

## AUTHORIZATION REQUEST FOR FY 2023

**CBB Budget Category:** Foreign Marketing

**Name of Contractor:** U.S. Meat Export Federation

**Name of Organization Subcontracting:**

**Start Date:** 10/1/2022

**End Date:** 9/30/2023

### AR OVERVIEW

#### AR Purpose and Description

In support of the Beef Industry Long Range Plan to drive growth in beef exports, the United States Meat Export Federation (USMEF), funded in part by the Beef Checkoff, organizes its international programs in global markets around the following strategic priorities:

- Total Carcass Utilization – Maximize returns at each link in the marketing chain by building export demand for value-added products and the complete range of U.S. beef items, especially those underutilized in the U.S. market and including variety meat.
- Trade Support – Gather and disseminate market intelligence, provide export technical services per each market, and facilitate direct contact between U.S. exporters and targeted buyers in export markets.
- Buyer Education and Loyalty- Educate targeted buyers in export markets on the quality, consistency, and safety attributes of U.S. beef and beef products. Develop a strong and positive image for U.S. exports, and build buyer loyalty to products exported from the United States.
- Market Presence – Increase the presence and availability of U.S. beef and beef products in the HRI and retail sectors in targeted export markets to build familiarity among consumers and displace competitor product.
- Product Image – Establish positive images of U.S. beef with consumers in targeted export markets.
- Market Access – Secure meaningful, sustained access to new and existing export markets using all available means.

USMEF's programs in the international markets address both market access and market development strategic objectives. Market access initiatives are an inherent part of market development; that is, market development requires access and availability in a market. USMEF's global staff monitors and manages the impact of government requirements and attributes, consumer issues, and non-science-based regulations that limit or restrict U.S. beef exports and shares this information with the appropriate U.S. agencies and exporting entities. USMEF prioritizes issues that are likely to have the greatest impact on exports. USMEF's market development initiatives require a certain level of access to a market. These initiatives develop demand for U.S. beef among new and existing buyers by introducing new sectors to U.S. beef and expanding the volume and range of cuts purchased by current users. USMEF focuses on opportunities to utilize a wide range of cuts, bringing value to an entire beef carcass by promoting alternative cuts and variety meat products where culturally appropriate. With the expertise of on-ground marketing directors and staff, USMEF identifies sectors and opportunities with the highest potential for export growth, and ultimately designs strategic objectives unique to each market which are further described in this AR. For sustained growth and expansion, markets may require different levels of a "develop", "displace", or "defend" approach depending on a variety of factors such as market access conditions, competitor performance, market penetration level, and future outlook.

**Develop** – The development of new markets or sectors for U.S. meat is a top priority for USMEF. An example is recent work conducted in West Africa to identify market potential, establish relations with importers, and introduce buyers to U.S. sellers. Research and initial market analysis are a part of this development process, where a market is evaluated for its constraints, potential opportunities, and feasible "next steps" plan of action. But development doesn't necessarily occur only in markets new to U.S. meat exports. Rather, USMEF develops new outlets for U.S. meat and grows each market by penetrating new market subsectors, even in mature markets. An example would include targeting convenience stores within the retail sector. In some markets, this also includes developing demand and consumption of beef among consumers.

**Displace** – Competition is fierce globally, not only from domestic suppliers in each market, but also from other exporting countries. In markets where U.S. beef has a foothold, USMEF continues working to capture additional market share by further displacing the competition and creating loyal customers. The unique attributes of U.S. product and the industry provide the basis for influencing buyers to switch to U.S. beef, thus displacing the competing product.

**Defend** – In the face of ever-changing market dynamics, it is essential that the U.S. industry never assume that markets currently held will remain U.S.-dominated. Just as USMEF works to displace the competition, competing suppliers are constantly working to displace U.S. meat. Defense strategies must be employed to hold market share against aggressive tactics from competitors, especially in large markets or sectors in which the U.S. has a significant share. Establishing and maintaining loyalty among customers is a primary goal of USMEF, as changing trade dynamics and price differentials can threaten U.S. market share among inconsistent buyers.

Throughout the program development process, USMEF breaks each market into four sectors roughly corresponding to the distribution flow of product and reflective of the level of market penetration of U.S. beef as follows: Trade (importers, distributors, processors), HRI (hotel, restaurant, institution), Retail, and Consumer. To further create opportunities for U.S. beef in each market, each sector is further divided into smaller subsectors characteristic of each individual market. For example, HRI may be divided into family-style eateries, BBQ chains, white tablecloth restaurants, local cuisine, fast-food, etc. As consumer trends change these subsectors may evolve, representing opportunities for U.S. beef export growth. This “sector-oriented” approach allows USMEF to better design programs to meet the strategic objectives.

USMEF tactics and programs designed to achieve strategic objectives are similar in many markets; however, the implementation, target audience, and specific messages delivered through these initiatives are characteristic of each market. Examples of USMEF Market Access and Market Development activities are listed below.

**Trade Servicing:** This includes ongoing activities conducted in the market to build and maintain relationships, gather and disseminate relevant industry information between the market and the U.S. beef industry, connect buyers and sellers, and communicate the U.S. industry’s commitment to target accounts. Activities may include but are not limited to company visits, technical export support, exclusive “club” membership and meetings, etc. Through trade servicing USMEF can further design individual marketing programs and activities to best suit the goals and needs of U.S. beef customers.

**Trade Shows:** USMEF attends relevant trade shows in each market to bring buyers and sellers together with the opportunity to discuss business needs, reinforce relationships, exchange information about trends, and demonstrate current and new products. Trade shows may span a variety of sectors targeting the trade, HRI buyers, retail buyers, etc. Trade shows are a primary tool used to generate interest in U.S. beef and engage with new and existing buyers. Exhibitions often feature a U.S. or meat pavilion in which USMEF and U.S. beef suppliers have booths for displaying product. Shows may range from large-scale international events to smaller events focused on specific sectors or regions, as well as very targeted importer-hosted showcases. USMEF currently hosts an annual showcase, the Latin American Product Showcase targeted at specific regions, and may opt to expand the USMEF-hosted showcase to serve a wider set of international markets.

**Seminars/Trainings/Cutting Demonstrations:** Targeted and customized seminars are used to introduce U.S. beef to new customers, to establish trust in U.S. product with existing buyers, and to showcase the range and versatility of available U.S. beef cuts in each market. USMEF recognizes that education at all levels, from importers/distributors to retail meat department staff is a key cornerstone of market development. Seminars may include hands-on cutting demonstrations, cooking demonstrations, menu development trainings, sales force seminars, webinars, etc. These activities may be customized for company-specific events and may even be directed towards the buyers of a specific importer/distributor as a support mechanism to generate more downstream sales.

**Trade Teams:** USMEF hosts numerous international trade teams of importers/distributors, decision-makers, from targeted foodservice and retail companies, and media influencers to give participants a thorough and interactive overview of the U.S. beef industry. Demonstrating U.S. beef production techniques, range of products available, safety and inspection procedures, and foodservice/retail trends, USMEF trade teams are an important means to facilitate business relationships between buyers and sellers, and a primary opportunity to showcase the superiority of U.S. product. Due to the international onset of African Swine Fever (ASF) and international travel restrictions following COVID-19, USMEF may elect to limit trade teams based on the origin market's infection status and COVID-19 protocols. USMEF may also elect to direct trade teams to other export markets to demonstrate unique merchandising, menuing, and product development options.

**Communications:** USMEF may utilize traditional or online communication to distribute information about U.S. beef among targeted buyers and consumers. Using print material such as newspapers, advertisements, magazines, and even online materials such as social media posts, articles, and video content, these activities can help introduce new products, provide information about where to purchase U.S. beef, build consumer hype and generate goodwill, and promote the quality and safety of U.S. product.

**Promotions:** Supporting retailers and foodservice operators, USMEF utilizes promotions in conjunction with a full range of other activities (i.e. training, communications) to develop long-term sales of U.S. beef. Promotions may take many forms, including free delivery campaigns, livestreaming events, in-store tasting demonstrations, menu features, events/contests, etc. Results are often used to communicate the value in U.S. beef to first-time users or to encourage buyers to expand the portfolio of U.S. beef products on their menu or on their shelves. In addition, promotions increase buyer familiarity with U.S. product, and are often used to deliver messages about the quality, taste, safety, and versatility of U.S. beef directly to targeted consumers.

**Issue Monitoring, Analysis, and Reporting:** As part of the Market Access initiative, USMEF is committed to monitoring U.S. beef access in international markets. USMEF frequently updates U.S. exporters, industry trade associations, and government agencies with information and analysis on import policies, requirements, and changes that have the potential to restrict U.S. beef exports, including traceability requirements and competitor programs. Attendance at conferences, formal communications, and informal meetings are examples of activities where market access information may be gathered and shared.

**Government and External Relations:** USMEF communicates information about U.S. production practices, U.S. meat safety systems, U.S. export requirements, and science-based assurances regarding the U.S. industry to foreign government authorities, opinion leaders, in-market port personnel, the media, the trade, and the general public in international markets. Specific activities may include hosting seminars or teams, production and distribution of educational material, relationship-building, public

relations, and research. USMEF also has a role to communicate the objectives of the organization to the U.S. beef industry, and often presents in front of industry players including producers, attends industry meetings, and disseminates information about export programs publicly on the USMEF website and via social media.

**Technical Support:** USMEF provides details to the trade and local authorities on U.S. export specifications, certifications procedures, safety inspection measures, and quality assurance programs. In addition, USMEF offers customized technical services support to organization members, addressing export challenges and obstacles that prevent the steady flow of product to each market. Specific activities may include trade servicing visitations, conducting seminars, distributing educational material, and hosting teams. In each tactic, a description of current market conditions including key trends influencing the export marketing strategies for countries or regions covered by USMEF is provided as well as key market access information. These descriptions are not exhaustive and remain fluid as a market evolves and changes.

FY23 CBB/BPOC Funding Request		
Direct Costs	Implementation	Total
\$5,940,000	\$2,260,000	\$8,200,000

**Beef Industry Long Range Plan (LRP) Core Strategies Addressed by this AR**

*(Check all that apply)*

Drive Growth in Beef Exports	Grow Consumer Trust in Beef Production	Develop & Implement Better Business Models & Value Distribution Across All Segments	Promote & Capitalize on the Multiple Advantage of Beef	Improve the Business & Political Climate of Beef	Safeguard & Cultivate Investment in Beef, Industry Research, Marketing & Innovation
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**LRP Initiatives Addressed by this Tactic**

Drive Growth in Beef Exports	Grow Consumer Trust in Beef Production	Develop & Implement Better Business Models & Value Distribution Across All Segments	Promote & Capitalize on the Multiple Advantage of Beef	Improve the Business & Political Climate of Beef	Safeguard & Cultivate Investment in Beef, Industry Research, Marketing & Innovation
<ul style="list-style-type: none"> <li><input type="checkbox"/> Drive the adoption of traceability for all U.S. cattle to help promote U.S. beef through (verified) value-added programs, while protecting the health &amp; well-being of cattle and our markets from the effects of contagious diseases</li> <li>■ Identify &amp; address export customer needs &amp; values</li> <li>■ Collaborate with targeted partners to promote U.S. beef in foreign markets</li> <li>■ Invest in research, marketing &amp; education programs</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Measure, document, improve &amp; communicate the net climate and environmental impact of beef production</li> <li><input type="checkbox"/> Educate medical, diet &amp; health professionals about beef &amp; beef production</li> <li><input type="checkbox"/> Align &amp; collaborate with traditional &amp; nontraditional partners to tell the positive story of beef production</li> <li><input type="checkbox"/> Engage positively in the sustainable nutrition conversation</li> <li><input type="checkbox"/> Intensify efforts in educating consumers as well as supply chain decision makers about the benefits of animal care programs like BQA &amp; their impact on animal well-being</li> <li><input type="checkbox"/> Expand BQA program to include verification</li> <li><input type="checkbox"/> Develop a direct-to-consumer beef safety campaign</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Use innovative methods &amp; technologies to value carcasses based on eating satisfaction &amp; red meat yield</li> <li><input type="checkbox"/> Develop production/processing/marketing systems that result in more equitable margin distribution</li> <li><input type="checkbox"/> Explore business models and risk management tools that result in more sustainable producer profit opportunities</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Promote the role of beef in a health &amp; sustainable diet</li> <li><input type="checkbox"/> Implement a marketing campaign that communicates beef's advantage compared to alternative proteins</li> <li><input type="checkbox"/> Develop targeted marketing programs focused on the highest opportunity market segments</li> <li><input type="checkbox"/> Cultivate collaborative promotion partnerships</li> <li><input type="checkbox"/> Promote innovative online marketing, packaging &amp; shipping solutions to enable the direct marketing of beef</li> <li><input type="checkbox"/> Engage consumers in a memorable beef eating experience</li> <li><input type="checkbox"/> Develop a more interactive &amp; exciting beef purchasing experience</li> <li><input type="checkbox"/> Promote underutilized beef cuts &amp; new variety meat products</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Demonstrate beef's positive sustainability message &amp; key role in regenerative agriculture</li> <li><input type="checkbox"/> Defend beef's product identity</li> <li><input type="checkbox"/> Ensure beef's inclusion in dietary recommendations</li> <li><input type="checkbox"/> Drive continuous improvement in food safety</li> <li><input type="checkbox"/> Develop crisis management plans</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Attract innovation &amp; intellectual capital &amp; cultivate the next generation of talent into the beef industry</li> <li><input type="checkbox"/> Encourage the cooperation &amp; collaboration of existing industry advisory committees to identify &amp; prioritize research efforts</li> <li><input type="checkbox"/> Increase industry funds for beef marketing, promotion, and research</li> </ul>

**Committee(s) to Score this Tactic**

Consumer Trust	Domestic Marketing	International Marketing	Nutrition & Health	Safety & Product Innovation	Stakeholder Engagement
<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**NOTE**

The LRP Initiatives and the committee scoring each tactic in this AR are the same, so this page will not be repeated for each tactic. Also, Foreign Marketing ARs do not require Performance Efficiency Measures (PEM).

**PROGRAM INFORMATION FOR THIS AR****Tactic A**

**Tactic Name:** Africa

**Tactic Description****MARKET ASSESSMENT**

Emerging markets demonstrating traits of rapid development, such as Sub-Saharan Africa, provide potential growth opportunities for the U.S. beef industry. According to the U.N., the African continent has the highest rate of population growth of any continent in the world, with more than half of global population growth between now and 2050 occurring in Africa. The region has seen sustained economic growth as well as a trend towards urbanization which lends favorably to increases in consumption of higher value proteins. However, political instability and high levels of corruption continue to hinder economic investment. Other challenges include underdeveloped energy and transportation infrastructure directly affecting cold chain management and transport times, tariffs and non-tariff trade barriers, and generally price-sensitive consumers. Some of the major economies in Sub-Saharan Africa are dependent on oil exports, leaving the markets vulnerable to price fluctuations and foreign exchange challenges which reduces reliability, while others such as Ghana are not oil dependent and thus exhibit more stability.

The Republic of South Africa is the primary destination for U.S. beef variety meats in the Sub-Saharan region of Africa, and Angola, Gabon, and Cote d'Ivoire are also notable beef variety meat markets. After a strong year of growth of beef variety meat exports to the region in 2020, 2021 volumes were hampered by a number of factors, including increased worldwide demand, logistical bottlenecks, lingering economic effects resulting from COVID-19 pandemic, as well as devastation to infrastructure and the economy brought on by rioting and social and political unrest in the Republic of South Africa. Beef variety meat export volumes to Africa decreased by 30% in 2021 after posting an increase of 43% the prior year. However, export value of beef variety meats increased by 2%, driven by an 18% increase in export value to main market, South Africa. South Africa was again the second largest destination for U.S. beef livers, and the largest for kidneys in 2021. With a strong tradition of meat consumption and grilling, South Africa also has significant long-term potential for middle meats and secondary cuts. Due to the vast differences between domestic beef and U.S. beef, in terms of age of slaughter, feeding, and genetics, education is paramount for capitalizing on this long-term potential. The South African economy is expected to continue to struggle with very high levels of unemployment. In addition, the Ukraine conflict will impact wheat prices, likely increasing food insecurity within Africa and increasing demand for inexpensive protein sources such as beef variety meats and will continue to underpin opportunities for beef variety meats in the region.

U.S. beef gained access to Morocco in 2018 through an FTA. There are opportunities for both Prime and Choice beef cuts and variety meats to the market; however, volumes have been limited by access conditions. Other markets such as Ghana, Gabon and Nigeria present long-term potential, assuming favorable access is granted for U.S. meat products. A potential U.S.-Kenya Free Trade Agreement would provide new opportunities for U.S. beef in a dynamic East African market. Beef is the second-most consumed protein, excluding fish, after poultry in sub-Saharan Africa. For 2021, U.S. beef exports to the region declined by 29 percent over 2020 levels to 18,899 mt. Value of U.S. beef exports to Africa fell by 2%, to over \$22.9 million.

#### South Africa

- Per Capita Beef Consumption: 15.5 kg
- Total Beef Imports (not including variety meat)-all sources: 4,434 mt
- Total Beef Variety Meat (BVM Imports) - all sources: 39,696 mt
- U.S. Share of Total Beef/BVM Import Market: 28%
- Other Beef/BVM Suppliers & Market Shares: Australia 17%, UK 11%, Argentina 9%
- Domestic Self Sufficiency: 105%
- U.S. Beef Exports (not including variety meat): 212 mt
- U.S. Beef Variety Meat (BVM) Exports: 12,294 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 9%, HRI 1%, Retail 90%

#### Angola

- Per Capita Beef Consumption: 3.4 kg
- Total Beef Imports (not including variety meat)-all sources: 9,033 mt
- Total Beef Variety Meat (BVM Imports) - all sources: 8,882 mt
- U.S. Share of Total Beef/BVM Import Market: 7%
- Other Beef/BVM Suppliers & Market Shares: EU-27 35%, Brazil 25.5%, Argentina 9%
- Domestic Self Sufficiency: 88%
- U.S. Beef Exports (not including variety meat): 31 mt
- U.S. Beef Variety Meat (BVM) Exports: 1,275 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 10%, HRI 5%, Retail 85%

Top Imported U.S. Beef Cuts: Prime and Choice steak whole muscle cuts, middle meats, rib and chuck items, in-house graded steak programs (no roll)

Top Imported U.S. BVM Items: livers (cut and sliced for retail), kidneys, hearts, tongue, tongue roots, tripe, fat



**Market Access Issues** include a) pending changes to South Africa's microbiological standards for imported meat and the current state of inconsistent testing occurring at South African ports; b) no heat treated product access for South Africa; c) no access for red meat to Nigeria or Namibia; and d) limited information on import requirements for African countries not listed in the FSIS Export Library.

## MARKET STRATEGY

Focus on introducing U.S. beef to key market players, and elevate the image and reputation of U.S. beef by: a) Building relationships with key representatives of the trade; b) Educating buyers from all sectors and increasing exposure to high-quality product while demonstrating the consistency and reliability in U.S. suppliers; c) Identifying and responding to challenges in the market, while positioning U.S. beef as a stable protein source able to meet the dynamic needs of the market.

### Population Growth and Urbanization

- According to Euromonitor, Africa is home to the world's second largest population, after Asia Pacific, and will add an additional 450 million people to the global total by 2030. Currently, Africa is home to 19% of the global population.
- Africa's population is the fastest growing globally, posting expected annual growth of 3% until 2030, well above the world average.
- Africa's population is young. According to Euromonitor, as of 2021, the median age in sub-Saharan Africa is only 18.7 years old. sub-Saharan African countries are the main drivers for this growing young population as North African countries age more rapidly.
- Urbanization is increasing. As of 2021, 42% of the Sub-Saharan African population lives in urban areas. Urbanization growth will continue to improve cold chain infrastructure and increase demand for animal proteins.
- Africa is expected to lead in disposable income, with the strongest growth globally by 2030, according to a Euromonitor report.
- ***Strategic Objective:*** *Prioritize Africa as an emerging export market, monitoring economies and animal protein demand across countries. Facilitate communication between potential buyers and suppliers, offering trade servicing support to capitalize on growth.*
- ***Tactical Response:*** *Foster connections between importers and U.S. suppliers to help build a higher degree of trust and confidence within the supply chain. As allowed, organize trade teams to bring potential buyers to the U.S. and facilitate discussion with suppliers, while focusing on trade servicing to address market challenges, and develop new business by involving target accounts in educational in-market seminars. Create a library of video content aimed at educating U.S. suppliers about African importers and the opportunities that currently exist.*

## Modernizing Retail

- Retail is still dominated by traditional markets with little to no cold chain infrastructure, although South Africa, Namibia, Botswana, Lesotho, eSwatini, Zimbabwe, and Angola are outliers with a steady modern retail sector.
- Cultural traditions encourage consumers to continue shopping at wet markets.
- Variety meats are popular in wet markets.
- Major international retailers, such as Walmart and Carrefour, have already entered the market in South Africa.
- The Shoprite retail network is the largest chain of supermarkets that reach a wide range of consumers and is the largest employer in the region.
- Most consumers are still price-sensitive, despite growth in the middle class.
- **Strategic Objective:** *Identify new market segments appropriate for U.S. beef meats and expand awareness among buyers with direct communication and technical support.*
- **Tactical Response:** *Foster connections between importers and U.S. suppliers to help build a higher degree of trust and confidence within the supply chain. Organize reverse trade teams to bring U.S. suppliers to the region to meet with potential buyers and discuss business opportunities. Focus on trade servicing to address market challenges and develop new business by involving target accounts in educational in-market seminars. Develop a library of video content aimed at educating U.S. suppliers about African importers and the opportunities that currently exist.*

## Meat Culture

- South Africans have a strong tradition of grilling meats that is part of their social fabric.
- Though the majority of the population is price-sensitive, consumers span a diverse range of economic classes.
- Variety meats are highly sought-after sources of protein with strong connections to local cuisines.
- Domestic beef is generally very lean and characterized by very low marbling.
- Many meat importers and distributors in South Africa in particular, are well-established, technologically advanced operations representing a low credit risk for U.S. suppliers.
- **Strategic Objective:** *Educate both importers as well as end-users on the unique attributes of U.S. beef, and the variety of product available that meets the requirements of both discerning and price-sensitive consumers.*
- **Tactical Response:** *Focus on sampling programs and introduce muscle cuts of U.S. beef directly to the African trade. In addition, conduct and educational*

*seminars that promote highly marbled, ungraded middle meats for reaching higher-end segments of consumers, while focusing on developing both retail and foodservice channels for U.S. beef variety meats for larger segments of consumers. Utilize the “Meating Room,” – a test kitchen for RSA trade, hotel and restaurant clientele - to educate and create awareness of the quality gap between South African grass-fed and US grain-fed beef. In addition, ensure more active two-way communication between importers and suppliers to increase the frequency and number of offers.*

#### Processor Opportunities

- Demand for shelf-stable and canned products is growing at retail due to lack of cold chain infrastructure.
- Sausages and minced meats are notably popular in Ghana.
- Competition for processing raw material is high as cheaper, lower-quality products from suppliers like India are already present in the markets.
- **Strategic Objective:** *Support processors with technical workshops, seminars, and downstream promotions to build demand for products made with U.S. red meat raw materials.*
- **Tactical Response:** *Meet with processors to identify opportunities to build demand via technical and product development workshops and trainings to further demonstrate the quality and affordability of utilizing U.S. red meat raw materials.*

#### Other Key Initiatives

- Establish a presence for U.S. beef in the market with consistent and customized trainings for importers interested in U.S. product.
- Introduce U.S. beef variety meats and underutilized cuts to the informal “shisa nyama”, or grilling restaurants, that are popular among locals in settlements throughout South Africa, Mozambique, eSwatini, Lesotho, and Zimbabwe. Training these venue owners on delicious ways to present BVM to their customers emphasizes the importance of these foods in the diet and increases the groundswell demand for the product through existing channels.
- Increase the visibility of U.S. beef within the region by partnering with importers to wrap tractor trailers and delivery vehicles with U.S. beef promotional messages and imagery.
- Identify opportunities with processors for U.S. beef to fulfill volume and value requirements and displace competition. Demonstrate to these processors the quality and reliability of U.S. beef.
- Create a library of videos that highlight meat importers within the region. Feature these videos at tradeshow, trainings, and online platforms as appropriate to increase visibility for U.S. beef buyers.

- Develop the USMEF Africa online presence and social media community to engage trade partners, importers, and consumers who may be unfamiliar with U.S. beef.
- Identify U.S. beef suppliers interested in growing exports to these markets and facilitate supplier and buyer communication to help establish strong relationships. Offer technical support to U.S. suppliers to assist in navigating country-by-country regulations.
- Monitor and target the growing hotel HRI sector, focusing on five-star hotels in markets with increasing tourism.
- Increase awareness of U.S. beef to meat enthusiasts by positioning U.S. beef on popular grilling programming that airs to wide audiences through cable TV and streaming services.
- Develop a U.S. Meat Truck that can be used as a mobile advertising platform to conduct both consumer and trade facing tasting events and seminars.
- Utilize advertising opportunities through sporting publications, in particular rugby, to reach large numbers of consumers interested in grilling while associating U.S. beef with active

**Citations:**

2021 import and market share data is based on import data of South Africa, and reported export data to Angola, (from TDM) and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 62% of targeted importers/distributors will report that they understand the supply/quality/value relationships of U.S. beef based on information provided by USMEF.
2. 81% of targeted HRI distributors will promote new ways to use popular cuts or an alternative cut of U.S. beef to their customers.
3. 60% of targeted retailers will report that they understand proper cold chain management, handling, and merchandising of U.S. beef.

## Tactic B

**Tactic Name:** ASEAN

### Tactic Description

#### **MARKET ASSESMENT**

In 2021, exports of U.S. beef plus variety meat to the ASEAN region were up 9% in volume to 52,700 mt, with value up 22% to \$287.6 million. Indonesia, the Philippines, and Vietnam remain the three leading export destinations for U.S. beef, although in 2021 exports to Vietnam dropped off significantly due to dramatic COVID-19 lockdown restrictions that curtailed foodservice.

Australia continues to dominate market share of imported beef to the region, although cheaper beef supplies from markets like India and Brazil are also showing a growing presence thanks to a number of trade agreements. Local processors creating beef items like bakso balls, the main item consumed in traditional markets in Indonesia, rely on Indian buffalo meat and Brazilian beef as low-cost raw material. Although impacted by COVID-19, this region has strong potential for U.S. beef, especially in heavy tourist destinations where competition drives demand for quality raw material. However, halal requirements and import restrictions have made this region a challenging target for export growth. USMEF hopes to see additional U.S. plants approved for export to the ASEAN, particularly for Indonesia and Malaysia. U.S. beef is also exported to Singapore and Cambodia, although in very small volumes.

