
2015-16 ALMA Annual Report

ALBERTA LIVESTOCK
AND MEAT AGENCY
LTD.

May 30, 2016

Transmittal Letter

May 30, 2016

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 2015 - 2016 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, 2016.

Yours truly,



Dr. David A. Chalack, DVM
ALMA Board Chair



Gordon Cove
President and CEO

Our Mission

A catalyst in the development of a profitable and internationally competitive Alberta livestock and meat industry

ALMA works with and for industry to help address the challenges and seize opportunities - to align key partners - to galvanize leadership.

Our History

In 2008, the Alberta livestock and meat industry faced a deteriorating business environment. One characterized by relatively high feed costs; restricted access to key export markets; packing plants were operating under-capacity; difficulty implementing a systematic value chain approach; lack of a shared industry vision; lack of product differentiation and ability to capture higher value markets; over-dependence on the US market; shortage of labour; and the aftermath of BSE.

Short-term crisis funding from government through ad hoc programs would not resolve the long term issues industry faced. Industry was unable to adjust to the major challenges.

The Alberta Livestock and Meat Strategy (ALMS), was developed as a blueprint for change in the industry to strategically rebuild the industry.

ALMS purpose: to develop new and existing markets and enable the development of a sustainable and profitable Alberta livestock and meat industry.

ALMS approach:

- Shifting from commodity orientation to producing high-value differentiated products
- Reducing dependence on US market
- Improving industry strategic direction and governance
- Redirecting and refocusing government marketing funds to produce results

Alberta Livestock and Meat Agency (ALMA) emerged as the first outcome of ALMS as a unifying catalyst to enable change.

ALMA was designed as a new business model to stimulate industry innovation, ensure value added, diversification and ability to seize opportunities.

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Message from the Minister

Throughout its tenure, the Alberta Livestock and Meat Agency (ALMA) has provided important services and assistance that have helped support the development, growth, and competitiveness of our agriculture sector. From investing in research and innovation to supporting initiatives that advance sustainability, productivity and market development, ALMA has been a strong partner for our province's livestock industry.

I want to take this opportunity to thank ALMA's Board of Directors and staff for their leadership, dedication and outstanding work. The agency has accomplished a lot since it was formed in 2009.



Our government recognizes the importance of agriculture to our rural communities and a strong and diversified provincial economy. As the agriculture sector continues to evolve, so must the way government develops and delivers programs that help ensure our producers, processors and agri-based businesses are well-positioned to succeed in the highly competitive global marketplace.

To streamline and further enhance coordination of services, a new delivery model is being implemented that will result in the livestock-focused programs being managed directly by the Department of Agriculture and Forestry. This will strengthen our ability to make sure that programs that support all sectors of the agriculture industry, from livestock to crops to food processing, are strategically aligned and maximizing their effectiveness.

I want to assure members of the livestock and meat industry that we will continue to partner with our stakeholders and build on the excellent work that ALMA has completed on behalf of producers and the provincial government.

We all share a common goal of a building a strong and vibrant agriculture sector that continues to thrive and reach its full potential.

A handwritten signature in black ink, which reads "Oneil Carlier". The signature is written in a cursive, flowing style.

Oneil Carlier
Minister of Agriculture and Forestry

Message from the Chair



Over the 2015-16 fiscal year, ALMA collectively built momentum around new ideas that will shape our industry's future. We endeavored to harness the spirit of discovery of internationally renowned researchers, capture the power of imagination from industry champions and channel the energy of collective action of our industry partners.

This annual report speaks to our success in these efforts. It documents the progresses in knowledge and awareness; products, services, processes, practices; environmental, sustainability and animal health. These are the seeds of true growth.

Future-oriented agricultural leaders understand that reality of growth. Opportunities for growth abound and leaders look beyond the recent short term challenges. With increases in global population, food production must double to match the needs. Consumption of meats, particularly poultry and pork in developing countries, is growing at a striking rate.

Meeting these needs rest with the advances in the science behind energy, infrastructure, connectivity and health. Our board met with industry experts to examine potential solutions. Dr. Brad Stelfox, founder of ALCES (A Landscape Cumulative Effects Simulator) and adjunct professor at Universities of Alberta and Calgary, shared his perspectives relative to the use of modeling to explore issues between landscapes, land uses (agriculture, forestry, oil and gas, mining, human populations, tourism, and transportation sectors), and ecological and economic integrity. Sara Hastings-Simon, director of the Pembina Institute's Clean Economy Program, engaged in discussions with our board relative to new technologies that enable economic growth at a lower environmental cost. Todd Hirsch, ATB Financial's Chief Economist, helped our board explore the prospects for agriculture as the province faces the second year of recession and recovery to \$50-55 oil to sustain Alberta's petroleum industry being a very long shot. Dr. David Bailey, President and CEO, Genome Alberta, also met with us to discuss the importance of retaining the entrepreneurs, researchers and innovators in our province and the role of genetics in industry growth.

We were also fortunate to host a variety of industry guests at our board table. Alberta Cattle Feeders' Association representatives Bryan Walton, CEO, Page Stuart, Chair, and Shannon Lyons, Communications Manager, conveyed the importance of engagement with partners to improve industry relations, governance and pursuit of collaborative solutions for the benefit of industry. Karen Kirkwood, Executive Director of Alberta Chicken Producers, accepted an invitation to share her sector's championing role to organize and invest in social license and sustainability. Frank Novak, Alberta Pork Chair, Dan Majeau, Director, and Darcy Fitzgerald, Executive Director, gave their time to discuss developments and pressures in the pork sector and opportunities for partnership. These are but a sample of the formal engagements but much more occurred in the form of informal consultation. The ALMA Board and staff remain grateful to our industry partners for their careful deliberation and relentless drive to make a difference. Thank you!

Throughout the year, ALMA looked to areas of transformational growth opportunities. Technological advances, such as those witnessed in genetics and proteomics, had a dramatic impact on productivity while reducing the carbon footprint, as well as improving disease resistance and food safety (rapid *E. coli* detection in meat products). We have seen livestock biometrics automatically identify and relay vital information about the livestock in real time and the implementation of rotary milking innovation in the goat milk industry. We have also seen the successful piloting of a lipid conversion technology at Forge Hydrocarbons, an Alberta-based start-up company that produces value-added biofuels from rendering

operations. The pursuit for sustainable food production will be further explored with industry collaborations, such as the Canadian Roundtable for Sustainable Beef.

Overall, ALMA has supported 195 initiatives this year, committing over \$24 million and our expertise to help each and every one move our industry forward.

My hat is off to my fellow board members, both current members and those who have contributed along our journey. Your inspiration and governance guidance is appreciated. And to our CEO and dedicated staff: your sweat and toil will not be lost. The honor has been mine to have the opportunity to work alongside all of you. The vision lives on.

What's on the horizon? Over the last seven years, our industry has embarked on a path toward its vision of a profitable and internationally competitive industry. The next six months will see our Board and staff committed to ensuring as smooth a transition as possible of the programs and services into Alberta Agriculture and Forestry to sustain that vision. We want our industry to continue to have access to these programs and we have confidence in the future-minded thinkers and industry leaders to continue to enhance those opportunities.



