

## AUTHORIZATION REQUEST FOR FY 2011

**AR Title: MEXICO 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 Mexico, with a focus on increasing purchases throughout the supply chain, ensuring that U.S. beef is properly presented, labeled and merchandised, and communicating that U.S. beef is the tastiest and safest product in the market, with an emphasis at the point-of-sale in the retail and HRI sectors.

In 2009, Mexico was the top volume and value market for U.S. beef with exports of U.S. beef/beef variety meat (bvm) reaching 291,704 mt, valued at \$909.8 million. This represented 82 percent of Mexico's imported beef market for the year. The financial crisis, the ensuing deep economic recession in Mexico and the peso devaluation combined to erode demand for U.S. beef as Mexican consumers' purchasing power for U.S. goods dropped 30 percent. Retail and distribution companies struggled to absorb the higher import cost related to the peso devaluation and surging unemployment further reduced demand as consumers looked for cheaper proteins. However, Mexico should remain a large, growing market for U.S. beef as local production will most likely not be able to keep pace with future demand once the economy recovers.

The image of U.S. beef among consumers is generally very positive, with tenderness, color and ease of preparation most widely mentioned as positive attributes, though some consumers continue to believe U.S. beef is not as fresh as domestic product. The tough economic conditions are causing some buyers to switch sourcing strategies by looking to procure more domestic products at lower prices. However, some retailers are increasing efforts to brand red meat at points of sale to increase awareness and profitability, which represents new opportunities and challenges for USMEF to build demand for U.S. beef through this important marketing channel. Restaurants within top-end hotels are not particularly price sensitive, focusing more on quality and product specifications. Conversely, mid-range restaurants and chains are very price sensitive though they continue to search for products that are tender and flavorful. USMEF has successfully promoted value cuts to family style restaurants to meet these needs. To more effectively position U.S. beef in the minds of consumers, USMEF has developed messages with the common theme "La major carne de los Estados Unidos...mas tu sazón" (roughly translated as "The best meat from the United States...plus your personal touch") to reach consumers on an emotional level, especially at the point of sale at retail outlets.

Export forecasts for 2010 and 2011 are 255,000 mt valued at \$828,959,557, and 267,000 mt valued at \$912,050,000, respectively.

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

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 632,989	\$ 632,989	\$
Federation of SBCs (FSBCs)	\$ 328,398	\$ 328,398	\$
Other Sources ( <i>describe</i> )	\$ -	\$ -	\$
<b>Total Funds Requested</b>	<b>\$ 961,387</b>	<b>\$ 961,387</b>	<b>\$</b>

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

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 333,590
Federation of SBCs (FSBCs)	\$ 33,330
Other Sources ( <i>describe</i> )	\$ -
<b>Funds Requested in AR FM-13-2011</b>	<b>\$ 366,920</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 – Mexico****Strategy 1 Proposed Cost:** \$961,387**Specific Tactic Information:****Tactic 1A: Market Development –**

- a) Capitalize on USMEF's established relationships with the trade to demonstrate to the decision makers in the growing HRI and retail sectors the profitability of using U.S. beef products, as well as convey the positive attributes of U.S. beef to their customers;
- b) Demonstrate to a new set of accounts the profit potential of U.S. beef and how to effectively handle and merchandise its positive attributes to their customers.

Trade Servicing: USMEF will work with key clients on a regular basis to maintain product loyalty and to inform them of U.S. beef industry developments and trends to help them convince their customers to choose U.S. beef over competing products.

Trade Shows: USMEF will participate in trade shows and regional showcases to continue to build confidence among buyers, introduce new cuts and products, conduct cutting demonstrations, provide samples of U.S. beef products and support U.S. packers and suppliers in their trade show participation. At least five shows will be attended, including Expocarnes, Expo Cancun, Expo Vallarta, ABASTUR and ANTAD.