Exports to Indonesia were up 42% in 2021 reaching 27,010 mt, rebounding to pre-COVID levels as local lockdowns were eased. Exports of U.S. beef cuts increased by 35% in 2021, suggesting a shift to retail even with rebounding foodservice. High domestic beef prices in Indonesia and limited Australian feeder cattle supplies primed the market for increased beef imports. Australia's exports of grain-fed beef to Indonesia increased 130% to 2,450 mt in 2021, indicating strong demand for grain-fed product and Australia's shifted efforts to focus on higher-end beef in the market with increased competition from Indian buffalo and Brazilian beef suppliers. Halal requirements and an arduous plant approval process currently limit U.S. beef exports to Indonesia, although the market has excellent growth potential.

U.S. beef exports to the Philippines were up 6% in 2021, reaching 13,454 mt with value up 19%. U.S. beef variety meat exports rebounded strongly in 2021 along with Filipino demand for affordable, high-quality protein as pork supplies were limited. Temporary restrictions on imported beef from top competitors in 2021 like Brazil, UK, Germany, and even Canada due to atypical BSE findings have since been lifted. Limited pork supplies may continue to fuel demand for U.S. beef variety meats in 2022.

Vietnam faced dramatic COVID-19 lockdowns throughout 2021, curtailing demand from the foodservice sector completely. Social distancing restrictions have been mostly lifted

since February 2022 and easing international tourism are creating optimism in the market. Most consumers in Vietnam rely heavily on traditional markets where Indian buffalo meat is frequently purchased. However, India's buffalo exports to Vietnam remained dramatically lower than earlier years. Meanwhile, Australia's exports of live cattle to Vietnam also dropped in 2021, down 43% to 170,000 head. The U.S. and Australia are leading suppliers of beef for modern retail and upscale foodservice establishments. Although U.S. beef has been gaining more space in the frozen section at retail, U.S. beef still faces a tariff disadvantage vs. Australia and Canada. Low per capita beef consumption means room for growth in line with increasing incomes.

#### Indonesia

- Per Capita Beef Consumption: 2.7 kg
- Total Beef Imports (not including variety meat) - all sources: 214,658 mt
- Total Beef Variety meat (BVM) Imports - all sources: 62,103 mt
- U.S. Share of Total Beef/BVM Import Market: 9.5%
- Other Beef/BVM Suppliers & Market Shares: Australia 45.5%, India 30.5%, New Zealand 6.5%
- Domestic Self-Sufficiency: 50%
- U.S. Beef Exports (not including variety meat): 14,808 mt
- U.S. Beef Variety Meat (BVM) Exports: 12,202 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 2%
- Customers for U.S. Beef Imports: Processing 15%, HRI 60%, Retail 25%

#### Philippines

- Per Capita Beef Consumption: 3.3 kg
- Total Beef Imports (not including variety meat) - all sources: 152,682 mt
- Total Beef Variety meat (BVM) Imports - all sources: 12,671 mt
- U.S. Share of Total Beef/BVM Import Market: 5.5%
- Other Beef/BVM Suppliers & Market Shares: Brazil 28%, India 26%, Australia 15.5%
- Domestic Self-Sufficiency: 45%
- U.S. Beef Exports (not including variety meat): 10,540 mt
- U.S. Beef Variety Meat (BVM) Exports: 2,914 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 1%
- Customers for U.S. Beef Imports: Processing 25%, HRI 55%, Retail 20%

Top Imported U.S. Beef Cuts: middle meats, rib and chuck items, some thin meats

Top Imported U.S. BVM Items: livers, kidneys, hearts, tongue, tripe, tendon

**Market Access Issues** include a) Vietnam's non-transparent import requirements for "white offal," and onerous plant registration process; b) Indonesia's plant-by-plant

application and requirement for on-site audits for plant approval; c) Malaysia's strict plant-by-plant approvals; d) Thailand's zero tolerance on residues of ractopamine and heat-treatment requirements; and e) other non-science-based barriers throughout the region.

## MARKET STRATEGY

Educate key accounts about the quality and value of a wide range of U.S. beef products to a) Develop consumer demand for high-quality protein choices by elevating U.S. beef's image, improving availability and visibility, and leveraging premiumization trends; b) Displace the competition by mitigating the perception that U.S. beef is not competitive; c) Defend relationships with existing buyers and support loyal U.S. product users as they adapt to the impacts of COVID-19 including the use of technology and other diverse resources to reach consumers ; d) Develop the market through expanded and more diverse purchases among trade, HRI and retail accounts.

### Traditional Markets, Modern Retail & Ecommerce

- The shift from dining out to eating at home driven by COVID-19 has created a new consumer trend towards online retail options such as live commerce, grocery delivery, etc. The majority of consumers in Vietnam utilize mobile apps to order food (grocery and takeout) at least once per week. However, food and beverage purchases tend to be less popular on ecommerce platforms compared to other consumer goods. This is an unsaturated segment with room for growth.
- Popular delivery platforms include Lazada, Shopee, GrabMart, and Metromart. Community group buying leaders may use Viber, Messenger, or Telegram. According to Euromonitor and USDA, ecommerce sales of food and beverages in the Philippines in 2020 increased 210%.
- Consumers in the ASEAN are frequent mall-goers with a preference for visiting malls to dine out. Many residential areas are in close proximity to large malls and in-person shopping remains a favorite pastime of many consumers.
- In the Philippines, warehouse and member club retail formats are performing exceptionally well, taking after trends seen in other markets in Asia. S&R is the leading membership retailer in the Philippines with 19 branches nationwide.
- Street vendors and small restaurants are the largest purchasers of wet market beef in Indonesia, Cambodia, and Vietnam.
- The Philippine Department of Agriculture is putting more emphasis on improved cold chain practices. In 2021 the DA distributed 2,500 freezers and chillers to retailers throughout Metro Manila.
- U.S. beef and Australian beef can be found at modern grocery outlets. Due to COVID-19, a push for more hygienic, and upgraded wet markets is driving advancements and interest in modern retail.
- Thin-sliced product is popular among consumers in this region. Frozen beef is easier to slice, making it a preferred option over chilled for importers and retailers. U.S. beef is taking up more space in the frozen section at modern retail outlets. This is especially notable in Vietnam.

- Expansion of foreign retailers familiar with U.S. beef such as Aeon (Japan), Don Don Donki (Japan), Fujimart (Japan), Lottemart (Korea), GS25 (Korea), present opportunities to further penetrate the retail sector.
- ***Strategic Objective:*** Work with importers and distributors to provide merchandising assistance to retailers and CVS chains, helping to promote appropriate meat handling practices (e.g., make frozen meat and the freezer case more attractive). Improve availability and visibility of U.S. product on online and offline channels.
- ***Tactical Response:*** *Team up with the trade to enhance U.S. beef's retail presence at modern retail outlets and convenience store chains through more point-of-sale activities, both in-store and online. Include the use of nutritionists, chefs, and consumer-oriented cooking/tasting demos where permitted. Utilize customized tactics for each retailer focusing on corn-fed U.S. beef including tray pack sauces, specialized recipe cards for consumer education, and other tailored POS material. Develop promotions and support for importers to reach consumers on new online channels using free delivery promotions, banner ads, website development, etc.*

#### Evolving Consumer Preferences & Convenience Products

- Consumers pre-COVID-19 demonstrated a willingness to pay more for imported beef products, especially the growing middle class as food safety becomes a top priority.
- Food safety scandals and rampant corruption are fueling consumer distrust in government agencies and domestic product throughout the region, while consumers become increasingly interested in personal health and nutrition. In general, imported meat from the U.S. has a good reputation among consumers.
- Consumers are seeking convenience not just in shopping venues, but also in product selection. Drivers include aging populations, economic growth and longer working hours, and reduced willingness to spend time cooking. Frozen ready meals in Malaysia and Singapore, for example, have seen tremendous growth especially for Asian-inspired options.
- Importers are creating their own ready-to-heat, meal kit, and other convenience-item options to diversify channels.
- Consumers in Indonesia prefer smaller packages for processed meats that are meant to be purchased more frequently.
- Innovative packaging of meat-based ready meals or even frozen meat products could make distribution via kiosks and vending machines a reality for SE Asia. In Singapore, frozen Australian Wagyu and U.S. beef steaks are newly available in vending machines located in high-traffic public buildings.
- Similar to other Asian markets, convenience stores continue to establish a presence in the region, creating opportunities for ready-made fresh products. In



Vietnam, the number of convenience stores has quadrupled since 2012 with additional growth on the horizon as young consumers seek ready-to-eat options.

- In 2021 convenience store chains started to develop an omnichannel presence with the addition of mobile apps where consumers can find exclusive discounts and promotions. Some convenience store brands also partnered with food delivery service apps.
- Convenience stores expanding in the region are likely to add outlets in suburban areas and second or third-tier cities to reduce competition. Venue diversification remains key. In 2021, Family Mart launched mobile stores and a delivery service in the Philippines to reach consumers.
- **Strategic Objective:** *Identify opportunities for U.S. beef to meet growing demand for processed convenience products, such as ready meals, and work with importers and processors to expand usage of U.S. beef raw material. Additionally, identify opportunities to improve packaging to meet consumer demand for efficient storage.*
- **Tactical Response:** *Team up with the trade and processors to enhance U.S. beef's retail presence in convenience products such as frozen ready meals, ready-to-heat items, meal kits, hot meals served at convenience stores, etc. and offer training and promotional support to enhance sales of these items. Highlight premium raw material in items using U.S. beef. Use influencers and promotions to educate consumers on the U.S. beef grading system and quality marbling attributes unique to U.S. cornfed product.*

#### Foodservice Rebounds

- Prior to COVID-19, strong tourism growth was a main driver fueling demand for quality in the HRI sector. A resurgence in tourism will continue to push demand for U.S. beef among foodservice operators.
- Australia's exports of grain-fed beef to Indonesia increased by 130% in 2021 to 2,450 mt. Strong demand for more premium products by foodservice operators is pushing Australia to focus on higher-end product in Indonesia compared to grass-fed product.
- Most foodservice operators in the region have adopted delivery-friendly and takeout menus during COVID-19 lockdowns. Many utilize delivery platforms like GrabFood or FoodPanda to reach consumers, although these services are subject to commissions and fees.
- According to Euromonitor, by 2025 28% of total foodservice will be for home delivery in Indonesia, 26% in Singapore, and 21% in the Philippines compared to only 10% forecasted in the U.S. These three markets will contribute some of the largest shares of foodservice to home delivery globally only after Brazil at 30%.
- Ethnic flavors remain popular throughout the region. Hotpot, tonkatsu, Korean BBQ, beef bowl and other Asian cuisines continue to perform well in this region.

- Some large quick-serve chains, like Yoshinoya, are developing retail-level products to maintain sales during COVID-19 shutdowns and appeal to consumers' needs for convenience. Yoshinoya has launched pre-cooked beef packs, using their in-house recipe to appeal to consumers wanting to cook at home as well as canned beef bowl products to be stockpiled for emergencies.
  - Many full-service restaurants created special grocery bundles to sell alongside their menu items during the pandemic.
  - Prior to COVID-19, street food options, especially in Vietnam, were popular among busy consumers despite lack of safety monitoring.
  - International restaurant brands are popular with consumers who look to these brands for quality and status.
  - Labor shortages, especially in Singapore, are forcing foodservice operators to utilize more value-added products and alternative cuts to reduce in-house costs.
  - Cloud kitchens that are responsible for the preparation or partial-preparation of menu items for delivery, takeaway, and dine-in orders will continue to remain influential in the foodservice arena, especially as foodservice operators continue to face challenges such as limited opening hours, labor shortages, small venues, etc.
  - Lack of infrastructure and education continues to limit beef growth in this region; however, as consumers become more health conscious, local foodservice operators will adhere to more modern health standards. .
- ***Strategic Objective:*** *Keep foodservice operators engaged with U.S. beef, presenting options such as alternative cuts to help reduce raw material costs and adapt menus. Continue to demonstrate support and flexibility to U.S. beef partners within each market as lockdown restrictions are eased. Target key food distributors, chefs, purchasing managers and restaurant owners to address company-specific opportunities and challenges. Work with student chefs to introduce the attributes of U.S. beef and continue to build a buyer base among culinary professionals.*
  - ***Tactical Response:*** *Utilize social media, delivery platform applications, and banner ads to introduce menu promotions to consumers. Support foodservice operators with promotional material to drive consumer traffic and maintain demand for U.S. beef. Conduct seminars and other activities like chef competitions to teach foodservice end-users about the profitability of underutilized U.S. beef cuts and demonstrate innovative cooking options for items such as hanging tender, short plate, heel muscle, and rib fingers. Work with culinary schools to build a reputation among students who can later become U.S. beef ambassadors.*

## Social Media

- Consumers in the ASEAN are heavy social media users. According to the Global Web Index, this region accounts for approximately 12% of the total active social media users globally in 2022. Various platforms are used for social interaction, recommendations, and referrals, etc. The average internet user in the Philippines spends over 4 hours/day using social media platforms.
- Top social media platforms in the region include WhatsApp, Instagram, Facebook, and YouTube, however as seen across the globe, short-form video app TikTok is gaining popularity, with the average Indonesian user spending over 23 hours a month on the app in early 2022, up 67% from 2021.
- 99.6% of Gen Z internet users in this region use social media every month, making it the number one online activity, even above using basic search engines.
- Major social media platforms have integrated ecommerce capabilities into mobile apps, fueling growth of social commerce (ecommerce sales made through social media platforms). According to Euromonitor, approximately 21% of consumers in Indonesia and 18% of consumers in Thailand utilized livestreaming or live selling of food and drinks in 2021 compared to 14% of consumers in the U.S.
- Factors that drive consumers shopping for grocery items on social commerce to purchase are convenience, niche product availability, and personal recommendations by friends and family.
- Millennial consumers are heavily engaged with brands and companies on social media, especially in the Philippines. Product reviews on social media carry significant weight with consumers. In Singapore, however, brand consumer engagement via social media is still relatively low.
- Some importers previously servicing the foodservice sector have diversified and added direct-to-consumer retail utilizing social media to reach consumers.
- **Strategic Objective:** Develop a social media presence for USMEF and the U.S. beef industry for consumers to find information about production, quality attributes, recipes, and local promotions. Utilize social media to expand U.S. buyers' reach to downstream customers, build a brand image, and highlight the attributes of U.S. product.
- **Tactical Response:** Integrate more consumer-oriented marketing, like live-streamed recipe videos on social media, to reach consumers in this tech-heavy environment. Use YouTube and short videos to teach consumers how to use specific cuts or to create demand for U.S. beef with the support of local KOLs. Support U.S. beef importers to reach consumers on new retail channels including social media networks, ecommerce platforms, and livestreaming shopping events.

### Other Key Initiatives

- Engage with consumers directly via social media campaigns, livestreamed recipe videos, consumer events, educational booths, etc. to drive awareness of U.S. beef and position the U.S. as a safe and trustworthy protein supplier.
- Explore the untapped market opportunities in Laos, Cambodia, Brunei, and Myanmar with initial trade servicing to gather information on current market needs.
- Emphasize the benefits of grain-fed U.S. alternative cuts (vs. grass-fed traditional cuts from other sources) in this developing region.
- Educate processors on using U.S. beef variety meat such as hearts and livers as standard input material. Seek out opportunities to promote other variety meats, such as tripe, in traditional or local recipes.
- Explore expanded use of sirloin and round cuts. Increase the market for >30-month and no-roll items.
- Further develop HRI opportunities for U.S. bone-in beef in Thailand, where market access was granted in late 2017 and buyers are still unfamiliar with U.S. bone-in cuts.
- Monitor the presence of plant-based alternative meats debuting in markets such as Singapore and Malaysia where these products are growing in popularity in both retail and foodservice.

### Citations:

2021 import and market share data is based on import data of Indonesia and the Philippines (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.

### Measurable Objectives

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 93% of targeted trade accounts will report that they understand the profit potential of and have a favorable attitude towards U.S. beef based on information provided by USMEF.
2. 94% of targeted HRI accounts will report that they understand the unique quality and profit potential of U.S. beef compared to competing products based on information provided by USMEF.
3. 94% of targeted HRI accounts will regularly feature/promote U.S. beef on their menus.
4. 94% of targeted retail accounts will report that they understand the quality attributes of U.S. beef based on information provided by USMEF.
5. 100% of targeted retail accounts will regularly stock U.S. beef.

## Tactic C

**Tactic Name:** Caribbean

### Tactic Description

#### **MARKET ASSESMENT**

Traditionally, U.S. beef exports to the Caribbean region have been driven, to a large extent, by tourism and the food service sector. The COVID-19 pandemic, at its height, caused a near-total decline in tourism within much of the region. Many hotels and resorts were either at a severely limited capacity or closed completely. This however, provided an opportunity to engage the retail sector with U.S. beef promotions at the point of sale, as well as consumer focused marketing campaigns that highlighted the versatility, quality and affordability of U.S. beef alternative cuts, in particular. Entering 2022, COVID-19 related restrictions for travel and foodservice eased and pent-up demand for travel and high-end dining experiences have boosted demand for U.S. beef, despite higher prices and supply issues. As of January of 2022, future hotel bookings within the region were at or near 2019's pre-pandemic levels.

The Caribbean region is extremely diverse in culture as well as consumer and culinary tradition. While the HRI sector within the Caribbean region is highly dependent on tourism and is the primary volume driver for U.S. high quality beef within the region, more affordable, alternative U.S. beef cuts are sold at both local foodservice establishments as well as through the retail channel, U.S. frozen beef is mainly sold through the retail channel as portion-controlled steaks and burgers or as variety meats like oxtail, feet, livers and kidneys. For 2021, beef and beef variety meat exports increased by 15% against 2020 volumes at 17,172 mt, and value jumped by over 41 percent to nearly \$113 million.

#### **Bahamas**

- Per Capita Beef Consumption: n/a
- Total Beef Imports (not including variety meat) - all sources: 3,710 mt
- Total Beef Variety Meat (BVM) Imports- all sources: 183 mt
- U.S. Share of Total Beef/BVM Import Market: 71%
- Other Beef/BVM Suppliers & Market Shares: Brazil 26%, Australia 1%, Paraguay 1%
- Domestic Self Sufficiency: n/a
- U.S. Beef Exports (not including variety meat): 2,717 mt
- U.S. Beef Variety Meat (BVM) Exports: 30 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing <1%, HRI 69%, Retail 30%

## Jamaica

- Per Capita Beef Consumption: n/a
- Total Beef Imports (not including variety meat) - all sources: 9,475 mt
- Total Beef Variety Meat (BVM) Imports- all sources: 5,786 mt
- U.S. Share of Total Beef/BVM Import Market: 31%
- Other Beef/BVM Suppliers & Market Shares: Brazil 31%, EU-27 31%, Panama 9%
- Domestic Self Sufficiency: n/a
- U.S. Beef Exports (not including variety meat): 1,432 mt
- U.S. Beef Variety Meat (BVM) Exports: 3,338 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 60%, HRI 15%, Retail 25%

Top Imported U.S. Beef Cuts: top sirloin, inside round, strip loin, rib eye, ground beef, tenderloin

Top Imported U.S. BVM Items: liver, kidney, heart, feet, oxtail

**Market Access Issues** include a) Jamaica's excessively high import duties on U.S. beef at 86%.

## MARKET STRATEGY

Keep U.S. beef top-of-mind among buyers in the Caribbean by distinguishing its quality, consistency and eating experience. Reinforce U.S. beef as an excellent source of dietary protein while educating consumers and easing concerns surrounding sustainability, food safety, and health in order to: a) Defend market share against the competition and other alternative protein sources; b) Further develop demand for a wide range of items, especially those targeted for high-end food service and BBQ concepts, and continue to displace competitor product; and c) Support post-COVID-19 foodservice sector recovery while leveraging momentum at retail for high-quality and affordable meat options for Caribbean consumers.

### Reaching Buyers Online

- A wide range of social media influencers reach significant numbers of consumers in the region.
- The region has a large number of highly trained and influential chefs that have a strong following both online and offline.
- The key role that tourism plays in the Caribbean foodservice sector places a greater importance on capitalizing on social media opportunities and trends, as guests enjoy sharing their experience with friends and family at home. This contributes to the creativity of menus and presentation.
- Consumers still need training on U.S. beef attributes and proper cooking techniques required to maximize the eating experience of high-quality beef.

- BBQ and grilling techniques remain extremely popular and create a natural opportunity to promote the regional variations of U.S. barbeque to consumers.
- ***Strategic Objective:*** *Position U.S. beef to consumers as a tool to achieve a healthy lifestyle while providing content to ensure that its quality is maximized on the plate. Demonstrate a variety of barbeque techniques to chefs, retailers, and their customers to increase sales of appropriate mainstream and lesser-known U.S. beef cuts.*
- ***Tactical Response:*** *Leverage social media as a method to reach U.S. beef consumers while providing them with a wide variety of resources to draw upon in creating high-quality meals. Integrate offline retail promotions with online content. Create a community of chefs and retail operators who are eager to both learn and share the knowledge they have gained about how to properly utilize U.S. beef to maximize profitability in their businesses.*

#### Foodservice Sector

- The foodservice sector throughout the region was nearly nonexistent throughout 2020 and into 2021 as a result of measures put in place to halt the spread of coronavirus.
- Tourism has begun to recover in the Caribbean region and will provide a much-needed boost to foodservice in 2022. However, as many restaurants have been forced out of business over the past two years and as new restaurants open and a new labor force is employed, educating importers and end users about high-quality U.S. beef will be more important than ever.
- Price Volatility and variable supply present problems for promotional planning.
- Restaurateurs are seeking affordable cuts while retaining well-marbled characteristics.
- There is growing interest in portion-controlled cuts (i.e. pre-cut steak-ready) that reduce labor and excess trim costs.
- Foodservice operators express a need to differentiate, presenting potential for U.S. beef specialty brands and alternative cuts.
- The BBQ trend continues to thrive, with brisket and short ribs appearing on more menus, and chef willingness to use different BBQ techniques driving menu and cut diversification to include cuts such as top sirloin, coulotte, tri-tip, flap, and teres major.
- Alternative cuts also present an opportunity for resorts to add an affordable protein to menus developed for staff.
- HRI buyers have inquired about ways to use high quality beef to improve local burgers.
- Chefs trained in the Caribbean region often go on to work in other regions of the world and contribute to a general broadening of the culinary influence.

- **Strategic Objective:** *Maintain a presence for U.S. beef on restaurant menus by illustrating the cost benefits of purchasing underutilized U.S. beef cuts at the highest possible/affordable quality grade, along with maximizing cut variety from existing inventory.*
- **Tactical Response:** *Work closely with the foodservice industry to support sector recovery and position U.S. beef in menus for returning tourists. Proactively partner with foodservice operators as a source of product and service ideation. Train chefs on value cuts such as bottom sirloin flap/tri-tip, brisket, chuck eye roll, shoulder clod and top sirloin, reiterating the impact of quality and consistency on profitability while offering support with menu development and methods to differentiate between food service outlets. Demonstrate the value equation on portion control and “new looks for old cuts”. Support targeted restaurant promotional efforts.*

#### Transitioning Retail

- Reduced tourism during the height of the COVID-19 pandemic created opportunities for targeting local consumers at retail with promotions for affordable secondary cuts.
- Consumers are increasingly focused on healthy and active lifestyles, presenting opportunities to reinforce the benefits of U.S. beef as a primary source of protein.
- Retail outlets continue to transition from frozen to chilled beef products but are challenged with a “frozen” mindset often thinking slacking product is a solution.
- Retailers face issues such as shrink, inconsistent cold chain infrastructure, price volatility and high employee turnover or lack of skillset.
- There is new demand for smaller case-ready cuts with >21 days shelf life - both fresh and frozen.
- As tourism recovers, demand for high-quality value-added products such as dry-aged beef, all-natural, or organic beef will continue to rise in the retail marketplace.
- COVID-quarantined consumers, now able to travel, have been introduced to much higher quality cuts than they could access in grocery stores and are now able to recognize higher quality grades and brands.
- Anti-U.S. sentiments and a popular focus on 'buy-local' lingo with local populations present a challenge for country of origin labelling at the retail level.
- Consumers want to see brands on products for the story and transparency.
- **Strategic Objective:** *Build retailer confidence by educating employees on the value/quality benefits of U.S. beef, train staff on proper handling and marketing of products, and support the launch and merchandising of value-added or niche high-quality chilled items.*



- ***Tactical Response:*** *Continue to train retailers and their employees on proper merchandising techniques by incorporating store walk-throughs and audits into tailored seminars and workshops. Work with retailers to embrace brands as part of their marketing strategies and demonstrate proper cold storage and handling techniques to maintain product quality. Communicate quality issues hindering trade to U.S. exporters. Expand U.S. beef from the meat aisle to tie in with other promotional offers and complimentary products. Enhance point of sale messaging to emphasize U.S. beef as a primary source of protein for an active and healthy lifestyle.*

#### New Cooking Styles

- Locals predominantly use slow cooking methods and stew recipes for beef due to the traditional availability of low-quality beef and the attractive price point of stew meat.
- Increased availability of high-quality beef has spurred interest in other cooking techniques like grilling and barbecuing, although BBQ is still excluded from many culinary training programs and BBQ training in HRI is inconsistent.
- Retailers are seeking to introduce new items suitable for the grill, Instant-Pot & air fryer.
- Shareable dishes/small bites are becoming more prevalent due to factors related to convenience and flexibility for kitchen staffs.
- ***Strategic Objective:*** *Demonstrate a variety of grilling techniques to chefs, retailers, and their customers to increase sales of appropriate mainstream and lesser-known U.S. beef cuts suitable for grilling, Instant-Pot, and air-frying and move consumers away from just stewing meat.*
- ***Tactical Response:*** *Develop educational materials for the meat case that include recipes promoting “Protein Power” concepts and provide training for meat department staff on promoting cuts for grilling. Encourage integration of formal barbecue courses into local culinary curriculums and partner with pit-master experts to improve the quality of BBQ training. Introduce the popular Instant-Pot or fast slow cooker method to replace the stewed meat concept and develop menus around “one meat, many applications” as well as healthy air-fryer concepts.*

#### Other Key Initiatives

- Develop a comprehensive culinary school curriculum, including a textbook and video training series, that promotes a contemporary interpretation of traditional Caribbean cuisine that places U.S. beef at the center of the plate.
- Promote U.S. beef as a guilt-free premium source of protein and dietary tool for promoting good health via a “pack more protein on your plate” theme.
- Partner with well-known fitness and culinary influencers to amplify health-related messaging of U.S. beef to consumers.