Dr. David A. Chalack, DVM
ALMA Board Chair

Message from the CEO and Management's Responsibility for Reporting



I am honoured to report that even in an environment of much uncertainty, ALMA was still able to deliver a solid performance for the 2015-16 fiscal year. Much of this credit is due to strong industry alignment and collaborations.

Critical to ALMA's success has been our ability to work across the whole meat and livestock value chain and to stimulate dialogue among industry food system leaders. Commitment in 2015-16 was \$24.269 million in support of 195 initiatives. This represented nearly \$101.8 million in project value. Benefits attributed a cross species: beef 35.5%; pork 15.2%; poultry 13.4%; dairy 7.8%; lamb 4.4% and elk and bison at .6% each; and multi-species projects at 22.7%.

Last year started with a reminder of the impact of BSE and its potential to devastate our cattle industry. We responded with research to understand this disease and its vectors. Industry demonstrated its ability to strengthen controls and retain the confidence of our trading partners. In fact, cattle prices were strong and hog prices also gained some ground by year's end. Hope for new market opportunities were created through the CETA and TPP agreements and resolve of mCOOL disputes.

It was also a year with strong consumer expectations relative to sustainability and animal care. The food service and retail sector responded, and pressures on our suppliers increased. Processors and producers continue to find ways to address challenges with labour availability, efficiency and scale, as well as access to capital, water and markets.

During the year, in partnership with the Alberta Beef Producers, we seized opportunities to tackle research gaps in forage research focused on improved yield and nutritional quality, grazing management, drought resistance and carbon sequestration. Currently, we are pursuing a joint research call for antimicrobial resistance and antimicrobial use research. We believe this call will help the beef industry address priorities that provide opportunities for the development of tools and management strategies to increase competitiveness and help maintain the industry's social license.

Our partnership with Canada Pork International (CPI) on the Alberta Pork Export Market Development Program will support export market development activities for Alberta processors in target markets. It will also bring together CPI, Olymel, Maple Leaf, Sunterra and Alberta Pork for a coordinated approach to international marketing.

ALMA continued support for sustainability initiatives, such as the efforts of the Canadian Roundtable for Sustainable Beef and sustainable approaches to addressing common issues for the Alberta livestock and crop sector working group. In addition, our 2015-16 targeted Sustainability Call resulted in nine initiatives receiving \$2.204 million in support for reduction in antibiotics, sustained animal wellbeing, control of pathogens, and promotion of Alberta's reputation as a producer of safe and environmentally sustainable foods.

Through supporting these initiatives, along with various others, ALMA delivered on its goals of increased customer access and market development; enabled product differentiation; enhanced productivity through the supply chain; and sustainable development. In the process, industry witnessed:

- 247 highly qualified personnel,
- 1,874 new industry leaders and 348 value added staff trained,
- 94 new products into 21 new markets,
- 12 patents,
- 24 new industry partners in sustainability.

Unquestionably, meat and livestock processing plays a vital role in the growth of Alberta's economy. ALMA's support has enabled expansion by approximately 60.84 million kg of meat product and 34.86 million Liters of dairy product for an estimated increase in revenue of \$146.4 million. Contributing to this increase were Olymel's installation of new packing line for boxing whole hog heads destined for China; Foothills Creamery's move to a new building; Sunterra's line of sliced and packaged fermented dried meat products; Mount Top Food's new brand of heat and serve products; and JBS's process flow improvement, just to name a few.

What is ALMA's legacy? As I think of all the ideas championed over ALMA's duration, the answer is evident in every segment of the industry. It is in the enthusiasm exuberated by researchers like Dr. Stefanie Czub furthering her work on BSE and its ongoing challenges, by Drs. Anastasia Elias and Dominic Sauvageau's innovative 'smart labels' that detect spoilage and pathogens in meat, by Dr. Trevor Alexander's research in using probiotics that inhibit bovine respiratory disease, by Dr. Karen Beauchemin's research into reducing methane emissions caused by livestock, by Dr. Tim McAllister work in the area of ruminant nutrition/microbiology and molecular biology and Dr. Edward Bork's work on rangeland ecology. It is in the passion of industry leaders as they implement their sector strategies, finesse their product lines and shake hands with their new trading partners. It will be on the minds of the future entrepreneurs, including graduates of business risk management in Lethbridge College, the next crop of butchery and charcuterie and cheese making aspiring chefs of SAIT and NAIT, and the future health professionals armed with the knowledge of the importance of meat to good nutrition.

But most of all, it is in the hearts and sole of all ALMA board and staff who believe in the value of industry collaboration and have provided the kind of outstanding service that we expect of them. I respect all, without exception.

Sincerely,



Gordon Cove
President and CEO
Alberta Livestock and Meat Agency

ALMA Overview

ALMA is a catalyst:

- Providing ideas, information and investment opportunities for Alberta's livestock and meat industry
- Advancing the Alberta Livestock and Meat Strategy (ALMS) to help the industry reach its full potential
- Stimulating dialogue among industry leaders across the whole meat and livestock value chain.

ALMA's programs stimulate innovation and encourage the adoption of best practices, develop new technologies and state-of-the-art processes.

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 Forestry (AF) ministry, AF 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 (including two Livestock Development funds: the Diversified Livestock Fund of Alberta Ltd. (DLFOA); and the Alberta Livestock Industry Development Funds (ALIDF));
- ✓ 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).

Results Analysis

Performance Measures		Year 2013-14	Year 2014-15	Target 2015-16	Year 2015-16
Goal One: Increased customer access and market development					
1.a	Engagement with company missions into Key/Priority Markets ¹	4	9	5	4
1.b	ALMA-supported market development activities in key markets.	4	6	3	7
1.c	Market and competitive research reports (i.e.: GIRA)	1	3	3	3
Goal Two: Enabled product differentiation					
2.a	Number of ALMA supported research initiatives focused on product differentiation.	-	-	20	12
2.b.	Leverage ratio with the product differentiation focused research initiatives	-	-	2.5	1.98
2.c.	Number of ALMA supported initiatives through the Agri-Processing Product and Market Development Program	19		20	22
2.d.	Leverage ratio with the Agri-Processing Product and Market Development Program	2.48		2.5	3.51
2.e	New products developed	125	48	100	94
2.f	New leader development	425	524	400	1874
2.g	New educated professionals (i.e.: HQP)	307	435	200	247
2.h	Market profile research studies	-	-	2	-
Goal Three: Enhanced productivity					
3.a	Number of ALMA supported research initiatives focused on efficiency and productivity gains.		31	25	27
3.b.	Leverage ratio with the productivity focused research initiatives			2.5	2.58
3.a	Number of ALMA supported initiatives focused on efficiency and productivity gains.	59	59	50	43
3.b	Leverage ratio with the Agri-Processing Automation and Efficiency Program.	9.94	9.88	4.5	10.96
3.c	Knowledge transfer events	35	33	45	27
Goal Four: Sustainable development					
4.a	New partnerships in sustainability.	-	5	2	24
4.b	Sustainability information and reporting.	-	2	2	4
4.c	Leverage ratio of sustainability projects.	2.73	2.89	1.25	2.67
4.d	New research initiatives for sustainable production.	11	37	10	23

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

Goal 1: Increased customer access and market development

ALMA helps industry respond to rapid emerging new markets, whether they result from enhanced access or new product markets. This support ranges from that of market opportunity confirmation to assistance in participation of export-ready agri-food businesses on trade missions.

