

## AUTHORIZATION REQUEST FOR FY 2011

**AR Title:** CHINA/HONG KONG 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 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 2009, the Mainland China market remained closed to U.S. beef, but exports of U.S. beef/beef variety meat (bvm) to Hong Kong increased 145 percent to 24,060 mt valued at \$84.56 million, up 104 percent. U.S. Beef represented approximately 7 percent of the total imported beef market in Hong Kong. Australia continues to promote its clean and safe image both in Hong Kong and China, and as one of the few supplying countries with access to China, Australian beef – ranging from Wagyu to grass fed product – is widely available in top to medium class hotels and in many western restaurants. Australian beef is also sold in mass market retail outlets in Hong Kong, and has generally performed well in this channel although volumes are not huge. Canada has gained momentum in the market, both in the retail and foodservice sectors, through its 2009 agreement with Hong Kong allowing in all beef products from cattle of all ages. Since BSE, there has been significant investment in China in grain-feeding enterprises, however, the high cost of grain and relatively low average purchasing power has translated into low total carcass utilization for domestically produced grain-fed beef. China's beef industry remains largely unprofitable.

U.S. beef is a profit generating item, thus there is great interest to develop new sales channels for U.S. beef among the trade. The knowledge of the range of U.S. beef cuts is increasing among first tier importers, but much education is needed at the local wholesale level to increase understanding of the attributes of U.S. beef. USMEF groundwork in educating importers/distributors and end-users – especially foodservice operators – has helped build a positive image of U.S. beef among the trade. Despite a significant increase in beef exports when compared to 2008, both the HRI and retail sectors in Hong Kong were feeling the pinch of the economic downturn with sales slipping in the first two quarters of 2009. While consumer sentiment gradually improved, most consumers displayed a tendency to not only trade down in their choice of protein, but also to shift toward less expensive beef products from Brazil or China. In this uneasy business climate, USMEF fine-tuned its strategy by increasing the promotional support of U.S. frozen beef cuts at retail while continuing its effort to maintain its chilled market share in the HRI sector, which has helped expand visibility for U.S. beef frozen chuck eye roll, chuck flap steak, rib fingers and chilled portion primal cuts.

Export forecasts for 2010 and 2011 are 30,400 mt valued at \$122,977,329, and 96,000 mt valued at \$380,940,000, respectively.

**B. Costs Requested from this AR:**

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 147,042	\$ 147,042	\$
Federation of SBCs (FSBCs)	\$ 76,286	\$ 76,286	\$
Other Sources ( <i>describe</i> )	\$ -	\$ -	\$
<b>Total Funds Requested</b>	<b>\$ 223,328</b>	<b>\$ 223,328</b>	<b>\$</b>

**C. Disclosure of Implementation Costs Requested in Separate AR:**

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 118,650
Federation of SBCs (FSBCs)	\$ 11,850
Other Sources ( <i>describe</i> )	\$ -
<b>Funds Requested in AR FM-13-2011</b>	<b>\$ 130,500</b>

**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 – China/Hong Kong**

**Strategy 1 Proposed Cost:** \$223,328

**Specific Tactic Information:**

**Tactic 1A: Market Development –**

- a) Build customer loyalty by mitigating buyer's concerns and educating them about U.S. beef safety and inspection systems, new regulatory

- and operating structures, unique production capabilities, profitability, range of product specifications and product quality;
- b) Reestablish distribution channels in China and identify untapped and underdeveloped segments in the China/Hong Kong region, focusing on developing awareness of more 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 1 trade show.

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 HRI and retail beef promotion and merchandising trends. The teams will also provide an opportunity for buyers to interact with U.S. suppliers directly. Three 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, the quality attributes and safety of U.S. beef. Many marketing activities will be leveraged on the Chef Club platform, including seminars, a blogger's program, menu promotions, and product and recipe development. In Hong Kong, 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. Two regional trade seminars and 12 chef workshops are planned.

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 on underutilized cut merchandising. Target accounts will be provided with full sets of training materials for their own internal training of sales and marketing staff.

Public Relations: USMEF may use a PR agency in Hong Kong on a spot/project basis to support USMEF marketing promotion programs. Two PR activities will be conducted resulting in at least 10 media reports.

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. 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 a function for active industry players and municipal officials to include meat cutting demonstrations and product displays. USMEF will also continue to support functions held by industry stakeholders such as national 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 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. In Hong Kong, at least 10 HRI promotional activities at 120 outlets and 1,500 retail promotional days (in-store sampling) and are planned. Provided the Mainland China market reopens during FY11, these promotions will be expanded across the region.

▪ **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 (up from 27% in 2010).
- 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 (up from 50% in 2010).
- 53% of targeted Hong Kong HRI outlets/chains will regularly use U.S. beef (up from 26% in 2010).
- 26% of targeted Hong Kong HRI outlets/chains will actively participate in and/or contribute to USMEF promotions to their customers (up from 21% in 2010).
- 71% of targeted Hong Kong retailers will regularly feature 2 U.S. loin cuts and 1 underutilized cut (up from 42% in 2010).

▪ **Proposed cost:** \$213,328

**Tactic 1B: Market Access –**

Contribute to and support U.S. government 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 BSE-related restrictions on U.S. beef imports.

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 U.S. government 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 cost:** \$10,000

**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	\$ 213,328	\$ 140,458	\$ 72,870	
Market Access	USMEF	9/30/11	\$ 10,000	\$ 6,584	\$ 3,416	
<b>China/Hong Kong Total</b>			<b>\$ 223,328</b>	<b>\$ 147,042</b>	<b>\$ 76,286</b>	
<b>AR Totals</b>			<b>\$ 223,328</b>	<b>\$ 147,042</b>	<b>\$ 76,286</b>	

**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:**

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.

**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 (NCBA Books as of 5/31/10)		
	CBB/BPOC	FSBCs	Total	CBB/BPOC	FSBCs	Total
Buyer Loyalty	\$ 83,800	\$ 39,200	\$ 123,000	\$ 21,290	\$ 9,959	\$ 31,249
Market Expansion	\$ 51,527	\$ 24,100	\$ 75,627	\$ 6,440	\$ 3,012	\$ 9,452
Issue Management	\$ 1,400	\$ 600	\$ 2,000	\$ -	\$ -	\$ -
<b>AR Totals</b>	<b>\$ 136,727</b>	<b>\$ 63,900</b>	<b>\$ 200,627</b>	<b>\$ 27,730</b>	<b>\$ 12,971</b>	<b>\$ 40,701</b>

**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
<b>China/Hong Kong</b>	\$ 190,000	\$ 268,000	\$ 275,000	\$ 190,000	\$ 202,976	\$ 133,908
<b>AR Totals</b>	<b>\$ 190,000</b>	<b>\$ 268,000</b>	<b>\$ 275,000</b>	<b>\$ 190,000</b>	<b>\$ 202,976</b>	<b>\$ 133,908</b>