- Bring together influential chefs within the region to create curriculum used to educate and train new and up-and-coming chefs on creative applications of U.S. beef in contemporary Caribbean cuisine.
- Promote regional American barbeque techniques to chefs and consumers to capitalize on the popularity of barbeque and tie in U.S. beef as an essential component of an authentic experience.
- Introduce smoking techniques outside of barbecue applications, and focus on how it can work as a flavor infuser by showcasing its potential use with different cuts such as prime rib, tri tip, and coulotte.
- Elevate the image of U.S. beef, focusing on recapturing the memories of great steak eating moments to recreate positive consumer experiences.
- As tourism recovers, capitalize on the number of American tourists in the market, re-define how a great American burger should taste with juiciness and texture.
- Continue developing a USMEF Caribbean online presence and social media community to engage trade partners and importers as well as provide a platform for increasing engagement with Caribbean consumers.
- Facilitate communication between potential buyers and U.S. suppliers via participation in events such as USMEF's Latin American Product Showcase and Americas Food and Beverage Show.
- Focus on pairing and promoting U.S. beef with other complimentary products at both retail and through training foodservice establishments.
- Enhance buyer understanding of the U.S. beef grading system and highlight the value/price relationship between quality grades and affordable cuts.
- Present the maximum SKUs (individual items) from each cut and identify ways distributors can work with their customers to broaden menu and retail offerings.
- Demonstrate the profit potential of case-ready and portion control products (e.g. strip, ribeye, top sirloin, burgers and flat iron) to retail and HRI accounts, plus share new co-product ideas—beyond vein steaks.
- Work with retailers to review their fabrication and storage facilities, meat case setup, pricing, and product labeling and provide recommendations for improvement to maintain the integrity of U.S. beef products and increase sales.
- Support the development of a modern cold chain and educate buyers on proper handling techniques.
- Reinforce the U.S. beef story of farmers and ranchers, aligning with consumer interests in brand stories.
- Continue groundwork on getting USA beef product into the FWI directly instead of through the EU and support the introduction with seminars, receptions, and promotions.

**Citations:**

2021 import and market share data is based on reported exports to the Bahamas and Jamaica (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 93% of targeted trade accounts will report that they understand the profit potential of and have a favorable attitude towards U.S. beef based on information provided by USMEF.
2. 93% of targeted HRI distributors will promote new ways to use popular cuts or an alternative cut of U.S. beef to their customers.
3. 80% of targeted retailers will report and demonstrate that they understand proper cold chain management, handling, and merchandising of U.S. beef

## Tactic D

**Tactic Name:** Central America & Dominican Republic

### Tactic Description

#### MARKET ASSESMENT

After several years of consecutive sustained growth of U.S. beef exports to the Central American region and a record high in 2019, the COVID-19 restrictions of 2020 brought a decrease in demand that temporarily drove exports lower in the region. Importers of U.S. beef, largely reliant on a customer base of foodservice outlets, were challenged with adapting their operations to target retail as well as consumers directly. However, despite the overall decrease of beef exports from all suppliers throughout 2020, U.S. beef export volumes showed strong signs of recovery in 2021, growing by 40% to top market, Guatemala. High vaccination rates and pent-up demand within the U.S. are good indicators that a recovery in international tourism is underway. In Costa Rica and the Dominican Republic, tourism has increased over 2020 figures by 50% and 73%, respectively. Further signs of optimism lie in the fact that top U.S. beef markets like Guatemala, Dominican Republic and Honduras are expected to achieve an economic recovery relatively faster than other Central American countries due to a lower level of public debt.

In Guatemala, a large portion of the population still buys meat from traditional markets as modern retail only accounts for 30% of total grocery sales, and popular cuts include coulotte, skirt meat, and tenderloins. But, trendy meat boutiques are beginning to offer high-end cuts including T-bone, porterhouse, tomahawk, cowboy steak, ribeye, striploin, and flank steak. USMEF continues to focus on education at all levels, including on value cuts for restaurants (clod, chuck tender, top sirloin butt), as well as consumer education on health and nutrition facts to tie into the recent focus in the market on fitness, and smoking and BBQ tips to build on the increasing popularity of grilling. Guatemala has high self-sufficiency in beef production, but recent growth in per capita consumption has been driven by imports. In 2021, total per capita consumption was up 5% from 2016, while imported per capita consumption was up 58%, and consumption from just U.S. imports was up 70%.

In the Dominican Republic, tourism bounced back quickly from the pandemic slowdowns in 2021, aided by the country's lenient entry rules. In December, tourist arrivals set a new monthly record at 700,000, and the DR had the highest number of tourist arrivals in the Caribbean for the year at nearly 5 million. Most all-inclusive hotels use U.S. Choice beef or higher (with nearly all imported beef in the market from the U.S.), and U.S. beef is also being utilized more by high-end restaurants. About 60% of U.S. beef exports to the DR is for HRI, and beef skirts are a popular imported item in the DR, with all-inclusive hotels using marinated inside skirts along with flap meat and the whole chuck.

Although more expensive, U.S. beef maintained an advantage in its cut specifications and as a superior quality product in the region. Training and education continue to be vital components to achieving growth, as both the trade and consumers alike are more accustomed to grass-fed beef and benefit greatly from understanding the quality attributes and product consistency of U.S. corn-fed beef. Favorable access afforded to U.S. beef through the Central America and Dominican Republic Free Trade Agreement (CAFTA-DR) continues to provide regional importers with incentives to purchase U.S. beef. In 2021, U.S. beef exports to the region increased by 60% in volume to 28,917 metric tons, while value increased by 97% to approximately \$216 million.

#### Dominican Republic

- Per Capita Beef Consumption: 6.6 kg
- Total Beef Imports (not including variety meats) - All Sources: 7,491 mt
- Total Beef Variety Meat (BVM) Imports - All Sources: 717 mt
- U.S. Share of Total Beef/BVM Import Market: 94%
- Other Beef/BVM Suppliers & Market Shares: Guatemala 4%, EU-27 1%
- Domestic Self Sufficiency: 86%
- U.S. Beef Exports (not including variety meat): 7,086 mt
- U.S. Beef Variety Meat (BVM) Exports\*: 840 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef: Processing 10%, HRI 60%, Retail 30%

#### Guatemala

- Per Capita Beef Consumption: 4.9 kg
- Total Beef Imports (not including variety meats) - All Sources: 18,493 mt
- Total Beef Variety Meat (BVM) Imports - All Sources: 630 mt
- U.S. Share of Total Beef/BVM Import Market: 46%
- Other Beef/BVM Suppliers & Market Shares: Nicaragua 38%, Honduras 7%, Costa Rica 4%
- Domestic Self Sufficiency: 80%
- U.S. Beef Exports (not including variety meat): 7,606 mt
- U.S. Beef Variety Meat (BVM) Exports: n/a
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef: Processing 10%, HRI 60%, Retail 30%

Top Imported U.S. Beef Cuts: strip loin, outside skirt, coulotte, flatiron, round, clod, gooseneck, inside skirt, ribeye bone-in, short loin, tri-tip, flap meat, short ribs

Top Imported U.S. BVM Items: liver, heart, tongue, sweet breads

**Market Access Issues** include a) regulations in some countries that do not allow for frozen meat to be thawed for sale at retail; b) Decree 255 in Panama and its potential

impact to place shelf-life restrictions on product entering the country; and c) Panama's domestic producers contend that the Panama Trade Promotion Agreement results in unfair competition for the domestic industry and advocate for renegotiation.

## MARKET STRATEGY

Aggressively develop and grow the market through a strong emphasis on educating the trade and end-users across multiple sectors on the unique quality, consistency, and profit potential of grain-fed U.S. beef, while defending existing U.S. market share from lesser-quality competitor product. Introduce value cuts and the appropriate suppliers to buyers throughout the region to build demand and foster export growth. Partner with key importer, foodservice, and distribution buyers to position U.S. beef in restaurant and tourism reopening.

### Favorable Access

- The U.S.-Panama FTA presents increased export opportunities for both top-graded cuts and variety meats.
- Access growth for a range of items continues in Guatemala, Dominican Republic and Costa Rica with the CAFTA-DR FTA. Tariffs on Choice and Prime product were immediately eliminated in some countries within a TRQ limit. In general, all annual duties were reduced to zero by 2020 depending on the destination country (all countries at 0% tariff except Panama by 2026).
- Decreased domestic supplies presents opportunities for U.S. beef; however, Nicaragua is a significant supplier to the region despite declining market share in 2019.
- **Strategic Objective:** Leverage the benefits of the region's FTAs by identifying niche HRI and retail segments for high-grade U.S. beef, to build consumer familiarity with the product and increase demand in segments willing to utilize variety meats.
- **Tactical Response:** Develop region-wide programs with large regional retailers, such as Walmart, and local retail chains. Aggressively pursue new sectors to move a variety of products.

### Opportunities in Diverse Retail Segments

- Retail sales were impacted by the COVID-19 pandemic as restrictive curfews and quarantine measures made it difficult for consumers to purchase items through retail.
- Although retail in the region is still modernizing, major players, such as Walmart, are continuing to invest and expand in the region.
- Trendy meat boutiques are beginning to offer high-end cuts including: T-bone, porterhouse, tomahawk, cowboy, ribeye, striploin, flank steak, etc.
- Traditional wet markets still present vast opportunities for variety meats in the region.
- U.S. high grade beef competes with the price of domestic Nicaraguan beef products.

- Training is key as most buyers are not well-versed in the unique attributes of U.S. beef, and inexperience in proper meat handling hinders perceived quality.
- Consumers are generally accustomed to low-quality, grass-fed domestic beef and need education on the culinary advantages of corn-fed beef and new ways to prepare and utilize U.S. beef so as to not overcook and jeopardize the eating experience.
- **Strategic Objective:** Support the ongoing recovery efforts of the retail sector. Educate buyers on the U.S. beef products available to expand their portfolios, and train them on proper meat merchandising techniques and cold chain practices for optimal yields and profits. Educate final consumers through cooking classes inside of meat boutiques, encouraging them to properly prepare high-end cuts with a focus on differentiating U.S. beef based on corn-fed attributes versus lower quality grass-fed domestic product to eventually increase demand. Expand reach of retail-focused activities to second tier cities within the region. Leverage technology into education efforts to maximize reach and engagement.
- **Tactical Response:** Conduct activities to develop new business by directly bringing local buyers together with U.S. suppliers, while also providing training on handling and merchandising of unfamiliar cuts, and further supporting downstream buyers with USMEF’s “continuous improvement program” to enhance presentation techniques and handling practices at the retail level. Conduct goodwill activities to support retail recovery.

#### Foodservice Growth

- The foodservice sector was significantly impacted by the COVID-19 pandemic, with restaurants largely shuttered by the second quarter of 2020, and take-out options limited due to strict curfew and quarantine requirements.
- Home delivery capabilities and infrastructure are improving though training is necessary to ensure that quality is maintained through preparation and packaging in reaching the consumer.
- Importers that primarily supplied the foodservice sector have needed to diversify their customers in order to stay in business, including direct-to-consumer home delivery.
- Sunday Brunch is a popular dining trend for families in the Central America Region, with many high-end hotels competing with creative offerings.
- A need for “price friendly” cuts is still prominent in this region, especially with rising beef costs. Restaurants could benefit from adding value cuts to menus such as clod, chuck tender, top sirloin butt, and brisket.
- Traditionally, local beef is cooked “medium-well” and marinated, while U.S. beef cooked “medium” offers the same taste quality without requiring extra prep.
- Costa Rica and Panama have highest per capita incomes, where consumers are more likely to break traditional eating habits and dine out more often.

- While currently hindered by COVID-19 restrictions, growing tourism, especially to Dominican Republic, presents opportunities for U.S. beef in meals at resorts for guests and staff alike.
- Foodservice importers are creating their own training kitchen centers to teach their customers about the characteristics that distinguish American beef and how to properly handle the product for the best yields.
- **Strategic Objective:** Position U.S. beef as a quality differentiator in a concerted effort to drive foodservice recovery after the economic devastation of the coronavirus pandemic. Assist leading importers and distributors in sourcing additional U.S. beef cuts and introduce foodservice buyers to a diverse set of value cuts while emphasizing proper cooking techniques to maximize taste and tenderness.
- **Tactical Response:** Demonstrate trade servicing advantages to directly support importers of U.S. beef. Provide cutting and cooking training on specific cuts to help foodservice operators improve their menu options and reach a wider range of consumers. Conduct goodwill activities to support the foodservice sector recovery.

#### Consumer Awareness

- Consumers are increasingly interested in trends such as grilling and barbecuing as both a social activity on the weekends as well as a method of preparation for meals during the week.
- B2C ecommerce sales channels are growing, especially with traditional sales channels hampered by COVID-19 restrictions.
- Consumers are using social media, mobile apps, and following popular online influencers more and more to learn about food trends, dining options, nutrition and various preparation methods.
- Health and nutrition are important considerations for consumers as it relates to menu choices and presents U.S. beef with an opportunity to align consumer messaging with health-related branding.
- **Strategic Objective:** Because U.S. beef is significantly different in various attributes to domestic grass-fed beef, educate consumers with easy to digest content on the quality attributes and proper ways to prepare U.S. beef to maximize its appeal. Foster customer loyalty to retain existing customers.
- **Tactical Response:** Utilize digital marketing channels to segment consumers to create targeted marketing programs that reach new demographics with information and education that encourages consumption of U.S. beef. Carry out consumer-facing in-person activities that educate consumers on the unique attributes of U.S. beef.



### Other Key Initiatives

- Proactively engage the foodservice and tourism sectors to re-introduce U.S. beef to consumers eager to spend after prolonged public-health related market and travel restrictions.
- Utilize regional web presence as a virtual platform for educational programs focused on grilling and smoking.
- Focus on building relationships with integrated importers, processors, and distributors to maximize efficiency in training and create the most impact in downstream sectors.
- Engage key importers in the region with webinars and in-person seminars that inform them on marketing trends, industry updates and the economic outlook.
- Help importers, distributors and retailers take advantage of and maximize ecommerce purchasing trends, through paid social media campaigns, targeted promotions and technical assistance.
- Collaborate with regional distributors, retailers, and restaurateurs to promote USDA Choice beef to end consumers to build customer loyalty and differentiate quality U.S. corn-fed beef from the competition.
- Introduce the trade and their downstream customers to lower-cost alternative cuts (e.g., chuck tender, shoulder clod, top sirloin butt) to address relatively high beef prices.
- Further advance channel development in the region and build demand by broadening the reach of educational programs to more countries and into more locally owned supermarket and meat shop chains.
- In addition, work with processors in the Dominican Republic to target the local market with more affordable, processed products.
- Educate the trade as well as new segments of consumers on various cooking applications such as barbeque techniques to expand the range and volume of U.S. beef cuts through barbeque challenges and chef competitions.
- Continue expanding social media engagement and reach with channels dedicated specifically to the Central American region, targeting local consumers.
- Develop and launch a consumer facing U.S. Meat mobile app that will serve as a platform for recipe content, U.S. beef promotions, customer loyalty initiatives and educational campaigns.
- Further develop initiatives that pair influential online celebrities to promote the positive nutritional aspects of U.S. beef along with content that encourages consumers to improve their skills and knowledge related to preparing meals with U.S. beef in a wide variety of ways.
- Connect and engage Central American buyers of U.S. beef with suppliers and exporters through relationship building opportunities at the Latin American Product Showcase.

**Citations:**

*2021 import and market share data is based on import data of Guatemala and reported exports to the Dominican Republic (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau. \* Historical discrepancy between import data and U.S. export data.*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 73% of targeted importers/distributors will consistently source and successfully promote U.S. beef to their downstream customers.
2. 90% of targeted HRI accounts will report that they understand the quality and profit potential of U.S. beef based on information provided by USMEF.
3. 70% of targeted retailers will consistently incorporate suggested merchandising methods to promote the quality attributes of U.S. beef.

## Tactic E

**Tactic Name:** China & Hong Kong

**Tactic Description**

**MARKET ASSESSMENT**

Capitalizing on the market access gains included in the U.S.-China Phase One Economic and Trade Agreement, beef exports to China/Hong Kong broke the \$2 billion mark at \$2.09 billion, up 114% from 2020, while volume climbed 87% to 240,827 mt. Direct exports to China, which started to gain significant traction in mid-2020, jumped 346% in volume (190,803 mt) and 413% in value (\$1.59 billion). U.S. beef accounted for 6% of China's total imports on a volume basis and 11% by value. Grain-fed beef now accounts for an estimated 11% of China's imports with the U.S. as the largest supplier, providing approximately 68% of China's grain-fed imports.

U.S. beef was granted access to mainland China in mid-2017; however, access was restrictive and short-lived as retaliatory tariffs were imposed on U.S. beef beginning in July 2018 with additional duties. Despite these setbacks, access for U.S. beef was expanded with the signing of the U.S.-China Phase One Economic and Trade Agreement implemented February 14, 2020. The Phase One Deal expanded access for all U.S. beef products to cattle of all ages, eliminated hormone restrictions, and included other provisions which made it much easier and more economical to produce and export beef to the China market. Although the deal did not address retaliatory tariffs directly, China temporarily implemented exclusions from Section 301 (intellectual property related) retaliatory duties to Chinese importers beginning in March 2020, bringing U.S. beef back to the MFN duty of 12%. It is unclear when or if exclusions from Section 301 will expire.

China holds significant growth potential as the U.S. is one of the few high-quality grain-fed suppliers to this market. Demand continues to grow as both retailers and foodservice operators recognize the value in grain-fed U.S. product and are eager for the opportunity to elevate their business over competitors with grain-fed beef. Although U.S. beef from cattle of all ages can be exported to China, product is still tested for ractopamine residues upon entry. There are no longer restrictions on synthetic hormone use and no additional traceability requirements.

In 2021, China accounted for about 26% of global beef imports, reaching \$12.6 billion and up 23%. Brazil continued to supply large volumes of beef to China despite the suspension of Brazilian imports from mid-September to mid-December due to Brazil's atypical BSE findings. Imports were smaller from Argentina following internal restrictions on exports, and Australia's supply declined with smaller production and establishment delistings in 2021. China also suspended Canada in January 2022 due to an atypical BSE case. The risk of being delisted for export to China remains high for any supplier as these actions are not always linked to herd health concerns.

Since mid-2020 China has been COVID-testing, disinfecting, and tracing imported “cold chain food”, suspending numerous food plants around the world following reports of COVID-19 in plant workers or reported findings of the virus on product packaging. The testing regime had added costs to imports and damaged demand due to some localized restrictions on sales of imported goods. Monitoring of imports intensified again in early 2022 with China’s biggest COVID-19 outbreaks since Wuhan. Some areas have restricted cold storages and sales of imported cold chain food. China’s zero-COVID policy has had a significant impact on the economy, and most of the population remains vulnerable to the virus. China’s current COVID wave (as of April 2022) is hitting demand hard, including to the foodservice channel, with major lockdowns and mandatory testing underway, including in Shanghai. Foodservice operators in Beijing were asked to suspend dine-in services at the end of April 2022, although takeout is still permitted. Some restaurants in Beijing have started to require negative COVID tests for takeout customers. Travel is heavily restricted and Shanghai port clearance activity of imports - especially drayage- is weak. While other markets in Asia are rebounding from the impact of COVID-19 and seeing improved tourism and foodservice action, China is likely to stick to its COVID-zero policy and lockdown actions at least through the end of 2022.

#### China

- Per Capita Beef Consumption: 6.3 kg
- Total Beef Imports (not including variety meat) – all sources: 2,334,777 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 30,818 mt
- U.S. Share of Total Beef/BVM Import Market: 6.5%
- Other Beef/BVM Suppliers & Market Shares: Brazil 36.5%, Argentina 19.5%, Oceania 16%
- Domestic Self Sufficiency: 61%
- U.S. Beef Exports (not including variety meat): 180,156 mt
- U.S. Beef Variety Meat (BVM) Exports: 10,647 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 13%
- Customers for U.S. Beef Imports: Processing 10%, HRI 65%, Retail 25%

#### Hong Kong

- Per Capita Beef Consumption: 26.9 kg
- Total Beef Imports (not including variety meat) – all sources: 285,206 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 299,285 mt
- U.S. Share of Total Beef/BVM Import Market: 9.5%
- Other Beef/BVM Suppliers & Market Shares: Brazil 50%, EU-27 11%, India 7.5%
- Domestic Self Sufficiency: 1%
- U.S. Beef Exports (not including variety meat): 41,777 mt
- U.S. Beef Variety Meat (BVM) Exports: 8,247 mt

- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 3.5%
- Customers for U.S. Beef Imports: Processing 0%, HRI 80%, Retail 20%

Top Imported U.S. Beef Cuts: middle meats, boneless/bone-in short rib, chuck short rib, short plate, chuck roll

Top Imported U.S. BVM Items: omassum, backstrap, pizzle, tripe, tendon, diaphragm, oxtail, tongue, inside skirt, outside skirt, feet

**Market Access Issues** include a) China's non-transparent quarantine clearance procedures/regulations, including inspection for presence of COVID-19 on products and packaging; b) China's onerous bilingual labeling requirements on external and internal packaging.

## MARKET STRATEGY

**Overall Strategy:** a) Build customer loyalty with increased support for importers and downstream buyers including trainings and promotions; b) Educate buyers about U.S. beef safety/inspection systems, unique production capabilities, grading and quality, and profitability; c) Create demand in untapped segments in the China/Hong Kong region and deepen distribution channels in China, focusing on a broad range of cuts and specifications to ensure that U.S. beef is affordable to a large segment of the population; d) Introduce chilled beef branded products to U.S. buyers and support communication between suppliers and importers to increase product availability and improve logistics; e) Maintain relationships with key networking contacts for future growth of U.S. beef amid improved access conditions; f) Where appropriate, counter negative perceptions of U.S. products, and design and implement positive image building campaigns utilizing various media platforms, especially digital ones.

Growing Demand for Beef – Chilled and Grain-fed

- China initiated a 25% tariff on U.S. beef in July 2018. An additional 10% duty was imposed September 1, 2019, effectively bringing the total retaliatory tariff rate to 35% for U.S. beef in addition to a 12% VAT. China temporarily implemented exclusions from retaliatory duties to Chinese importers beginning in March 2020. Duties in Hong Kong remain at 0% for all beef items.
- Chinese cities like Shenzhen, Guangzhou, Shanghai, and Beijing are key targets for U.S. beef as premiumization trends fuel purchases among growing single-person households. Despite economic setbacks from COVID, premiumization continues to thrive among consumers and will continue to be a trend in 2023 and beyond.
- Demand for grain-fed beef continues to grow. Grain-fed beef now accounts for an estimated 11% of China's imports (compared to 5.5% in 2020) with the U.S. as the largest supplier, providing approximately 68% of China's grain-fed imports.
- Domestic beef is largely of grass-fed quality. China continues to diversify beef supplies purchasing more from grass-fed exporters like Brazil, Chile, Costa Rica, Bolivia, and South Africa. The U.S. remains one of the few high-quality suppliers

to the region, although competitors like Australia and Argentina are increasing their grain-fed production. Australia's strained relations with China may impact export growth to this market.

- China's imports of chilled beef from all suppliers continued to increase in 2021. Although chilled product is a small percentage of total beef imports, growth is reflective of growing demand for quality and freshness from consumers and of increased penetration of the entire beef category into modern retail.
- Expansion of ecommerce platforms into second and third-tier cities is allowing wider distribution of U.S. and all imported products.
- **Strategic Objective:** Increase interest in U.S. beef, specifically chilled, with renewed levels of trade servicing and support, and identify newly emerging opportunities for beef export growth.
- **Tactical Response:** Offer increased and intensified levels of support for new and existing U.S. beef buyers with additional trainings and promotional marketing programs, including branded product. Promote the grain-fed quality attributes of chilled U.S. beef, linking U.S. suppliers with buyers. Facilitate long-term chilled beef purchasing from foodservice operators and retailers alike.

#### Education and Differentiation Remain Key

- While U.S. beef buyers are enthusiastic about U.S. product, buyers remain relatively unfamiliar with U.S. beef specifications and best attributes. Some buyers remain reluctant to try new grain-fed beef.
- Training and seminars are the most requested marketing activities by trade accounts to USMEF.
- U.S. beef can satisfy the demands of even middle-tier buyers with alternative cuts or middle meats that are cost effective substitutes to more popular and more expensive cuts. Beef variety meats perform well in China.
- The quality attributes of U.S. chilled beef are not widely known among all consumer demographics and across different regions. However, other competing beef suppliers, especially Australia, are putting more emphasis and focus on chilled beef. Demand for wagyu and dry-aged product continues to grow; however, buyers need more training on appropriate handling and marketing techniques for these products.
- **Strategic Objective:** Improve buyer knowledge on the safety, quality, and availability of U.S. beef, especially on chilled product. Promote a mix of chilled, dry-aged, alternative cuts, etc. to suit the needs of different buyers.
- **Tactical Response:** Create customized, hands-on trainings for processors, retail, and HRI buyers to renew buyer knowledge of U.S. beef, highlighting the versatility of alternative cuts, while demonstrating the differences in Australian grain-fed product vs. U.S. product. Discuss the profitability in secondary and

alternative U.S. beef cuts. Expand the reach of trainings to wet markets to educate distributors, consumers, etc.

#### Foodservice Demand

- Local COVID-19 lockdowns are having staggering impacts on foodservice operators in both mainland China and Hong Kong.
- Hong Kong's foodservice sector is the main outlet for imported beef, and restaurant chains are building centralized kitchens, improving food safety, and offering better value.
- Chinese consumers are interested in trying new and varied cuisines. Yakiniku and hotpot menus are growing in popularity. In addition, consumers want customized experiences from restaurants, from offering exclusive menus to cross-branding options. Meat and spirit pairings are popular with consumers, especially for premium sake.
- Hotpot and yakiniku restaurants are advertising "fresh" ingredients to their customers, driving demand for chilled product and increasing consumer standards.
- Demand for wagyu is increasing among foodservice operators in China and Hong Kong as a means of differentiation. Even dry-aged product is becoming a popular menu item to capitalize on premiumization trends and improve menu perception among consumers. Menus highlighting Prime grade are trending.
- Rebounding tourism to lower-tier cities may drive foodservice upgrades to these regions, although chefs outside of first-tier cities may be unfamiliar with U.S. beef.
- Big-name restaurants are re-investing in ready-to-heat meals available at retail to reach consumers seeking easier meal prep and convenience.
- Ghost kitchens are growing in popularity throughout China and some restaurants only offer take-out menus to satisfy this niche of customers who prefer to limit interactions.
- **Strategic Objective:** Build loyalty with key U.S. beef buyers and new customers in the HRI sector, while demonstrating the value in utilizing U.S. beef to differentiate among menus and improve perceived restaurant quality. Expand educational efforts to second and third-tier cities and include more alternative cut promotion to satisfy all levels of buyers.
- **Tactical Response:** Utilize chef tables to train HRI professionals on menu ideation and proper handling for U.S. beef. Position U.S. beef as ideal for menu differentiation in both mainland China and Hong Kong and offer increased levels of support to buyers interested in continuing long-term use of U.S. beef on menus. Utilize promotions, celebrity endorsements, KOL ads on social media, and other tactical means to target affluent consumers and drive the perception that U.S. beef is different and superior to other imported product. Highlight visible

U.S. beef “success story” establishments, whose attributes are widely distributed on social media.

