

DEAR FELLOW BEEF PRODUCERS

As I reflect on the programs that concluded with fiscal year 2017 last June and look forward to the current programs that were planned and are in progress, I want to express my gratitude to all of Arizona's cattle growers, feeders, and dairy farmers for their commitment to raising safe and wholesome beef. My fellow board members and I enjoy working on your behalf to direct your beef checkoff dollars on the impactful programs you see in this report.

You will see some new programs, along with Arizona standards, as we adjust to the needs of consumers while remaining rooted in promoting the most delicious, safest, and nutritious protein.



The relationships staff has built with influential partners allow your beef checkoff dollars to be significant in the long-run. For instance, thanks to a strong state-national communication between the Arizona Beef Council and beef checkoff contractors at the national level, and deliveries of beef cut charts to Sprouts Farmers Markets (a national grocer headquartered in Phoenix), the Sprouts communications team reached out to our staff to provide messaging and consumer-focused market research information as the company rebuilt their protein division. Additionally, Sprouts' creative team used cooking recommendations from the checkoff's beefitwhatfordinner.com to build a grilling graphic for promotion on their website and social media.

That's one example of many that your beef checkoff has staying power and the relationships built by the Arizona Beef Council are helping to build advocates on your behalf.

While it is impossible to capture all your staff does in this report, please enjoy the highlights from 2016-2017 and the important partnership between our state beef council and the national Beef Checkoff Program.

The ABC also continued its strong partnership with the Arizona State Cowbelles by providing financial and staff support for important activities including *Phoenix Cooks* and the Arizona Beef Ambassador program, extending positive messages about beef.

Here is to another year promoting beef!

Wes Kerr

Arizona Beef Council Chairman 2016-2017

CULINARY TEACHERS AND STUDENTS



Arizona Beef Council (ABC) hosted a 3-hour workshop for 30 Arizona teachers at the 2017 Career and Technical Education (CTE) conference. Under the direction of Dr. Sam Garcia of the University of Arizona Food Product and Safety Laboratory, teachers learned about the history of preserving beef, created their own custom beef sausage recipes, then ground, stuffed and cooked their creations to be judged. The lesson plan was provided for teachers to implement in their culinary classrooms.

SUMMER AGRICULTURE INSTITUTE

ABC assisted with Summer Ag Institute, a week-long continuing education seminar to help teachers gain first-hand experience with Arizona agriculture. Beef-focused stops included Groseta Ranches, Heiden Land & Cattle, Perkinsville Meat Processors, and a presentation by the Diablo Trust.



2017 ARIZONA Beef Council Annual Report

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Funded by Beef Farmers & Ranchers

BEEFING UP CLASSROOMS

The “Beef Up the Classroom” grant program delivered tasty results to 1,041 students, allowing selected teachers to incorporate beef into their culinary lesson plans. Additionally, ABC-created beef lesson plans were downloaded 53 times by Arizona teachers to utilize in their classrooms. Staff also presented directly to more than 800 culinary and agriculture students.

REGISTERED DIETITIANS LEARN ABOUT BEEF

ABC sponsored a beef-focused speaker at the Arizona Academy of Nutrition and Dietetics Annual Conference, offering healthy beef tips to utilize in media interviews.



CONNECTING WITH FOODIES

ABC and the Arizona State Cowbelles dished up 1,300 mini meatball appetizers at Phoenix Cooks, Arizona’s premier culinary event. Checkoff-funded Chef Dave Zino hosted two on-stage demonstrations of beef recipes and tips.

FOODSERVICE & RETAIL PARTNERS

ABC assisted Arizona foodservice distributors with promoting beef to their customers by providing beef cut charts, education, sales materials, and beef production tours to chefs and restaurateurs.

BEEF AG MAGS

In a partnership with the Arizona Farm Bureau Federation, the ABC funded a redesign of the popular *Beef Ag Mag*, a handy take-home resource for students and parents.

SOCIAL MARKETING

www.ArizonaBeef.org is a go-to source for Arizona consumers looking for information about how beef is raised in Arizona. The mobile-responsive site allows visitors to find information unique to Arizona as well as recipes and nutrition information. The Arizona Beef Blog features Arizona ranching stories, recipes, history, and more. To engage with Arizona’s millennial consumers, beef messages were posted on social media outlets, totaling more than 1,950,000 impressions and visitors – a 291% increase over the previous year.

GATE TO PLATE



Made possible by the Federation Initiative Fund, ABC hosted Gate to Plate tours for key influencer audiences. The first was for Maricopa County and Arizona State University dietetic interns, who are studying to be

registered dietitians. The second tour was for future chefs who are studying at the Arizona Culinary Institute. The tours offered a first-hand experience of how cattle are raised in Arizona and the nutritional benefits of beef.

