

AUTHORIZATION REQUEST FOR FY 2012

AR Title: EUROPE PROMOTIONAL CAMPAIGN

Name of Contractor: U.S. Meat Export Federation

CBB Budget Component: Foreign Marketing

I. OVERVIEW

A. AR Description: This Authorization Request describes USMEF's marketing plan for Europe, with a focus on building receptivity to grain-fed U.S. beef throughout the distribution chain and with targeted consumers primarily in Belgium, the Netherlands, France, Germany, Italy, the U.K., and Spain.

According to U.S. Census data, 2010 exports of U.S. beef plus variety meat to the EU increased 40 percent to 24,881 mt valued at \$152.2 million, up 65 percent. The Netherlands remained the largest market (up 64 percent to 14,393 mt valued at \$85.4 million). Other top markets included Italy (up 213 percent to 4,223 mt valued at \$31.5 million), and Germany (up 196 percent to 3,151 mt valued at \$15.4 million). However, EU import data (which varies significantly from U.S. export data) indicates that total U.S. beef imports were up 57 percent to 11,865 mt valued at \$113 million. While more than half of the U.S. beef is imported through the Netherlands, Germany and Italy remain the largest final destinations, with business progressing significantly in several other countries.

U.S. beef's presence in high quality dining establishments continues to grow steadily, as does the business to cash-and-carry outlets and the distributors that supply them. Several trials have been made in mainstream retail outlets, and U.S. beef is now present in supermarkets in Italy, Spain and Luxemburg. More entries into the retail sector are expected in the near future. Branded and "story line" products continue to take more market share, and successful brands benefit from greater perceived confidence in the quality of the product. U.S. beef is now sufficiently present in the market to begin to generate its own momentum and demand. USMEF's current strategies to further develop the market include the following:

- Continue to strengthen relationships with approved suppliers and targeted buyers and work to establish distribution links for U.S. beef and build product loyalty.
- Increase the number of chefs and HRI suppliers, as well as targeted retailers, who understand the unique attributes of U.S. beef and include it as part of their regular product mix.
- Work toward the elimination of technical and sanitary barriers, as well as a significant expansion of the duty-free quota, and continue to support revocation of restrictive European trade barriers.
- New opportunities include HRI and retail expansion, and introducing new U.S. beef items.

Export forecasts for 2011 and 2012 are 24,500 mt valued at \$175,350,000, and 28,000 mt valued at \$208,562,500, respectively.

B. Costs Requested from this AR*: \$201,925

Source of Funding	Total Costs	Direct Costs	Implementation**
Beef Board/BPOC	\$ 145,144	\$ 145,144	
Federation of SBCs (FSBCs)	\$ 56,781	\$ 56,781	
Other Sources (<i>describe</i>)			
Total Funds Requested	\$ 201,925	\$ 201,925	

* Only Direct Costs are being requested in this AR

Total estimated Implementation for this AR is \$88,322; implementation by Tactic in Table IV.

** Implementation for this and other FOREIGN MARKETS ARs requested in separate AR FM-13-2012.

C. Start date: 10/1/2011

Completion date: 9/30/2012

II. PLANNING INFORMATION FOR THIS AR

A. Long Range Plan Core Strategies/Strategic Initiatives Addressed by This AR:
 Capitalize on global growth opportunities

B. Committee That Reviewed This AR: Joint International Markets Committee

C. Committee Recommendations for This AR: The Joint International Markets Committee recommends this AR to the Operating Committee for funding in FY 2012.

III. PROGRAM INFORMATION FOR THIS AR

A. Strategy 1: International Marketing – Europe

Strategy 1 Proposed Direct Cost: \$201,925

Specific Tactic Information:

Tactic 1A: Market Development –

Build demand for U.S. beef in Europe by educating targeted buyers on the potential profitability and enhanced culinary experience available from both high-demand and underutilized cuts of U.S. beef.

Trade Servicing: USMEF will conduct day-to-day communications, attend industry meetings and disseminate timely information on U.S. beef trends and practices with target accounts in order to maintain positive relationships. USMEF will also work with potential buyers to understand their purchasing requirements, educate them on the U.S. industry and introduce them to U.S. exporters.

Trade Shows: USMEF will maintain its presence at the Anuga show and will participate in at least one other significant fair in Europe either for trade or HRI, such as TuttoFood in Italy, SIRHA in France, or the

Maastricht Fine Foods Fair in Holland. At least 2 trade shows will be attended.

Teams: USMEF may bring targeted European buyers/users (importers, distributors and chefs) to the U.S. so they can observe U.S. beef industry production practices, the U.S. grading system, U.S. meat inspection and food safety systems, and the variety of cuts and products available. In all of the activities, the teams will be reminded of the profitability of U.S. beef.