#### Traditional Markets, Modern Retail, and Ecommerce Platforms

- Retail throughout China is still relatively fragmented, with mom-and-pop shops and wet markets dominating the retail sector. Wet markets are modernizing with improved hygiene practices, logistics, etc. Some wet markets are even incorporating online ordering and pick up stations into their services for added convenience. Sales of imported beef in traditional markets are growing in the double digits annually.
- Modern retail is still developing in mainland China, especially for lower-tier cities; however, international players with the ability to move large volumes of product (i.e. Costco, Sam’s Club) via warehouse-style outlets are expanding with increased focus on second and third-tier cities.
- Retail in Hong Kong is mostly modern, with high-end boutique shops remaining popular with a wealthy consumer base.
- Retailers who once allocated more space to portioned, case-ready frozen and marinated packaged beef products to meet demand for convenience from consumers are expanding shelf space for more premium chilled and defrosted imported beef. Importers are processing product into portion-control items for downstream customers like retailers that are interested in both convenience and labor savings.
- Branded beef is becoming more popular among modern retail chains.
- Brands are inviting consumers to have customized experiences with exclusive pop-up stores and cross branding initiatives.
- Fresh food online ordering and grocery delivery are becoming more standard in urban areas, including lower-tier cities. Online ordering with pick-up in store is also becoming popular, especially for meat products.
- Prior to COVID-19 ecommerce platforms were expanding into rural areas for sustained growth and improved access. JD.com, alibaba.com, and Miss Fresh are among the largest ecommerce platforms in China.
- Online sales during the pandemic have increased consumer receptivity to frozen foods, including frozen beef items. Online sales are also paving the way for more imported beef penetration into lower tier urban and even rural areas.
- Livestreaming and group buying have become popular tools among consumers. TikTok videos and WeChat groups for group buying are popular methods of mobile ecommerce referred to as m-commerce. Livestreaming trends in 2021 were led by buyers in China, where nearly 34% of consumers used livestreaming tools for food and drink.
- **Strategic Objective:** Further establish trust and loyalty among key retailers – online and offline – with potential to move large volumes of U.S. beef, including membership stores. Adopt a “flagship” store approach to perfect the meat case with high traffic outlets of targeted modern retailers. Develop U.S. beef’s image



as a quality product with support to niche boutique meat shops and ecommerce platforms.

- **Tactical Response:** Customize trainings for retailers, ecommerce platforms, new U.S. beef buyers and their in-store staff that are unfamiliar with U.S. beef. Offer support via tasting demonstrations; online and in-store promotions, including for branded product; and livestreaming events. Develop merchandising ideas for new cuts at retail including value-added convenience products made with U.S. beef raw material.

#### China's Digital Footprint

- China has been the longstanding leader in global food and drink ecommerce sales. Online shopping for home delivery is part of normal life even in Tier 2 and 3 cities.
- TikTok is the number one non-messaging social media platform in China, with each user spending an average of 23.1 hours per month on the app.
- Brands use short videos like TikTok and Kuaishou (200 million active users) as a marketing tool powered by influencers. Through the use of popular SNS WeChat, Weibo, TikTok, attributes of U.S. beef can easily be shared and effectively educate a large audience.
- **Strategic Objective:** Maintain a presence on top social media sites, including WeChat, Weibo, YouTube (Hong Kong), TikTok, and others to reach a wide range of consumers and build a positive reputation for U.S. beef.
- **Tactical Response:** Utilize social media tools to reach consumers and highlight various promotions. Use digital tools to educate consumers on U.S. beef attributes, cooking techniques, availability, etc., and create a positive image for U.S. beef with the help of KOLs and relevant influencers.

#### Other Key Initiatives

- Help align U.S. beef exporters with Chinese importers and Chinese import regulations. Identify more China-eligible supply options from the U.S. and share these contacts with Chinese buyers, including packers with the ability to supply popular offal items like tripe and abomasum.
- Work with U.S. government officials and relevant Chinese organizations to resolve commercial and technical trade issues to make the import process more reliable and transparent.
- Monitor the presence and expansion of alternative meat options in mainland China and Hong Kong and remain prepared to respond to targeted questions about U.S. beef sustainability.
- In addition to working with well-known importers, drive further market penetration through the education and development of promising startup companies (e.g.

online retailers, independent meat shops and new restaurant concepts) eager to expand their purchases and sales of imported U.S. beef.

- Educate Chinese chefs about the U.S. beef industry and U.S. beef culinary history and expand the presence of U.S. beef in high-end hotel and restaurant outlets, through chef and culinary events expanded to second and third-tier cities.
- Educate student chefs and other food industry students to cultivate future U.S. beef spokespersons.
- Build a following for U.S. beef culture (e.g., traditional BBQ) with restaurateurs and lifestyle media.
- Expand interaction with large HRI operators such as high-end and casual dining establishments in Hong Kong and Macau.
- Continue to build relationships with government officials and key influencers, including the domestic beef producing and processing industry to make them aware of U.S. quality and safety standards.

**Citations:**

*2021 import and market share data is based on import data of China and Hong Kong, excluding reported imports from China (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau. \* China and Hong Kong per capita consumption and domestic self-sufficiency are based on USMEF estimates.*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 88% of Hong Kong & China importers/distributors will understand the supply capabilities and quality attributes of U.S. beef based on information provided by USMEF.
2. 75% of Mainland 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.
3. 78% of Hong Kong HRI outlets/chains will regularly feature 4 beef cuts, including at least 1 underutilized cut.
4. 64% of Hong Kong HRI outlets/chains will actively participate in and/or contribute to USMEF promotions to their customers.
5. 38% of Mainland China national or regional foodservice chains will actively participate in and/or contribute to USMEF promotions to their customers and regularly use U.S. beef.

## Tactic F

**Tactic Name:** Commonwealth of Independent States

### Tactic Description

#### **MARKET ASSESSMENT**

Since 2013, Russia has banned U.S. beef imports due to a zero tolerance for beta-agonist residues. Further negotiations to resume U.S. beef imports became impossible due to political issues stemming from the Russian and Ukrainian conflict in Crimea that occurred in 2014, and finally with the sanctions imposed due to Russia's invasion of Ukraine in late February of 2022. Prior to this, Russia was the U.S. beef industry's sixth largest export market.

However, neighboring countries within the nearby Commonwealth of Independent States continue to represent solid long-term potential for U.S. beef steak cuts, alternative cuts for foodservice, and livers. Within this region, USMEF targets the most promising markets, namely Ukraine, Kazakhstan, Azerbaijan, Moldova, Kyrgyzstan, Georgia and Uzbekistan. Exports of U.S. beef/bvm to the region in 2021 reached 254 mt, an increase of 6% over the previous year. U.S. beef's share of the import market was less than 1%, underpinning the untapped potential of the market. When looking at the surrounding region and excluding Russia, inter-regional trade accounts for the majority of exports with Belarus and Ukraine as the top suppliers, followed by the EU. SPS barriers for the Euro Asian Economic Union (EAEU – Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) are the same as for Russia, with zero tolerance for ractopamine residues and a ban on the use of hormones. Other countries in the region allow for relatively easy access for U.S. beef, though this situation remains fluid as some countries seek closer integration with Russia (e.g., Tajikistan and Uzbekistan) or the EU (Georgia, Ukraine, Moldova). The foodservice sector in the region, which is a major channel of distribution for U.S. beef, continues to recover from the impacts of the COVID-19 pandemic, which placed further downward pressure on consumer disposable income levels. Furthermore, increased production in recent years of local high-quality beef and concentrated Russian efforts targeted at larger exports to neighboring countries are changing the competitive environment.

Russia and Ukraine play an important role in global food production and supply. The intensity and duration of the conflict remain uncertain. The likely disruptions in agricultural activities of these two major basic goods exporters can seriously exacerbate the food security problem around the world, while international food prices and production factors are already high and unstable. The conflict may also limit agricultural production and purchasing power in Ukraine, which will increase food insecurity at the local level. Financial sanctions against Russia have significantly depreciated the RUB, which if continued, can undermine productivity and economic growth and ultimately increase agricultural production costs further. Russia is a major player in the global energy market, accounting for 18% of global coal exports, 11% of oil and 10% of gas

exports. Agriculture requires energy resources for fuel, gas, and electricity, as well as fertilizers, pesticides and lubricants.

#### Ukraine

- Per Capita Beef Consumption: 7.2 kg
- Total Beef Imports (not including variety meat) – all sources: 2,875 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 10,655 mt
- U.S. Share of Total Beef/BVM Import Market: 1%
- Other Beef/BVM Suppliers & Market Shares: EU-27 93%, Poland 49%, France 12%
- Domestic Self Sufficiency: 111%
- U.S. Beef Exports (not including variety meat): 217 mt
- U.S. Beef Variety Meat (BVM) Exports: 0 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 60%, HRI 33%, Retail 4%

#### Kazakhstan

- Per Capita Beef Consumption: n/a\*
- Total Beef Imports (not including variety meat) – all sources: 18,748 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 1,593 mt
- U.S. Share of Total Beef/BVM Import Market: <1%
- Beef/BVM Suppliers & Market Shares: Belarus 57%, Russia 17%, Ukraine 14%
- Domestic Self Sufficiency: n/a\*
- U.S. Beef Exports (not including variety meat): 20 mt
- U.S. Beef Variety Meat (BVM) Exports: 0 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 40%, HRI 40%, Retail 20%

Top Imported U.S. Beef Cuts: ribeye, striploin, tenderloin, short ribs, top blade, short plate, hanging tender, skirt, flanks, brisket

Top Imported U.S. BVM Items: liver, trimming, beef fat

**Market Access Issues** include a) Russian and Belarussian zero tolerance for the presence of ractopamine residues in beef imports – resulting in a continued ban on U.S. beef imports; b) Russia's zero tolerance for *Salmonella* spp., *Listeria monocytogenes*, coliforms, and low tolerance for aerobic and anaerobic plate counts on raw product; c) Russian and Belarussian BSE-related restrictions on imports of U.S. beef from cattle over 30 months of age; d) Eurasian Economic Union (EAEU) lack of clarity regarding the requirements and process to get additional slaughter and exporting establishments approved for Russia, Belarus, and Kazakhstan; e) Russian and EAEU non science-based slaughter plant inspection criteria; f) no access to Mongolia; and g) lack of clarity

to add new plants to Uzbekistan approved plant list. These Russia and EAEU measures are, at varying timeframes, being incorporated into the standards and requirements of the EAEU between Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia, compounding the impact on U.S. red meat exports.

In 2014, 2017 and again in 2019, Russia issued a decree banning numerous agricultural imports from the U.S. and other countries that had imposed economic sanctions on Russia following the conflict in Ukraine. Thus, the market remains entirely closed to all U.S. beef cuts, fat, and offal.

## MARKET STRATEGY

Increase availability of U.S. beef products and strengthen the image of U.S. beef and beef variety meat throughout the region by differentiating U.S. beef from the competition, educating buyers about the profitability and benefits of using U.S. beef products. Support post-COVID-19 recovery efforts for foodservice operators within the region. Furthermore, remain prepared logistically for the possibility of the market reopening into Russia.

### Regional Expansion

- As a result of reduced supply, Russia has been increasing investments in expanding domestic high-quality beef production to eliminate the need for foreign imports and increase export opportunities, but production is still low, and prices are high for consumers.
- The nascent regional markets outside of Russia represent solid untapped potential for U.S. beef and provide greater diversity for U.S. beef exports.
- Ukraine, Kazakhstan, Uzbekistan, Georgia and some Caucasian and Central Asian countries, despite economic challenges, are showing growth in beef consumption, and several countries have strong traditions of using offal products.
- In general beef remains expensive for the average consumer; however, opportunities exist for alternative cuts that are still perceived as high-quality beef.
- Some high-end retailers have picked up U.S. beef in regions such as Ukraine, Georgia and Kazakhstan, setting the stage for other retailers and increasing U.S. beef visibility.
- While the number of U.S. beef users has grown, regional markets outside of Russia have struggled with yield and end-product results, and most only know about the higher priced loin cuts.
- **Strategic Objective:** Focus on expanding promotional reach into emerging export markets of Armenia, Azerbaijan, Belarus, Georgia, Moldova, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Ukraine as opportunity allows.
- **Tactical Response:** Create demand in the region with promotions, seminars, and workshops for appropriate usage of cost-friendly cuts for a greater variety of

beef cuts and grades and increase consumer exposure to the attributes of high-quality product.

#### Foodservice Opportunities

- The HRI sector in Georgia, Kazakhstan, Uzbekistan, and Azerbaijan is rapidly developing, presenting viable opportunities for U.S. beef and veal.
- Expatriate populations working for oil and gas companies throughout the region, as well as traders, businessmen and tourists, are willing to spend more on quality dining experiences and respond well to familiar cuisines. This creates demand for high-end foodservice outlets representing a number of cuisines, including Western influences well-suited for U.S. beef
- Domestic beef is generally lean, and not well-suited for Western-style cuisines like BBQ.
- Tourist traffic to ski and seaside resorts in Ukraine and Georgia as well as holy destinations in places like Uzbekistan present opportunities for foodservice outlets catering to the demand for halal meats.
- Foodservice outlets are demonstrating strong interest in U.S. beef alternative cuts (such as short plate, brisket, top blade, etc.) as a price conscious option for high-quality material.
- Since September 1, 2017, chilled beef and BVM in Uzbekistan has had zero customs duties, presenting a key opportunity for export growth.
- Russian marketing efforts for domestic, marbled beef have driven consumer awareness for high-quality beef and its attributes. This has encouraged higher consumption of high-quality beef both at foodservice and retail as it cultivates beef usage traditions and improves perception of the protein. Russia's experience with its domestic marbled beef feeds into the regional markets as well.
- Russian consumers have adjusted to the high price of domestic beef in the closed market, allowing for a new trend of high-end burger outlets.
- **Strategic Objective:** Engage more restaurants to try U.S. beef chilled product and alternative cuts by positioning alternative cuts as high-quality, low-cost options for high-end or family-style dining options and catering services, and train chefs and decision makers on the advantages of U.S. beef over domestic supplies, emphasizing quality and consistency as key traits of U.S. product.
- **Tactical Response:** Train chefs on proper cooking techniques (e.g. not to overcook), and how to differentiate high quality, marbled U.S. beef from competing product. Explain the advantages of U.S. beef over product from Uruguay, Argentina, Australia, and in some cases, over domestic beef, and promote American BBQ as an ideal and trendy venue for high quality U.S. beef. Partner with key foodservice outlets to relaunch U.S. beef into high-end HRI as COVID-19 recovery continues.

### Other Key Initiatives

- Advise and support regional distributors on the best ways to market high quality U.S. beef.
- Maintain long-term relationships and regular contact in Russia to regain share when the market reopens by quickly restoring buyer knowledge and confidence.
- Increase visibility for U.S. beef by attending world renowned and popular trade shows and culinary expositions such as Bocuse d'Or.
- Conduct workshops in newer markets in the region on fabrication, cutting, portion control, and the best methods of cooking both popular and secondary U.S. beef cuts.
- Demonstrate to chefs and distributors that U.S. beef cuts like shoulder clod, chuck roll, and top sirloin butt can be effectively used in foodservice and in-home settings due to the high marbling and optimal quality-price ratio.
- Educate larger processors on how U.S. beef can meet their needs, gather market intelligence on what attributes are most important (such as leanness and better packaging), and continue to build a strong U.S. reputation with these processing companies.
- Educate consumers on the unique attributes of U.S. beef to assist in building demand at HRI and retail.
- Continue to focus on new opportunities, including increased alternative cut usage, growth in chilled beef at retail, and online meat shops.
- Monitor the development of domestic beef production specifically targeting higher-end segments to adjust U.S. beef strategies accordingly.
- Penetrate the e-commerce sector with high quality U.S. beef, as consistency in the e-commerce market is highly valued.

### Citations:

*2021 import and market share data is based on import data of Ukraine and Kazakhstan (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau. \*USDA/FAS stopped reporting (and removed recent data) for Kazakhstan in 2022.*

### **Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 84% of trade accounts understand U.S. beef's quality attributes based on information provided by USMEF.
2. 84% of trade accounts understand how to properly handle U.S. beef.
3. 80% of HRI outlets/restaurant chains regularly stock U.S. beef.
4. 92% of retail outlets identify the origin of U.S. beef.
5. 68% of retail outlets actively promote U.S. beef and its origin

## Tactic G

**Tactic Name:** Europe

**Tactic Description**

**MARKET ASSESSMENT**

In August of 2019, the U.S. gained a significant win in the European market with the signing of the agreement reached between the EU and the U.S. which grants the United States a U.S.-only share of the European Union's 45,000 mt duty-free, high-quality beef quota (HQB). The agreement was implemented on January 1, 2020, and establishes a U.S. share of the quota starting at 18,500 mt in the first year, and expanding to 35,000 mt over 7 years, with projected value of EU imports of U.S. beef to increase from \$150 million to an estimated \$420 million when fully implemented. The EU market for U.S. beef has historically been heavily oriented to foodservice, for numerous reasons, including high prices for U.S. beef, restrictive EU import requirements (NHTC), and limited volumes available as other suppliers took share of the duty-free quota. The slowdown to the foodservice sector cause by COVID-19 restrictions accelerated USMEF's strategy for maximizing U.S. beef's share of the newly-granted high-quality beef quota, which focused on growth within the retail sector. While high-end restaurants begin to benefit from fewer COVID-19 related impacts moving into 2022, the traction for U.S. beef within retail as well as e-commerce that has been developed over the past two years presents good opportunities to maximize demand. Second and third tier markets such as Bulgaria, Romania, Poland and the Baltic states are becoming increasingly reliable buyers of U.S. beef, particularly for underutilized alternative cuts, which balances demand from high-end middle meat cuts from imports of full sets. However, access issues remain for U.S. beef in the United Kingdom, which no longer affords U.S. product duty-free entry to the market after its exit from the European Union. A U.S.-U.K. trade agreement has the potential to further increase demand for high-quality U.S. beef within Europe. However, there is little momentum from either country to move this issue forward.

While there remains great growth potential for U.S. beef, due to the U.S.-specific share of the duty-free quota, USMEF will continue to monitor the EU's Farm to Fork Strategy and apparent efforts to reduce meat consumption. In addition, EU certificate changes added significant costs, complexity, and uncertainty to the EU business moving into 2022. However, the war in Ukraine is causing some within the EU to rethink EU priorities and place a renewed focus on food security. The EU relies on Ukraine for 40% of its corn, barley and wheat imports, and the EU is expected to feel the biggest impact from the crisis in Ukraine.

**EU-27**

- Per Capita Beef Consumption: 17.4 kg
- Total Beef Imports (not including variety meat) – all sources: 236,148 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 8,052 mt



- U.S. Share of Total Beef/BVM Import Market: 5%
- Other Beef/BVM Suppliers & Market Shares: UK 30%, Brazil 26%, Argentina 16.5%
- Domestic Self Sufficiency: 105%
- U.S. Beef Exports (not including variety meat): 13,922 mt
- U.S. Beef Variety Meat (BVM) Exports: 15 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 1%
- Customers for U.S. Beef Imports: Processing 0%, HRI 70%, Retail 30%

#### United Kingdom

- Per Capita Beef Consumption: 17.2 kg
- Total Beef Imports (not including variety meat) – all sources: 295,101 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 13,931 mt
- U.S. Share of Total Beef/BVM Import Market: <1%
- Other Beef/BVM Suppliers & Market Shares: Ireland 68%, Poland 7%, Brazil 7%
- Domestic Self Sufficiency: 77%
- U.S. Beef Exports (not including variety meat): 235 mt
- U.S. Beef Variety Meat (BVM) Exports: 0 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 0%, HRI 90%, Retail 10%

Top Imported U.S. Beef Cuts: Full Sets

Top Imported U.S. BVM Items: None

**Market Access Issues** include a) the EU reciprocity clause (requiring third country compliance) in the antimicrobial use legislation being worked into implementing legislation currently (e.g. Article 118) and France implementing it's own restriction outside of EU framework; b) the EU's ban on the use of hormone growth promotants and FDA-approved beta agonists, c) the EU's ban on all but one of the many pathogen reduction treatments (PRTs) that are approved for use in slaughterhouses in the United States; and d) no beef access to Bosnia and Herzegovina, Turkey, Montenegro, Moldova, or Macedonia. Since the UK continues to adhere to the same EU requirements and approved plant lists post-Brexit, we have the same technical access concerns for this market as for the EU.

USMEF is also gravely concerned about the potential impact on third country imports into the EU, plus precedence setting for the rest of the world, from the EU Farm to Fork (F2F) Strategy and overarching Green Deal. Examples of proposals within these policies that could impact U.S. exports include front-of-pack labeling, mandatory country of origin labeling, restrictions on use of antimicrobials in livestock production (also an

immediate concern through Article 118), legislation on food contact materials and possible packaging taxes, carbon tax on imports, sustainability and animal welfare labeling/export requirements, and rules on date marking, among other concerns. A global transformation is a specific part of the EU strategy and suggests EU efforts are underway to mandate changes to production, documentation, etc. in other countries, through a combination of “education” and trade barriers.

## MARKET STRATEGY

Build demand for U.S. beef in Europe by educating targeted buyers on the potential profitability and enhanced culinary experience available from both traditional and underutilized cuts of U.S. beef, and expand targeted reach to include lesser developed markets such as the Baltic States, Slovakia, Romania, Bulgaria, Hungary, Poland, and the Czech Republic. Defend key higher-volume and value markets such as the Netherlands, Italy, UK and Germany. For 2022, USMEF will attempt to start developing projects in the markets of Southern Europe (EU members - Croatia, Greece, Cyprus, Slovenia). We also plan to investigate opportunities in the countries of former Yugoslavia that are not yet EU members – although that can present some challenges due to market access issues (both customs and veterinary). Support growing distribution channels for U.S. beef such as ecommerce. Continue to educate consumers on the safety and sustainability of science-based U.S. agricultural practices to build consumer confidence. Partner with key importer, foodservice, and distribution buyers to position U.S. beef in restaurant and tourism reopening.

### Premium Products

- There is growing demand for high-quality (and high-priced) beef in niche segments, and while consumers may reduce the frequency of purchasing premium foods, they spend more as they seek the best quality in high-end restaurants and specialty shops.
- Some wealthy populations, such as consumers in Sweden and Germany, choose imported product for quality and general “uniqueness” factor.
- Among the trade and many top chefs, U.S. beef is considered superior, with quality standards above other beef; however, buyers lack knowledge about non-traditional alternative cuts that could help offset the high prices of U.S. beef.
- As importers generally purchase full sets (16-22 cuts), they sometimes face difficulty in marketing some of the lesser-known cuts.
- **Strategic Objective:** Build distribution links for U.S. beef and educate distributors/chefs on the availability of and culinary uses for quality alternative beef cuts that are more affordable and improve margins
- **Tactical Response:** Identify growth opportunities for specific cuts by responding to trader needs, provide specialized training on a wide range of U.S. beef items, conduct cost-effective joint activities with distributors, and work with the trade, press and social media influencers to raise awareness and provide options with various cuts and cooking styles. Continue engaging the retail sector while

focusing on second and third tier countries to develop demand for alternative cuts.

### High-end Restaurants

- Entering the summer holiday season, COVID-19 restrictions at foodservice have either eased or been eliminated altogether in many countries within Europe, providing optimism for increased sales from long pent-up consumer demand.
- U.S. beef is facing pressure from shipments of cheaper grain-fed beef from Australia, Uruguay and Argentina under the duty-free quota. However, new TRQ for U.S. beef puts U.S. beef in an advantageous position. \ Logistics issues and high beef prices pose another challenge. The supply chain faces intermittent interruptions and food service is yet to adjust to new price levels for all beef products, not just U.S. beef.
- In certain countries, strong national/regional promotional campaigns marketing European beef are increasingly becoming a growing threat. At the same time, the fact that in many EU countries we see the attempt to position local beef at higher quality level, it does contribute to creating positive attitude in differentiating high quality beef from just beef. This helps create the culture of consuming high quality beef. U.S. beef will benefit from it as well. With that, USMEF does not necessarily see as a threat the attempts to position Polish, French, Swedish or Irish beef as high quality product.
- Despite intensified competition, higher-end restaurants represent a fantastic niche for quality U.S. beef as they tend to focus more on image, high margins and service, rather than on turning large volumes.
- In some parts of the EU, there is a trend to eat less, but eat higher quality. Some restaurants are using techniques like dry-aging to add value and differentiate their menus; however, European chefs, restaurant managers, and consumers often state a preference for local beef, though inconsistent quality in domestic production is a well-recognized issue.
- Gourmet burger outlets are also growing in popularity, presenting a strong opportunity for the growth of chuck rolls and underutilized cuts, although cut education is key.
- Developing EU markets, such as Poland, Bulgaria, Hungary, Czech Republic, Romania and the Baltic states, whose economies are growing at a faster pace than many developed European markets, are discovering U.S. beef. This presents a further growth opportunity, especially for budget-friendly, alternative cuts.
- **Strategic Objective:** Continue to engage top HRI buyers in various markets to U.S. beef, focusing on a range of cuts that offer value, versatility, and the characteristic marbling found in U.S. beef. With additional TRQ capacity, put focus on new markets where U.S. beef presence is still nominal. Support an HRI relaunch of U.S. beef as the foodservice sector reopens.

- **Tactical Response:** Implement chef training to educate influencers that can impact consumer purchasing decisions and expand demand for not only traditional U.S. beef cuts, but also alternative cuts, with joint educational initiatives for chefs and other HRI professionals with U.S. beef distributors.

#### Retail Differentiation

- U.S. beef has a presence in niche ecommerce in established markets such as Germany.
- Although constrained by lower price points and margins, most retailers (including discounters) are nonetheless offering premium products to differentiate themselves and attract wealthier consumers. Retail partners in Germany and Poland utilize U.S. beef branded refrigerators to increase attention for the U.S. product while allowing USMEF to disseminate marketing messaging directly to consumers.
- Beyond specialty shops, more supermarkets are interested in having U.S. beef on their shelves, and cash & carry retailers are open to including alternative beef cuts to reach a wider range of customers.
- Ecommerce is a growing distribution channel for premium food and meat items, driven in popularity by buying habits influenced during the height of the COVID-19 pandemic.
- **Strategic Objective:** Build awareness among retailers and their customers about the attributes of high-quality U.S. beef and how different cuts can be utilized.
- **Tactical Response:** Conduct educational and promotional events in coordination with retailers to raise awareness of U.S. beef and its varied culinary uses. Support participation of U.S. beef importers in specialized retail shows across the region. Encourage further processing (portion control) as a way to get new retail customers. Provide consumers with comprehensive educational resources, both at the point of sale as well as through social media. Differentiate U.S. beef at retail with dedicated coolers in specific areas at retail to heighten consumer awareness and create further educational opportunities.