According to the most recent GIRA report¹, several socio-political threats to the meat sector have had a negative impact on meat demand. Global warming challenges and greenhouse gas emissions associated with livestock supply chains, the 2015 United Nations Climate Change Conference (COP 21) and the International Agency for Research on Cancer's 'authoritative' advice to eat less red meat, growth of animal welfare issues, the restrictions on the use of antibiotics and interventions (farm and processing) and general negative publicity for meat are some of the more serious examples.

Through the Industry and Market Development program, \$1.72 million of customer access and market development support was provided to 19 organizations. These include:

- Partnership with Canada Pork International for an Alberta Pork Export Market Development Program (APEMDP) that provides Alberta packers with cost shared support to further develop, grow or defend their Alberta pork business. This helps businesses develop new products and specifications; expand their market share; raise the profile and awareness of premium Alberta brands in target markets and increase awareness and exposure of the unique quality attributes of Alberta's premium pork brands. Through this initiative, APEMDP approved 18 projects eligible for export market adaptation, investigation, retail sampling, market development and/or competitive benchmarking.
- Assistance to Royal Elk Products Ltd. for Chinese market development to connect with importers and resellers of nutritional supplements in Shanghai, Chongqing and Beijing. The unique situation created by the new free trade zones is expected to generate new sales for Royal Elk Products by expanding the elk antler market, identifying potential customers, and creating long term relationships.
- Partnership with Edmonton Northlands in support of a Foodservice Procurement project. This initiative will help to grow the number of foodservice supply chain linkages within the Edmonton region; increase use of Alberta foods within the Edmonton region by institutions; boost awareness of Alberta products used within the foodservice sector and enhance the urban connection to agriculture. The program saw 11 qualified buyers from markets new to the program (Brazil and Uruguay) and 43 qualified buyers from existing program participants representing 10 countries.
- Collaboration with Alberta Pork to promote Alberta pork by developing the regional retailer relationship in both the urban and rural marketplace. This will increase awareness and demand for Alberta pork products versus imported products, as well as keep Alberta Pork top-of-mind among the consumer via a bi-annual, multimedia campaign. Alberta Pork also continue to improve the Passion for Pork™ website, while maintaining collaboration with retailers, butchers and abattoirs to ensure they use Alberta pork and that products are properly labelled.
- Support to the Intensive Livestock Working Group to coordinate the livestock/poultry commodity groups on issues relevant to:
 - o The Bow River Phosphorus Management Plan (BRPMP) as it relates to critical source areas contributing the most runoff and phosphorus associated with livestock/poultry production.
 - o The Sub Basin Phosphorus Pilot Project to assess risk and incorporate best management practices on a significant percentage of the landscape and adapt a risk assessment tool into an electronic format for producers.

¹ GIRA GMC Synthesis 2015-2016 General Global Synthesis Report – All Meats. December 2015.

- Biodiversity Management Frameworks for participation in the development of biodiversity frameworks and setting of primary indicators and triggers.
- Assessment and Taxation of Intensive Farming Operations- Rural Infrastructure for the development of a sustainable, integrated strategy.
- Farm Safety to develop and implement a farm fatality and serious incident investigation and reporting process.

ALMA continues to help create strong relationships with decision-makers and policy influencers and participates on several roundtables to further efforts relative to: the Beef Value Chain's management of the BSE crisis, as well as market access and development; the Pork Value Chain's coordination of building consumer awareness and telling the Canadian pork production story; and the Canadian Roundtable for Sustainable Beef's advancement of sustainability efforts within the industry.

Goal 2: Enabled product differentiation

Differentiation strategies can create value, allowing companies to compete in areas other than price, stimulate brand loyalty and allow focus on product quality and uniqueness. ALMA has supported efforts to strengthen Alberta's competitiveness by enhancing quality, safety, value-based attributes and activities that create better products.

Key measures of success generated by the support for product differentiation research include the leveraged investment in leading-edge projects, as well as the number of highly qualified personnel trained as a result of the innovations. In fiscal 2015-16, ALMA's Research and Development program provided over \$2.6 million in support of 12 projects targeting product differentiation. This commitment leveraged investment to over \$5.18 million. Such investments have accelerated the introduction of new meat and livestock products. These research projects include work led by:

- Dr. Lynn McMullen, University of Alberta, to bring rapid pathogen detection to the food processing industry by expanding the types of pathogens that can be detected using cassette polymerase chain reaction (PCR). The existing platform technology was adapted for point of need genetic detection of *Salmonella enterica serovars*, *Campylobacter* species and *Listeria* species.
- Dr. Dominic Sauvageau, University of Alberta, to develop smart materials as inexpensive detectors for monitoring the food manufacturing and distribution chains in the meat processing sector.
- Dr. McMullen to improve the efficacy of high hydrostatic pressure processing for lethality of *L. monocytogenes* in an uncured, ready-to-eat poultry product. This project determined the combination of temperature and pressure that ensures safety and storage life of an uncured, ready-to-eat poultry product.

Two Strategic Initiative projects focused on product differentiation are:

- The Western Swine Testing Association working with swine producers to test new technologies that are adapted for livestock production to validate novel technologies in swine barns. The technologies are vision systems to predict weight, conformation and heat production, and are not currently used in pig barns in Western Canada. The project will help develop methods using these new technologies to improve traits in areas such as growth, feed efficiency, pig health, welfare, carcass quality and meat quality.
- A collaboration between the Canadian Cattlemen's Association, Synergy Farm Solutions, Canadian Beef Breeds Council, Canadian Angus Association, Canadian Hereford Association, Canadian Simmental Association, Canadian Cattle Identification Agency, and KRL Solutions Ltd. to make traceability tasks and management record keeping more convenient and productive for

Alberta producers by leveraging the increasingly sophisticated smartphones many already own and are familiar with. Software and hardware development will be supported by user testing. An app will be developed to incorporate data fields such as birth weight, weaning weight, breeding date, sire, yearling weight, and ultrasound measurements for purebred producers. The application will also enable expanded data exchange options over time (such as BIXS) by inputting user credentials and the producer indicating in the app preferences the data they choose to share.

ALMA-supported initiatives from the Agri-Processing Product and Market Development program led to 85 new products entering 16 markets. The Agri-Processing Product and Market Development program supported 22 projects for \$903,998. Innovative products resulting from this support include:

- Eight new health conscious premium smoked meat products under three main categories: sausage rings, sausage links, and bacon with Capital Packers Inc.
- A series of value-added lamb meat products and case-ready meat and offal products with SunGold Specialty Meats Ltd.
- Gourmet Hot Dog, Cutlet, Cooked Sausage product offerings and expanded capacity with a co-packing arrangement with Spolumbo's.
- Increased presence of Alberta products in the National market place for Mountain Top Foods Ltd.