BEEF 101

The Beef 101 workshop at the Arizona Cattlemen’s Association summer convention featured Shawn Darcy of the beef checkoff’s market research team, to share the checkoff’s latest marketing strategies and the market research behind them.

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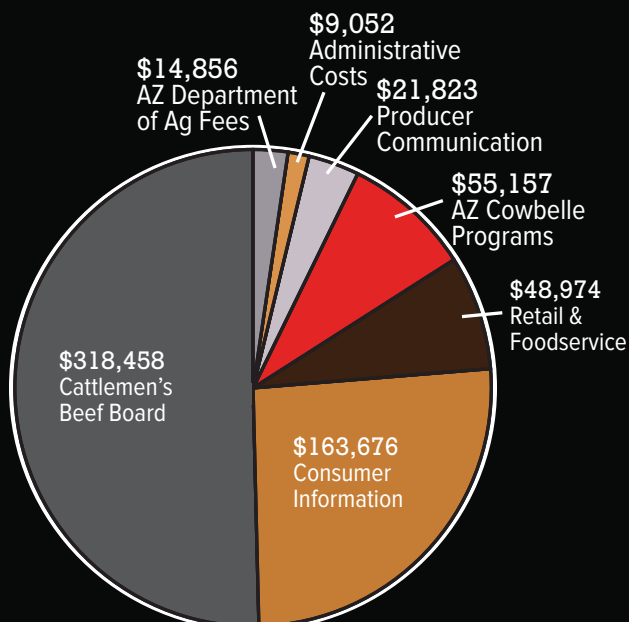
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ARIZONA BEEF COUNCIL FISCAL YEAR 2017 EXPENDITURES



DEAR FELLOW PRODUCERS,



Beef and great, unforgettable meal experiences seem to go together. A succulent steak on your birthday, juicy summer hamburger

straight from the grill or wonderful Sunday pot roast with the family not only create immediate and delicious taste sensations, but plant wonderful memories in the brain.

Assuring that the beef in these situations is the best it can be is important. But what beef attributes are most important to consumers when they sit down to enjoy a beef meal? And how do we measure how well we're doing in producing high quality beef for them? How can we make these beef-eating experiences even more memorable?

Those are just a few of the questions we ask ourselves through the Beef Checkoff Program to assure that we're not just meeting consumer expectations for wonderful beef experiences, but exceeding them. This report shows how the checkoff helps provide measurements for beef quality that are quantifiable, guidelines that are reasonable and consumer insights about quality that are helpful and valuable. You will also learn about some of the tools we're using to communicate quality and value to consumers.

The pursuit of quality is never-ending, but at the same time satisfying and rewarding. Beef is a great product that already fills a consumer want. Making it better is the icing on the cake.

Yours truly,

Jerry Effertz, Chairman
Federation of State Beef Councils



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THE QUALITY EQUATION

When they sit down for a meal, more than anything else consumers want food that tastes great. Beef producers have a product that both tastes good and is good for them. What should the beef industry do with this fact?

Through its checkoff program, a wealth of knowledge about beef and beef eaters becomes the foundation for research, education and promotion programs that establish benchmarks for beef quality, while providing guidelines for delivering even more of those beef qualities that consumers want. Obviously, it starts at the beginning.

THE 2016 NATIONAL BEEF QUALITY AUDIT



What cattle producers do to raise beef has an impact on quality. Every five years since 1991 the beef industry, through its Beef Checkoff Program, has provided a set of guideposts and measurements for cattle producers and others to help determine quality conformance of the U.S. beef supply. Results from the National Beef Quality Audit have helped lead to improvements in cattle and beef production through the years, including reductions in carcass blemishes and fewer lost opportunities related to branding and other practices.

Reported in 2017, results from the 2016 NBQA, conducted for steers and heifers as well as cows and bulls, show that the industry continues to improve the quality of its product, and identifies where improvements can still be made. Among the findings was a significant increase in USDA Choice and Prime carcasses, and a high mobility score for cattle entering packing plants, which shows an improvement in animal handling. The number of blemishes, condemnations and other attributes that impact animal value remain small.

Improvements can still be made, however. The NBQA for steers and heifers identified lost opportunities in hitting optimum carcass yield and grade targets and reducing offal condemnation rates, particularly for livers, while among other issues the cow and bull report identified opportunities to make progress by implementing measures to eliminate carcass bruising on the farm, in transport and at the packing facility.

To help tell the positive beef story, the checkoff-funded Beef Quality Assurance Program, managed by NCBA as a contractor to the Beef Checkoff Program, helps beef producers understand the do's and don'ts of raising high quality beef.

Consumers can learn more about how beef is produced through many checkoff-funded programs that tell that story. The multiple efforts to connect with consumers about issues have been highly successful. For example, research conducted by IPSOS Public Affairs in 2016 showed that over 80 percent of consumers graded fresh beef an A or B for safety.