#### Other Key Initiatives

- Engage consumers directly through activities that leverage high-profile culinary influencers, digital marketing campaigns and point of sale activities to educate consumers on the high-quality attributes of U.S. beef as well as the safety and sustainability of U.S. agriculture. Use bloggers and influencers extensively to create publicity and excitement about U.S. beef. Maximize engagement with local influencers that possess knowledge of local languages and local cultures.
- Focus on educating buyers in primary markets of Germany, Italy and the UK; secondary markets of France, Netherlands, Finland, Spain, Sweden and Poland; third-tier markets of Romania, Bulgaria, Latvia, Slovakia, Hungary, Croatia, and

Czech Republic; investigate new opportunities in the markets of Balkans (with considerations for market access) and continue to work in markets where importers are not very active as a means of opportunity for growth.

- Partner with importers to promote U.S. beef ecommerce offerings through the partner's own social media channels.
- Identify new markets, niches and trends to further build demand for high-quality U.S. beef.
- Conduct enhanced trade servicing and training, and gather market intelligence to better understand the needs of local stakeholders, including segments that interact directly with end-consumers.
- Reach new segments of consumers, such as women, who may not be familiar with or experienced in culinary trends such as grilling or low and slow barbeque methods. Utilize well known female U.S. beef ambassadors to educate and train this new segment of consumers.
- Demonstrate to the EU market the United States' commitment to maintaining relationships.
- Increase the visibility of U.S. beef through placement on widely viewed grilling and cooking shows as well as customer facing U.S. beef branding on partners' delivery fleets and billboards.
- Raise the image of U.S. beef by showcasing quality cuts at high profile events in collaboration with FAS.
- Continue to maintain online social media activities on Facebook, YouTube and Instagram to educate traders, chefs, buyers, and consumers about U.S. beef.

**Citations:**

*2021 import and market share data is based on import data of EU-27 and the United Kingdom (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau. \* Historical discrepancy between EU import data and U.S. export data.*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 100% of distributors are consistent year-round purchasers of U.S. beef.
2. 55% of distributors are purchasing muscle cuts other than traditional loin steak cuts.
3. 100% of newly targeted distributors will make trial purchases of U.S. beef.
4. 73% of newly targeted retailers will make trial purchases of U.S. beef.
5. 53% of retailers will regularly offer U.S. beef to their customers.

## Tactic H

**Tactic Name:** Japan

**Tactic Description**

**MARKET ASSESSMENT**

2021 exports of U.S. beef plus variety meats to Japan increased 5% in volume to 320,737 mt valued at \$2.37 billion (up 22%). U.S. beef continues to benefit from a level playing field and reduced tariffs through the U.S.-Japan Trade Agreement, which was implemented on January 1, 2020, along with the expanded access for over-thirty-month product, effective from late May 2019. U.S. product was subject to the safeguard snapback duty of 38.5% March-April 2021. Discussions regarding a new trigger mechanism for the safeguard have been initiated between the U.S. and Japan that would minimize the risk of the safeguard being triggered. As of April 2022, this new mechanism is currently pending Japanese Diet approval.

Main competitors in Japan include Australia, Canada, and New Zealand with Mexico taking a growing share of the market, albeit at much smaller volumes. Imports of U.S. frozen product were down in 2021, although imports of chilled beef were up 8.5% as the U.S. gained market share, particularly over main competitor Australia. U.S. market share of chilled beef grew to 51.5% in 2021, with Australia losing business in the market at only 37.5% share. 39% of all beef imported into Japan was chilled in 2021 as demand remained strong particularly from the retail sector where household consumption of beef remained above 2019 levels. At-home consumption of chilled U.S. short plate and chuck/round cuts was high throughout 2021. Although demand among foodservice buyers was down, mostly due to changing COVID-19 restrictions and closures, yakiniku chains saw tremendous growth and surging popularity. Consumer perception of these outlets was positive with excellent ventilation and an entertaining experience. Beef tongue, intestine, tripe, hanging tender, etc. are popular variety meat items destined for the yakiniku segment. Japan's imports of beef variety meats remained strong, nearing pre-COVID levels.

Shipping delays from both Australia and the U.S. were a common challenge in 2021, forcing some importers to diversify supplies and incorporate additional product from Canada and Mexico. Robust demand for high-quality beef remains a key driver of imports. Japan's domestic wagyu carcass prices were up on average 14% in 2021, indicating increased consumption of premium product and additional opportunities for U.S. beef.

As of April 2022, COVID-19 cases continue to re-emerge among younger populations in Japan and concerns about a seventh wave of infection as school resumes is a concern among consumers. However, nearly 45% of the population has received booster vaccines. Although government restrictions are subject to change, Japan continues to show signs of relaxed conditions including the lifting of an entry ban to nonresident

foreign nationals from the U.S. and 105 other countries effective April 8, 2022. Border controls remain severe, and visas are required for entry, while travel for tourism will remain restricted. All local states of emergency were lifted in March 2022. Consumer foot traffic in Tokyo is resuming to normal levels, fueling a rebound in foodservice and convenience store sales as offices return to normal work policies.

#### Japan

- Per Capita Beef Consumption: 10.3 kg
- Total Beef Imports (not including variety meat) – all sources: 591,620 mt
- Total Beef Variety Meat (BVM) Imports – all sources: 79,625 mt
- U.S. Share of Total Beef/BVM Import Market: 41%
- Other Beef/BVM Suppliers & Market Shares: Australia 38.5%, Canada 8.5%, New Zealand 4.5%
- Domestic Self Sufficiency: 38%
- U.S. Beef Exports (not including variety meat): 258,404 mt
- U.S. Beef Variety Meat (BVM) Exports: 62,333 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 22%
- Customers for U.S. Beef Imports: Processing 5%, HRI 45%, Retail 50%

Top Imported U.S. Beef Cuts: short plate, rib cap plate, upper plate, chuck eye roll, shoulder clod, chuck flap tail, rib finger, plate finger, middle meats, boneless short rib, chuck short rib

Top Imported U.S. BVM Items: tongue, outside skirt, hanging tender, large and small intestine

**Market Access Issues** include a) annual safeguard mechanism on beef imports that would increase the duty on U.S. beef products to 30%, if triggered; and b) still relatively isolated but growing concerns among the general public about U.S. production practices including use of growth hormones, sustainability, and environmental issues.

#### MARKET STRATEGY

a) Highlight the quality and marbling attributes of U.S. beef to increase the volume of both popular and underutilized cuts; b) Displace the competition through expansion of U.S. beef as a substitute for Japanese and other imported beef; c) Identify new food and retail trends and target accounts to develop growing, untapped segments by conveying the safety, quality, and versatility of U.S. beef.

#### Supermarket Retail Trends & Buyer Preferences

- Supermarkets remain the largest retail format in Japan in terms of value sales. Prior to COVID-19, pressure from convenience stores and ecommerce formats resulted in declining supermarket sales in 2018 and 2019. However, sales rebounded in 2020 as consumers began seeking bulk-buying options in response to COVID-19. Competition is still driving a need for retailers to differentiate.

- Use of branding is becoming more important to differentiate product in retail outlets. U.S. “Black Angus” items are growing in popularity on retail store shelves as consumers start to recognize cattle breeds. U.S. Angus is a well-known symbol for quality in Japan and a preferred marketing tool for retailers.
- Regional retail chains are a key channel to expand U.S. beef sales while displacing competitor product. USMEF is now working with CGC, a retail cooperative with over 4,000 outlets, to bring U.S. beef to more retail shelves.
- Consumer interest in premium products like U.S. Prime grade beef for at-home consumption is growing. Retail chains like Costco are requesting Prime-only promotions to capture consumer attention.
- Japanese retailers traditionally carry thin-sliced beef ideal for shabu shabu, yakiniku, hot pot, etc. Retailers benefit from thick-cut concepts and prepacked products to reduce in-house labor costs and move more volume. Consumer education is key.
- Consumers are creating their own BBQ at public parks. U.S. beef thick-cut products available at supermarkets are ideal for grilling and are part of USMEF’s “Urban BBQ” campaign.
- Ground beef is not a typical shelf item in Japan’s retail sector; however, consumers are showing increased interest in finding ways to make gourmet burgers at home using U.S. beef cuts. Japanese retail chains have started trials on prepackaged U.S. ground beef patties.
- An increasing number of women entering the workforce, rising number of single-person households, and the aging population are driving demand for convenience products with consumers. Supermarkets or hypermarkets looking to cater to the convenience-driven consumer are introducing premade meal kits to retail shelves. Kits featuring Japanese cuisines like yakiniku and hot pot are prime opportunities for U.S. beef variety meats, such as beef intestine, to gain traction in the retail sector. “Sugomori”, or stay at home food demand, is driving purchases of frozen food, HRM, and pre-marinated products.
- In-store sampling may continue to face limitations and restrictions due to COVID-19. Special sauce packets attached to product tray-packs are becoming a popular tool to drive sales during retail promotions.
- Shipping and logistical delays may change the way retail outlets participate or announce U.S. beef promotions.
- **Strategic Objective:** Continue to displace competitor product that may have gained market share while U.S. suppliers faced shipping and logistical delays. Work with national and regional retailers to establish U.S. branded beef to differentiate from the competition.
- **Tactical Response:** Identify and target regional chains under-served by U.S. beef. Develop company-specific strategies for target accounts, provide educational resources and exceptional promotional support to develop demand and displace the competition. Align U.S. beef brand suppliers and interested



retailers to enhance U.S. beef's image. Push thick-cut concepts at the retail level with frequent retail staff trainings and consumer-oriented POS material, while also providing proper training and merchandising information for traditional thinly sliced items. Utilize in-store promotions, "American Beef Fairs", online /mobile app promotion announcements, and other incentives to drive consumer interest in U.S. product while developing loyalty among buyers.

#### Convenience Stores (CVS) & Ecommerce

- Pre-COVID, convenience stores were one of the fastest growing retail categories in Japan, with about 57,000 outlets serving 46 million customer visits per day. Many CVS outlets are concentrated around Tokyo, capitalizing on commuting workers stopping in for impulse buys and quick stops.
- Convenience stores did not perform well in 2020 and 2021 as consumers shifted to bulk buying from supermarkets, and a government-declared state of emergency led to an increase in work-from-home arrangements that slowed foot traffic in Tokyo. CVS chain 7-Eleven fared better than many of its competitors due to its diverse locations in suburban and even rural areas. Expansion into more suburban areas will become a leading strategy for the CVS sector, as well as expanding shelf space to more fresh items to meet the needs of families.
- Convenience store chains are adding delivery services to remain competitive. 7-Eleven uses an in-house delivery service touting delivery within 30 minutes of order placement.
- 90% of CVS market share is covered by the top three market leaders: 7-Eleven, FamilyMart, and Lawson.
- To remain competitive, CVS chains are investing in development of their own private label products.
- Quality upgrades of bento boxes may open additional opportunities for U.S. beef as a raw material for those fresh-made products offered at CVS. However, CVS chains do not often identify country of origin on these products.
- Many consumers remain reluctant to purchase fresh foods via ecommerce channels as the preference to grocery shop in person for the best quality remains strong. However, retailers are investing heavily in online platforms.
- **Strategic Objective:** Increase U.S. beef usage in HMR products/processed product and in new menu items at CVS, retail, and deli chains. Identify and engage with ecommerce platforms to build opportunities for U.S. beef.
- **Tactical Response:** Collaborate with CVS chains and HMR processors and their suppliers to develop new items using a variety of U.S. beef cuts. Encourage CVS chains to identify country of origin and highlight U.S. beef attributes on product. Promote U.S. beef on select ecommerce platforms with the ability to offer grocery delivery via banner ads and promotions.

## Foodservice Recovery & Trends Favor Beef

- COVID-19 increased demand for takeout menus, drive-thru business and delivery options. Fast food and quick-serve restaurants performed the best during shutdowns.
- Beef bowl chains, a ubiquitous Japanese “fast food” concept, utilize substantial volumes of U.S. short plate. Competition for U.S. short plate supplies has increased prices of this raw material. Some beef bowl chains introduced new concepts like steak bowls using U.S. beef chuck eye roll to compensate for growing raw material costs, while others increased menu prices. Beef bowl sales are rebounding as downtown Tokyo foot traffic resumes to normal levels.
- Due to high demand for short plate, restaurant operators need training on other cost-effective options like top blade, chuck flap, teres major, and brisket skirt.
- Izakaya outlets were hit the hardest during COVID-19 shutdowns as early closures and even the potential for alcohol restrictions limited foot traffic. The company Watami converted their izakaya chains to yakiniku outlets to adapt to changing demand.
- Yakiniku restaurants have become increasingly popular, as their image of a well-ventilated space appeals to consumers. Yakiniku uses a significant amount of U.S. beef tongue, outside skirt, hanging tender, short plate, abomasum, liver, trimmings, large intestine, and even some OTM product.
- Gourmet burgers are a growing trend in Japan as consumers seek takeout-friendly menus. Beef sandwiches, which preserve well in takeout boxes, are also becoming a popular menu item with fast-casual outlets. Consumers prefer bento-style takeout, and U.S. beef sandwiches can be added to these options.
- High-end steakhouse chains like Peter Luger are still expanding in Japan. The “niku boom” or preference for red meat, continues in Japan and is driven by consumer demand for health and flavor. Consumer demand for high-end dining and a “small luxury” to treat oneself is driving foot traffic to these outlets.
- The casual steakhouse concept in Japan has become so competitive in recent years that foodservice operators are differentiating with premium or branded product.
- Increases in operational kitchen expenses are driving many foodservice managers to search for ways to minimize in-house cuts with more portion control, thick-cuts or further processed product. Matsuya, a popular beef bowl chain, introduced automated beef bowl vending machines throughout Tokyo to capture business 24 hours a day with reduced labor costs.
- The hotel and catering sector typically has shown high demand for OTM tenderloin and ribeye. Mountain chain tripe is also a popular OTM variety meat. Opportunities for these products are expected to increase as tourism rebounds.
- **Strategic Objective:** Continue to present U.S. beef as a high-quality, consistent menu item to a full range of foodservice operators, including fast-casual outlets and high-end steakhouses or yakiniku chains. Introduce U.S. beef alternative cuts and OTM products to foodservice operators seeking additional raw material

options. Demonstrate strong U.S. beef support for the HRI industry as the foodservice sector continues to undergo rebound efforts.

- **Tactical Response:** Offer hands-on culinary trainings and cutting demonstrations to a wide variety of foodservice operators interested in a range of U.S. beef cuts appropriate for fast-casual menus to even high-end steak items. Work with foodservice partners directly to develop new menu ideas, and offer tailored assistance implementing promotions, including free delivery. Collaborate with U.S. beef foodservice users to launch themed menu campaigns. Identify opportunities for a diversified and expanded purchasing portfolio from foodservice operators in need of raw material options.

### Digital Marketing

- At the start of 2022, over 80% of Japan’s population was active on social media, increasing users by roughly 9% from 2021.
- Japan boasts an internet adoption rate higher than the U.S., a figure that is expected to continue rising with over 900,000 new internet users over the last year alone.
- Social media trends are expanding beyond just millennials as consumers seek a sense of community, communication, and even resources from social media channels. LINE is a very popular and user-friendly app. Consumers of all ages use this free messaging mobile app to talk with friends, play games, send money, shop, etc.
- COVID-19 has pushed many consumers to engage in hobbies or skill-building exercises with online platforms, including online cooking classes.
- Consumers are increasingly and constantly integrating blogs and social media into their personal lives. Bloggers and social media “leaders” present strong advertising opportunities as Japanese consumers are more likely to trust local, recognized “celebrities”.
- Social media platforms such as Instagram and YouTube can be used to share real life stories from U.S. producers to dissolve the misperception that U.S. beef is “factory farmed”.
- Consumers look for “Instagenic” food that is interesting and visually appealing, so they can post to popular social media sites. This presents an opportunity for consumer-generated marketing content which requires little to no investment and is well-trusted by followers.
- **Strategic Objective:** Build U.S. beef’s image on diverse social media platforms as a healthy, high-quality, and delicious center-of-the-plate option. Use social media to reach consumers to keep U.S. beef top of mind and build familiarity and trust.
- **Tactical Response:** Develop U.S. beef’s presence on diversified social media channels or online platforms to reach a wide variety of consumers. Leverage the

expansion of social media in Japan by linking traditional promotions and activities to customized shopping sites and utilize recognizable social media leaders with a strong following to effectively expand the reach of the U.S. beef message. Create digital content for consumer education or to highlight U.S. beef partners, like key restaurants.

#### Other Key Initiatives

- Utilize cross-branding strategies to bring attention to U.S. beef and develop a trustworthy reputation.
- Continue to develop U.S. beef's image as a "family-farmed" product with producer videos and real-life interviews with actual U.S. producers to be used at tradeshow, retail events, and shared across social media.
- Partner with renowned magazines and newspapers targeting Japanese seniors to generate demand for U.S. beef and use these media sources to build confidence from certified nutritionists promoting U.S. beef.
- Emphasize the health and nutritional benefits of U.S. beef in a balanced, high-protein diet on consumer-oriented marketing tools to reach health-conscious and fitness-focused consumers.
- Position the U.S. beef industry as community-oriented and supportive to the Japanese market during COVID-19 by identifying opportunities to work with food banks, children's centers, schools, etc. for charitable programming.
- Monitor the presence and evolution of plant-based meats that are appearing in more foodservice and retail outlets as consumer interest in the environment and sustainability grows.
- Create a network of "Master Chefs" from hand-selected culinary school instructors to promote the quality and diversity of U.S. beef to consumers and other culinary professionals, sometimes bringing these events to virtual platforms as needed.
- Partner with Japanese chef KOL's to reach consumers on social media and dispel myths that U.S. beef should not be used in traditional Japanese cuisine.
- Provide new cooking, merchandising, and menuing guidance to retailers and foodservice operators on-new-to-market items.

#### **Citations:**

*2021 import and market share data is based on import data of Japan (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 94% of targeted importers and distributors in Japan will report that they are confident in the safety and reliable supplies of U.S. beef.
2. 83% of targeted importers and distributors will consistently purchase two or more U.S. beef alternative cuts.
3. 83% of targeted HRI and retail accounts consistently feature two or more U.S. beef cuts.
4. 70% of targeted HRI and retail accounts will add additional U.S. beef items on the menu or to the meat case.
5. 50% of targeted bento/convenience stores will offer menu items featuring U.S. beef.

## Tactic I

**Tactic Name:** Korea

**Tactic Description**

**Market Assessment**

Beef exports to Korea in 2021 totaled 280,143 mt, up 14% and eclipsing the previous record set in 2019. Export value soared 38% to \$2.382 billion – not only a record for Korea, but the highest value achieved in any destination. Korea’s surging demand for U.S. beef has been driven largely by growth in the retail sector, both in traditional retail venues and e-commerce platforms where demand for fresh beef and grain-fed product from consumers seeking premium products continues to escalate. While chilled beef accounted for only 23% of Korea’s total beef imports in 2021 (up 2.5% from 2020), this continues to be a rapidly growing market for chilled beef products. U.S. market share surpassed Australian share of imported chilled beef in 2017 and since has grown from 55% share in 2017 to 65.5% in 2021. Imports of U.S. chilled beef set a record in 2021, reaching 77,257mt, up 23% year-over-year. Shipping delays pose a threat to the chilled beef business as importers and retailers add more frozen product to the mix, hoping to reduce the risk of shelf-life issues.

U.S. beef continues to benefit from the phase-out of Korea’s import duties as the tariff rate under the Korea-U.S. Free Trade Agreement (KORUS) dropped to 10.7% for 2022, down from 40% prior to implementation of the FTA. The tariff rate is scheduled to decline to zero by 2026. Top competitors Australia, Canada, and New Zealand also benefit from FTA’s with Korea; however, the U.S. will continue to maintain a duty advantage until 2028 when these competitor rates also decline to zero.

In April 2022, social distancing restrictions in South Korea were finally eased to allow for larger group gatherings and unrestricted restaurant operations. Korea is slowly shifting towards a “life with the virus” approach and returning to life pre-pandemic. Throughout the COVID-19 pandemic, Korea has remained cautious about the virus. Although the retail sector flourished during COVID-19 shutdowns and related states of emergency, the foodservice sector was forced to adapt with upgraded delivery and takeout menus and new revenue streams that are here to stay. The easing of heavy social distancing restrictions will allow the foodservice sector to rebound. Consumers are eager to dine out without the worry of dine-in limits and group caps.

**South Korea**

- Per Capita Beef Consumption: 16.1 kg
- Total Beef Imports (not including variety meat)- All Sources: 471,202 mt
- Total Beef Variety Meat (BVM) Imports- All Sources: 33,630 mt
- U.S. Share of Total Beef/BVM Import Market: 51%

- Other Beef/BVM Suppliers & Market Shares: Australia 39%, New Zealand 5%, Canada 2%
- Domestic Self Sufficiency: 34%
- U.S. Beef Exports (not including variety meat): 273,638 mt
- U.S. Beef Variety Meat (BVM) Exports: 6,505 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 19.5%
- Customers for U.S. Beef Imports: Processing 10%, HRI 55%, Retail 35%

Top Imported U.S. Beef Cuts: chuck roll, chuck eye roll, top blade, chuck flap tail, outside skirt, hanging tender, short rib, chuck short rib, rib finger clod, brisket, short plate, back rib

Top Imported U.S. BVM: femur bone, large intestine, tendon, feet, abomasum

**Market Access Issues** include a) Korea's ban on imports of U.S. beef from cattle over 30 months of age and selected products from cattle under 30 months of age (i.e. processed beef, small intestine, tongue, trimming, etc.).

## **MARKET STRATEGY**

a) Expand U.S. beef market share by educating buyers about the quality, profitability and versatility of high-quality U.S. beef, especially chilled beef, and focus on providing information across all sectors about U.S. industry safeguards to ensure a safe and consistent supply; b) Continue to capitalize on growing demand for premium product in both retail and foodservice sectors, while establishing loyalty to the U.S. beef industry among buyers.

### Premium and "Small Luxury" Purchasing Favors Imported Beef

- Korea has the highest per capita consumption of U.S. beef compared to other international export markets. In 2021, per capita consumption of U.S. beef was 4.8kg (in product weight), up from 1.9kg in 2012, or a 153% increase. U.S. beef accounted for 34% of Korea's beef consumption in 2021.
- Decreasing tariffs on U.S. product due to KORUS-FTA is increasing U.S. imports and consumption by making imported U.S. beef more affordable. U.S. beef will remain at a duty advantage until 2028-2029 when main competitors such as Australia, Canada, and New Zealand also reach a 0% duty. U.S export growth through 2028 will be key to long-term success in Korea.
- Chilled beef demand is growing among all sectors. In 2021, Korea imported almost 20% more chilled beef from all suppliers than in 2020.
- In 2017, the U.S. surpassed Australia as the leading supplier of chilled beef to Korea with 55% market share and has shown continued growth to 65.5% in 2021. Australia's share of chilled beef continues to decline and in 2021 dropped to 34%, compared to 35.5% the year prior.

- Following trends in Japan, consumption of red meat is growing in Korea as there is a greater variety of culinary concepts and product availability to meet diverse market needs.
- Consumers in Korea find small luxuries in eating premium or high-quality foods as living/real estate costs skyrocket in Seoul. Consumers are on a path of “revenge spending” after several years of social distancing.
- Consumers are increasingly interested in personal health and nutrition, focusing more on fresh foods. The COVID-19 pandemic reinforced the trend that high quality protein is essential for health and immunity. Retailers and ecommerce operators are responding by launching specific “fresh” product lines.
- Camping and other outdoor activities are trending among consumers seeking a mental getaway and extracurriculars. Luxury camping with high-quality foods is also popular among consumers, creating opportunities for U.S. beef steaks and processed products to be merchandised as a camping essential.
- Korean consumers are showing increased interest in topics of environmental sustainability and animal welfare, especially among millennials and generation Z. Temporary economic setbacks might shift consumer priorities away from purchasing for sustainability in the short-term as consumers focus on safety.
- **Strategic Objective:** Capitalize on growing consumer interest in beef and the benefits of the KORUS agreement to build stronger demand for high-quality grain-fed U.S. product. Gain maximum market share by developing new demand and displacing competitor product.
- **Tactical Response:** Continue to connect a broad group of importers/distributors and end consumers to U.S. beef suppliers through various trade sector activities that highlight the safety, quality, and taste of U.S. beef. Demonstrate that U.S. beef is an ideal product to meet growing consumer demands for quality with chilled, frozen, and high-end or branded products. Strategically bring U.S. beef into the conversation about sustainability and animal welfare, using keynote speakers, influencers, and science to educate consumers.

#### Convenience & Processed Product

- Consumers tend to have limited storage space. Single package items are in high demand and some delivery platforms, like Baemin, offer low-volume single-service delivery for consumers who wish to order low quantities.
- Convenience-driven consumers are appreciating the ease of chilled meat that does not need to be defrosted. Pre-marinated meat is also trending.
- Meal kit demand is increasing rapidly. The market size for meal kits is expected to grow to over \$600 million by 2024.
- According to Euromonitor, from 2019-2025 ready meal sales are expected to increase \$502 million in South Korea.



- Home meal replacement products are popular with both single-person households and families for both chilled and frozen items. Consumers appreciate variety and diversity in HMR lines to suit differing tastes.
- Quality standards of HMR product have grown tremendously, creating opportunities for high-quality beef to be used as a raw material and for products to differentiate with “Prime”, “dry-aged”, and other keywords that consumers prefer. Steak HMR products are particularly popular as consumers shift from dining out to dining at home.
- Upgrading the HMR experience, restaurants are partnering with processors to create branded lines of restaurant-meal-replacement, or RMR, items that appeal to customers’ familiarity with certain chains and brand names. These items can be found in-stores and online.
- Labor in Korea is challenged by a rapidly aging population exiting the workforce. A sharp increase in minimum wage requirements since 2017 has forced many businesses to reduce in-house labor costs via reductions in employee numbers or reduced working hours. In general, many business operators are seeking opportunities to reduce the workforce via further processed product. Retailers are seeking more case-ready product for labor savings.
- **Strategic Objective**: Identify opportunities with retailers, both on and offline, and foodservice operators to develop and introduce more processed beef products such as pre-marinated, pre-sliced, etc. to meet rapid growth in single-person households and satisfy demands from convenience-seeking families.
- **Tactical Response**: Connect importers and processors to more U.S. beef suppliers and offer additional product development workshops, seminars, product showcases, etc. to drive the growth of U.S. beef as a raw material for further processing and its use in already processed products that will satisfy the convenience demands of Korean consumers, retailers, and even foodservice operators. Utilize specialty products like dry-aged and Prime-grade beef in processed product and demonstrate the benefits of advertising these features to differentiate.

### Reshaping Retail

- Club membership retail formats are becoming more popular as consumers seek value options. Membership-style retail applications are also trending among consumers who can receive special access to coupons, deals, and products reserved for members. The pandemic underscored the growth of this segment, and all four membership warehouse clubs in Korea have plans to open new stores.
- Price-conscious consumers are increasingly interested in personal health and nutrition, seeking more fresh foods for a reasonable price and utilizing various retail platforms and venues to find quality at the best value. Even seniors are becoming more active on ecommerce platforms. However, consumers demand immediate access, which is reshaping logistics platforms and retail strategies.