Meanwhile, nine products were launched into five new markets from support through the Industry and Market Development program. In addition, four Industry and Market Development projects with a commitment of nearly \$588 thousand addressed product differentiation. This includes:

- Expansion of the production capacity and educational opportunities provided by the SAIT Meat Lab to contribute to increase knowledge sharing throughout the meat industry and the growth of future leaders for the meat industry.
- Investment to NAIT for the Cheese Making Program to purchase required equipment for receiving raw milk, comprising of a transfer pump to move the milk, a 400 litre bulk milk tank to store the milk and stainless steel pipe to pump the milk into the bulk tank.

Goal 3: Enhanced productivity

By delivering innovation that enhances productivity through the Research and Development program, 12 patents were registered, including three for Smart Food Labels related to Dr. Anastasia Elias work to detect the presence of microbes that cause food-borne illnesses; two for Dr. Sunwoo's antibody-based veterinary biologics, five for Dr. Martin Zuidhof's precision feeding systems and one each for SAIT's Radio Frequency Identification (RFID) applications and Agriclear's online cattle trading platform.

During the 2015-16 fiscal year, ALMA supported 27 productivity enhancing projects through the Research and Development program. Approximately \$4.65 million was committed toward the advancement of transformational innovation, including support for work by the following lead scientists:

- Dr. Micheal James , University of Alberta, to determine the molecular structure of the 3C-like proteinase (3CL) of Porcine Epidemic Diarrhoea Virus (PEDV), an alphacoronavirus that is the causative agent of rapidly spreading and deadly swine diarrhea outbreaks.
- Dr. Edouard Timsit, University of Calgary, to develop a broadly cross-protective vaccine that is not only capable of preventing *Histophilus somni* infection (a Gram-negative bacterium that causes substantial economic losses to the Canadian beef industry), but is also capable of eliminating it from immunized cattle. This would reduce the overall use of antibiotics and substantially improving cattle's productivity and welfare.
- Dr. Douglas Korver, University of Alberta, to quantify the impact of barn dry-cleaning on broiler productivity, health, microbiology, carcass traits and the economics of broiler production; allowing the Canadian poultry industry to make rational decisions regarding the most appropriate barn

sanitation method. The project provides an understanding of the linkages between barn environment, innate immune activation, broiler productivity and processing traits, food safety and a thorough economic analysis of all these factors.

- Dr. Graham Plastow, University of Alberta, to determine if genetic differences and gut-bacterial composition in the chicken have an impact on vaccine efficacy and *Campylobacter* colonization. Reducing pathogens at the source will result in safer foods.

Several projects enhanced profitability at the farm level through the adoption of technologies and practices for productivity improvement, such as:

- A Strategic Initiative project, which committed nearly \$39 thousand to Vanderrijt Poultry Farms Ltd. for an on-farm technological adaptation to enhance traceability, product uniformity and quality and improved feedback for on-farm decision making. Technology was adapted within a broiler breeder operation to grade the hatching eggs based on size, sort the hatching eggs based on size, sort out eggs that are outside of the hatchery parameters (small and large eggs), collect and analyze on-farm egg production data to make on-farm management adjustments, utilize UV disinfection of outgoing hatching eggs and add traceability into the supply chain of eggs from this broiler breeder operation.
- Three Diversified Livestock Fund of Alberta Fund (DLFOA) projects committing nearly \$730 thousand, including the work of:
 - o Dr. Kim Stanford, Alberta Agriculture and Forestry, to determine impacts of pelleting on alkaloid toxicity and evaluate two levels of an alkaloid binder in a series of growth and digestibility studies using lambs.
 - o Dr. Andrew Potter, University of Saskatchewan, to develop an efficacious vaccine to prevent respiratory disease in sheep. There are no licensed vaccines available in North America for sheep to prevent acute septicemia and pneumonia which account for approximately 50 per cent of the deaths in feedlot lambs.
 - o Dr. Joyce Van Donkersgoed, Alberta Beef Health Solutions Inc., to determine the causes of mortality in Alberta feedlot lambs and determine what risk factors may be associated with disease occurrence that could be managed to reduce disease losses.
- Four Industry and Market Development projects for nearly \$130 thousand including:
 - o Livestock Gentec creating an information network that will connect all of the segments of the beef cattle value chain for the purpose of improving the genetic merit of the Canadian beef herd.
 - o Turkey Farmers of Canada's Research forum, which aligns numerous Canadian poultry researchers with turkey industry representatives and young leaders to hold open discussions regarding the future direction of turkey research.
 - o Alberta Turkey Producers' Benchmark Model Development that obtains accurate information on input costs, feed efficiencies and bird mortality rates in order to educate producers on where they rank in relation to their peers.
 - o The Canadian Hereford Association developing a breed-specific genomic enhanced estimated progeny difference (GE-EPD) for Residual Feed Intake (RFI).

Forty-three projects were supported through the Agri-Processing Automation and Efficiency program with a \$4.578 million commitment. Capacity expansion in the order of 60.84 million kg and 34.86 million liters of product is anticipated as a result of ALMA support, including:

- 26.4 million kg of freezer capacity and 12 million kg resulting from a head box project with Olymel. The head box project gained entry into China markets for Alberta pork products, re-introducing Alberta Pork into an international market previously closed and securing a consistent customer base for all head meats/by-products.
- 5.3 million kg as a result of process flow improvements at JBS Food Canada-Brooks to address opportunities within the plant with a revamped ground beef line, upgrade the SRM process and upgrade Programmable Logic Controls equipment.
- 1 million kg expansion at Champion Petfoods with the development of a world renowned innovation hub (BAFRINO Research and Innovation Centre) in Morinville. The centre will focus on

conducting research and ingredient development to advance product development, process simulation and technology research.

- An additional 176,000 kg capacity at Intercity Packers Ltd. for additional new racking and refrigeration equipment. The expansion enables growth of business at an annual rate of 4 per cent.
- 500,000 kg of product with Sunterra Meats in Trochu and Balzac to supply the Western Canada, Pacific Mid-west U.S., and Asia markets with a full line of sliced and packaged fermented dried and semi dried meat products through the purchase of an automated slicing and packaging line.
- 30 million litres from Saputo's modernization of its Red Deer Dairy Processing facility, which focuses on milk reception, pasteurization and upstreaming processing, milk solids concentration, and packaging and storage of finished goods.
- 1.6 million litres of product with Foothills Creamery Ltd. moving its operations to a recently-acquired plant in Calgary. This involved preparation of the plant for dairy receiving, production, storage and shipping. In addition to increased production, volume capacity and incremental revenue, energy and water use was reduced.
- A recent facility expansion to Maple Leaf Foods that led to the addition of an extra production line at the company's Lethbridge pork processing facility. This project also saw the installation of a new rendering decanter and associated equipment to handle increase production requirements.