Safety isn't the only beef attribute on the radar. The checkoff-funded Consumer Beef Index (CBI) shows that more than 70 percent of consumers consider beef to be a good balance of taste and nutrition.

A TRAIL TO TENDERNESS

The checkoff-funded National Beef Tenderness Survey demonstrates tenderness has improved significantly since 1990. In fact, there has been a 34 percent improvement in beef tenderness over that time.

Improvements in beef tenderness have remained fairly steady over the past five years despite drought and other challenges that could have derailed its progress. The 2015/2016 survey found that beef is delivering a good eating

experience to consumers. It also suggested the industry is keeping its eye on the ball when it comes to protecting the improvements in tenderness it has made.

Most steaks surveyed were considered tender. While cuts from the round have a wonderful flavor profile they remain an industry tenderness challenge. Increased efforts to optimize aging practices and checkoff-funded consumer education on proper cooking for cuts from the round and other primals will help provide greater consumer satisfaction with tenderness.

AN EVOLVING CONSUMER

Knowing what the consumer wants, and how they go about purchasing it, is at the heart of beef checkoff consumer research and marketing efforts. The research is conducted by the checkoff's market research team using a variety of surveys and data-driven consumer behavior and attitude research tools.

For instance, CBI research shows that beef performs well on key quality attributes important to consumers. Almost 90 percent of consumers say beef is great tasting as well as a great source of protein. A checkoff-funded steak satisfaction tracker supports this, showing in a current survey that 90 percent of consumers say they were very satisfied with their recent beef eating experiences.

Consumers who say they are planning to consume more beef give their reasons as:

- They prefer the taste (85 percent);
- They want to add protein to their diet (77 percent);
- They believe there is better availability of cuts (76 percent);
- and They say beef is more of a family favorite (73 percent).

REACHING BEEF'S FINAL STOPS

The beef checkoff's Masters of Beef Advocacy (MBA) program had acquired 10,000 graduates by 2017, providing consumers with a link to producers who put quality beef on their tables. Started in 2009, this group of beef and dairy producers – along with chefs, teachers, doctors, dietitians and others in the beef community – are equipped to engage with consumers and encouraged to participate in advocacy efforts.

MBA graduates have put their skills to use in many ways, from providing a rancher's perspective for a magazine article to promoting an MBA campaign. The Top of the Class, a next-level advocate training program, regularly taps its members for media interviews, speaking engagements and other national opportunities.

Building on the program's initial success, a new set of MBA lessons were released in 2015, and an interactive app for iPhone and Android introduced in 2016, giving MBA graduates access to beef information at their fingertips.

Consumer beef marketing efforts use digital media that include social and entertainment platforms such as Facebook, YouTube, Instagram, Hulu and others. The Beef. It's What's For Dinner Facebook (www.facebook.com/BeefItsWhatsForDinner/) page has more than 1 million

followers, and the BeefItsWhatsForDinner.com website has circulated more than 1.4 million recipes.

The beef checkoff will have had more than 40 million video views in 2017. This past year Facebook Live, for instance, hosted a "Be Your Own Butcher" from the checkoff's Culinary Center that provided hands-on cutting demonstration by a meat cutting expert, reaching nearly 140,000 consumers.

OUTSIDE OUR BORDERS



Whether working to expand high-end chilled beef exports to Asia, or helping find new destinations for beef livers, the Beef Checkoff Program's international marketing efforts are boosting global demand for U.S. beef. In the first six months of 2017, U.S. exports totaled 606,876 metric tons (mt) – an increase of 12 percent over the first half of 2016. Export value increased 15 percent to \$3.35 billion, which equates to about \$270 for every fed steer and heifer slaughtered – up 8 percent year-over-year.

Beef exports to leading market Japan exceeded last year's pace by 23 percent in volume (150,812 mt) and 28 percent in value (\$905.8 million). Exports to South Korea were up 13 percent in volume (83,357 mt) and 21 percent in value (\$527.7 million). Chilled beef exports to Japan and Korea were up 40 percent and 83 percent, respectively, as the U.S. captured more than 50 percent of both countries' chilled beef market.

The beef checkoff will also play a major role in reintroducing U.S. beef to meat buyers in China, which in June reopened to U.S. beef for the first time since 2003.

CATTLEMEN'S BEEF BOARD FISCAL YEAR 2017 EXPENDITURES

Promotion	\$7,871,078
Research	\$9,102,863
Consumer Information	\$7,913,258
Industry Information	\$4,180,808
Foreign Marketing	\$8,140,797
Producer Communications	\$1,498,613
Evaluation	\$202,832
Program Development	\$292,090
USDA Oversight	\$465,853
Administration	\$1,796,725
TOTAL EXPENSES	\$41,464,917

Unaudited Numbers

*This total also includes CBB's costs associated with Freedom of Information Act requests and legal fees associated with lawsuits.