- While Korea is moving towards a “living with virus” scheme, the ecommerce market is expected to grow 19% YOY in 2022 as consumers continue to utilize online platforms for convenience.
- According to Euromonitor, Korea has the highest value per capita sales globally for food and drink on ecommerce platforms. In 2020 annual per capita spending on food and drink was \$390 in Korea. By 2025 spending is expected to increase to \$708 (compared to \$287 per capita in the U.S.).
- In 2021, food and drink sales accounted for 21% of total ecommerce sales in Korea compared to the global average of 10%. Food and drink sales on ecommerce platforms increased 35% YOY in 2021.
- Retailers are diversifying to meet the needs of convenience-driven consumers. High end department stores are now offering morning delivery through online platforms and diligently developing processed items made in collaboration with their restaurant chains.
- Ecommerce companies are introducing “fresh food quality assurance programs” that guarantee a 100% refund to consumers if not satisfied with a fresh food purchase.
- For improved quality control, ecommerce platforms are launching their own private brands and are choosing more high-quality products to elevate their reputations among consumers. For example, Coupang is selling U.S. beef tomahawk and T-bone steak with prices competitive with what could be purchase at a steakhouse restaurant. Prime beef and branded products are often highlighted on ecommerce channels.
- Chuck eye roll, top blade, chuck flap tail, bone-in steak, and short ribs have all been popular sellers on ecommerce platforms. Loin items are newly emerging as another popular item at ecommerce channels that are well-equipped to handle chilled product.
- The largest hurdle facing ecommerce platforms has been the ability to maintain stock, especially for fresh products with short shelf lives and delivery capabilities.
- Business to business ecommerce platforms are expanding in Korea, allowing foodservice operators and small retailers the opportunity to purchase product box by box. Meatbox, a wholesale ecommerce platform, has expanded from boxed beef to fresh items.
- Experiential marketing is popular with consumers. The lines between ecommerce and m-commerce (mobile retailing) are further blurred by livestreamed shopping events becoming increasingly popular among consumers. No platform reigns dominant for livestreaming sales as the sector is still developing and gaining traction with consumers.
- M-commerce gift giving is becoming increasingly important in Korea. Buyers can have product, including chilled meat, shipped to a recipient who enters their address and delivery information. Holiday gifting of meat sets is becoming more popular alongside the small luxury trend.

- **Strategic Objective:** Expand U.S. beef’s presence in a diverse set of retail channels and address their individual needs via trade servicing, merchandising, and promotional support.
- **Tactical Response:** Identify new and diverse ecommerce platforms capable of promoting U.S. beef and help launch new “ecommerce-friendly” products to increase available SKUs such as meal kits, vacuum-skin-packaged products, portion-controlled products, and private labeled products, etc. Use product development workshops and trade seminars to demonstrate the quality, consistency, and benefits of KORUS to push U.S. beef as a raw material for private label lines for ecommerce and in-store retail formats.

#### Foodservice Diversification & Distribution

- Restaurant operators are diversifying revenue by tapping into meal kit, RMR, and other carryout convenience items. Due to increasing rent and input costs, some restaurants are eliminating dine-in seating to allow for takeout/delivery only.
- Even BBQ restaurants are tapping into delivery demand with overnight delivery of meal kits that are meant to be prepared at home. These new products retain the quality of items off a dine-in menu.
- Ghost kitchens and delivery-only concepts are thriving amid demand for convenience and improved accessibility.
- Despite high demand for takeout and delivery, some restaurant brands are revamping their dine-in operations to target specific consumer groups like the high-end diner.
- USDA Prime grade beef, branded beef, and wagyu brands are in high demand among foodservice outlets looking to differentiate. Consumers continue to demonstrate a willingness to pay for premium products and experiences.
- The growing interest in American-style cuisine such as steaks, BBQ, bone-in beef, and gourmet burgers is penetrating both high-end and family-style restaurants, increasing the use of secondary beef cuts.
- Steak is becoming an increasingly “hot” item in Korea, with consumers seeking steak options not only when dining out, but also at retail and among delivery menus.
- Cafes serving quick bites and grab-and-go meals are growing in popularity, offering consumers an intimate, cozy atmosphere with convenient options.
- Beef-centric authentic yakiniku, beef noodles, and Chinese-style hot pot are rapidly developing, creating more market opportunity for alternative cuts.
- Korean galbi, or grilled marinated ribs, are an ideal venue for U.S. beef as high menu prices (due to heavy labor preparation) are driving high quality expectations from consumers.
- Institutions are the least penetrated HRI sector but are a potential venue to move volumes of secondary beef cuts such as chuck roll, shoulder clod, etc. Temporary closures due to COVID-19 delayed demand from the institution

sector although business is expected to rebound as social distancing restrictions ease.

- **Strategic Objective:** Target a variety of foodservice subsectors which demand high-quality, value-priced items, and promote alternative cuts that can be consistently supplied including chilled product.
- **Tactical Response:** Work with targeted HRI operators and suppliers on using higher grades of U.S. beef along with alternative cuts (e.g. hanging tender, chuck flap tail, chuck eye roll, shoulder clod, etc.) and new culinary styles to displace the competition and gain market share. Support U.S. beef users with promotions, advertisements, menu ideas, etc.

### Social Media

- YouTube, Instagram, Facebook, Naver Blog, and TikTok are the most popular social media platforms in Korea.
- Korean consumers of all age groups are utilizing social media platforms and engaging with relatable influencers or micro influencers. Over 90% of the population is active on social media.
- Food-related blogs, forums and networks are heavily utilized by Korean consumers who follow and trust SNS “celebrities” more than traditional thought leaders.
- Mukbang, a popular Korean-style eating show, hosts video content specifically attuned to Korean culture and is an important tool to reach consumers interested in culinary trends.
- Millennials and Gen Z are demonstrating an interest in quality over brand names. Key words used on social media like “sustainability”, “ethical”, and “premium” are trending with these consumers.
- **Strategic Objective:** Use traditional and online media to educate buyers and consumers on the quality, safety and value of U.S. grain-fed beef, particularly U.S. chilled beef. Provide accurate information and create positive awareness on U.S. meat production.
- **Tactical Response:** Conduct consumer activities highlighting the overall eating enjoyment of U.S. beef, leveraging social media forums and e-tailing websites with traditional promotions and activities. Develop a positive image for U.S. beef with SNS celebrities or popular YouTubers to further gain consumer trust and loyalty. Feature U.S. producers on social media for industry endorsement and to create a sense of authenticity while highlighting the ethical and sustainable production practices used by the U.S. beef industry. Develop and create additional video content to meet consumers’ increasing desire for media-rich and text-light information, for use in both SNS and traditional communications.

### Other Key Initiatives

- Promote the use of underutilized cuts that offer both quality and value, compared to domestic beef and other imported product.
- Capitalize on opportunities for new usage of cuts that align well with rapidly increasing camping and outdoor trends.
- Utilize popular virtual cooking platforms to teach consumers via cooking classes, reaching consumers both in Seoul and outside of the city.
- Promote U.S. beef as a good source of nutrients to health-conscious consumers, active seniors, weight watchers, etc., calling upon nutritionists, opinion leaders, and gourmet chefs to convey the quality and health benefits of consuming U.S. red meat.
- Promote U.S. beef as a key component to trendy specialty health diets, like the ketogenic diet, to reach health-conscious consumers with increased protein consumption.
- Focus on the positive attributes of U.S. beef through aligned messaging while also highlighting the safety and quality of U.S. beef, especially to younger consumers/families.
- Provide training to high-end restaurants and retailers on the handling, cooking and merchandising of specialty products such as dry-aged beef.
- Monitor the presence and messaging of alternative meat options.
- Position the U.S. beef industry as philanthropic by identifying opportunities to work with donation centers, hospitals, distribution centers, cold storage facilities, etc.

### **Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. Targeted importers will report that 91% of their total imported beef will be U.S. product.
2. 66% of targeted Korean BBQ, steak & grill, salad bar (buffet), and burger & BBQ HRI accounts will feature a new U.S. beef item on their menus.
3. 80% of targeted hotel/banquet accounts will feature U.S. beef on their menus.
4. 60% of targeted institution accounts will express an interest in U.S. beef.
5. 97% of targeted media accounts will report favorably on U.S. beef and incorporate recommended key message points.

## Tactic J

**Tactic Name:** Mexico

**Tactic Description**

**MARKET ASSESSMENT**

Mexico's beef consumption started rebounding in late 2020 and continued through 2021 as the country learned to live with COVID-19 and as vaccine rollouts encouraged consumer activity and reopened the country to tourism and foodservice consumption. For 2021, U.S. beef and beef variety meat exports to Mexico were up 4% in volume to 200,628 mt. Higher prices were paid for U.S. beef in Mexico, with unit export values up 27% for beef cuts and volumes steady with 2020, even at these sharply higher prices. Beef variety meat volumes rebounded by 9% from the 2020 low when the supply chain disruptions sharply curtailed production and exports in Q2. The Mexican peso remained relatively steady through 2021 and into the first quarter of 2022. However, with rising costs, Mexico has turned to more affordable beef from Nicaragua and the lean enhanced product will likely be increasingly sold along with Mexico's domestic product targeting consumers pinched by rising food prices.

The lockdown and social distancing measures introduced by the government to control the spread of COVID-19 had a strong negative impact on consumer foodservice. Lower consumer purchasing power due to the economic effects of the pandemic continued to suppress foodservice sales in 2021. Consumers have become more selective with their purchases, thus reducing the amount they spend dining out. They are also more price-sensitive, leading harder-hit consumers to trade down to less expensive foodservice options and protein choices. According to Euromonitor, a full value share recovery for consumer foodservice is expected between 2022 and 2023 for most categories, although chained restaurants are likely to see a faster recovery than independent operators due to their greater resources and adaptability. After 2021's economic bounce-back that amounted to 4.8% growth in Mexico's real GDP, recovery will slow in 2022 to a projected 2.0% and moderating in 2023 to 2.5%. Economic recovery estimates have been revised down to reflect slower economic growth, based largely on inflationary effects, caused in large part by the Russia-Ukraine war.

Mexico is a significant market for U.S. beef chuck and round cuts, including shoulder clods and gooseneck rounds. Mexico is also the leading market for beef variety meats, taking 32.5% of U.S. variety meat exports in 2021. Total volume of beef variety meat exports to Mexico increased by 9% from 2020 levels, equaling 97,642 mt., with beef tripe being the top variety meat item. Mexico has been expanding its beef production capacity and market access opportunities. As a result, Mexico has become a significant net exporter of beef.

## Mexico

- Per Capita Beef Consumption: 14.9 kg
- Total Beef Imports (not including variety meat) - All Sources: 128,144 mt
- Total Beef Variety Meat (BVM) Imports - All Sources: 47,306 mt
- U.S. Share of Total Beef/BVM Import Market: 71%
- Other Beef/BVM Suppliers & Market Shares: Nicaragua 14%, Canada 11%, Australia <1%
- Domestic Self Sufficiency: 110%
- U.S. Beef Imports (not including variety meat): 102,986 mt
- U.S. Beef Variety Meat (BVM) Imports: 97,642 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 14%
- Customers for U.S. Beef Imports: Processing 50%, HRI 10%, Retail 40%

Top Imported U.S. Beef Cuts: clod, gooseneck, inside round, boneless chuck, outside round, inside skirt

Top Imported U.S. BVM Items: tripe, outside skirt, liver, oxtail, tongue, lips, intestines

**Market Access** issues include a) The recent development of import quotas for countries that do not have an FTA as well as negotiation of trade agreements with U.S. competitors; and b) High turnover and lack of training regarding import regulations among border officials causing container delays and other import delays.

## MARKET STRATEGY

a) Partner with key importer, foodservice, and distribution buyers to position U.S. beef in restaurant and tourism reopening activities; b) Capitalize on USMEF's established relationships with the trade to defend market share by demonstrating to HRI and retail decision makers and their customers the consistency and superior quality of U.S. beef; c) Support the shift towards digital channels of distribution, such as ecommerce and app-based delivery services, catalyzed by the changes to commerce brought on by the coronavirus pandemic; d) Build demand with a new set of buyers by demonstrating the unique attributes and profit potential of U.S. beef, and how to effectively handle and merchandise a wide range of products.

## Market Diversification

- Retail exists in many forms throughout Mexico, ranging from the traditional wet markets to modern supermarkets. As a result, a variety of cuts should be made available to meet Mexican retail demand according to consumer demographics.
- Across sectors, U.S. beef is known mainly for high-end/high-cost cuts, which limits the perceived culinary applications.
- Mexico does not require Country of Origin identification at retail. As a result, U.S. beef may be mingled with domestic or other imported product, confusing

consumers as they do not get consistent quality Retailers should be encouraged to differentiate product at the meat case to capitalize on profit potential.

- Concerns about reliable supply have forced buyers to diversify beef imports, leading to an import quota for countries that do not have an FTA as well as negotiation of trade agreements with U.S. competitors.
- Nicaragua is a growing competitor in the region with the majority of volume processed and imported by Sukarne. Mexico's imports of beef and beef variety meats from Nicaragua have tripled since 2015, overtaking Canada as the second largest beef importer in 2020.
- Developing diverse market segments for U.S. beef for a broad range of products is important to reaching new buyers, meeting consumer needs, and defending market share.
- **Strategic Objective:** Focus on developing new cuts, new uses and new clients, while implementing programs in an expanded range of market sectors to highlight new and more affordable items with superior quality, possibly including top sirloin, flank steak, chuck tender, knuckle, and variety meats and continue to demonstrate the profit potential, stability and safety of the U.S. beef supply.
- **Tactical Response:** Train importers, HRI, and retail staff to ensure a wide selection of U.S. beef items appropriate for a price-conscious market are properly presented, promoted, merchandised and origin-identified to develop and cement loyalty among store customers. Leverage a growing online channel to increase engagement with a wider range of market segments and increase direct-to-consumer communication.

#### Medium-Sized Importers & Processors

- Beyond the large importers/processors in Mexico, there are hundreds of smaller firms that either do not source, or could source more, U.S. product.
- Many newer players do not have experience with U.S. beef and lack knowledge about the unique product attributes and specs.
- The availability of U.S. beef in metropolitan areas is significant; however, in other regions of Mexico, which typically tend to have more price-conscious customers, availability and awareness among buyers is much lower.
- Processors are demonstrating strong interest in new processed product development.
- **Strategic Objective:** Continue to broaden trade education programs in more regions to develop new segments, increase the number of committed U.S. beef buyers, facilitate purchasing efforts, and support the processing sector with seminars, workshops and other trainings for quality product development.
- **Tactical Response:** Provide customized support such as training seminars, handling and merchandising assistance, product positioning advice, development



workshops, and buyer-seller linkages, to a diverse set of U.S. beef buyers, and expand these activities into new regions where knowledge of U.S. beef is limited.

#### High-End & Specialty Retail

- Global demand and strength in US beef pricing have made US beef an unaffordable product for price-sensitive consumers.
- While older and low-income households still purchase meat at wet markets, a considerable shift into shopping at supermarkets, meat boutiques, and via online channels is occurring in urban areas.
- Large retailers, such as Walmart and Costco, are investing additional resources into Mexico, presenting an opportunity for growth of U.S. beef.
- Meat boutiques are finding success selling high-quality U.S. beef on weekends, especially to men who enjoy grilling, and are looking to increase sales during the workweek with value-added products such as marinated cuts for easily prepared meals.
- Enhanced meats and water-added products are common at the retail level, keeping prices artificially low for consumers; however, labeling is not required in Mexico.
- **Strategic Objective:** Differentiate U.S. beef based on quality grading and consistency of the product. Educate retailers on the profit potential of various grades of U.S. beef and increase shelf space at selected retail outlets to displace domestic and other competing product.
- **Tactical Response:** Intensify training and promotions with high-end retailers whose customers seek out quality products and are less price sensitive. Incentivize retailers to correctly identify U.S. beef in the meat case.

#### Rebounding Foodservice Sector

- Tourism is rebounding from the impacts of COVID-19, increasing the importance for expanding the opportunities for the HRI sector in Mexico's tourist hubs.
- Ghost kitchen concepts have become a major foodservice trend in Mexico, reaching across a wide variety of cuisine types and spurred on by the increased relevance of dine-at-home options.
- The all-inclusive formats of an increasing number of resorts will continue to drive the push for affordability.
- Chefs do not realize how alternative cuts compare on cost, flavor, and cooking styles, while also providing a consistently enjoyable eating experience.
- With beef prices high, restaurants are looking for ways to keep input costs, and thus meal prices, at a competitive level as middle-class consumers are eating out less often due to shrinking disposable incomes.

- **Strategic Objective:** Increase engagement with restaurants to improve culinary applications to maximize profitability with the use of alternative cuts such as baseball cuts, Denver steaks, etc.; develop new users of alternative cuts in HRI segments that move large volumes of meat; and train foodservice operators on U.S. beef attributes, specifications, and promotional/merchandising techniques to draw in even the price sensitive customers.
- **Tactical Response:** Demonstrate to chefs with seminars, hands-on workshops, and promotions, the use and cost benefit of value cuts such as those from bottom sirloin (tri-tip, flap, bottom butt), as well as top sirloin (coulotte), chuck tender, and the Vegas cut to keep costs low. Leverage technology such as virtual reality to more cost effectively reach a broader number of buyers with virtual cutting demonstrations.

#### Consumer Level

- Ecommerce is gaining steam in Mexico, spurred on by the COVID-19 concerns of 2020. Consumers are increasingly more educated with the average consumer consulting 5 online resources before making a purchase decision.
- The “Buy Local” trend is increasingly relevant to consumers looking to support local economies and increase the authenticity of their dining experience.
- Noticeably more foodie bloggers are gaining influence among consumers. Social media is influencing creativity of menus and plate presentation (Instagramability).
- Consumers still need training on quality grading and proper cooking techniques for high quality beef.
- BBQ and grilling techniques are becoming increasingly popular, presenting an ideal opportunity to push U.S. red meats for the “All-American” eating experience.
- While convenience continues to be a driver in consumption, the convenience store sector largely lacks high-quality protein options for consumers.
- **Strategic Objective:** Work with importers, distributors, and retailers to engage more consumers with U.S. beef, U.S. cooking styles, and demonstrate the U.S. beef industry’s commitment to serving the Mexican market and fulfill consumers preferences and trends.
- **Tactical Response:** Expand the reach of USMEF’s grilling seminars to train both importers and expanding segments of consumers on a range of proper grilling techniques for high quality U.S. beef. Continue to develop a network of social media influencers to amplify messaging of U.S. beef to Mexican consumers that are increasingly online. Leverage the “Buy Local” trend by creating alliances with producer groups of non-meat commodity items.

## Other Key Initiatives

- Capitalize on convenience-driven trends contributing to increases in the at-home meal delivery sector by partnering with online-based meal delivery services, such as Cornershop.
- Support the post-COVID recovery efforts of the Mexican meat trade and in particular the HRI segment, through focused marketing initiatives to build demand and goodwill for U.S. beef.
- Engage importers and distributors as well as their customers with mobile seminars utilizing the U.S. Beef Truck to highlight under-utilized cuts as well as variety meats. Expand the geographical footprint of these seminars outside of main metropolitan areas such as Mexico City and Monterrey.
- Expand promotional activities into new regions of the country to reach new buyers and consumers and increase demand for high-quality U.S. product.
- Utilize technologies such as Augmented Reality to engage consumers and provide them with innovative and interactive ways to learn more about U.S. beef.
- Develop and cultivate partnerships with influential culinary key opinion leaders through U.S. beef-centered activities that are designed to build knowledge and awareness of the unique attributes of U.S. beef while reaching large numbers of consumers.
- Leverage brand associations with trending kitchen appliances such as Instant-Pots and Air Fryers to highlight both the convenience and health benefits of U.S. beef.
- Showcase U.S. beef variety meats in front of hundreds of buyers at Mexico City's huge Central de Abasto market, and similar markets in Monterrey, Guadalajara and Aguascalientes.
- Implement web-based educational platform to train more customers along the supply chain about U.S. beef.
- Develop and implement an annual product showcase event for the region to bring buyers and suppliers together.
- Engage directly with consumers at the retail channel to provide them with both culinary information as well as nutritional information directly at the meat counter.
- Increase the quality of U.S. beef merchandising at the meat counter, through POS support and retailer incentives and competitions.
- Leverage the growing competition in the family-style restaurant segment by promoting U.S. beef as a major point of differentiation among the top chains.
- Differentiate U.S. beef at the point of sale with the "America Pure Beef" branding campaign, leveraging the success of the "U.S. Pure Pork" branding with key retailers.
- Push for western-style cuisine such as BBQ and burgers via chef workshops and consumer activities to create the ideal culinary environment for U.S. beef.
- Further penetrate the regional supermarket and specialty store segment which has not consistently purchased U.S. beef.

- Integrate a cohesive and comprehensive digital marketing strategy. Continue to grow social media presence on Facebook, Instagram, etc. to engage and educate the chef community, trade as well as consumers by partnering with and educating social media influencers.

**Citations:**

2021 import and market share data is based on import data of Mexico (from TDM).

<sup>1</sup>Due to data discrepancies, import data of Mexico is used rather than U.S. export data.

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 66% of targeted importers/distributors/processors will actively promote a range of U.S. beef cuts including value cuts, highlighting the products' quality attributes.
2. 57% of targeted restaurant chains will actively feature/promote U.S. beef, including value cuts, to their customers.
3. 57% of targeted restaurant/hotel groups will increase sales of U.S. beef by at least 10% compared to the previous year during USMEF promotions.
4. 64% of targeted retailers will consistently incorporate suggested merchandising methods to promote U.S. beef to their customers.
5. 64% of targeted retailers will increase sales of U.S. beef by at least 10% compared to the previous year during USMEF promotions.

## Tactic K

**Tactic Name:** Middle East

### Tactic Description

#### **MARKET ASSESSMENT**

While Egypt, the largest global import market for beef livers, has long been a mainstay market for U.S. beef liver exports, the U.S. industry has become less reliant on the Egyptian beef liver market in recent years, diversifying to Sub-Saharan Africa, Latin America and Asia. Informal foodservice has been one of the primary buyers of U.S. beef liver in Egypt and the effects of the COVID-19 pandemic and ensuing public-health measures including the closure of street food stalls, curtailed demand in this channel. Market access for U.S. livers into Egypt was however supported by recent regulatory changes related to the lifting and revision of zero-tolerance ractopamine residue limits and the extension of shelf-life limits for frozen livers from 7 to 10 months. These standards have long been an issue for U.S. exporters sending livers to the Egyptian market, often resulting in increased product rejection rates and costly re-testing fees in order for shipments to clear. While the newly revised standard for ractopamine residue (20 PPB) is still half of the internationally recognized limit, the revised limit should continue to provide sufficient relief for U.S. exporters to continue business reliably in the region. An interest in U.S. beef cuts for Egypt's foodservice sector is noted by several of the market's importers.

Russia's invasion of Ukraine has resulted in higher bread prices in Egypt, and in mid-March, the Egyptian government capped unsubsidized bread prices for three months. Egypt also announced in mid-March that it was in talks with the IMF for support due to spillovers from the war in Ukraine. 2021 U.S. exports of beef variety meats to Egypt were flat against 2020's volumes, after 2020 posted a 22% decline compared to the pre-pandemic levels of 2019.

Saudi Arabia also saw improved access in 2020 for high-quality chilled U.S. beef with the approval to increase the shelf-life for chilled beef from 70 days to 120 days. Prior to this much needed change, U.S. beef exported to Saudi Arabia was restricted to air freight transport to comply with the limited existing shelf-life requirements, thereby significantly increasing the cost of the product. However, strict interpretations of Halal standards continue to present access barriers, limiting opportunities for U.S. beef in this market.

U.S. beef muscle cut exports to the GCC, Lebanon, and Jordan rebounded by 30% in 2021 compared to the prior year as COVID-19-related restrictions eased, providing relief to the foodservice sector and reinvigorating tourism. After dropping 22% in 2020, total beef and variety meat exports to the UAE rebounded 15% in 2021 to 122,972 mt, the second highest after the 2019 record of 137,000 mt. The 2021 rebound was driven by growth from Brazil and India (although volumes from Brazil remained nearly a third of the 2019 highs). In 2021, Brazil had 40% market share, India 33%, Australia 8%, and

the U.S. was the 4th largest supplier at 5% market share (up from 4% in 2019 and 2020). Consumption is driven by imports, and in 2021, per capita consumption rebounded 14% to 19.7 kg carcass weight, the second highest level after 21.5 kg in 2019. 2021 per capita consumption was up 39% from 2016. E-commerce food delivery is growing rapidly, with Talabat, the top food delivery platform in Dubai and Abu Dhabi, reporting an increase of more than 60% in orders in 2021.

For the region as a whole, U.S. beef/bvm exports were up 6% in volume in 2021 to 64,402 mt, with value increasing 38% to over \$222 million.

#### Egypt - Beef

- Per Capita Beef Consumption: 6.0 kg
- Total Beef Imports - All Sources: 336,816 mt
- U.S. Share of Total Beef Import Market: <1%
- Other Beef Suppliers & Market Shares: India 75%, Brazil 20%, Colombia 2.5%
- Domestic Self Sufficiency: 56%
- U.S. Beef Exports: 364 mt
- Exports as a % of Total U.S. Beef Exports: <1%
- Customers for U.S. Beef Imports: Processing 10%, HRI 85%, Retail 5%

#### Egypt- BVM

- Total BVM Imports- All Sources: 82,209 mt
- U.S. Share of Total BVM Import Market: 60%
- Other BVM Suppliers & Market Shares: India 23%, Australia 6.5%, Brazil 4.5%
- U.S. BVM Exports: 49,404 mt
- Exports as a % of Total BVM Exports: 16%
- Customers for U.S. BVM Imports: Processing 2%, HRI 28%, Retail 70%

#### United Arab Emirates (UAE) - Beef

- Per Capita Beef Consumption: 14.5 kg
- Total Beef & BVM Imports - All Sources: 117,496 mt
- U.S. Share of Total Beef Import Market: 5%
- Other Beef Suppliers & Market Shares: Brazil 41%, India 35%, Australia 7%
- Domestic Self Sufficiency: 15%
- U.S. Beef Exports: 5,498 mt
- Exports as a % of Total U.S. Beef Exports: <1%
- Customers for U.S. Beef Imports: Processing 3%, HRI 77%, Retail 20%

#### United Arab Emirates (UAE) - BVM

- Total BVM Imports - All Sources: 7,162 mt
- U.S. Share of Total BVM Import Market: 6%

- Other BVM Suppliers & Market Shares: EU-27 39%, Australia 25%, Brazil 15%
- U.S. BVM Exports: 417 mt
- Exports as % of Total U.S. BVM Exports: <1%
- Customers for U.S. BVM Imports: Processing 0%, HRI 10%, Retail 90%

Top Imported U.S. Beef Cuts: flat iron, tenderloin, rib-eye, striploin, T-bone, chuck cuts (both high-quality graded beef and standard cuts derived from cattle 30 months of age or older), brisket, round cuts, tri-tip, outside skirt, flank, short rib, bone-in ribs

Top Imported U.S. BVM Items: liver, kidney, heart

## **MARKET STRATEGY**

a) Continue to develop the market by demonstrating the range of U.S. beef and variety meat available, and build the image of U.S. product as the premier beef among new targeted buyers in all segments; b) Defend market share by reassuring buyers of the sustainability of the U.S. supply chain, U.S. safety inspection measures, halal certification credibility, and premium value of U.S. beef; and c) Displace competition by educating on the diversity and profitability of U.S. beef alternative cuts or value-added products, especially for high-end foodservice outlets that require cost efficiency without compromising quality; d) Continue to displace competitor product, especially for underutilized cuts, to generate profitability along the entire carcass.