Knowledge transfer events build peer relationships for information exchange and support. Initiatives like Wellness Rx, Alberta Pork's Partner Relations Program, Alberta Milk's Nutrition File Seminar, and the University of Alberta's Alberta Diet Implementation have trained 5,572 health care professionals. Twenty-seven knowledge transfer events were supported by ALMA, with an estimated 12,776 conference and workshop attendance, including:

- FEASTival of Fine Chefs, 27th Annual
- Technical Large Animal Emergency Rescue (TLAER) courses
- 2016 Convention and Youth Day
- Stampede Pancake Breakfast
- 2016 Alberta Beef Industry Conference
- Canadian Bison Association Convention
- Alberta Pork - 2015 Red Deer Swine Workshop
- 2015 Alberta Sheep Breeders' Symposium
- Alberta Chicken Producers- Sustainable Approaches
- Banff Pork Seminar 2016
- AILCA Labour Summit
- Alberta Goat Association - 4th Annual Convention
- Governance and Risk Assessment Workshop
- Future Leaders Development Conference
- 25th Annual Conference of the Western Canadian Association of Bovine Practitioners
- The Forum on Canada's Agri-Food Future 2015
- 2016 Livestock Care Conference - Going Global
- Advancing Women Conference- West
- 4-H Alberta Provincial Leaders Conference
- 2016 Western Canadian Dairy Seminar
- Tiffin Conference
- Ranching Opportunities
- Egg Farmers of Alberta - Alberta Poultry Industry Annual General Meeting
- 2016 Alberta Elk Commission International Convention Support
- 2016 Annual Bison Producers Wildrose Bison Convention
- Inaugural Canadian Beef Industry Conference

Goal 4: Sustainable development

Cross-cutting issues like sustainability require a systems-based and transdisciplinary approach to understand the interactions among components of the value chain and the integrated resource management and animal and human health aspects. The success of ALMA's Research and Development program relative to this goal is accredited to the development of 24 new industry partnerships and the 2.67 leverage ratio of \$5.789 million committed for 23 initiatives. This includes research led by:

- Dr. Michael Woodside, University of Alberta, to provide important new information about how protective factors work at the molecular level, which will help develop novel strategies for addressing prion diseases. Specific mutations in platelet-rich plasma (PrP) can also protect against disease, and various pharmacological compounds and cellular ligands are effective at preventing PrP misfolding, but again in each case the molecular mechanism of protection is not understood very well.
- Dr. Hermann Schaetzl, University of Calgary, to design a vaccine that helps to contain Chronic Wasting Disease (CWD).
- Dr. Stefanie Czub, Canadian Food Inspection Agency, to investigate the risk of CWD transmission to humans in non-human primates. Protocols for the detection of PrPCWD map in cerebrospinal fluid, brain stem and spinal cord regions will be established.
- Dr. Richard Uwiera, University of Alberta, to develop a novel and non-genetically modified organism (GMO) innovation to manage acute and chronic enteric inflammation in livestock.
- Dr. Greg Goss, University of Alberta, to develop a dynamic model that predicts and assists in the development of management practices that will ensure the sustainability of water use in the Alberta beef industry. This will advance the modeling of Alberta's beef industry water use and supply through to 2070. This longer term perspective will introduce the longer term challenges and/or opportunities of water availability/shortages. This information has the potential to inform policy decisions regarding water needs and allocation.
- Ms. Jenna Griffin, Egg Farmers of Alberta, to mitigate NH₃ emissions from laying hens in Alberta by investigating practical dietary strategies to reduce ammonia emission intensity of egg production.
- Dr. Guillermo Hernandez Ramirez, University of Alberta, to reduce greenhouse gas (GHG) emissions from liquid manure injections by identifying best application rates of nitrification inhibitors. Investigate the optimal rate for using nitrification inhibitors following liquid manure applications, and report the potential to reduce GHG at farm and regional scales.
- Dr. Trevor Alexander, Agriculture and Agri-Food Canada, to reduce antimicrobial resistance in beef cattle in two ways. The first strategy will use a genomics-based approach to identify critical antimicrobial use activities that lead to resistance in the bovine microbiome. This information will be used for intervention to reduce resistance. The second strategy will develop nasal probiotics to enhance cattle immunity and respiratory health, thereby reducing respiratory infections and antimicrobial use.
- Dr. Ruurd Zijlstra, University of Alberta, to evaluate genomic and microbiome markers for animals that produce lower methane emission (g/d) and/or methane yield (g methane/ kg DMI), and investigate the phenotypic and genetic correlations of methane production with other potential indicator traits such as residual feed intake.

In partnership with Alberta Beef Producers, a \$1.5 million research call is targeting delivery of antimicrobial use and resistance. ALMA is providing \$1.425 million. Antimicrobial stewardship is key to maintaining the Alberta beef industry's social license to operate, and continued efficacy of products available to the cattle industry. Targeted research priorities include options that reduce the need for non-ionophore in-feed antimicrobials, animal biological processes or genetics that affect responses to high grain diets, rapid and/or chute-side diagnostic techniques, baseline antimicrobial use data, and data on prevalence of antimicrobial resistance.

In addition to the work undertaken by research, the Industry and Market Development program committed \$689,827 toward 34 sustainable development initiatives, including:

- The Canadian Bison Association collecting another three years of benchmarking information from 40 Alberta bison producers to complement the data being collected in Saskatchewan to better understand production and performance benchmarks and to better understand bison economic cycles and development of an e-learning tool for bison producers
- The Egg Farmers of Alberta implementing a comprehensive viral and *Salmonella* disease risk management program

- Olds College optimizing the cost effective application of bovine respiratory disease (BRD) detection in beef cattle by compare two prototype designs for detecting BRD in receiver calves.

ALMA Commitment by Goal (\$ thousands)

Goal	No. of Projects	ALMA Commitment	Industry & Other Partner Contribution	Total Value	Leverage
Customer Access and Market Development	19	\$1,720	\$4,239	\$5,959	3.46
Product Differentiation	40	\$4,507	\$6,212	\$10,719	2.38
Enhanced Productivity	78	\$10,129	\$53,968	\$64,097	6.33
Sustainable Development	58	\$7,913	\$13,094	\$21,007	2.65
	195	\$24,269	\$77,513	\$101,782	4.19

Communications

ALMA's communication efforts with industry, government and research communities involves ALMA's website communications, our monthly newsletter, social media, events, videos and other engagements techniques.

On June 16, 2015, ALMA hosted our feature event, FutureFare 2015: Setting Ourselves Apart in Calgary, where over 265 attendees listened to a line-up of notable industry speakers talking about a variety of industry topics. The morning's keynote speaker, Overwaitea Food President, Darrell Jones, joined the stage with former ALMA director, Kim McConnell, to talk about changes in the Canadian retail sector. We were also honoured to host the launch of Agriclear, an ALMA-partnered initiative that should drive benefits to the cattle industry. This presentation was delivered by keynote speaker Lou Eccleston, TMX Group CEO.

Two speaker sessions made up the rest of FutureFare 2015's agenda, focusing on advancements in research, as well as industry challenges and opportunities. The day also highlighted successful projects through posters and exhibits.

ALMA also underwent some enhancements to our communications based on feedback provided in last year's stakeholder communications effectiveness survey. Once again, we would like to thank those who participated, your feedback was very much appreciated. Most notably, we realized it was necessary for ALMA to build a more modern and user-friendly website. Thanks to the survey and insight curated through a user experience study, our new website is currently in the final development stages. We look forward to launching the final product with industry soon.

We also continued to expand upon ALMA's social media efforts. ALMA's YouTube videos averaged nearly 950 views per month this fiscal year, while our presence on Twitter and Facebook continue to steadily grow to 1376 followers and 283 likes respectively. We also posted over 80 writing pieces to the ALMA website, consisting of larger information bulletins on ALMA projects and shorter pieces such as announcements, videos and news releases from our industry partners.

