

AUTHORIZATION REQUEST FOR FY 2011

AR Title: JAPAN PROMOTIONAL CAMPAIGN

Name of Contractor: USMEF

CBB Budget Component: Foreign Marketing

I. OVERVIEW

A. AR Description:

This Authorization Request describes USMEF's marketing plan for Japan, with a focus on continuing to build trust in U.S. beef and the industry at both trade and consumer levels and actively promoting a wide range of U.S. beef cuts and applications throughout the HRI and retail sectors while also exploring new market subsectors.

In 2009, U.S. beef/beef variety meat (bvm) exports to Japan were up 23 percent in volume and value, totaling 91,467 mt valued at \$470 million. This represents approximately 14 percent of the total imported beef market in Japan and equates to 34 percent of the 2003 (pre-BSE) U.S. beef export value to Japan. By the end of 2009, this key export market began emerging from its economic slump, public perceptions of the safety of U.S. beef had improved (supported by intensive USMEF campaigns), and the new government led by the Democratic Party of Japan (DPJ) was funneling more money to consumers to encourage spending.

Despite the sluggish economy, positive market conditions, including the strong yen and a persistent demand for beef in Japan, created sound opportunities to promote high-end U.S. beef cuts, and USMEF took advantage of the competitive pricing of U.S. middle meats by aggressively working to expand the presence of U.S. steak on Japan's dinner menus. After working with USMEF, Japanese clients are now also actively using alternative cuts such as specially-trimmed brisket, top blade, rib cap plate and knuckle, in addition to the handful of traditional popular cuts. More supermarkets, restaurants, and convenience stores (a recent USMEF target) are using alternative cuts for sales at meat counters, in bento boxes, or as standard menu items. Some top international hotels have started to offer U.S. loins on their regular menus, driven by executive chefs who value U.S. beef's taste and quality. Market acceptability and interest in U.S. beef have improved markedly over the past year in Japan, and conditions are now ripe to expand sales. As consumer anxiety toward U.S. beef has abated, and the yen is now close to near-term highs against the dollar, USMEF will continue to utilize an integrated image campaign to help propel demand for high-value beef products across a range of end-users in Japan. Although supplies have continued to grow each year, the lack of age-verified cattle and the seasonality of eligible cattle supplies continue to limit consistent quantities of beef year-round.

Export forecasts for 2010 and 2011 are 115,000 mt valued at \$605,128,241, and 150,000 mt valued at \$785,500,000, respectively.

B. Costs Requested from this AR:

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 884,208	\$ 884,208	\$
Federation of SBCs (FSBCs)	\$ 458,733	\$ 458,733	\$
Other Sources (<i>describe</i>)	\$ -	\$ -	\$
Total Funds Requested	\$ 1,342,941	\$ 1,342,941	\$

C. Disclosure of Implementation Costs Requested in Separate AR:

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 595,500
Federation of SBCs (FSBCs)	\$ 59,500
Other Sources (<i>describe</i>)	\$ -
Funds Requested in AR FM-13-2011	\$ 655,000

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 – Japan****Strategy 1 Proposed Cost:** \$1,342,941**Specific Tactic Information:****Tactic 1A: Market Development –**

- a) Increase the volume of popular cuts and the number of new cuts of U.S. beef purchased by existing accounts by communicating the positive attributes and alleviating buyers' concerns about supply, profitability and safety;
- b) Encourage the introduction and expansion of U.S. beef as a substitute for Japanese and other imported beef in growing, underdeveloped

market segments by demonstrating the consistent supply, safety, quality and versatility of U.S. beef.

ICC/Account Development: USMEF will conduct day-to-day communications and disseminate timely information on U.S. beef trends and practices with targeted accounts at the working and the managerial levels to build and maintain positive relationships.

Trade Shows: USMEF will participate in large-scale trade shows and regional and company showcases to rebuild confidence among buyers, introduce new cuts/products and merchandising techniques, conduct cutting demonstrations and support U.S. packers and suppliers in their trade show participation. At least 2 large-scale trade shows and 4-5 regional/company showcases will be attended.

Teams: USMEF will organize trade, buyer, business development, educational and media teams to the U.S. to observe the beef production system, including the EV program and fabrication techniques for new and alternative cuts, and current U.S. foodservice and retail merchandising trends. The teams will explore new business opportunities and options for customizing cutting specifications, marketing to Japanese buyers and disseminating positive images and facts about U.S. beef and the industry. Twenty-five trade teams and 1-2 media teams are planned.