Trade Teams: USMEF will bring potential buyers (retailers, importers, distributors, traders and/or processors, etc.) to the U.S. to introduce them to suppliers and to better inform them about U.S. beef and the industry. Four trade teams are planned.

Training: USMEF will train personnel from the retail, HRI, distribution and trade sectors about the quality and range of U.S. beef cuts and how to properly use and profitably merchandise them. Seminars will also be held for consumers and healthcare professionals with emphasis on preparation, nutrition and recipes. Twenty full seminars are planned.

Educational Materials: USMEF will produce brochures, pamphlets, posters, banners, web-based educational content, training videos, etc., that communicate the key attributes of and support marketing activities for U.S. beef. These materials will be distributed and used to support trade, HRI and retail target accounts.

Communications: USMEF will use a variety of media methods such as meat case dividers, brochures, radio spots, magazine ads, product demonstrators and meat experts at the point of sale in support of specific promotions to emphasize to targeted consumers the positive eating experience associated with U.S. beef as well as its taste, nutrition and safety attributes. Direct communication with 3 to 4 million consumers will be obtained through planned POS promotions at restaurant and retail points of sale.

Promotions: USMEF will carry out U.S. beef marketing activities such as events, contests and promotions with targeted customers to create demand and expand the knowledge of the versatility, use, proper handling and profitability of U.S. beef. Six major promotional activities are planned.

Research/Studies: USMEF may contract studies/research to evaluate potential marketing opportunities for the U.S. beef industry as needed.

- **Measurable objectives:**
  - 25% of targeted importers/distributors/processors will actively promote a range of U.S. beef cuts, including value cuts, highlighting the products' quality attributes (up from 20% in 2010).

- 53% of targeted restaurants will have marketing/wait staff that actively feature/promote U.S. beef, including value cuts, to their customers.
  - 43% of targeted retailers will consistently incorporate suggested merchandizing methods to promote U.S. beef to their customers (up from 28% in 2010).
  - 22% of consumers at points of sale will perceive U.S. beef to be high-quality (up from 20% in 2010).
- **Proposed cost:** \$949,387

#### **Tactic 1B: Market Access –**

Contribute to and support initiatives to eliminate and prevent the imposition of trade-restrictive policies, regulations and procedures in Mexico, and keep the U.S. industry informed on critical changes in Mexican government requirements and emerging consumer issues. Noteworthy issues include a) Mexico's dumping duties on beef imports; b) BSE-related restrictions on beef imports; c) animal ID and traceability programs, which could impede U.S. beef exports; d) emerging minimum MRL tolerances; e) arbitrary changes to inspection procedures, such as the proposed new inspection process for meats in combo bins; and f) growing Mexican government concern about obesity and diabetes.

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

Seminars: USMEF will educate target audiences on topics addressing liberalized trade, equivalency in international SPS standards, animal health regulations, inspection guidelines, preservation of the cold chain, and meat technologies, and nutrition, among others. Ten seminars and one educational forum are planned.

Educational Materials: USMEF will produce educational materials such as brochures, pamphlets, and position papers in order to communicate information to help maintain and improve market access for U.S. beef in Mexico.

Teams: USMEF will take teams to the U.S. to better familiarize members of target groups about the U.S. beef industry and its associated regulatory environment and production processes. One team visit is planned.

Studies/Research: USMEF will contract studies and services (e.g., economic analysis, position papers, legal trade advise) to better understand issues that affect or could affect the export of U.S. beef to Mexico, counter claims made by opponents, and improve market access for U.S. beef. USMEF plans to oversee one study or information sharing project.