While online communications have their merits, we also continue to put a strong emphasis on face-to-face communications. From meetings with industry to networking at events, having a strong

understanding of industry needs helps ALMA communicate more effectively and that our information reaches our many target audiences.

ALMA Board Committee Reports

Market Access Committee

Robert Francis, Chair,
Ted Bilyea, Jurgen Preugschas

Market Access for Alberta's livestock and meat industry is critical for existing and future prosperity. Risks associated with market access remain and hence it is so important to continuously evaluate strategies to support strong connectivity to international consumers. The ALMA Market Access Committee monitors developments in international trade and new trade agreements that will influence trade. The 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.

In 2015, Alberta exported \$1.7 billion of beef, \$585 million of cattle, \$468 million of pork and \$53 million of live hogs. Market development and access to China continues to prove to be beneficial with China representing 13.8 per cent (\$235 million) of Alberta's beef exports in 2015 and 4.8 percent (\$22 million) of pork exports.

On February 4, 2016, the 12 members of the Trans-Pacific Partnership (TPP) signed the agreement with the next step of individual countries ratifying the agreement.. New export markets are anticipated to open up with the elimination or reduction of tariffs. The timeline varies by country and by product. Japan will immediately end tariffs on 32 per cent of its agricultural imports, while other tariffs would be reduced or eliminated over the next 20 years. Australia, Malaysia and New Zealand will eliminate more than 90 per cent of their agricultural tariffs immediately once the deal is in place. Canadian beef and pork producers are among the big winners under the TPP deal. Within 10 years, Japan is promising to eliminate its tariffs on a wide range of pork products, while the current 38.5 per-cent tariffs on beef will be reduced to 9 per cent within 15 years. Vietnam will move more quickly, eliminating tariffs of up to 31 per cent on fresh and frozen beef within two years. The federal government has indicated intentions to compensate dairy, chicken and egg farmers affected by the TPP or Canada's free-trade deal with the European Union. Canada would give TPP members duty-free access to 3.25 per cent of its dairy market and 2.1 per cent of its poultry market. The US decision on ratification is unclear, and a decision will likely not be made until after the election. Canada has still not ratified the TPP, but ALMA continues to convey the significance of the agreement to Alberta's livestock and meat industry and its ability to export competitively.

The Canada and European Union Comprehensive Economic and Trade Agreement (CETA) is still in progress, however, ratification does not seem to be a priority for Europe. 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.

On March 2, 2016 the USDA released the formal repeal on the Federal Register with the elimination of the rules taking effect that same day. The World Trade Organization (WTO) has ruled on four separate occasions (May 18, 2015; October 20, 2014; June 29, 2012; and November 18, 2011) that mCOOL discriminates against Canadian cattle and hogs and violates the trade obligations of the United States.

On December 7, 2015, the WTO ruled that that Canada could impose retaliatory surtaxes on \$1.054 billion of US exports to Canada as a result of the economic harm caused by the US mCOOL policy, once final WTO authorization is obtained.

On December 30, 2015, South Korea lifted its temporary ban on imports of beef and veal from Canada. Imports of Canadian beef and veal were temporarily suspended in response to the February 2015 detection of an isolated case of bovine spongiform encephalopathy (BSE) in Canada. Access to this market will help Canadian beef and veal exporters expand their sales, while also benefiting South Korean consumers who will have greater access to Canada's safe, high-quality meat products.

Canadian imports of ingredients used in dairy product manufacturing continue to grow. In 2015, Canada imported more than \$800 million of dairy proteins, whey, cheese and curds. These products are displacing Canadian dairy ingredients and eroding market opportunities. It is important that action be taken to increase the utilization of Canadian ingredients and maintain sales opportunities.

On March 2, 2016, the Government of Canada announce that it would invest up to \$2,588,000 to help support international and domestic market development activities for Canadian beef cattle genetics, enabling the Canadian Beef Breeds Council (CBBC) to implement its market development strategy and raise awareness of Canadian beef genetics to expand into key markets including the United States, Mexico, Europe, China and Kazakhstan.

On January 11, 2016, Ukraine approved beef and pork exports from any Canadian federally registered establishment that meets certification requirements. In July 2015, Canada and Ukraine concluded negotiations toward the Canada-Ukraine Free Trade Agreement (CUFTA). Once fully implemented, the agreement will result in the elimination of all non-agricultural tariffs and the vast majority of Ukraine's agricultural tariffs

Market access is a key contributor to growth and jobs in Alberta. Approximately 89,200 Albertans work in the agricultural and agri-food sector. Alberta's livestock and livestock products generated \$6.4 billion in farm cash receipts and the supplier to Alberta's \$7 billion meat product manufacturing industry, \$1.4 billion dairy industry and \$1 billion animal feed sector. Economic growth remains highly dependent on exports and recognition of our safe, high-quality meat and livestock products. It is paramount that our industry continues advocating for Canada to maintain competitive access to international markets.

Programs and Services Committee

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

ALMA's Program and Services Committee makes recommendations to the ALMA Board on all matters relating to ALMA's suite of funding programs and the review and approval processes. Recommendations adhere to the following principles:

- **Rigour in review** – Rigour is essential to maintaining our industry's edge and ensuring that the selected projects are relevant and maintain the standard of excellence. This standard provides assurance of a fair, equitable, timely, and free of bias review process and is dependent on three levels of review:
 - *Internal scrutiny* of applications assures compliance to criteria as outlined in the terms and conditions and adherence to ALMA guidelines, eligibility, and that the scope is in context of set priorities.
 - *Technical Review: Peer Reviews* verify all research proposals for scientific merit, validation of quality and accountability of research, as well as identification of concerns with approaches. Qualified reviewers are selected based on scientific and technical qualifications, and their authority and dedication in their field. *Technical Review*

Committees further review the feedback of external and internal reviewers and draw on their experience and knowledge to assess overall impact and technical capability of the investigators and/or applicants and make recommendations for funding.

- *The Board:* The Program and Services Committee reviews the strengths and weaknesses of proposed projects and appropriateness of funding requests. Based on this final assessment, the Board is apprised of all Program and Services Committee recommendations.
- **Confidentiality** - The information provided by applicants in their applications is protected and is made available to external assessors for reviewing purposes only. Information contained in applications, reviewer reports, names of reviewers and committee discussions are all strictly confidential.
- **Fairness** – Success of ALMA programs and services is critically dependent on the willingness and ability of committee members to be fair and reasonable, exercise scientific and subject matter judgement, and understand the context of application within ALMA's strategic framework. Priorities are established through consultation with industry advisors and Board direction.
- **Commitment to outcomes** - Outcome-based assessments are essential in today's environment of decreasing funds and increasing industry needs. Greater focus is directed to whether programs are really making a difference and on measuring the impact on the livestock and meat industry.

ALMA administers the following programs:

- 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, comprising of 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 launch Alberta-made products into new markets, adopt best practices and new technologies, and stimulate new investment in value-added food and agri-product processing sectors.
- Industry and Market Development program strives to support business, market and capacity development in the livestock and meat industry. This program focuses on leadership development, domestic and international market development, consumer education and initiatives that enhance competitiveness and profitability.
- 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 Fund (ALIDF). These programs target industry recovery from the BSE crisis and encourage growth and development of the industry.

