

AUTHORIZATION REQUEST FOR FY 2012

AR Title: CHINA/HONG KONG 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 the China/Hong Kong region, with a focus on forging ties between U.S. suppliers and local traders, HRI operators and retailers, and providing tools to increase sales of U.S. beef throughout the region.

In 2010, the Mainland China market remained closed to U.S. beef, though exports of U.S. beef plus variety meat to Hong Kong were up 66 percent to 40,049 mt valued at \$159.3 million, an 87 percent increase. This was achieved despite the fact that exports of U.S. beef to Hong Kong are still restricted to boneless cuts from cattle less than 30 months of age.

USMEF works with the trade to increase the promotion of a wider range of products to downstream customers and to encourage regular purchases of U.S. beef. USMEF groundwork in educating importers/distributors and end-users – especially foodservice operators – has helped build a positive image for U.S. beef among the trade. USMEF also reinforces chef and foodservice operator knowledge and confidence in U.S. beef through activities associated with USMEF's Cookism Chefs Club and other educational programs, with member chefs further imparting their knowledge to dozens of other restaurants nationwide. USMEF's current strategies to further develop the market include the following:

- Reinforce supply links between U.S. suppliers and local importers, wholesalers, HRI operators and retailers by focusing on providing technical assistance demonstrating the benefits of U.S. beef over the competition.
- Promote U.S. beef in Hong Kong and Macau by raising country of origin awareness of U.S. beef in retail and foodservice outlets, with an emphasis on frozen product at retail (chuckeye roll, chuck flap, top blade, rib fingers and short plate) and chilled sub-primal cuts for foodservice.
- Work with importers to develop cuts and packaging that meet Hong Kong retailers' needs.
- Develop relationships with key officials, influencers and beef industry partners in order to build confidence in the safety of U.S. beef.
- New opportunities include foodservice growth, retail expansion, and expanding distributor training.

Export forecasts for 2011 and 2012 are 44,000 mt valued at \$176,200,000, and 93,000 mt valued at \$374,050,500, respectively.

B. Costs Requested from this AR*: \$237,760

Source of Funding	Total Costs	Direct Costs	Implementation**
Beef Board/BPOC	\$ 170,902	\$ 170,902	
Federation of SBCs (FSBCs)	\$ 66,858	\$ 66,858	
Other Sources (<i>describe</i>)			
Total Funds Requested	\$ 237,760	\$ 237,760	

* Only Direct Costs are being requested in this AR

Total estimated Implementation for this AR is \$132,226; 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 – China/Hong Kong

Strategy 1 Proposed Direct Cost: \$237,760

Specific Tactic Information:

Tactic 1A: Market Development –

- a) Build customer loyalty by educating buyers about U.S. beef safety and inspection systems, new regulatory and operating structures, unique production capabilities, profitability, product quality, and the range of product specifications;
- b) Reestablish distribution channels in China (once the market opens) and identify untapped and underdeveloped segments in the China/Hong Kong region, focusing on developing awareness of additional U.S. beef cuts and specifications to ensure that U.S. beef remains affordable for a growing set of buyers.

Trade Servicing: Through trade servicing activities, USMEF is able to disseminate information concerning U.S. meat industry trends, different beef cuts and food safety, as well as offer assistance to resolve issues faced by targeted accounts. Important trade servicing tactics include

individual meetings, website updates, e-newsletters and other communications.

Trade Shows: USMEF will attend various trade shows in the region to maintain contact with potential buyers, demonstrate the commitment of the U.S. industry to the market, and introduce new cuts and products. USMEF will participate in at least 2 trade shows.

Trade Team: USMEF will organize trade teams to provide target accounts with first-hand knowledge of the U.S. beef production and safety system, and the latest foodservice and retail beef promotion and merchandising trends. The teams will also provide an opportunity for buyers to interact with U.S. suppliers directly. At least two trade teams with 8-10 participants are planned.

Seminars/Chef Club: USMEF will conduct trade seminars to reinforce the safety, effective merchandising and profitability of U.S. beef. USMEF will also host chef workshops and company-specific educational seminars to familiarize targeted HRI and trade accounts with the U.S. beef production system, USDA grading, and the quality attributes and safety of U.S. beef. Many marketing activities will be leveraged on USMEF's Chef Club platform, including seminars, a blogger's program, menu promotions, and product and recipe development. In Hong Kong and Macau, most company-specific training will demonstrate cuts they currently feature so the frontline staff are equipped with a better understanding of how to promote these products. Training sessions may be recorded to be used in future company training. Seminars will also provide more menuing/preparation concepts for underutilized cuts. At least one national chef club event is planned in addition to 6 regional events and small individual end-user activities.