- **Measurable objectives:**
  - USMEF will contribute to and support initiatives to prevent the imposition of trade restrictive import requirements by the Mexican government.
  - USMEF will provide key Mexican government decision makers with information about the benefits of liberalized trade, the U.S. food safety system and 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:** \$12,000

**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	\$ 949,387	\$ 625,088	\$ 324,299	
Market Access	USMEF	9/30/11	\$ 12,000	\$ 7,901	\$ 4,099	
<b>Mexico Totals</b>			<b>\$ 961,387</b>	<b>\$ 632,989</b>	<b>\$ 328,398</b>	<b>\$ -</b>
<b>AR Totals</b>			<b>\$ 961,387</b>	<b>\$ 632,989</b>	<b>\$ 328,398</b>	<b>\$ -</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:**

Alberto de Jesus Diaz Cadena	Translation
Antad	Expo Space
Asociacion Promotora de Exposiciones	Expo Carnes
Burson Marsteller	Public Relations
Centro de Orientacion Alimentaria	Nutritional Seminars
Circulo Restauranero	Promotions
Angel Jesus Artezán Capitaine	Promotions
Compañía Innovadora en Mercadotecnia	Promotions
Consejo Mexicano de la Carne AC	Promotions
Costco de Mexico	Promotions
Estudios Pisco-Industriales de Mexico	Marketing Research

Expo Alimentaria S de RL	Exhibition
GRC Comiunicaciones	Advertising
Grupo Trade Show	Exhibition
Guillermo Garcia de Quevedo Lechuga	Promo items & materials
Instalaciones y Maquinaria INMAQ	Promotions
Instituto Tecnologico Autonomo de Mexico	University: Meat Study
Instituto Tecnologico de Estudios Superiores de Monterrey	Butcher Certifications, Meat quality & merchandise course
Jose Antonio Villalpando Cardenas (Ludnik)	Email/Database/Web Hosting
Juan Carlos Esparza Serra	Promo Items/Stickers/Printing
Leon Felipe Castellanos Morales	Graphic Designer/Production
Lithografica Lijhusa	POS Materials/Printing
Litografia Gil	Printing services
Maria Elena Salgado Torres	POS Materials/Printing
Martin Rogelio Ceballos Muñoz	Promotional/POS Materials
Meat & SAMS	Promotions
Ormex Display SA de CV	Exhibition
PB Transfer	Promotions
Piers Global Intelligence Solutions	Market & statistics data
Promo Conceptos	Promotions
Publimax	Advertising
Representaciones de Exposiciones Mexico	Exhibition room
Restasurantes California	Promotions
Restaurantes Toks	Promotions
Sanborn Hermanos	Promotions
Silvia Basaldua Pohlenz/Grupo Graffikom	Graphic Designer/Production
Stereo Rey Monterrey	Promotions
Stereorey Monterrey SA	Advertising
Super San Francisco de Asis	Promotions
Todos Los Viernes (TGI Fridays)	Promotions
Tiendas Chedraui	Promotions
Tiendas Comercial Mexicana	Promotions
Tiendas Soriana	Promotions
BFN Consultores (former UyA Abogados)	Legal consultants
Walt-Mart de Mexico	Promotions
Zigma Exhibits	Exhibition

- 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	\$ 244,782	\$ 114,398	\$ 359,180	\$ 24,426	\$ 11,415	\$ 35,841
Market Expansion	\$ 309,143	\$ 144,478	\$ 453,621	\$ 30,099	\$ 14,067	\$ 44,166
Issue Management	\$ 8,178	\$ 3,822	\$ 12,000	\$ 711	\$ 332	\$ 1,043
<b>AR Totals</b>	<b>\$ 562,103</b>	<b>\$ 262,698</b>	<b>\$ 824,801</b>	<b>\$ 55,236</b>	<b>\$ 25,814</b>	<b>\$ 81,050</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>Mexico</b>	\$ 875,000	\$ 689,000	\$ 818,000	\$ 874,155	\$ 688,596	\$ 782,209
<b>AR Totals</b>	<b>\$ 875,000</b>	<b>\$ 689,000</b>	<b>\$ 818,000</b>	<b>\$ 874,155</b>	<b>\$ 688,596</b>	<b>\$ 782,209</b>