Leveraging is as an indicator of the degree of collaboration and partnership with industry and funding partners. It signals the commitment from other parties and demonstrates that others are committed to a project. It also provides an indication of how well projects align with other organizations' priorities.

During fiscal 2015-16, ALMA delivered on 195 projects, which carried a commitment of over \$24,269 million, and (with leverage considered) had an overall total project value of \$101,782 million. Since ALMA's incorporation, ALMA has committed approximately \$219 million with a total potential leveraged value of over \$873 million to the industry. The average leveraging on ALMA programs has been 4.19, driven by the strong industry leverage on Agri-Processing Automation and Efficiency (10.96).

ALMA's programs have been successful in great part due to the dedication and clarity of purpose of the Programs and Services Committee, the comprehensiveness and support of our Technical Review members and the effectiveness of the ALMA team. We express our gratitude to all of you!

Summary of 2015-16 ALMA Commitments (\$ thousands)

Program	No. of Projects	ALMA Commitment	Industry & Other Partner Contribution	Total Value	Leverage
Research and Development	62	\$13,071	\$20,443	\$33,514	2.66
Strategic Initiatives	4	\$1,859	\$822	\$2,681	1.44
Livestock Development Funds	3	\$730	\$609	\$1,339	2.85
Industry and Market Development	61	\$3,128	\$7,757	\$10,885	3.48
Agri-Processing Automation and Efficiency	43	\$4,578	\$45,614	\$50,192	10.96
Agri-Processing Product and Market Development	22	\$904	\$2,266	\$3,170	3.51
	195	\$24,269	\$77,513	\$101,782	4.19

Governance and Human Resources

Anne Wasko, Chair
David Andrews, Jeff Kroll

Ideas. Information. Investment. These words have informed decision-making for ALMA-industry partnerships across the livestock and meat value chain for the last seven years. Governance underlies the process of making and implementing effective decisions, and the best practices implemented by our Board have benefitted both ALMA and industry. How we conduct our affairs, manage our resources, build consensus, accountability, transparency, and responsiveness is owed to the sense of duty to the industry we serve. Each and every Board director respects their fiduciary duty to act honestly, in good faith and in the industry's best interests. The Governance and Human Resources Committee of the Board of Directors has responsibility for all corporate governance matters.

In 2015-16, ALMA's Governance and Human Resources Committee directed efforts toward:

- **Maintaining a strong, qualified board of directors and evaluating performance.** With the retirement of three key board members at the end of 2015 (Kim McConnell, Ron Jackson and John Weekes), standing committees were reconstituted to maintain effective mandates and address expertise gaps created by the vacancies. A governance training session in September provided ongoing education about governance matters. Annual performance reviews for the Board, its standing committees and individual directors further assessed the fulfilment of duties and mandates.
- **Emphasizing integrity and ethical dealing.** In addition to declarations of conflicts of interest, directors demonstrate integrity in their ALMA business dealings by following a code of conduct policy and Whistleblower policy. The Board Chair and CEO provide oversight and management of these policies.
- **Conforming to regulations recommended by the Agency Governance Secretariat** under the Alberta Public Agencies Governance Act and the Public Agencies Governance Framework. Directors also adhere to the Board Governance Handbook.

- **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.
- **Contributing to the annual and long-term planning** for the strategic direction of ALMA.
- **Oversight of key human resource strategies** related to total compensation, recruitment and retention, development and training, and labour relations to ensure effective delivery of ALMA programs and services.

ALMA and the Governance and Human Resources Committee remain committed to governance excellence. This is as critical to the wind down activities of the organization as it has been to the day-to-day operations. We are steadfast in ensuring that the interests of our industry stakeholders are protected with the transition of programs to Alberta Agriculture and Forestry.

Audit, Finance and Risk Committee

Leighton Kolk, Chair

Jurgen Preugschas, John F.T. Scott,

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 2015-16 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.

Financial Statements

Year Ended March 31, 2016

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS

MARCH 31, 2016

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Change in Net Financial Assets

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



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, 2016, and the statements of operations, change in net financial assets, 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, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 30, 2016

Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2016

(in thousands)

	2016		2015
	Budget	Actual	Actual
Revenues			
<u>Government Transfers</u>			
Government of Alberta Grants	\$ 31,390	\$ 30,884	\$ 31,236
Investment Income	66	58	83
Other Revenue	750	1,297	1,955
	32,206	32,239	33,274
Expenses (Schedule 1)			
Industry Investment	13,307	10,323	12,109
Strategic Initiatives	13,197	18,543	16,841
Corporate Services	4,036	2,854	3,141
Livestock Development	1,750	823	1,456
	32,290	32,543	33,547
Annual deficit	\$ (84)	\$ (304)	\$ (273)
Accumulated surplus, beginning of year	-	3,778	4,051
Accumulated surplus, end of year	\$ (84)	\$ 3,474	\$ 3,778

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

Approved by the Board of Directors:

Dr. David Chalack, Chair of the Board

Leighton Kolk, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016
(in thousands)

	2016	2015
Financial Assets		
Cash and Cash Equivalents (Note 4)	\$ 4,410	\$ 10,335
Due from Government of Alberta	3,987	3,086
Accounts Receivable	257	53
	\$ 8,654	\$ 13,474
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 471	\$ 551
Grants Payable	4,913	8,920
Deferred Revenue (Note 6)	581	1,314
	5,965	10,785
Net Financial Assets	2,689	2,689
Non-Financial Assets		
Tangible Capital Assets (Note 5)	785	1,089
Net Assets	3,474	3,778
Net Assets		
Accumulated Surplus	3,474	3,778
	\$ 3,474	\$ 3,778

Contractual Obligations (Note 7)

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

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2016
(in thousands)

	Budget	2016 Actual	2015 Actual
Annual Deficit	\$ (84)	\$ (304)	\$ (273)
Acquisition of Tangible Capital Assets (Note 5)		(11)	(75)
Amortization of Tangible Capital Assets	150	315	348
Increase (Decrease) in Net Financial Assets in Year		-	-
Net Financial Assets, Beginning of Year		2,689	2,689
Net Financial Assets, End of Year		\$ 2,689	\$ 2,689

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, 2016
(in thousands)

	2016	2015
Operating Transactions		
Annual Deficit	\$ (304)	\$ (273)
Non-cash Items:		
Amortization of Tangible Capital Assets	315	348
	11	75
(Increase) Decrease in Accounts Receivable and Due from Government of Alberta	(1,105)	3,645
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(80)	80
Decrease in Grants Payable	(4,007)	(168)
Decrease in Deferred Revenue	(733)	(1,325)
Cash (Applied to) Provided by Operating Transactions	(5,914)	2,307
Capital Transactions		
Acquisition of Tangible Capital Assets	(11)	(75)
Cash Applied to Capital Transactions	(11)	(75)
(Decrease) Increase in Cash and Cash Equivalents	(5,925)	2,232
Cash and Cash Equivalents at Beginning of Year	10,335	8,103
Cash and Cash Equivalents at End of Year	\$ 4,410	\$ 10,335

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

Notes to the Financial Statements for the Year Ended March 31, 2016

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*.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

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

(a) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

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 eligibility criteria for the use of the transfer, or the stipulations together 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 stipulations are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without stipulations for the use of the transfer, are recorded as revenue when the transfer is authorized and the Agency meets the eligibility criteria (if any).

