



2016 ARIZONA BEEF COUNCIL ANNUAL REPORT

Dear Fellow Beef Producers:

I want you to know that while you are working hard to raise beef, beef is working hard for you. Each spring, your Arizona Beef Council (ABC) board and staff create a focused marketing plan to direct the year's educational programs, retail and foodservice marketing, and consumer marketing. If it wasn't for the support of Arizona's cattlemen and dairymen, these excellent programs would not have the incredible impact you will see in this report.

As proof of the important culinary relationships and valuable education programs your staff have built, the Arizona Beef Council was honored as "Business of the Year" from the Arizona Family and Consumer Science Educators. Proof that lesson plans and the "Beef Up the Classroom" grant program are invaluable.

Though it is impossible to capture all your staff does in this report, please enjoy the highlights from 2015-2016 and the important partnership between our state beef council and the national Beef Checkoff Program. You will see some new programs, along with Arizona standards, as we adjust to the needs of our consumer while remaining rooted in promoting the most delicious, safest, and nutritious protein.

Our top-notch staff -- Bas Aja, Lauren Scheller, Tiffany Selchow, and Maria Cadena -- bring ingenuity, professionalism and drive to execute these programs to reach beef consumers across Arizona.

The ABC 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. We continue to join forces at events to deliver a positive message about beef. The Cowbelles are outstanding boots on the ground.

Thank you to my fellow board members for your commitment to the council by sharing your time, knowledge and foresight. I joined the board in 2010 and have enjoyed this year serving as chairman. I enjoy recalling the programs for which we plan and execute and I hope you enjoy reading through these highlights. You have a tremendous team working for you to keep beef center of plate in Arizona.

Wesley Kerr

Arizona Beef Council Chairman 2015-2016



FOLLOW ARIZONA BEEF COUNCIL ON



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CONNECTING WITH FOODIES

ABC and the Arizona State Cowbelles dished up 1,500 beef samples at *Phoenix Cooks*, Arizona's premier culinary event. Checkoff-funded Chef Dave Zino hosted two on-stage demonstrations of beef recipes and tips.

FOODSERVICE AND RETAIL PARTNERS

ABC assisted Arizona foodservice distributors US Foods, Shamrock Food Service and Sysco to promote beef to their customers by providing beef cut charts, education, sales materials, and beef production tours to chefs and restaurateurs.

PUBLIC RELATIONS

Your ABC staff mitigated perils to the beef industry and responded to numerous media requests on topics including beef prices, health reports, and food safety.

SOCIAL MARKETING

The www.arizonabeef.org website was redesigned and is now mobile-responsive and better connected with our social properties. The *Arizona Beef Blog* was launched to feature Arizona ranching stories, recipes, history, and more. To engage and start conversations with Arizona's millennial consumers, beef messages were posted on social media outlets including Facebook, Twitter and Instagram using #AZbeef, totaling 670,000 impressions.

GATE TO PLATE

Made possible by the Federation Initiative Fund, ABC hosted a Gate to Plate tour for Maricopa County and Arizona State University dietetic interns. The group visited the Quarter Circle U Ranch and included a media training session. A second tour for culinary students from the Arizona Culinary Institute took place in the spring with stops at Heiden Land & Cattle Company and JBS Tolleson, Inc. harvesting facility.

BEEF 101

The Beef 101 workshop at the Arizona Cattlemen's Association summer convention featured Shelly Johnson, one of the beef checkoff's registered dietitians, to dispel beef myths and share current beef nutrition information.

CULINARY AND BUSINESS STUDENTS

ABC reached over 150 students at the annual Flex (Fall Leadership Extravaganza) Conference, which invited students from across Arizona in groups such as Family, Career and Community Leaders of America to attend information sessions. ABC covered ways cattle can be raised and the differences between labels on beef packages.

HANDS-ON IN CLASSROOMS

Classroom presentations included beef cutting demonstrations, thanks to a partnership with the University of Arizona and Dr. Sam Garcia of the UA Food Products and Safety Laboratory. These unique presentations showed culinary and agriculture students how the beef carcass is broken down and also included a beef taste test.

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 Company, Perkinsville Meat Processors, and a presentation by Jeremy Kronos of the Diablo Trust.

BEEFING UP CLASSROOMS

The "Beef Up the Classroom" grant program delivered tasty results to 954 students, allowing selected teachers to incorporate beef into their culinary lesson plans.

REGISTERED DIETITIANS LEARN ABOUT BEEF

ABC sponsored the beef-focused keynote speaker and breakout sessions at the Arizona Academy of Nutrition and Dietetics Annual Conference.

TEAM BEEF

Arizona members joined Team BEEF from across the country in Million Mile Month, logging 2,081 miles running, biking, gardening, and cross training, all fueled by beef.