Educational Materials: USMEF will provide targeted accounts with educational materials to enhance their product knowledge, particularly the technical aspects of handling and distributing U.S. beef. Educational materials may include Meat Buyers Guides, merchandising manuals, beef cut diagrams, educational DVDs on the U.S. cattle industry and beef cutting demonstrations, as well as customized POS/giveaways with educational messages. An emphasis will be on providing materials supporting underutilized cut merchandising. Target accounts will be provided with full sets of training materials for their own internal training of sales and marketing staff. Educational content will also be disseminated through USMEF-China's website.

On-line Marketing: USMEF will conduct blogger activities and monitoring to encourage the dissemination of positive information about U.S. beef through this growing medium. USMEF-China's website will also provide information on USMEF activities. Two blogger activities are planned.

Imaging Events: USMEF will continue hosting the Great American BBQ in Hong Kong, the top food industry event for importers, HRI operators/chefs,

retailers and food press. In China, USMEF will organize functions for active industry players and municipal officials to include meat cutting demonstrations and product displays (once the market opens). USMEF will also continue to support functions held by industry stakeholders such as chef associations and cooking schools in the region.

Promotions: USMEF will conduct theme or menu promotions with targeted HRI accounts to reinforce the quality image of U.S. beef, expand cut applications and stimulate sales. USMEF will also initiate in-store tasting promotions at leading supermarkets in order to demonstrate the quality, value and the safety of U.S. beef, and entice retail buyers to feature more subprimal cuts. POS materials such as posters, banners, shelf talkers and recipe cards will be custom-made to support these activities. USMEF will also provide more menuing ideas to target end-users.

▪ **Measurable objectives:**

- 38% of targeted importers/distributors will understand the supply capabilities and quality attributes of U.S. beef based on information provided by USMEF.
- 66% of targeted China importers/distributors will have a favorable attitude toward U.S. beef and are knowledgeable about the range of U.S. beef products available based on information provided by USMEF.
- 64% of targeted Hong Kong HRI outlets/chains will regularly use U.S. beef.
- 64% of targeted Hong Kong HRI outlets/chains will actively participate in and/or contribute to USMEF promotions to their customers.
- 71% of targeted Hong Kong retailers will regularly feature 2 U.S. loin cuts and 1 underutilized cut.

▪ **Proposed Direct Cost:** \$227,760

Tactic 1B: Market Access –

Contribute to and support initiatives to eliminate trade-restrictive policies and requirements in the China-Hong Kong region and keep the U.S. industry informed on critical changes in Chinese government requirements and emerging consumer and market issues that may affect the export environment. Noteworthy Issues include a) BSE-related restrictions on U.S. beef imports, and b) opaque quarantine clearance procedures at China's ports.

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.
- 80% of USMEF members report that they receive the information they need from USMEF related to market access issues.

▪ **Proposed Direct Cost:** \$10,000

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	\$ 353,375	\$ 227,760	\$ 163,714	\$ 64,046		\$125,615
Market Access	USMEF	9/30/12	\$ 16,611	\$ 10,000	\$ 7,188	\$ 2,812		\$ 6,611
China-HK Total			\$ 369,986	\$ 237,760	\$ 170,902	\$ 66,858		\$132,226
AR Totals			\$ 369,986	\$ 237,760	\$ 170,902	\$ 66,858		\$132,226

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:**

GZ Gourmet Food Market Dev. Co.	China Consultant
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- 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	\$140,458	\$72,870	\$213,328	\$ 24,457	\$ 12,689	\$ 37,146
Market Access	\$6,584	\$3,416	\$10,000	\$ 0	\$ 0	\$ 0
AR Totals	\$147,042	\$76,286	\$223,328	\$ 24,457	\$ 12,689	\$ 37,146

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
China/HK	\$200,627	\$190,000	\$268,000	\$197,650	\$190,000	\$202,976
AR Totals	\$200,627	\$190,000	\$268,000	\$197,650	\$190,000	\$202,976