

AUTHORIZATION REQUEST FOR FY 2011

AR Title: EUROPE PROMOTIONAL CAMPAIGN

Name of Contractor: United States 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, 2009 exports of U.S. beef/beef variety meat (bvm) to Europe decreased 24 percent to 18,344 mt valued at \$93.8 million. However, EU statistics indicate that imports of U.S. beef increased by 48 percent, totaling 7,490 mt. This data shows that growth in imports from the U.S. outpaced the rest of the top 10 suppliers, with the U.S. capturing 6 percent of the EU's chilled beef imports, up from just 1 percent in 2007. Despite the continuing drop in beef production in the EU, total beef imports fell in 2009. The two principal reasons for this decline and the resulting decrease in per capita consumption are the general economic situation, resulting in a reduction in the purchase of higher priced beef, and the quasi absence of Brazilian beef from the market since the temporary suspension of shipments in March 2009. Still, interest in high quality U.S. beef remained steady during the first half of the year. With the implementation of the new duty-free quota in August 2009, U.S. beef became even more attractive with the significant reduction in import costs. In the latter part of 2009, exports averaged around 725 mt per month compared to just over 500 mt per month during the first half of the year (under the old quota, facing 20 percent duty). Nonetheless, the threat of issues emerging from new EU regulations on cloning and animal welfare is ever-present. Worries over the solvency of some EU Member States and the consequent fall of the euro which has lost 20 percent of its value against the U.S. dollar since the beginning of 2010, are also a major concern, however EU importers of U.S. beef remain very optimistic despite this trend.

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, and U.S. beef is now present in supermarkets in Italy. More entries into retail 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 and security of the product. U.S. beef is now sufficiently present in the market to begin to generate its own momentum and demand. However a seasonal shortfall in the supply of non-hormone treated cattle (NHTC) during March through June 2010 has temporarily held back some growth.

Export forecasts for 2010 and 2011 are 22,200 mt valued at \$117,524,822, and 26,500 mt valued at \$136,600,000, respectively.

B. Costs Requested from this AR:

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 125,320	\$ 125,320	\$
Federation of SBCs (FSBCs)	\$ 65,016	\$ 65,016	\$
Other Sources (<i>describe</i>)	\$	\$	\$
Total Funds Requested	\$ 190,336	\$ 190,336	\$

C. Disclosure of Implementation Costs Requested in Separate AR:

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 73,935
Federation of SBCs (FSBCs)	\$ 7,390
Other Sources (<i>describe</i>)	\$ -
Funds Requested in AR FM-13-2011	\$ 81,325

D. Start date: October 1, 2010**Completion date:** September 30, 2011**II. PLANNING INFORMATION FOR THIS AR****A. FY 2011 Priorities Addressed by This AR:** Develop and Expand International Markets**B. Committee That Reviewed This AR:** Joint International Markets Committee**C. Committee Recommendations for This AR:** The Joint International Markets Committee recommends to the Operating Committee that this AR be approved for funding in FY2011.**III. PROGRAM INFORMATION FOR THIS AR****A. Strategy 1: International Marketing – Europe****Strategy 1 Proposed Cost:** \$190,336**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 and dining experience available from increased U.S. beef exports to the EU.

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 also will 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 SIAL 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 will 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. Three seminars reaching 150 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. Two promotions at 20 outlets are planned.

▪ **Measurable objectives:**

- 60% of targeted importers/distributors will consistently purchase U.S. beef year-round (up from 46 percent in 2010).
- 60% of targeted importers/distributors will purchase muscle cuts other than traditional loin steak cuts (up from 46 percent in 2010).
- 58% of targeted HRI distributors and retailers will make trial purchases of U.S. beef (up from 50% in 2010).
- 33% of targeted HRI distributors and retailers will regularly offer U.S. beef to their customers (up from 16% in 2010).

▪ **Proposed cost:** \$175,336

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 increase in the number of farms/feedlots enrolled in the NHTC program.
80% of USMEF members will report that they receive the information they need from USMEF related to market access.
- **Proposed cost:** \$15,000

IV. DETAILED BUDGET SUMMARY

Strategy & Tactic	Program Manager	Completion Date	Total FY 2011 Budget	Budget by Funding Source		
				CBB/BPOC	FSBCs	Other
Market Development	USMEF	9/30/11	\$ 175,336	\$ 115,443	\$ 59,893	
Market Access	USMEF	9/30/11	\$ 15,000	\$ 9,877	\$ 5,123	
Europe Total			\$ 190,336	\$ 125,320	\$ 65,016	
AR Totals			\$ 190,336	\$ 125,320	\$ 65,016	

V. SUPPLEMENTAL INFORMATION

A. Changes from FY 2010 Approved AR:

- USMEF has combined its Buyer Loyalty and Market Expansion strategies under the name "Market Development," and has renamed its Issue Management strategy "Market Access"

B. Subcontractor information:

- **Name of proposed subcontractors:**

RV Production	POS Production
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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.

C. 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.

D. Summary of Prior Year AR Budgets and Expenses:

Strategy	FY 2010 Approved Budgets			FY 2010 Actual Expenses (NBCA Books as of 5/31/10)		
	CBB/BPOC	FSBCs	Total	CBB/BPOC	FSBCs	Total
Market Expansion	\$ 122,331	\$ 57,150	\$ 179,481	\$ 27,007	\$ 12,616	\$39,623
Issue Management	\$ 6,800	\$ 3,200	\$ 10,000	\$ 1,077	\$ 507	\$ 1,584
AR Totals	\$ 129,131	\$ 60,350	\$ 189,481	\$ 28,084	\$ 13,123	\$ 41,207

E. Historical Summary of Budgets and Expenses:

	Total Approved Budgets			Total Actual Expenses		
	FY 2009	FY 2008	FY 2007	FY 2009	FY 2008	FY 2007
Europe	\$ 200,000	\$ 220,000	\$ 75,000	\$ 199,943	\$ 218,627	\$ 107,444
AR Totals	\$ 200,000	\$ 220,000	\$ 75,000	\$ 199,943	\$ 218,627	\$ 107,444