### **Foodservice Expansion**

- Rebounding tourism and high demand for new dining concepts is driving the fast-paced HRI sector. Increasing numbers of expatriates in the region are driving demand for international foods.
- The region is a growing market for Halal products and the importance of highlighting this attribute on the menu, ads and social media pages is growing as it affects consumer purchases in this region.
- High end restaurants require cost efficiency, but will not compromise on taste and quality, leading to increased interest in alternative cuts.
- There is still a lack of understanding regarding proper usage and cooking applications of U.S. beef underutilized cuts and the internal marbling aspect of U.S. beef contributing to the U.S. beef grading system.
- Dark kitchens or cloud kitchens are a growing trend in some Middle Eastern foodservice markets mainly in Saudi Arabia and the UAE catalyzed by an increased demand for dine-at-home options and online delivery services in the region.
- Growth of mobile food trucks present an opportunity for U.S. beef.
- Casual dining, fast food chains, classic burger joints, and steakhouses are booming in the region, especially with the growing youth population, and Western chains, such as Applebee's and Chili's, and American steakhouse and BBQ concepts such as Luca Steakhouse, Ribs Yard, Rodeo Grill, Cattleman Joe's,

Black Rock, Skirt, and Grill Room have been establishing a presence in major metropolitan areas.

- Lower-end, family-style restaurants are now the top destination for Select and Commercial grade beef middle meats.
- Focus on sliders, handhelds, wraps, mini burgers, and grab-and-go sandwiches in Jordan and Lebanon is driving a dramatic shift towards alternative U.S. beef cuts of lower grades and prices. Takeaway and home delivery will largely depend on steak sandwiches and burgers post COVID-19.
- More international and local culinary schools, cooking academies, and chef associations are opening in Jordan and Lebanon, and are becoming highly active and influential.
- Consumers are becoming more concerned with health, and are better informed thanks to communication from dietitians, food bloggers, sports trainers, chef students, etc.
- **Strategic Objective:** Educate importers and distributors about available alternative cuts and appropriate culinary applications. Build U.S. beef's image by focusing on U.S. beef production, internal marbling characteristics that differentiate U.S. product from competitor product, and U.S. beef halal certification requirements.
- **Tactical Response:** Provide hands-on sales and culinary trainings on menu planning and preparation for various cuts, ranging from ribeye, striploin and tenderloin, to heel, shank, top round, brisket and chuck roll, etc. to meet all foodservice requisites, and aggressively pursue the growing HRI sector for new growth opportunities.

#### Retail Sector Growth

- The retail sector is poised to grow at a moderate, but steady pace, particularly with the expanding multi-ethnic consumer base, high income levels, an increasing number of tourists, and high numbers of expatriates.
- Hypermarkets in large shopping centers are still dominating the market as major retailers such as Carrefour, Lulu and Spinneys continue to expand in the region. Also, an increase in the number of convenience stores, community malls and smaller-store formats is also observed, thus enabling consumers to shop from stores located within their neighborhoods and allowing retailers to save cost and have a broader geographical presence.
- Modern retail growth continues at a rapid pace, and consumers increasingly seek convenience, ambiance, and a wider variety of affordable products.
- Gourmet meat boutiques are targeting well-educated, affluent shoppers in Lebanon and Jordan. This boom in meat boutique stores is creating opportunities for U.S. chilled beef products.
- Distributors are hesitant to promote new muscle cuts with retailers as they lack the marketing, butchering and merchandising knowledge to penetrate this



sector. Moreover, consumers still lack knowledge of the different attributes of U.S. beef such as marbling, safety, and Halal capabilities.

- Development and growth of convenience items, such as fresh pre-packaged, ready-to-eat, and portable items, in large format retailers such as Spinneys Lebanon and Cozmo Jordan is increasing demand for chilled U.S. portion cuts.
- The rise of meal ingredient boxes, ready-to-eat and grab-and-go meals, are shaping the future of the region's food and beverage packaging trends.
- The increased use of social media and internet usage has led to an adoption of digital channels by retailers and strong growth in e-commerce sales, especially in the UAE and Saudi Arabia.
- The e-commerce sector continues to grow considering its convenience, reach and sizable investments from various retailers and third parties. Refining online assortments and marketing tools is considered essential to ensure diversity across various sales channels.
- Consumer willingness to order meat online is growing, reflecting demand for convenience, although online meat purchases still lags behind grocery ecommerce. Frozen meals are also growing in popularity as the need for convenience rises.
- **Strategic Objective:** Educate retailers and their suppliers on proper handling, butchering and merchandising of U.S. beef, and support in-store promotions with a goal of consistent, year-round sales of chilled and value-added items.
- **Tactical Response:** Provide retail staff training and conduct demonstrations to showcase alternative cuts such as top sirloin butt, chuck roll, heel, shank and striploin to store customers while focusing on the premium quality, Halal certification, and versatility within a range of U.S. beef cuts.

#### Other Key Initiatives

- Work with the trade, particularly importers and distributors, to improve awareness of U.S. beef in light of increased competition from lower price/quality product from Brazil and India, as well as Australia's intensified brand imaging and promotional activity for chilled beef.
- Educate and upgrade the know-how of sales force teams, butchers, meat counter staff of major retailers about U.S. beef attributes, its quality competency and keep them updated on production innovations related to alternative meat cuts as essential pillars for sales growth.
- Work closely with Saudi importers and retailers to encourage them to re-introduce U.S. beef as part of their regular purchases, reassuring them about the safety and quality of the product in addition to providing continuous support to existing U.S. beef buyers in the country.
- Support new distribution channels selling beef, particularly online shopping platforms recently developed by regular U.S. beef importers noting that these companies are now directly catering to consumers.

- Participate in white-jacket chef gatherings and in sponsoring culinary competitions, such as Salon Culinaire, involving chefs from different levels to increase awareness of U.S. beef and reinforce USMEF's credibility among an audience of high-ranked chefs, junior chefs, importers and foodservice operators, and decision makers. In addition, participate in numerous new in Saudi Arabia that would help increase U.S. beef exports to the market focusing mainly on the foodservice sector where the demand for the product is the highest.
- Expand foodservice training to new accounts, such as catering and culinary schools as well as new restaurants and hotels in various areas, focusing on beef cutting techniques, cooking instruction and an analysis of the profitability margin possible when using different cuts of U.S. beef. Conduct U.S. beef educational workshops for chefs as well as one-on-one workshops with steakhouses and hotels that combine users and non-users of U.S. meat.
- Conduct Junior Chefs' Tutorials to help youthful chef groups build their skills and knowledge base on U.S. beef production practices, grain feeding, marbling, grading, safety standards, and product consistency.
- Implement Butchering Master Classes and Butcher Training Workshops geared towards improving butchers' understanding of U.S. beef technical information, cutting techniques, and handling and storage techniques. Demonstrate skills to help butchers better communicate with consumers, retailers and foodservice workers about U.S. beef.
- Host "American Beef Nights" in top steakhouses and restaurants to promote the unique and value-added characteristics of a range of cuts among chefs and consumers.
- Take part in international trade shows such as Gulfood and HORECA Lebanon, Saudi Arabia and Jordan to help U.S. beef achieve greater exposure among a considerable audience of potential and existing buyers.
- Organize live cooking sessions in key retail accounts, using a professional chef to explain to shoppers the different cooking applications and attributes of U.S. beef. Expand these activities to a larger scale with a U.S. beef retail show conducted in several busy malls, designed to gain maximum exposure and reach a diverse audience.
- Target housewives with Art of Cooking Classes that present alternative U.S. beef cuts and train homemakers on how to cut, grill, braise, simmer, and sear the different cuts each according to its optimal cooking method.
- Optimize USMEF's Middle East Facebook and Instagram pages and Middle East Arabic/English Website by promoting U.S. beef products, information, and services, quickly and effectively and further engaging the audience by implementing several contests and competitions as SNS becomes increasingly important in GCC society and other Arab communities.
- Optimize the USMEF recipe App entitled "U.S. Beef ME" by adding innovative recipes prepared by renowned chefs in the region and increasing its reach.
- Support U.S. beef suppliers, that are USMEF members, in their promotional activities in the region.

**Citations:**

*2021 import and market share data is based on reported exports to Egypt and the UAE (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 71% of targeted importers/distributors report that they have a favorable attitude toward U.S. beef/BVM and are willing to purchase it based on information provided by USMEF.
2. 88% of targeted fine dining and casual family-style restaurants/chains will hold a U.S. beef promotion or use menu promotional materials.
3. 100% of targeted retail chains will report having a favorable attitude toward U.S. beef/BVM and are knowledgeable of its quality based on information provided by USMEF.
4. 94% of targeted retail chains will identify the origin of U.S. beef/BVM and actively participate in USMEF promotions.
5. 91% of targeted media outlets will report favorably on U.S. beef and incorporate recommended key message points.

## Tactic L

**Tactic Name:** South America

### **Tactic Description**

#### **MARKET ASSESMENT**

U.S. beef and beef variety meat exports to South America rose by 32% in 2021 to 31,802 mt. Volume to Colombia more than doubled and amounted to 9,359 mt, which represents an increase of 106% versus the prior year. The value of U.S. beef exports to the South American region jumped to nearly \$178 million, an impressive increase of 82% compared to 2020.

Chile is the top U.S. beef importer in the region. In 2021, beef and variety meat imports increased by 18% to nearly 300,000 mt, up 16.5% from the previous record set in 2019. Chile's imports are dominated by regional suppliers, but the U.S. is an important supplier of chuck rolls for retail, mainly used in grilling. U.S. chuck rolls have a premium image in the market, but there is competition in the high-quality beef space from domestic brands as well as from Argentina and Uruguay. USMEF is focused on increasing recognition and consumer engagement with premium U.S. chuck rolls through its Carne USA campaign. Grocery e-commerce is growing rapidly in Chile led by Cencosud and Walmart, the largest retail chains, and delivery apps are expanding the number of dark stores in Chile. Chile's beef variety meat imports totaled 3,936 mt in 2021, and the U.S. was the top supplier at a record 2,607 mt. Beef livers are the top item from the U.S. and account for the majority of the volume. Exports of Chilean beef to international markets have been rising in recent years, peaking at 25,868 mt in 2020 before falling by 23% in 2021 to 19,801 mt because of lower exports to China. However, China still remained the dominant buyer of Chilean beef taking 77% share of all exports from the country.

In Colombia, home meal preparation, especially grilling, increased significantly in the upper economic classes during the pandemic and continued at an elevated level even as Colombia came out of the Covid restrictions on the HRI sector. While the demand for high-quality beef increased in the restaurant and hotel sector as restrictions were lifted, the increases in retail purchases of high-quality beef continued. Another factor that drove strong increases in Colombia was the introduction of new branded products in the market. This, combined with growing interest from many mid-sized importers to sell U.S. beef, resulted in substantially increased US beef purchases.

In 2021, Peru was the 8th largest export market for U.S. beef variety meat exports at 8,016 mt, which is an increase of 1.5% versus the prior year and the highest total since 2014. Peru was the 3rd largest market for beef livers (6,706 mt, -5% from the 2020 record) and the 6th largest market for beef tripe (377 mt, -1%). Peru is an important market for U.S. beef liver and is the fourth largest global beef liver importer in 2021 after Egypt, Russia, and South Africa. The U.S. is the main supplier of livers to Peru with

85% market share in 2021 which is an increase of 78% compared to 2020. Beef liver will continue to be an important source of affordable protein in the market. The impact of Russia's invasion of Ukraine is already being felt through higher bread and chicken prices in the market, and a volatile political environment in Peru has dampened the economic outlook. Distribution facilities and cold storages are mostly located in Lima, but expansion into secondary cities is key for future growth in U.S. variety meats. USMEF has been increasing the focus on secondary cities since 2019 including in the rainforest area of Tarapoto.

Brazil reopened to U.S. beef in 2016 following a 13-year hiatus. Opportunities exist for exporters interested in the Brazil market, however onerous label registration procedures, as well as differing specs on popular cuts like the picanha, present challenges to exporters. USMEF continues to work with suppliers as well as importers to educate on pertinent issues related to establishing the supply chain of U.S. product into this high-potential market.

#### Peru

- Per Capita Beef Consumption: 5.9 kg\*
- Total Beef Imports (not including variety meat) - All Sources: 7,342 mt
- Total Beef Variety Meat (BVM) Imports- All Sources: 21,298 mt
- U.S. Share of Total Beef/BVM Import Market: 32%
- Other Beef/BVM Suppliers & Market Shares: Brazil 24%, Argentina 20%, Paraguay 6%
- Domestic Self Sufficiency: 95%\*
- U.S. Beef Exports (not including variety meat): 1,678 mt
- U.S. Beef Variety Meat (BVM) Exports: 8,016 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 0%, HRI 25%, Retail 75%

#### Chile

- Per Capita Beef Consumption: 32.0 kg \*\*
- Total Beef Imports (not including variety meat) - All Sources: 340,988 mt
- Total Beef Variety Meat (BVM) Imports- All Sources: 3,936 mt
- U.S. Share of Total Beef/BVM Import Market: 3%
- Other Beef/BVM Suppliers & Market Shares: Paraguay 51%, Brazil 32%, Argentina 10%
- Domestic Self Sufficiency: 37% \*\*
- U.S. Beef Exports (not including variety meat): 8,797 mt
- U.S. Beef Variety Meat (BVM) Exports: 2,291 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: <1%
- Customers for U.S. Beef Imports: Processing 0%, HRI 10%, Retail 90%

Top Imported U.S. Beef Cuts: chuck roll, outside skirt, beef shank, picanha, short ribs, striploin, tri-tip

Top Imported U.S. BVM Items: tripe, liver, unfulfilled demand exists for sweetbreads

**Market Access** issues include a) Brazil's onerous label registration process for beef products; b) Colombian rules which prohibit frozen meat from being thawed for sale at retail; c) port issues related to dirty containers and boxes and documentation/labeling in Colombia; d) Ecuador's nontransparent import licensing process and plant registration process; and e) onerous product and plant registration requirements in Uruguay, Bolivia, and Argentina (also includes label registration).

## MARKET STRATEGY

Continue to develop the market by communicating the quality, consistency and profit potential of U.S. beef across sectors, and by introducing U.S. beef value cuts and variety meats to buyers. Work with importers, distributors, and retailers to educate them on how to properly merchandise and market U.S. beef to consumers with little knowledge of the unique attributes of U.S. product.

### Developing Markets

- Some consumers in Peru, Colombia, Brazil and Chile are willing to pay higher prices for high-quality beef, and interest is growing in other markets. In Brazil, the demographic representing a real opportunity for U.S. beef cuts amounts to 51 million people (out of a total of 211 million), slightly higher than Peru and Chile combined, thanks to a larger segment of the population earning higher incomes and driven by high demand for premium product.
- Opportunities exist for both primal and subprimal cuts of beef and variety meat due to the variable demographics in this diverse market.
- Many market segments are unfamiliar with U.S. beef, and inefficient handling, cold chain management and a lack of product knowledge can result in low yields and an unfavorable eating experience, which heightens safety concerns.
- Growing interest in BVM, especially sweetbreads, in Brazil, Uruguay and Argentina, are presenting strong opportunities to move volumes of U.S. BVM products. However, due to labor issues on the U.S. supply side, a lack of supply for the South American market prohibits promotion of sweetbreads.
- American foodservice chains are focusing on this region, with Chili's, Hooters, Taco Bell, Hard Rock Cafe and Chuck-e Cheese expanding into some South America markets, presenting an established place to feature U.S. beef.
- The HRI sector in the region is highly informal, with up to 98% of food establishments in Colombia not registered appropriately and only 2% complying with commercial food regulations. The market share of these informal establishments is approximately 50%.
- Despite relatively low adoption by consumers, e-commerce and home delivery channels, for both the retail and HRI sectors, have grown and become increasingly more popular choices for consumers during COVID-19 shutdowns.

- Competition from Argentina and Uruguay is growing as the quality from these competitor beef suppliers is improving, both in terms of product quality and product presentation.
- Improving, yet underdeveloped, infrastructure in intermediate cities challenge the distribution channel.
- Despite recent high U.S. beef prices and unfavorable exchange rates the consumer preference of U.S. product has remained relatively strong.
- **Strategic Objective:** Educate buyers on the quality and profit potential of U.S. beef, including value cuts and other more affordable options, and demonstrate effective merchandising of unfamiliar cuts and products.
- **Tactical Response:** Provide training on proper handling and cold chain management for the HRI and retail sectors to ensure a positive eating experience with a range of U.S. beef cuts to suit any price point. Capitalize on opportunities for U.S. beef in Brazil by facilitating increased product registration by working with exporters and regulatory agencies.

#### Retail Development

- Retail ranges from wet markets, which are still prevalent throughout the region, to modern supermarkets and high-end meat boutiques.
- While mainly sold in wet markets, beef variety meats can also be found in modern retail.
- The growing middle class is spending more on premium food items, including imported beef.
- “Asado Americano”, the localized term for U.S. chuck roll, is used by suppliers of beef from other countries to capitalize on the perception of quality and flavor that the term carries.
- With high meat prices, some consumers are looking to purchase smaller quantities at more affordable prices; however, high-quality beef is still a luxury item for consumers.
- Retail giants are slowly integrating convenience-driven concepts into their retail models, such as ecommerce services and features as well as drive-through grocery departments for added convenience. The coronavirus pandemic has added additional momentum to the move to more convenience-driven retail concepts, such as ecommerce, which is likely to remain after recovery.
- The CVS sector plays a predominant role in consumer shopping habits, with 80% of Colombian households regularly shopping at convenience or discounter shops.
- Informal ecommerce channels based on social media platforms are increasingly popular.

- In Peru, new butcher shops and specialized meat stores are opening, which complement the growing penetration of modern retail stores. Though volume is still relatively low, these new sales outlets require supplier attention.
- **Strategic Objective**: Work with retailers to identify the U.S. origin and promote U.S. beef cuts by improving product labels and maintaining product rotation to increase consumer confidence. Work with importers and distributors and specifically butcher shops and small retail chains, to provide category management training, cold chain audits and marketing program planning.
- **Tactical Response**: Educate retail buyers (supermarkets and wet markets) on the attributes of U.S. beef to increase the number of cuts offered, and promote alternative cuts for price-conscious consumers with recipe development, in-store tastings, etc. Ensure proper handling and highlight the profit potential of portion-control packaging and origin identification.

#### Favorable Access

- Brazil reopened to U.S. beef in 2016 after a 13-year absence; However, challenges with complex registration regulations have delayed shipments. U.S. livers, picanha, and tri-tip are in high demand, but opportunities for more cuts may exist with premium retail outlets.
- U.S. beef now has expanded access to Ecuador, Argentina, and Uruguay, though Ecuador remains non-transparent regarding their import licensing process and informal arbitrary import quotas.
- The removal of the EV requirement for Colombia increases eligible U.S. exporter plants to over 500, while also increasing opportunities for value-added items.
- Dietary and nutritional labeling regulations present additional barriers for exports of value-added product to the region.
- **Strategic Objective**: Further build the image and visibility for U.S. beef among buyers who may be price-sensitive and need to be educated on the premium quality of U.S. beef.
- **Tactical Response**: Provide training on U.S. production, safeguards, and quality and provide promotional support to help expand sales of new U.S. beef items entering these emerging markets.

#### Other Key Initiatives

- Create a branding campaign to reinforce the high quality and premium reputation that “Asado Americano” carries, and ensure consumers know that only U.S. beef chuck roll is “Asado Americano”.
- Position U.S. beef muscle cuts in settings that promote U.S. beef as a premium protein item associated with health and active lifestyles among segments of consumers that would be likely buyers.



- Facilitate sales by conducting activities that directly bring buyers together with U.S. suppliers, especially medium/small suppliers interested in growing exports to South America, such as the Latin American Product Showcase.
- Continue to identify U.S. suppliers willing to offer smaller packaging and partial loads to South America.
- Demonstrate to importers and purveyors how to use the latest available technologies, including procedures to freeze and thaw meats, to preserve quality and food safety.
- Present U.S. beef as a profitable item, educating buyers on affordable and available cuts that can replace local beef in traditional dishes, while enhancing flavor.
- Increase buyer awareness about U.S. beef variety meats and lower-cost alternative cuts and how to fabricate, package and promote them to increase sales.
- Strengthen the foodservice channel in Chile and other markets by working with newly identified trade partners (importers/distributors), including those outside of major metropolitan areas, to conduct joint educational and promotional activities.
- Use interactive merchandising and culinary education to drive sales in high-end foodservice, focusing on higher-graded and branded U.S. beef.
- Work with the HRI sector to promote U.S. burgers and smaller-sized beef portions as a way to maintain volume sales and eating quality experience with affordable products.
- Coordinate promotions with HRI and retail partners to raise the visibility and image of U.S. beef. Introduce to foodservice novel cooking techniques, such as BBQ, to increase the ways of preparing U.S. beef and helping to promote U.S. beef's image.
- Expand activities into secondary cities, namely in Peru, with stable cold chain infrastructure in key markets throughout the region.
- Position U.S. beef liver through national promotions as a dietary solution to address nutritional challenges within the region, in particular widespread anemia.
- Introduce new marketing material in the Portuguese language targeted to consumers and the trade to educate on U.S. style cuts and cooking methods, while promoting the high-quality attributes of U.S. corn-fed beef.
- Conduct barbeque workshops targeting foodservice professionals as well as high-end consumers to promote high-quality U.S. beef and the versatility of available cuts.
- Create resources for exporters to help educate them on requirements for exporting to the Brazil market, while also creating resources to educate importers on the quality, safety and reliability of the U.S. beef industry.

**Citations:**

*2021 import and market share data is based on import data of Peru and Chile (from TDM), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau. \* USDA/FAS stopped reporting estimates/forecasts for Peru in 2020, so the 2020 numbers for Peru are USMEF estimates. \*\* Chile adjusted with USMEF estimates because USDA/FAS reflects a data error in Chile's beef import data from Paraguay in 2021*

**Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 100% of targeted importers/distributors will report that they have a favorable attitude towards U.S. beef based on information provided by USMEF.
2. 100% of targeted importers/distributors consistently source U.S. beef.
3. 100% of targeted HRI outlets/chains regularly use U.S. beef.
4. 90% of targeted retailers identify the origin of U.S. beef.
5. 100% of targeted retailers actively promote the attributes of U.S. beef to their customers.

## Tactic M

**Tactic Name:** Taiwan

**Tactic Description**

**MARKET ASSESSMENT**

Though U.S. beef exports to Taiwan dipped slightly in volume in 2021 (63,095 mt, down 1% from 2020), export value climbed to \$668 million – up 21% from 2020 and breaking the previous (2019) record by more than \$100 million. Australia has historically been considered the largest competitor in the region, although Australia's market share of imported beef continues to decline- dropping to 17% in 2021. Paraguay captured additional market share in 2021, becoming the second largest supplier of beef to Taiwan after the U.S. and jumping from 10% share in 2019 to 21% in 2021. This beef is found in low-end foodservice operations or traditional markets. Product from Paraguay is only frozen and no chilled beef from Paraguay enters the market. Paraguay benefits from duty-free access for beef due to close ties between the two countries. In 2021, Paraguay surpassed the U.S. as the top supplier of frozen beef with 30% market share.

Although total imports from the U.S. slowed in 2021, imports of chilled U.S. beef were record large at 30,027 mt, up 13% from 2020 and capturing a record 80.5% market share. Due to strong demand from retailers in 2021, for the first time more than half of Taiwan's imports of U.S. beef were chilled. The U.S. surpassed Australia as the leading supplier of chilled beef in 2013 and continues to capture new demand for chilled product while Australia's supplies decline. In 2021, Australian market share of imported chilled beef dropped to 12.5%.

Taiwan remained relatively unaffected by COVID-19 in 2020; however, in 2021 a worsening pandemic situation led to lower foodservice sales through the summer. Foodservice started to rebound again in fall/winter of 2021. COVID-19 cases increased substantially in April 2022, although the impacts and social distancing restrictions continue to be mild. Logistical issues have resulted in delayed shipments to Taiwan and have affected the supply schedule in early 2022. Chilled beef is especially vulnerable with retailers refusing to accept shipments that arrive too close to the shelf-life window. The Taiwan government temporarily eased tariffs on imported beef to NTD \$5/kg December 1, 2021 – April 30, 2022 in an effort to ease consumer prices.

Announcements in August 2020 for improved access to Taiwan for over-thirty-month U.S. beef products and for U.S. pork via adoption of CODEX MRLs on ractopamine spurred protests from concerned citizens. Although driven by political tensions between the KMT and DPP political parties that continued throughout much of 2021, debates relevant to the referendum created unnecessary negative PR and inspections for U.S. meat. Some U.S. beef buyers pulled U.S. product from their shelves to avoid public scrutiny. The referendum vote, which took place in December 2021, failed to pass, allowing U.S. product with acceptable levels of ractopamine to remain permitted into

Taiwan. Media attention on U.S. product has calmed since the vote and consumer bias is expected to pass with little impact on U.S. beef.

#### Taiwan

- Per Capita Beef Consumption: 8.4 kg
- Total Beef Imports (not including variety meat) - All Sources: 134,920 mt
- Total Beef Variety Meat (BVM) Imports- All Sources: 8,479 mt
- U.S. Share of Total Beef/BVM Import Market: 40%
- Other Beef/BVM Suppliers & Market Shares: Paraguay 21%, Australia 17%, New Zealand 14%
- Domestic Self Sufficiency: 4%
- U.S. Beef Exports (not including variety meat): 62,995 mt
- U.S. Beef Variety Meat (BVM) Exports: 140 mt
- U.S. Beef/BVM Exports as a % of Total U.S. Beef/BVM Exports: 4.5%
- Customers for U.S. Beef Imports: Processing 1%, HRI 59%, Retail 40%

Top Imported U.S. Beef Cuts: rib fingers, short plate, chuck roll, shank, BL short ribs, top blade, chuck flap tail

Top Imported U.S. BVM Items: tendon

### MARKET STRATEGY

a) Drive demand for high-valued U.S. chilled beef, capitalizing on the current trends of buyer preferences for fresh and high-quality product; b) Promote U.S. branded beef products to satisfy demand from retailers and HRI operators while further building the high-quality image of U.S. beef in Taiwan; c) Displace competitor products by offering appropriate cut alternatives and preparation techniques suitable for a wide range of U.S. beef cuts; d) Maintain loyalty among key buyers to defend market share, and develop new customers by demonstrating the variety, profitability, and superior quality of U.S. beef, emphasizing first and foremost the safety in U.S. product; and E) Monitor consumer and buyer attitudes towards U.S. beef, paying close attention to media coverage of ractopamine issues, and dispel any myths that inaccurately describe U.S. production.