Seminars: USMEF will conduct seminars with trade, HRI and retail accounts, as well as targeted consumers, 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. The seminars will focus not only on the distribution of information, but how the target accounts can best utilize it. Fifteen seminars are planned.

Education: USMEF will disseminate information to the trade, media and targeted consumers on the nutrition and quality of U.S. beef, cooking techniques and safety information through newsletters, the website, reference materials, cooking schools and other events. The consumer website will be updated seasonally and will achieve an average of 56,000 hits per month. Three planned cooking events will reach 1,000,000 consumers.

Public Relations & Communications: USMEF will use two-way communication with trade and consumer media to strengthen relationships and build trust toward U.S. beef and extend the reach of activities by disseminating information on USMEF activities, recipes, nutritional information, quality attributes of U.S. beef and updates on trends and occurrences within the U.S. beef industry. Planned PR & communications activities will reach 20,000,000 targeted consumers.

Promotions: USMEF will provide promotional support to targeted trade, HRI and retail accounts to demonstrate the profitability of featuring U.S.

beef products while delivering the message to targeted consumers that U.S. beef is nutritious and safe. Examples of promotional support include in-store tastings, recipe cards, POS materials, sauce/spice giveaways, newspaper insertions, menu production, sales competitions, contests and seasonal campaigns. One nationwide seasonal campaign supporting 1,800 outlets, 1 chef contest, 3 major sales competitions, 1-3 convenience store activities with 25,000 outlets, and various other small-scale promotions are planned.

Research/Evaluation: USMEF will monitor consumer perceptions toward U.S. beef to determine purchasing drivers, existing challenges and how USMEF can better respond to consumer concerns and effectively conduct its promotional activities. Four consumer panels and 6 tracking surveys are planned.

▪ **Measurable objectives:**

- 20% of targeted importers/distributors will consistently purchase 2 or more U.S. beef alternative cuts.
- 25% of targeted HRI/retail accounts will consistently feature 2 or more U.S. beef cuts (up from 18% in 2010).
- 50% of targeted bento/convenience stores will offer menu items featuring U.S. beef (up from 33% in 2010).
- 17% of targeted consumers who will have purchased U.S. beef in the past 2 weeks prior to being surveyed (up from 16% in 2010).

▪ **Proposed cost:** \$1,127,941

Tactic 1B: Market Access –

Contribute to and support U.S. government initiatives to eliminate trade-restrictive policies and requirements in Japan, build and reinforce confidence among Japanese leaders in the U.S. industry as a producer and exporter of beef, distribute information about international standards and relevant global research, and keep the U.S. industry informed on critical changes in Japanese government requirements and emerging consumer issues. Noteworthy issues include a) Japan's BSE-related restrictions on beef imports and related domestic regulations and consumer perceptions about the safety of U.S. beef; b) consumer concerns about the impact of production practices in the United States, including feeding GMOs to livestock, the use of growth promotants and antibiotics, cloning, animal welfare, and the impact of livestock production on the environment; c) opportunities for expanding market access for beef in the Doha negotiations; and d) concerns about the negative image associated with FMD.

USMEF will carry out Government & External Relations and Technical Support as described in the Prologue section. Additionally, specific tactics will include the following:

Issue Monitoring, Analysis, Reporting: USMEF will monitor, analyze and report on changes in Japanese government policies and regulations,

coverage by the Japanese media of the noteworthy issues identified above, and evolving consumer attitudes that could limit access to the Japanese market or acceptance by Japanese consumers.

Seminars/Media Gathering: USMEF will conduct seminars with the media, the trade and regulatory officials (smaller gatherings at least monthly with targeted media, and frequent face-to-face meetings with selected influencers, bureaucrats and policy makers) to convey and disseminate factual information and messages about the U.S. beef industry to key opinion leaders. One-Two seminars with 30-50 participants and 2-4 smaller monthly gatherings and regional seminars with 4-8 participants are planned.

Media & Expert Teams: USMEF will bring two teams of key reporters, commentators and scientific experts to the U.S. to observe U.S. beef production and safety practices and how the U.S. industry ensures the integrity of the products that are exported to Japan. A separate group of policy makers may be brought to the U.S. in support of the technical discussions ongoing between the two governments. In addition, USMEF may send 1-2 teams of reporters and industry experts to meetings of international organizations (e.g., the World Organization for Animal Health) where the science supporting international standards is presented and discussed. When a new issue surfaces, USMEF may organize a team to the U.S. or appropriate countries/areas to study or gather first-hand information to better understand the issue.

