As of March 31, 2015, there were no vacant positions.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2015  
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements.

The Agency had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	<b>Entities in the Ministry</b>		<b>Other Entities <sup>(1)</sup></b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues:				
Grants	\$ 31,236	\$ 27,689	\$ -	\$ -
	<u>\$ 31,236</u>	<u>\$ 27,689</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses - Directly Incurred:				
Grants	\$ 402	\$ 415	\$ 7,559	\$ 8,512
Other services	-	-	9	19
	<u>\$ 402</u>	<u>\$ 415</u>	<u>\$ 7,568</u>	<u>\$ 8,531</u>
Payable to				
Agriculture Financial Services Corporation	\$ 1	\$ 4	\$ -	\$ -
Department of Agriculture and Rural Development	479	640	-	-
Ministry of Innovation and Advanced Education	-	-	2,545	3,126
	<u>\$ 480</u>	<u>\$ 644</u>	<u>\$ 2,545</u>	<u>\$ 3,126</u>
Receivable from				
Department of Agriculture and Rural Development	\$ 3,085	\$ 6,690	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	1	1
	<u>\$ 3,085</u>	<u>\$ 6,690</u>	<u>\$ 1</u>	<u>\$ 1</u>

<sup>(1)</sup> Other entities include schools, universities, colleges and health authorities.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.SCHEDULE TO FINANCIAL STATEMENTSBUDGET RECONCILIATIONYEAR ENDED MARCH 31, 2015

	Original Budget	Adjustments to Conform to Accounting Policy (in thousands)	Budget
<b>Revenues</b>			
Government Transfers			
Government of Alberta Grants	\$ 35,390	\$ -	\$ 35,390
Investment Income	66	-	66
Other Revenue	1,601	-	1,601
	<b>37,057</b>	<b>-</b>	<b>37,057</b>
<b>Expenses</b>			
Industry Investment	\$ 11,927	\$ 3,000	\$ 14,927
Strategic Initiatives	14,976	-	\$ 14,976
Corporate Services	4,637	-	\$ 4,637
Livestock Development	2,582	-	\$ 2,582
	<b>\$ 34,122</b>	<b>\$ 3,000</b>	<b>\$ 37,122</b>
<b>Annual operating surplus</b>	<b>\$ 2,935</b>	<b>\$ (3,000)</b>	<b>\$ (65)</b>
Capital Spending	\$ 3,000	\$ (3,000)	\$ -