Education: USMEF will educate targeted HRI end-users and retailers about U.S. beef through seminars and other activities to demonstrate the safety of U.S. beef, introduce new cuts/concepts and value-added items, convey the industry's commitment to producing quality products, and provide updates on new trends and merchandising techniques. Five seminars reaching 300 people are planned.

Promotions: USMEF will work with the HRI and retail sectors to carry out targeted promotions that introduce U.S. beef and reinforce the safety, quality and versatility message to end users. Promotional support may include educational materials, in-store demonstrations, advertising and POS. Three promotions at 50 outlets are planned.

Web Communications/Marketing: USMEF will link into social media networks and maintain a U.S. beef fan page on Facebook. Additionally, USMEF will develop a U.S. beef blog, which will be linked to sites related to restaurants in the EU.

- **Measurable objectives:**
 - 60% of targeted importers/distributors will consistently purchase U.S. beef year-round.
 - 60% of targeted importers/distributors will purchase muscle cuts other than traditional loin steak cuts.
 - 58% of targeted HRI distributors and retailers will make trial purchases of U.S. beef.
 - 33% of targeted HRI distributors and retailers will regularly offer U.S. beef to their customers.

- **Proposed Direct Cost:** \$190,000

Tactic 1B: Market Access –

Contribute to and support initiatives to eliminate trade-restrictive European policies and requirements and keep the U.S. industry informed on critical changes in EU government requirements and emerging consumer issues. Noteworthy Issues include a) the EU's failure to approve pathogen reduction treatments (PRTs) that are used in the United States, b) the need to balance the supply of U.S. non-hormone treated cattle (NHTC) with the demand for U.S. beef in the EU, c) opportunities for expanding market access for beef in the Doha negotiations, and d) the EU's tendency to adopt ever more restrictive measures on animal welfare.

USMEF will carry out Issue Monitoring, Analysis & Reporting, Government & External Relations and Technical Support as described in the Prologue section.

- **Measurable objectives:**
 - USMEF will contribute to and support initiatives to eliminate trade restrictive policies.
 - USMEF will provide assistance to help increase the number of EU processors that express support for approving the use of PRT's in the EU.
 - USMEF will provide assistance to help balance the number of farms/feedlots enrolled in the NHTC program with the demand in the EU.
 - 80% of USMEF members will report that they receive the information they need from USMEF related to market access.

- **Proposed Direct Cost:** \$11,925

IV. DETAILED BUDGET SUMMARY

Strategy and Tactic	Program Manager	Completion Date	Total FY 2012 Est. Budget	Total Direct Cost	Direct Cost by Funding Source			Est. Impl.
					CBB/BPOC	FSBCs	Other	
Market Development	USMEF	9/30/12	\$ 260,658	\$ 190,000	\$ 136,572	\$ 53,428		\$ 70,658
Market Access	USMEF	9/30/12	\$ 29,589	\$ 11,925	\$ 8,572	\$ 3,353		\$ 17,664
Europe Total			\$ 290,247	\$ 201,925	\$ 145,144	\$ 56,781		\$ 88,322
AR Totals			\$ 290,247	\$ 201,925	\$ 145,144	\$ 56,781		\$ 88,322

V. SUPPLEMENTAL INFORMATION

A. Will all of the work detailed in this AR be completed by the end of the fiscal year? If not, please provide an explanation?

- The objectives are expected to be achieved, though they are part of longer term strategies which will continue into the next fiscal year.

B. Changes from FY 2011 Approved AR:

- There are no major strategic changes in this AR.

C. Subcontractor information:

- **Name of proposed subcontractors:**

RV Production	POS Production
Tabloid Ltd.	Internet PR/research

- Subcontractors are selected using USMEF competitive bidding and vendor selection policies and procedures that include bidding all contracts greater than \$25,000 at least every three years. Selection is based on qualifications and reasonableness of cost for similar services.

D. Identify any relationships between this AR and projects previously funded by the Operating Committee:

- This AR is a continuation of the strategy and tactics currently underway.

E. Summary of Prior Year AR Budgets and Expenses:

Strategy	FY 2011 Approved Budgets			FY 2011 Actual Expenses (NCBA's as of 5/31/11)		
	CBB/BPOC	FSBCs	Total	CBB/BPOC	FSBCs	Total
Market Development	\$115,443	\$59,893	\$175,336	\$ 25,981	\$ 13,479	\$ 39,460
Market Access	\$9,877	\$5,123	\$15,000	\$ 563	\$ 293	\$ 856
AR Totals	\$125,320	\$ 65,016	\$190,336	\$ 26,544	\$ 13,772	\$ 40,316

F. Historical Summary of Budgets and Expenses:

	Total Approved Budgets			Total Actual Expenses		
	FY 2010	FY 2009	FY 2008	FY 2010	FY 2009	FY 2008
Europe	\$189,481	\$200,000	\$220,000	\$188,676	\$199,943	\$218,627
AR Totals	\$189,481	\$200,000	\$220,000	\$188,676	\$199,943	\$218,627