Educational Materials: USMEF will develop reference materials, fact sheets, background papers and videos to educate targeted trade, media and regulatory/policy audiences and to clarify issues relating to risk management and international scientific standards. Scientific experts will contribute to the development of educational materials where required.

Issue Research: USMEF will conduct in-depth analysis of issues impacting the beef industry. These may include issues related to social awareness and perception, impacts/effects of new technologies or trends, or the influence of organizations/individuals on policy and opinion.

- **Measurable objectives:**
 - USMEF will contribute to and support initiatives to reduce/eliminate trade restrictive policies, such as age limits and sanctions for residue findings.
 - USMEF will provide factual information to help improve Japanese confidence in the U.S. beef industry.
 - 80% of USMEF members report that they receive the information they need from USMEF related to market access issues.
- **Proposed cost:** \$215,000

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	\$ 1,127,941	\$ 742,650	\$ 385,291	
Market Access	USMEF	9/30/11	\$ 215,000	\$ 141,558	\$ 73,442	
Japan Totals			\$ 1,342,941	\$ 884,208	\$ 458,733	\$ -
AR Totals			\$ 1,342,941	\$ 884,208	\$ 458,733	\$ -

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:**

All Japan Chefs Association	Industry Organization
Alvis	Technical Translation
AMITA	Research Firm
Asatsu-DK	Ad/Promotion Agency
Cinca Creation	Design/Creator
Cosmo PR	Public Relations
Daido Kotsu	Chartered Bus
Daiei	Large Retail Chain
Daiei Kreo	PR Agency
Daisho	Sauce Maker/Processor
Dentsu	Ad Agency
Diamon Friedman	Media Outlet
Foodlink Corporation	Distributor
Fujitsu Research	Research Firm
Gaishoku Sangyo Shinbunsha	FS Journal Publishing Company
g-chef Co., Ltd.	Consumer Publication Production
Gourmet Navigator Inc.	Web Portal Company
Hachette Fujingaho	Be&Po Candidate
Hakuhodo	Ad Agency
Hannan	Importer/Distributor
Image	Website Coordinator
IPSOS	Research Firm

Ito Ham	Processor/Distributor
JF Gourmet Card	Restaurant Gift Cards
JTB Metropolitan Tokyo Branch	Travel Agency
Kinki Nippon Tourist	Travel Agency
MAO international	Merchandiser
MCA	Traders' Be&Po Coordinator
Moranbong	Sauce Manufacturer/Processor
Nihon Shokken Co., Ltd.	Sauce Manufacturer/Processor
Nihon Shokuryo Shinbunsha	Publisher and Event Organizer
Nojima	Household Appliances
NTTPC	Server Fee
Oglivy & Mather Japan	Research Firm
Prajunian Inc	Merchandiser
PRAP Japan	PR Agency
SC Foods (ex Sumisho Fresh Meat)	Importer/Distributor
Shokuhin Sangyo Shinbunsha	Media Outlet
Shokuniku Tsushinsha	Media Outlet
Soken	Research Firm
Starzen Meat Group Co., Ltd	Importer/Trader
Starzen International, Inc.	Importer Meat Purchaser
Taylor Nelson Sofres	Research Firm
Tokyu Agency	Ad Agency
Tsukishiro Circulation Research Institute	Merchandiser
Verisign	Provider of Security ID

- 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's Books as of 5/31/10)		
	CBB/BPOC	FSBCs	Total	CBB/BPOC	FSBCs	Total
Buyer Loyalty	\$ 263,700	\$ 123,300	\$ 387,000	\$ 74,786	\$ 34,967	\$109,753
Market Expansion	\$ 528,517	\$ 246,998	\$ 775,515	\$ 16,355	\$ 7,643	\$ 23,998
Issue Management	\$ 119,300	\$ 55,700	\$ 175,000	\$ 8,664	\$ 4,045	\$ 12,709
AR Totals	\$ 911,517	\$ 425,998	\$ 1,337,515	\$ 99,805	\$46,655	\$ 146,460

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
Japan	\$ 1,322,064	\$ 2,320,000	\$ 2,100,000	\$ 1,322,039	\$ 2,318,950	\$ 2,093,925
AR Totals	\$ 1,322,064	\$ 2,320,000	\$ 2,100,000	\$ 1,322,039	\$ 2,318,950	\$ 2,093,925