

AUTHORIZATION REQUEST FOR FY 2012

AR Title: RUSSIA 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 Russia, with a focus on positioning U.S. beef in the HRI and retail sectors as the highest quality, preferred product among targeted buyers and expanding the range of U.S. beef cuts purchased. Additionally, USMEF will continue providing trade assistance to importers and processors in an effort to stimulate demand for U.S. beef destined for processing.

In 2010, U.S. beef plus variety meat exports to Russia doubled in volume to 57,453 mt and nearly quadrupled in value to a record \$152.4 million. The surge in value was due to a tremendous increase in muscle cut exports, which grew by more than 500 percent. Beef variety meat exports also performed well, increasing by 26 percent in volume and 90 percent in value.

USMEF has used its U.S. beef master classes to reach out to leading HRI operators through their distributors to educate them about U.S. beef and ways to profitably add a range of cuts to their menus. While U.S. beef muscle cuts are better represented in Russian restaurants and steak houses, their availability in the retail market still remains somewhat limited, and USMEF supports retailers that express interest in trying U.S. beef. In addition to traditional retail outlets, USMEF also works to introduce U.S. beef through online shops that provide information about U.S. high quality beef and offer consumers the opportunity to buy product through the Internet. USMEF continues to expand its education and promotion programs to the outlying Russian regions and demonstrate the attributes of U.S. beef to targeted HRI and retail chains and consumers in the Ural region, Siberia, and Central & South Russia. USMEF's current strategies to further develop the market include the following:

- Recapture the number of importers and processors purchasing U.S. beef and beef variety meat by demonstrating the profitability of these products.
- Position U.S. beef as the highest quality, preferred product among targeted HRI customers and help them resume U.S. beef purchases and expand the range of U.S. beef cuts used.
- New opportunities include increased alternative cut usage and growth in chilled beef at retail.

Export forecasts for 2011 and 2012 are 74,000 mt valued at \$220,200,000, and 78,000 mt valued at \$236,767,500, respectively.

B. Costs Requested from this AR*: \$195,665

Source of Funding	Total Costs	Direct Costs	Implementation**
Beef Board/BPOC	\$ 140,644	\$ 140,644	
Federation of SBCs (FSBCs)	\$ 55,021	\$ 55,021	
Other Sources (<i>describe</i>)			
Total Funds Requested	\$ 195,665	\$ 195,665	

* Only Direct Costs are being requested in this AR

Total estimated Implementation for this AR is \$125,037; 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 – Russia

Strategy 1 Proposed Direct Cost: \$195,665

Specific Tactic Information:

Tactic 1A: Market Development –

Strengthen the image of U.S. beef and beef variety meat by differentiating U.S. beef from the competition and reeducating buyers about the profitability and benefits of using U.S. beef products.

Trade Servicing: USMEF will conduct regular meetings with buyers of U.S. beef to retain loyalty and learn how better to meet buyers' specific needs. USMEF will also provide target accounts with technical information and assistance on new U.S. beef products and gather market intelligence. Prospective buyers will be assisted with making first-time purchases of U.S. beef and will be encouraged to become regular users through one-on-one meetings, follow-up contacts, direct links with U.S. suppliers and continuous servicing with technical information and assistance.

Trade Shows: USMEF will participate in regional food and trade exhibitions such as PRODEXPO, the World Food Show, and the PIR Show, plus other relevant shows taking place in Russia and the CIS countries. At least 5 trade shows will be attended.

Trade Teams: Teams will also help Russian buyers and chefs become acquainted with U.S. beef production processes, learn about the variety of U.S. beef products available, obtain information about quality and safety programs directly from U.S. suppliers, and learn cooking and merchandising techniques. One team is planned.

Education: USMEF educational activities will highlight the distinct features of U.S. products. The U.S. beef safety message will be reinforced, and the diversity, unique features and profitability of U.S. beef will be presented and thoroughly explained to decision makers through workshops, educational materials, master classes and chef seminars. Education and promotional support will motivate target accounts to prominently feature U.S. beef. Consumers will also be educated about U.S. beef's unique attributes through regular and alternative media resources. Ten educational activities are planned.

Promotions: Promotional support will stimulate buyers to purchase U.S. high quality beef, help them attract consumers to U.S. beef and teach personnel how to better merchandise/menu U.S. beef. USMEF will hold meetings and workshops with buyers to create awareness of the wide range of U.S. beef products available. The activities will also help identify emerging players in the Russian market with the objective of highlighting the quality image of U.S. beef and promoting U.S. beef sales. Supporting promotional materials will be included in these events. Public relations and advertising linked to specific promotional events will be used as needed to increase consumer awareness of the promotion. Eight promotional events are planned.

▪ **Measurable objectives:**

- 46% of targeted trade accounts will understand U.S. beef's quality attributes based on information provided by USMEF.
- 28% of targeted HRI distributors will regularly stock U.S. beef.
- 38% of targeted retail outlets will identify the origin of U.S. beef.
- 23% of targeted retail outlets will actively promote U.S. beef and its origin.

▪ **Proposed Direct Cost:** \$190,665

Tactic 1B: Market Access –

Contribute to and support initiatives to eliminate trade-restrictive Russian policies and requirements and keep the U.S. industry informed on critical changes in Russian government requirements and emerging consumer issues. Noteworthy Issues include a) Russia's BSE-related restrictions on imports of U.S. beef; b) future tariffs and tariff rate quotas (TRQs) for beef imports from the United States; c) Russia's zero tolerance policy on the

presence of selected pathogens (e.g., Salmonella) and on minimum residues on meat; and d) harmonization under the new Customs Union of Russian, Belarus and Kazakhstan technical regulations, health certificates and foreign establishment inspection criteria.

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:** \$5,000

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	\$ 309,450	\$ 190,665	\$ 137,050	\$ 53,615		\$118,785
Market Access	USMEF	9/30/12	\$ 11,252	\$ 5,000	\$ 3,594	\$ 1,406		\$ 6,252
Russia Total			\$ 320,702	\$ 195,665	\$ 140,644	\$ 55,021		\$125,037
AR Totals			\$ 320,702	\$ 195,665	\$ 140,644	\$ 55,021		\$125,037

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:**

Arab Marketing & Finance, Inc.	CIS Region Consultant
National Academy of Hospitality	Culinary Association
Status Pro	Printing

- 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	\$113,673	\$58,974	\$172,647	\$ 27,681	\$ 14,362	\$ 42,043
Market Access	\$3,292	\$1,708	\$5,000	\$ 0	\$ 0	\$ 0
AR Totals	\$116,965	\$60,682	\$177,647	\$ 27,681	\$ 14,362	\$ 42,043

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
Russia	\$144,897	\$210,000	\$72,000	\$144,897	\$210,000	\$121,796
AR Totals	\$144,897	\$210,000	\$72,000	\$144,897	\$210,000	\$121,796