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.

Financial Assets

The Agency has no financial assets 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 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.

Accounts Receivable – are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain

Liabilities

Liabilities represent present obligations of the Agency to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities (continued)

Liabilities also include:

- all financial claims payable by the Agency at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

Non Financial Assets

Non financial assets are limited to tangible capital assets.

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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

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

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and Equipment	10 years
Computer Hardware and Software	3-5 years
Leasehold Improvements	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Agency's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

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.

(b) Change in Accounting Policy

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between the Agency's financial assets and liabilities.

A net financial assets balance indicates the extent of the Agency's government transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets (Net Debt).

Note 3 Future Accounting Changes

In June 2015 the Public Sector Accounting Board issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.

Note 3 Future Accounting Changes (continued)

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

Note 4 Cash and Cash Equivalents

(in thousands)

Cash and cash equivalents consists of:

	2016	2015
Cash	\$ 3,829	\$ 9,021
Restricted Cash ⁽¹⁾	581	1,314
	<u>\$ 4,410</u>	<u>\$ 10,335</u>

⁽¹⁾ Restricted cash consists of deferred revenue. Further details are provided in Note 6.

Note 5 Tangible Capital Assets

(in thousands)

Estimated Useful Life	2016			Total	2015
	Equipment 10 years	Computer Hardware and Software 3-5 years	Leasehold Improvements 5 years		
Historical Cost ^(a)					
Beginning of Year	\$ 901	\$ 1,502	\$ 133	\$ 2,536	\$ 2,461
Additions	-	11	-	11	75
Transfers Out	-	-	-	-	-
	<u>\$ 901</u>	<u>\$ 1,513</u>	<u>\$ 133</u>	<u>\$ 2,547</u>	<u>\$ 2,536</u>
Accumulated Amortization					
Beginning of Year	\$ 511	\$ 803	\$ 133	\$ 1,447	\$ 1,099
Amortization Expense	86	229	-	315	348
Transfers Out	-	-	-	-	-
	<u>\$ 597</u>	<u>\$ 1,032</u>	<u>\$ 133</u>	<u>\$ 1,762</u>	<u>\$ 1,447</u>
Net Book Value at March 31, 2016	<u>\$ 304</u>	<u>\$ 481</u>	<u>\$ -</u>	<u>\$ 785</u>	<u>\$ 1,089</u>
Net Book Value at March 31, 2015	<u>\$ 390</u>	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ 1,089</u>	

^(a) Historical cost includes work in progress at March 31, 2016 totaling \$114 comprised of computer software (2015 - \$103).

Note 6 Deferred 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 Deferred Revenue. Details for each fund and the status of these obligations are as follows:

	2016		2015	
Deferred Revenue	\$	581	\$	1,314
	\$	581	\$	1,314

	2016			2015	
	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 ⁽¹⁾	\$ 19	\$ 218	\$ 1,077	\$ 1,314	\$ 2,639
Received during the year	-	2	5	7	-
Restricted Realized Investment Income	-	2	7	9	33
Less amounts recognized as revenue	-	(65)	(684)	(749)	(1,358)
Balance, end of year	\$ 19	\$ 157	\$ 405	\$ 581	\$ 1,314

Note 7 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.

	2016	2015
Obligations:		
Operating Leases	\$ 1,733	\$ 2,292
Contracts	749	220
Programs	7,775	12,144
	\$ 10,257	\$ 14,656

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 (\$171) and the DLFOA (\$270). In addition, the Agency has obligations resulting from new grant agreements (\$7,334).

Note 7 Contractual Obligations (continued)

(in thousands)

Estimated payment requirements for each of the next four years are as follows:

	<u>Operating Leases</u>	<u>Contracts</u>	<u>Programs</u>	<u>Total</u>
2016-17	\$ 547	\$ 749	\$ 4,842	\$ 6,138
2017-18	547	-	1,513	2,060
2018-19	547	-	856	1,403
2019-20	92	-	564	656
	<u>\$ 1,733</u>	<u>\$ 749</u>	<u>\$ 7,775</u>	<u>\$ 10,257</u>

Note 8 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 \$410 for the year ended March 31, 2016 (2015 – \$397).

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, 2015, the Management Employees Pension Plan reported a surplus of \$299,051 (2014 – surplus of \$75,805), the Public Service Pension Plan reported a deficiency of \$133,188 (2014 – deficiency \$803,299), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$16,305 (2014 – deficiency \$17,203).

Note 9 Subsequent Events

On April 14, 2016 the Government announced plans to dissolve the Agency in the 2016-17 fiscal year. The impact of this decision cannot be determined at this time.

Note 10 Comparative Figures

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

Note 11 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, 2016
(in thousands)

	2016		2015
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 3,597	\$ 3,117	\$ 3,284
Supplies and Services	3,859	1,891	2,171
Grants	24,684	27,220	27,744
Amortization of Tangible Capital Assets	150	315	348
	<u>\$ 32,290</u>	<u>\$ 32,543</u>	<u>\$ 33,547</u>

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.
SCHEDULE OF SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2016
(in thousands)

	2016				2015	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total	
Chairman of Board ⁽⁴⁾	\$ -	\$ 133	\$ -	\$ 133	\$	138
Board Members ⁽⁴⁾	-	314	-	314	\$	348
President and Chief Executive Officer	\$ 201	\$ 9	\$ 47	\$ 257	\$	253

⁽¹⁾ Base salary includes regular salary.

⁽²⁾ Other cash benefits include an automobile allowance, health spending account payments, honoraria and other lump sum payments. There were no bonuses paid in 2016.

⁽³⁾ 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.

⁽⁴⁾ The Board consists of a maximum of 12 members including the Chairman, whose salary is disclosed separately. Three positions became vacant January 1, 2016.

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

YEAR ENDED MARCH 31, 2016
(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:

	Entities in the Ministry		Other Entities ⁽¹⁾	
	2016	2015	2016	2015
Revenues:				
Grants	\$ 30,884	\$ 31,236	\$ -	\$ -
	<u>\$ 30,884</u>	<u>\$ 31,236</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses - Directly Incurred:				
Grants	\$ 344	\$ 402	\$ 10,062	\$ 7,559
Other services	-	-	11	9
	<u>\$ 344</u>	<u>\$ 402</u>	<u>\$ 10,073</u>	<u>\$ 7,568</u>
Payable to				
Agriculture Financial Services Corporation	\$ -	\$ 1	\$ -	\$ -
Agriculture and Forestry	388	479	-	-
Ministry of Advanced Education	-	-	1,156	2,545
	<u>\$ 388</u>	<u>\$ 480</u>	<u>\$ 1,156</u>	<u>\$ 2,545</u>
Receivable from				
Agriculture and Forestry	\$ 3,953	\$ 3,085	\$ -	\$ -
Ministry of Advanced Education	-	-	34	1
	<u>\$ 3,953</u>	<u>\$ 3,085</u>	<u>\$ 34</u>	<u>\$ 1</u>

⁽¹⁾ Other entities include schools, universities, colleges and health authorities.