#### Growing Beef Consumption & Demand for Chilled Beef Alternative Cuts

- Consumers are spending more on gourmet food for small luxury experiences at home and when dining out. Premiumization trends are continuing to thrive, pushing demand for high-quality protein options. Taiwan is one of Japan's largest export markets for wagyu, demonstrating consumer interest in quality and their willingness to pay for premium product. U.S. beef is a reputable and price effective alternative for conscious buyers.

- Food safety remains a priority concern among consumers, and as such high-end food products are growing in popularity, while cheap, low-quality foods continue to be phased out.
- Foodservice operators are facing additional costs associated with changing labor laws and rising raw material costs. As a result, these buyers are eager to incorporate less expensive cuts that still reflect the quality consumers are demanding.
- Competition among foodservice operators is driving demand for chilled beef as buyers seek out the best products to remain competitive. Utilization of U.S. beef alternative cuts, both chilled and frozen, is an effective strategy to reduce the risk of U.S. beef price increases on more popular items. Popular U.S. beef alternative cuts that have been successfully promoted by USMEF in Taiwan include petite tender, clod heart, plate finger, rib cap plate, top sirloin cap, brisket, tri-tip, and chuck ribeye. Potential exists for flank, chuck tender, chuck short ribs, and beef knuckle. As shank availability declines, beef knuckle will be a featured substitute.
- Over-thirty-month product has potential with lower-tier restaurants seeking cost effective raw material. Items like OTM ribeye, tenderloin, short ribs, chuck tender, knuckle, top blade muscle, rib fingers, and shank could easily be added to menus, although more education is needed among foodservice buyers and chefs.
- **Strategic Objective:** Capitalize on growing interest in beef as a protein option to all buyers and consumers, presenting U.S. beef chilled product where appropriate. Continue to link U.S. suppliers with new and existing buyers, showcasing a wide variety of U.S. beef options including muscle cuts, variety meats, OTM products, and even processed product.
- **Tactical Response:** Identify opportunities for U.S. product to displace competitor cuts. Develop promotional programs, POS material, and social media content to increase buyer exposure to U.S. beef, pushing safety and quality messaging about U.S. product. Collaborate with U.S. packers to identify new alternative cuts appropriate for the market, introducing HRI, retail, and processor buyers to these options.

#### Diverse Dining Culture

- Pre-COVID-19, Taiwan consumers dined out frequently, with 33% of consumers reporting that they regularly dined out at least 4x/week. Consumers today are turning more towards delivery services and takeout menus. Top delivery apps in Taiwan include FoodPanda, UberEats, Foodomo, and Restaurant Platforms. Consumers of all ages utilize delivery platforms, including seniors who find it difficult to leave their homes.
- With diverse options to choose from, consumers tend to lack loyalty to a single restaurant; thus, to thrive in the long-term operators must create menus that continually satisfy and intrigue consumers.

- Ghost and cloud kitchens are an emerging trend due to low upfront costs. Some restaurant operators are opening delivery-only brands to tap into this new segment. JustKitchen has been expanding rapidly in Taiwan since 2019, partnering with UberEats for delivery and managing a series of delivery-only food brands, and using larger hub kitchens to prep food before sending orders to smaller spoke kitchens for the last leg of preparation before delivery. Recently, JustKitchen partnered with 7Eleven to sell menu items in a few convenience store outlets, further merging virtual platforms with brick-and-mortar stores.
- Hotels are tapping into ready-to-eat and other RMR products to compensate for lost revenue with reduced tourism. These convenient products are becoming more popular among Taiwanese consumers that can make these meals at home without losing out on the quality of a professional kitchen.
- Influences from Japan, Korea, and China are extremely prevalent in this market, where the geographic proximity to other Asian destinations make Taiwan a cultural melting pot. Culinary influences from these other markets are widespread throughout Taiwan, many of them favoring beef consumption. Successful USMEF promotions or marketing strategies from other export markets in Asia can typically be applied to Taiwan.
- Experiential dining is popular in Taiwan, where dining out is considered a fun social event. Cross-branding and pop-up menus are becoming more popular among consumers seeking a “different” experience.
- USMEF’s Diamond Plus Program is a well-regarded differentiator tool among foodservice operators seeking ways to acknowledge quality.
- **Strategic Objective**: Further integrate delivery and takeout menus including ghost/cloud kitchen set ups. Target the HRI sector to find and develop suitable outlets for a range of cuts that coincide with consumer eating trends that are ideal for a wide variety of cooking styles, including various types of cuisines like BBQ, yakiniku, steak, burgers, and beef bowl.
- **Tactical Response**: Identify key market players to further penetrate the delivery sector, assist U.S. beef users new to the delivery sector, and support U.S. beef buyers with free delivery/online promotions. Introduce and educate importers and buyers to new cooking applications for alternative cuts to leverage the diverse dining culture in Taiwan, including OTM product. Identify emerging foodservice trends and support HRI operators with promotions and evolving consumer events or pop-up menus to further boost sales. Utilize gourmet identifiers, such as the Diamond Plus Program, to help foodservice operators differentiate from the competition.

#### Evolving Retail

- Consumer preference for fresh foods at retail soared in 2021 as quality became a leading purchasing factor for consumers making meals at home.

- Many retailers are partnering with Uber Eats and Foodpanda to reach consumers with grocery delivery. Foodpanda, a top delivery platform in Taiwan, is expanding services to include 24-hour delivery for both restaurant takeout and groceries. FoodPanda is now partnering with over 3,000 supermarkets like Carrefour in Taiwan to provide fresh grocery delivery services.
- PX Mart started its own food delivery platform that includes fresh products, cold storage food, and dry goods. PX Go has been a success due to fast delivery times thanks to the high concentration of PX Marts around Taipei City and New Taipei City.
- Consumers are shifting away from wet markets and are shopping more frequently at supermarkets where they can find conveniently packaged items and small portions.
- Vacuum skin packaged items extend shelf life and allow retailers to add higher-priced items like tenderloin and ribeye to their shelves. Australian VSP products have been available in the market for years, but U.S. beef options are new. Importers are recognizing the potential in these products and are investing in the equipment to offer VSP raw material, cooked/marinated meat, etc. to retailers.
- Consumers prefer VSP products for easy storage, improved shelf-life, better packaging, and perceived quality. However, due to the color difference between vacuum-skin-packaged items and tray-packaged beef, consumers still need to be educated on quality characteristics.
- Processed beef products like ready meals continue to gain popularity with consumers. According to Euromonitor, from 2019-2025 ready meal sales are expected to increase by \$1.4 billion. Taiwan is expected to see ready meal sales grow 79% in this timeframe.
- Convenience stores are offering their own private labels and are seeking ways to differentiate not only amongst themselves but also to compete with supermarkets. Leading CVS players in the market include Seven Eleven, FamilyMart, Hi-Life, and OK Mart.
- Convenience store chains are implementing omnichannel strategies to capture market share. Consumers can still shop online and pick up items at the nearest outlet. Delivery, and even limited online-only items are available on CVS chain mobile apps.
- FamilyMart utilizes LINE, a leading social media messenger tool in Taiwan, to connect to consumers and community group buying groups.
- In addition to alternative cuts being added to retail shelves, consumers can find these products in newly popular meat boutiques or through vendors advertising on Facebook.
- Meat boutiques are a trendy retail venue for high-quality imported product and often feature imported beef from the U.S., Australia, and New Zealand.
- Cross-branding and collaborations between retailers and foodservice operators seeking to create “exclusive” or “pop-up” products and stores can capture demand from consumers wanting new experiences. Retailers are upgrading,

incorporating premium experiences and even combining concepts for an original experience.

- **Strategic Objective:** Identify opportunities for U.S. beef to further integrate the retail sector in supermarkets, meat boutiques, online, etc. including displacing competitor product and capturing new demand with processed/convenience items. Build retailer confidence in U.S. beef, especially for chilled items, for long-term use.
- **Tactical Response:** Support traditional supermarkets, convenience stores, and meat boutiques with promotions, recipe cards, tasting demonstrations and educational material to launch new alternative cuts and highlight U.S. origin where appropriate. Announce promotions through social media channels, allowing more consumers to follow U.S. beef promotions and focus on the availability of U.S. product.

#### Digital Marketing

- Taiwan has one of the highest internet adoption rates in the world, preferring to use internet on mobile devices, and over 89% of the population is active on social media sites.
- Consumers in Taiwan are heavy users of social media sites such as Facebook, YouTube, Instagram, or LINE and rely on these platforms to share information and keep up on current trends.
- Local SNS “celebrities” and bloggers have a lot of influence over consumers’ purchasing patterns as reviews are perceived as honest and credible.
- More consumers are seeking fresh/healthy convenience items, though food safety is a growing concern in general among consumers. Improving and maintaining consumer trust through public platforms is a priority.
- Consumers are taking more notice of environmental sustainability. Social media platforms are an ideal venue to engage with consumers and highlight the sustainable production practices backing U.S. beef.
- **Strategic Objective:** Use social media to educate importers, restaurateurs, retailers, and consumers on U.S. beef production safety, and use unified messages to create a favorable image among consumers. Use social media tools to help consumers find USMEF Taiwan and build familiarity and trust with USMEF.
- **Tactical Response:** Create content to heighten visibility for U.S. beef and educate on U.S. beef safety and quality, including videos to be shared on social media platforms while collaborating with foodservice and retail partners to highlight specific promotions featuring specific cuts. Cooperate with restaurants using U.S. beef to develop video advertisements designed for Facebook and YouTube to increase consumer traffic and enhance restaurant loyalty to U.S.



beef. Utilize other digital platforms to reach consumers, including online cooking class material targeting young consumers with growing purchasing potential. Teach U.S. beef buyers how to best utilize digital marketing tools to reach consumers and partner with KOLs to share key information about promotions, product quality, safety, and production.

#### Other Key Initiatives

- Continually analyze the market to identify gaps in supply within desired price ranges, and position specific cuts of U.S. beef, including chilled beef, to take advantage of these opportunities.
- Work with U.S. packers to address Taiwanese trends and capitalize on opportunities to quickly move certain cuts (e.g., currently boneless short ribs, bone-in short ribs, short plate, rib cap plate, plate finger, chuck roll, chuck tender, knuckle, etc.) using specialized initiatives targeting importers, distributors, foodservice operators and retailers.
- Educate the foodservice sector on dry aging for cuts beyond striploin and ribeye.
- Broaden awareness of U.S. niche beef items, including natural/organic, branded and breed-specific products.
- Target younger chefs and consumers through events and social media to promote venues/menus featuring U.S. beef and use PR activities to highlight Taiwanese consumers accepting and enjoying U.S. beef.
- Monitor the presence and growth of plant-based protein options in retail and foodservice.

#### Citations:

*2021 import and market share data is based on import data of Taiwan (from Trade Data Monitor), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.*

#### **Measurable Objectives**

For tactics requesting \$100,000 or less of CBB/BPOC funding, two measurable objectives are required. For tactics requesting over \$100,000 of CBB/BPOC funding, at least three to five measurable objectives are required.

1. 69% of targeted trade accounts will report having a favorable attitude toward U.S. beef based on information provided by USMEF
2. 69% of targeted trade accounts will demonstrate a willingness to purchase additional U.S. beef items
3. 56% of targeted restaurants will actively participate in and contribute to USMEF beef promotions
4. 61% of targeted retailers will stock and promote an additional alternative U.S. beef cut
5. 92% of targeted retailers will actively promote the attributes of U.S. beef to their customers

**SUPPLEMENTAL INFORMATION FOR THIS AR****1. Please explain changes from the FY 2022 approved AR:**

U.S. beef and beef variety meat exports achieved a new record in both volume and value to end 2021, jumping 15% higher in volume than the previous year and 38% higher in value, and topping \$10 billion for the first time ever at \$10.58 billion. In addition, the top three U.S. beef export markets of Japan, Korea, and China/Hong Kong each topped the \$2 billion mark for the first time ever.

After more than two years of sustained challenges related to COVID-19 restrictions world-wide, 2022 brought with it an easing of measures, particularly in the western hemisphere, that had limited demand at foodservice in many markets. However, markets in Asia such as China and Japan, continue to be affected with lockdowns delaying the realization of significant opportunities in the foodservice sector. Despite these lingering, yet significant issues, a recovery in foodservice as well as tourism has been noted throughout much of the world, driving increased volumes of beef exports in a broad range of markets in 2022.

USMEF's marketing strategy for 2023 will be focused on maintaining momentum in retail achieved throughout the duration of the COVID-19 pandemic, when demand shifted heavily in many markets from foodservice towards the retail channel. At the same time, as restrictions continue to lift and demand returns to foodservice, USMEF will focus and invest resources on positioning U.S. beef at the forefront of this recovery. Continued focus on diversification of sales channels and markets for U.S. beef is important for risk mitigation, optimizing marketplace competitiveness with buyers, as well as driving domestic red meat production. In addition, USMEF's strategy in 2023 will also strongly focus on maximizing opportunities for U.S. beef by leveraging trends that are increasing in importance with consumers. This includes but is not limited to trends such as rapid growth in ecommerce sales channels, the growth in the relevance of Key Opinion Leaders on consumer purchasing patterns, increased emphasis on convenience as it relates to protein consumption, the inter-regional spread in the popularity of various cooking and preparation styles, just to name a few.

While many factors are considered, key elements of budget allocation include the current and anticipated size of the market (export volume/value), the current and medium-term (3-5 years) market access conditions and competitive environment in each market, the degree of penetration of USMEF's programs, various economic factors, the cost of doing business, and the results of program evaluations. Based on this assessment of opportunities, constraints, past program impact and other market conditions, budget requests per tactic have been adjusted appropriately. Notable changes from 2022 include:

- Increased budget % to Korea - Increasing per capita consumption and strong export performance (with room for growth) are likely to continue into 2023.

- Increased budget % to Mexico - Increased U.S. beef Select grade product will put greater significance on Mexico as a buyer of U.S. beef.
- Increased budget % to Central America, the Middle East, and South America - Remaining aligned with beef producers, USMEF is putting more emphasis on developing markets. This unique set of export markets consume a remarkable volume of variety meats.
- Decreased budget % to Japan - Weakening of the Japanese Yen against the U.S. dollar allows for program dollars to be utilized more efficiently and with greater reach.

**2. List any proposed vendors/agencies that will be used to complete the work in this AR.**

USMEF's international offices present new contracts annually. These vendors are selected based on in-market needs and projects, performance in strict bidding review, the quality of materials produced, previous experience working with USMEF, target audience and other factors. Each subcontractor is cross referenced against the System for Award Management Registration for legitimacy and references.

Due to USMEF's contract bidding policy that is in compliance with USDA requirements and the nature of international work, in-market subcontractors are pursued and selected as needed.

**3. Will all work with vendors/agencies be competitively bid?**

Per USMEF's vendor selection process, contracts greater than \$35,000 must be competitively bid every three years. Selection will be based on qualifications and reasonableness for cost. Contracts under \$35,000 do not need to be competitively bid, but documentation demonstrating reasonableness for cost must be collected. Under specific circumstances, a contract over \$35,000 may not be competitively bid to target a specific audience or address a very specific in-market need.

**4. Please list any relationships between this AR and projects previously funded by the Beef Promotion Operating Committee (BPOC).**

As USMEF marketing strategies are designed for long-term market development, the FY22 AR is a continuation of the strategies and tactics outlined in the FY22 AR. These strategies and tactics are adjusted as market trends evolve, but are founded on trade servicing, training, education, and promotions. USMEF has been working with the Operating Committee for many years and is pleased to continue serving the U.S. beef industry.

**5. If applicable, explain how this AR can be extended by State Beef Councils or other contractors.**

State Beef Councils may independently collaborate with USMEF to expand upon projects that are aligned with the strategic objectives outlined in this AR. USMEF works closely with interested State Beef Councils to support initiatives with the approval of local Boards, and shares information and program success via various reports and featured articles in the USMEF Export Newsline. In addition, State Beef Councils may be invited to participate in USMEF-sponsored trade missions to specific target markets for industry producers to observe and learn hands-on the impact of USMEF's on-ground international marketing initiatives. USMEF is appreciative of local State Beef Council support and invites all producers to participate and learn more about the international distribution of U.S. product.

**POTENTIAL PARTNERSHIP LIST**

*Partners/collaborators does NOT include subcontractors.*

Potential partners will include "Other Funding" contributors. Funds are pooled and leveraged for maximum program reach and flexibility.

**DETAILED BUDGET SUMMARY**

In the following three sections, use the tables to report program budget information from the following funding sources:

- Cattlemen's Beef Board/Beef Promotion Operating Committee (CBB/BPOC)
- "Other Funding" sources such as:
  - Federation of State Beef Councils (FSBC)
  - Individual Qualified State Beef Council (QSBC) Funds
  - Government Funds (e.g., Market Access Program, Foreign Market Development)
  - Grain/Oilseed Funds (e.g., National Corn Growers Association, American Soybean Association)
  - Corporate Funds (e.g., tech and pharma companies)
  - Etc.

**Section 1 – FY23 Funding Requested by Tactic****CBB/BPOC Funding Requested by Tactic**

The following table outlines the amount of CBB/BPOC funding that is being requested for each tactic within this AR, and the committee(s) that has been selected to score each tactic.

<b>CBB/BPOC Funding Requested by Tactic</b>					
<b>Committee Name</b>	<b>Tactic</b>	<b>Tactic Name</b>	<b>Direct Costs</b>	<b>Implementation</b>	<b>Total</b>
International Marketing	A	Africa	\$110,000	\$42,000	\$152,000
International Marketing	B	ASEAN	\$163,000	\$62,000	\$225,000
International Marketing	C	Caribbean	\$109,200	\$42,000	\$151,200
International Marketing	D	Central America & Dominican Republic	\$250,300	\$95,000	\$345,300
International Marketing	E	China & Hong Kong	\$360,000	\$137,000	\$497,000
International Marketing	F	Commonwealth of Independent States	\$87,500	\$33,000	\$120,500
International Marketing	G	Europe	\$280,000	\$107,000	\$387,000
International Marketing	H	Japan	\$2,050,000	\$780,000	\$2,830,000
International Marketing	I	Korea	\$832,500	\$317,000	\$1,149,500
International Marketing	J	Mexico	\$700,000	\$266,000	\$966,000
International Marketing	K	Middle East	\$420,000	\$160,000	\$580,000
International Marketing	L	South America	\$174,500	\$66,000	\$240,500
International Marketing	M	Taiwan	\$403,000	\$153,000	\$556,000
<b>TOTAL</b>			<b>\$5,940,000</b>	<b>\$2,260,000</b>	<b>\$8,200,000</b>

### Other Funding Sources Requested by Tactic

The following table reports the amount of proposed and/or anticipated "Other Funding" sources that would be applied to this AR's tactics. The funding information in this table is for informational purposes only and demonstrates external collaboration as delineated in the 2021-2025 Beef Industry Long Range Plan.

<b>Other Funding Sources Requested by Tactic</b> <i>(Informational Only)</i>			
<b>Funding Source</b>	<b>Tactic</b>	<b>Tactic Name</b>	<b>Total</b>
Government Funds	A	Africa	\$178,689
Grain/Oilseed Funds	A	Africa	\$46,875
QSBC Funds	A	Africa	\$31,719
Grain/Oilseed Funds	B	ASEAN	\$30,982
Government Funds	B	ASEAN	\$135,571
Government Funds	C	Caribbean	\$162,318
Grain/Oilseed Funds	C	Caribbean	\$14,169
QSBC Funds	C	Caribbean	\$47,738
Government Funds	D	Central America & Dominican Republic	\$256,192
Grain/Oilseed Funds	D	Central America & Dominican Republic	\$42,614
QSBC Funds	D	Central America & Dominican Republic	\$53,219
Government Funds	E	China & Hong Kong	\$775,024
Grain/Oilseed Funds	E	China & Hong Kong	\$68,075
QSBC Funds	E	China & Hong Kon	\$345,771
Government Funds	F	Commonwealth of Independent States	\$114,980
Grain/Oilseed Funds	F	Commonwealth of Independent States	\$479
QSBC Funds	F	Commonwealth of Independent States	\$62,590
Government Funds	G	Europe	\$500,131
Grain/Oilseed Funds	G	Europe	\$41,548
QSBC Funds	G	Europe	\$154,326
Government Funds	H	Japan	\$1,508,131
Grain/Oilseed Funds	H	Japan	\$1,160,317
QSBC Funds	H	Japan	1,705,270

Government Funds	I	Korea	\$1,412,167
Grain/Oilseed Funds	I	Korea	\$806,091
QSBC Funds	I	Korea	\$1,234,492
Government Funds	J	Mexico	\$588,486
Grain/Oilseed Funds	J	Mexico	\$215,625
QSBC Funds	J	Mexico	\$87,530
Government Funds	K	Middle East	\$329,766
Grain/Oilseed Funds	K	Middle East	\$1,491
QSBC Funds	K	Middle East	\$63,650
Government Funds	L	South America	\$148,761
Grain/Oilseed Funds	L	South America	\$22,905
QSBC Funds	L	South America	\$34,478
Government Funds	M	Taiwan	\$259,783
Grain/Oilseed Funds	M	Taiwan	\$58,274
QSBC Funds	M	Taiwan	\$158,001
<b>TOTAL</b>			<b>\$13,461,078</b>

Use the space to below if you wish to provide additional comments/information on the FY23 CBB/BPOC or Other Funding amount that are being requested for this AR's tactics.

Government Funds include Market Access Program Funds allocated to Beef programs (not including Admin funds).

## **Section 2 – Summary of FY22 AR Budgets and Expenses**

### **AR Classification**

This section reports budget information on ARs that are continuing program work from last year. The below description outlines the classification category that describes this AR.

Classification: This AR is a continuation of, or builds up, program work from last year. CBB will report information in the "FY22 CBB/BPOC Funding" table and the contractor will provide information for the "FY22 Other Funding Sources" table.

**FY22 CBB/BPOC Funding**

The following table reports the amount of awarded and expended CBB/BPOC funding for this AR in FY22.

<b>FY22 CBB/BPOC Funding</b>			
<i>Note: The Cattlemen's Beef Board completed the fields in this table.</i>			
<b>AR# 2240-FM</b>			
	Direct Costs	Implementation	Total
Funds Awarded	\$6,100,000	\$2,300,000	\$8,400,000
Actual Expenses <i>(October 1, 2021 – June 30, 2022)</i>	\$1,193,240	\$1,364,113	\$2,557,353

**FY22 Other Funding Sources**

The following table reports the amount of committed and expended "Other Funding" sources for this AR in FY22. The funding information in this table is for informational purposes only and demonstrates external collaboration as delineated in the 2021-2025 Beef Industry Long Range Plan.

<b>FY22 Other Funding Sources</b> <i>(Informational Only)</i>			
<b>AR# 2240-FM</b>			
	Funding Source	Funds Committed	Funds Expended <i>(October 1, 2021 – June 30, 2022)</i>
A	Government Funds	\$7,988,733	\$5,872,273
B	QSBC Funds	\$3,921,171	\$1,079,130
C	Grain/Oilseed Funds	\$2,591,476	\$653,357

**Use the space to below if you wish to provide additional comments/information on the FY22 CBB/BPOC or Other Funding budget and expense summaries.**

Note, funds expended through May 31, 2022, vs. June 30, 2022.



### Section 3 – Historical Summary of AR Budgets and Expenses

#### **AR Classification**

This section reports budget information on ARs that are continuing program work from last two years (or longer). The below description outlines the classification category the describes this AR.

**Classification:** This AR is a continuation of, or builds upon, program work from the last two years (or longer). CBB will report information in the "CBB/BPOC Historical" table, and we will provide information for the "Other Funding Sources Historical" table.

#### **CBB/BPOC Funding – Historical Summary**

The following table reports the amount of awarded and expended CBB/BPOC funding for this AR in FY19, FY20, and FY21.

<b>CBB/BPOC Funding</b>				
<i>Note: The Cattlemen's Beef Board completed the fields in this table.</i>				
		<b>FY21 AR# 2140-FM</b>	<b>FY20 AR# 2040-FM</b>	<b>FY19 AR# 1940-FM</b>
AR Period <sup>1</sup>	<i>Start Date:</i>	<i>October 1, 2020</i>	<i>October 1, 2019</i>	<i>October 1, 2018</i>
	<i>End Date:</i>	<i>September 30, 2021</i>	<i>September 30, 2020</i>	<i>September 30, 2019</i>
Funds Awarded		\$8,350,170	\$8,279,846	\$8,300,000
Actual Expenses <sup>2</sup>		\$8,344,705	\$8,234,304	\$8,294,775

<sup>1</sup>For multiyear ARs, the "End Date" reflects the date that the AR is schedule to be completed.

<sup>2</sup>If the AR "End Date" has not year occurred, actual expenses will be reflective of the following time period:  
AR Start Date - June 30, 2022.

**Other Funding – Historical Summary**

The following table reports the amount of "Other Funding" source expenditures for this AR in FY19, FY20, and FY21. The funding information in this table is for informational purposes only and demonstrates external collaboration as delineated in the 2021-2025 Beef Industry Long Range Plan.

<b>Other Funding Sources</b> <i>(Informational Only)</i>						
	<b>FY21 AR# 2140-FM</b>		<b>FY20 AR# 2040-FM</b>		<b>FY19 AR# 1940-FM</b>	
	<b>Funding Source</b>	<b>Total Expenditures</b>	<b>Funding Source</b>	<b>Total Expenditures</b>	<b>Funding Source</b>	<b>Total Expenditures</b>
A	FSBC Funds	\$795,705	FSBC Funds	\$1,196,171	FSBC Funds	\$544,579
B	Government Funds	\$7,321,000	Government Funds	\$6,279,000	Government Funds	\$6,403,000
C	Grain/Oilseed Funds	\$2,336,000	Grain/Oilseed Funds	\$1,332,000	Grain/Oilseed Funds	\$1,1772,500
D	QSBC Funds	\$4,094,000	QSBC Funds	\$3,600,000	QSBC Funds	\$3,577,000

**Use the space to below if you wish to provide additional comments/information on the historical CBB/BPOC or Other Funding budget and expense summaries.**

N/A