ABC BOARD OF DIRECTORS

Wesley Kerr, Chair, Dairyman
 Norman Hinz, Cattle Feeder
 Linda Brake, Cattle Grower
 Dean Fish, Cattle Grower
 Mary Jo Rideout, Cattle Feeder

Mark Rovey, Dairyman
 Billy Sawyer, Cattle Feeder
 Gary Thompson, Dairyman
 James Webb, Cattle Grower

ARIZONA FEDERATION DIRECTORS

Linda Brake

Norman Hinz

CATTLEMEN'S BEEF BOARD MEMBER

Mary Jo Rideout

STAFF

Bas Aja

Executive Director

Lauren Scheller

Assistant Executive Director

Tiffany Selchow

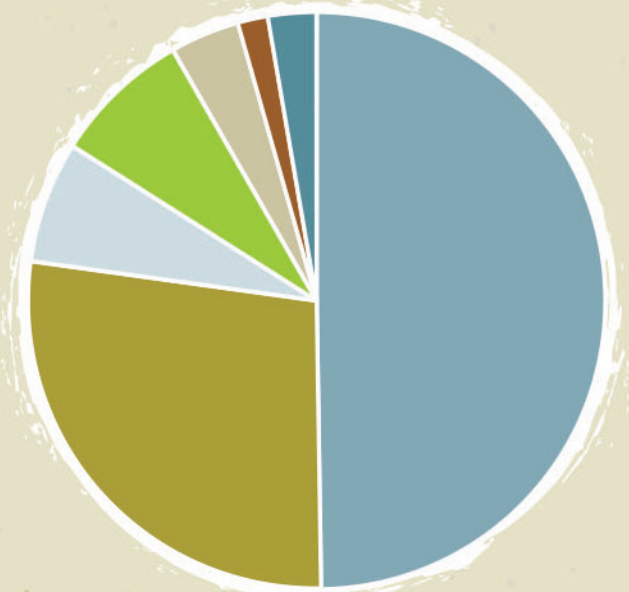
Director of Social Marketing
 and Consumer Outreach

Maria Cadena

Executive Administrative
 Assistant

ARIZONA BEEF COUNCIL FISCAL YEAR 2016 EXPENDITURES

National Program	\$311,907
Promotions & Consumer Information	\$171,990
Retail & Foodservice	\$42,637
Arizona Cowbelle Programs	\$48,435
Producer Communication	\$24,357
Administrative Costs	\$10,587
Arizona Department of Ag Fees	\$16,985
TOTAL	\$626,898



MY FELLOW BEEF PRODUCERS,



When you load the truck bed with feed and turn on the ignition in your pickup, there's a good chance you know your destination ahead of time. When you invest in your Beef Checkoff Program, that knowledge of destination is just as important.

The Beef Industry Long Range Plan 2016-2020 provides beef producers an important sense of direction and purpose. Its 2020 Strategic Objective – to increase the Beef Demand Index measure by 2 percent annually over the next five years – delivers a goal that allows industry leaders and the staffs of contracting organizations to measure their progress for the work they are doing. It also gives producers a key tool to help them determine how well their checkoff dollars are working to build demand for beef.

State beef council and national leaders are already working toward the goals it presents. The four areas you will read about below give us focus to deal effectively with the myriad of issues with which we struggle as an industry. They are a thoughtful, serious effort to make sure our work as an industry has tangible results.

As we struggle with limited budgets and increasing needs, this kind of focus is crucial. There's no question that within our states we have varying priorities and different sets of needs. With an eye toward better management of checkoff dollars, though, our Beef Industry Long Range Plan is a way to get everyone headed toward the final destination.

Yours Truly,



Steve Hanson, Chairman
Federation of State Beef Councils



DRIVE GROWTH IN BEEF EXPORTS

Promote unique attributes of U.S. Beef in foreign markets.

Example: With the support of the Beef Checkoff Program, the U.S. beef industry is finding exciting new opportunities in Japan, one of the most important export markets for its products. In fact, the popularity of U.S. beef in Japan is well-illustrated in the 2016 beef export results. June exports to Japan were the largest in nearly two years, up nearly 30 percent year-over-year. January-June exports climbed 12 percent in volume and 5 percent in value. Japan's import data also show a strong rebound in market share for U.S. beef at 38.5 percent – up from 33 percent in the first half of 2015.



One key focus of this effort is to educate retail and foodservice buyers about the wide range of U.S. beef cuts that appeal to their customers. While Japan has traditionally been known as a destination for forequarter cuts and "thin meats," consumers

are responding very positively to high-quality U.S. middle meats as well as barbecue cuts such as brisket, chuck roll and short ribs. The U.S. Meat Export Federation's (USMEF) checkoff-supported Urban BBQ campaign is designed to show Japanese consumers that American-style barbecue meals can easily be prepared without large smokers or other professional equipment. Through the campaign, the organization explains that preparing American-style barbecue is fun and easy, widening the range of U.S. beef cuts that appeal to Japanese consumers.

Beef tongue also continues to be a mainstay item for Japan. About two-thirds of the tongues harvested from U.S. fed cattle go to that country.

PROTECT AND ENHANCE THE BUSINESS AND POLITICAL CLIMATE FOR BEEF

Develop crisis management plans and attract, develop and enable the next generation.

