

AUTHORIZATION REQUEST FOR FY 2011

AR Title: RUSSIA 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 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 2009, exports of U.S. beef/beef variety meat (bvm) to Russia declined by 41 percent to 23,819 mt valued at \$35.84 million, representing 4 percent of the imported beef market. Russia's economy, while riding out the world economic crisis better than many, remained fragile, affecting consumer spending. Moreover, a nearly four-month ban on all U.S. red meat imports due to the H1N1 outbreak limited access for U.S. beef. Since mid-2009, however, there have been no major veterinary issues, though the potential for challenges associated with the ambiguity of the Russian veterinary legislation and the relative randomness of its application remain. A recent improvement in the overall economic situation in Russia, combined with a stronger local currency, has allowed for solid growth in imports, including meat, and U.S. beef has been very competitive with product from South America in 2010. With gradually increasing disposable income, restoration of consumer confidence and higher spending, it is expected that beef consumption will increase slightly in Russia, and that demand will likely be satisfied by imported beef.

USMEF has used its U.S. Beef Masters 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 the menu. 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. USMEF supports retailers that express interest in trying U.S. beef, while also working to introduce consumers to U.S. beef through online shops. USMEF continues to expand its programs out to the 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 Russia. U.S. beef destined for Russia is still restricted to animals of less than 30 months age, an impediment to further growth of U.S. beef liver exports. USMEF will continue to develop its relations with Russian officials and seek the best possible outcome concerning both TRQ's and a workable agreement on veterinary and sanitary requirements for U.S. beef producers. USMEF will also continue working on the removal of veterinary limitations on trading cooked beef – U.S. cooked beef products remain ineligible for export to Russia.

Export forecasts for 2010 and 2011 are 54,000 mt valued at \$128,621,908, and 55,500 mt valued at \$131,262,500, respectively.

B. Costs Requested from this AR:

Source of Funding	Total	Direct Costs	Implementation
Beef Board/BPOC	\$ 116,965	\$ 116,965	\$
Federation of SBCs (FSBCs)	\$ 60,682	\$ 60,682	\$
Other Sources (<i>describe</i>)	\$ -	\$ -	\$
Total Funds Requested	\$ 177,647	\$ 177,647	\$

C. Disclosure of Implementation Costs Requested in Separate AR:

Source of Implementation Funding	Implementation
Beef Board/BPOC	\$ 89,550
Federation of SBCs (FSBCs)	\$ 8,950
Other Sources (<i>describe</i>)	\$ -
Funds Requested in AR FM-13-2011	\$ 98,500

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 – Russia

Strategy 1 Proposed Cost: \$ 177,647

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 and the World Food Show, plus other relevant shows taking place in Russia and the CIS countries. At least 4 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's seminars. Education and promotional support will motivate target accounts to prominently feature U.S. beef. Consumer 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 through the American Beef Club, linked to specified food service promotion events, will be used as needed to highlight promotion awareness. Five 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 (up from 19% in 2010).
- 28% of targeted HRI distributors will regularly stock U.S. beef (up from 14% in 2010).
- 38% of targeted retail outlets will identify the origin of U.S. beef (up from 30% in 2010).

- 23% of targeted retail outlets will actively promote U.S. beef and its origin (up from 15% in 2010).
- **Proposed cost:** \$172,647

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; and c) Russia’s zero tolerance policy on the presence of selected pathogens (e.g., Salmonella) and on minimum residues on meat.

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 cost:** \$5,000

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	\$ 172,647	\$ 113,673	\$ 58,974	
Market Access	USMEF	9/30/11	\$ 5,000	\$ 3,292	\$ 1,708	
Russia Totals			\$ 177,647	\$ 116,965	\$ 60,682	
AR Totals			\$ 177,647	\$ 116,965	\$ 60,682	

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:**

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.

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	\$ 20,911	\$ 9,486	\$ 30,397	\$ 3,954	\$ 1,794	\$ 5,748
Market Expansion	\$ 74,624	\$ 34,876	\$ 109,500	\$ 23,032	\$ 10,764	\$ 33,796
Issue Management	\$ 3,407	\$ 1,593	\$ 5,000	\$ -	\$ -	\$ -
AR Totals	\$ 98,942	\$ 45,955	\$ 144,897	\$ 26,986	\$12,558	\$ 39,544

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
Russia	\$ 210,000	\$ 72,000	\$ 125,000	\$ 210,000	\$ 121,796	\$ 25,903
AR Totals	\$ 210,000	\$ 72,000	\$ 125,000	\$ 210,000	\$ 121,796	\$ 25,903