Example: The beef industry faces many issues not of its own making that could have a negative impact on beef producers and their livelihoods. Playing good defense in cases where bad publicity might impact our industry has been recognized as a crucial element of the Beef Checkoff Program.

In the fall of 2015 the World Health Organization's International Agency for Research on Cancer issued a report that identified red meat as "probably carcinogenic to humans," and processed meats as "carcinogenic to humans." Sensational headlines naturally followed, and significant media exposure assured it would be one of the biggest news days in red meat history. What could have turned out negative ended up balanced, however, thanks partly to experienced preparation and management of the issue by the beef checkoff.

Through spokesperson appearances, releases, fact sheets and many other forms of outreach, the industry responded, and these checkoff-funded efforts were combined with consumer reactions and skepticism that resulted in a stunning occurrence – the WHO clarified its position by saying "the latest IARC review does not ask people to stop eating processed meats" and that it was a "shortcoming" of IARC's classification process that led to its original report.

The efforts did not go unnoticed in the agricultural community. In recognition of the beef industry's checkoff-funded work, the Agricultural Relations Council presented the beef checkoff top honors in the Golden ARC Awards, including first place in the Issues Management category and the Golden ARC de Excellence, the organization's highest honor recognizing excellence in agricultural public relations.

PROMOTE AND STRENGTHEN BEEF'S VALUE PROPOSITION

Revolutionize beef marketing and merchandising, research and communicate beef's nutritional benefits, and connect and communicate directly with consumers.

Example: Beef isn't just for lunch and dinner anymore. And the beef industry has research to back up that statement.



Research conducted by Heather Leidy, Ph.D., of the University of Missouri found that daily consumption of a higher-protein breakfast that included two eggs and 1.5 ounces of beef was superior to both a normal protein breakfast featuring milk and cereal or skipping breakfast altogether, in terms of improving appetite control, curbing food cravings and reducing unhealthy snacking in overweight or obese teenage girls who routinely skip their breakfast meal.

The research was featured in both the *American Journal of Clinical Nutrition* and the *Nutrition Journal*.

"Protein at breakfast appears to be a good target to increase protein intake," Leidy says. "A high-protein breakfast seems to reduce food craving-based neural signals, and improve overall diet quality."

Other research funded through the Beef Checkoff Program verifies the benefit of balancing protein intake throughout the day.

This kind of independent research helps the industry promote healthy diets and optimal protein intake and is used in promotions such as the checkoff-funded 30-Day-Protein Challenge provides sound scientific support to encourage consumers to include beef in their meals throughout the day. Thousands of consumers have become active in the Challenge, thanks to both state beef council and national efforts to promote it.

CATTLEMEN'S BEEF BOARD FISCAL YEAR 2016 EXPENDITURES

Promotion	\$7,483,378
Research	\$9,755,701
Consumer Information	\$7,279,544
Industry Information	\$3,054,637
Foreign Marketing	\$8,123,678
Producer Communications	\$1,460,199
Program Evaluation	\$203,164
Program Development	\$265,182
USDA Oversight	\$349,025
Administration	\$1,746,258
TOTAL EXPENSES	\$39,720,766

Unaudited Numbers

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

GROW CONSUMER TRUST IN BEEF AND BEEF PRODUCTION

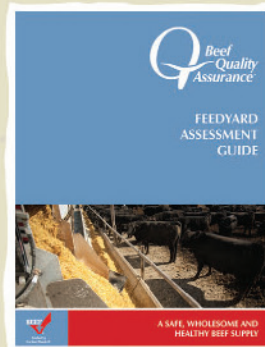
Ensure beef safety, protect beef's image and engage beef advocates.

Example: The checkoff-backed Beef Quality Assurance program delivers to producers a set of best practices for generating quality beef. It does this by supporting practices that focus on good record keeping and protecting herd health, all the way from raising and feeding through transportation, for both traditional beef and dairy operations.

BQA manuals provide straightforward information to U.S. beef producers and a framework for national consistency. At the same time, BQA is state-administered, allowing individual states to determine the best programs that will meet the needs of that state's producers.

The BQA program also gives consumers positive assurances about the beef they eat. It delivers a positive message about the common sense husbandry techniques, founded on accepted scientific knowledge, used in cattle raising today, and reinforces a message about the already strong safety and wholesomeness of the U.S. beef supply. The premise of the program is that when better quality cows leave the farm and reach the marketplace, the producer, packer and consumer all benefit.

BQA is a widely accepted and broadly adopted routine throughout the beef industry. It's estimated that 90 percent of the fed cattle being raised for beef are produced under BQA management practices.



Throughout the past year BQA has worked to grow its resources and tools for beef producers, including revisions and updates of the Feedyard Assessment and a partnership with the dairy industry on the widely accepted Farmers Assuring Responsible Management (FARM) program. The updated Feedyard Assessment, originally developed in 2009, brings the industry accepted-document up-to-date and draws producers' attention to industry topics of

importance, including antibiotic stewardship practices. By partnering with FARM the BQA program will now be able to deliver to dairies throughout the United States important husbandry techniques that can improve the quality of beef coming from the dairy sector.

