

**CANADIAN CATTLEMEN  
MARKET DEVELOPMENT COUNCIL**

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**STRATEGIC MARKETING PLAN**

*July 1, 2006*

*Prepared with the assistance of  
Framework Partners, Inc.*

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## INTRODUCTION

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*Purpose of Document* This Strategic Marketing Plan is intended to articulate the marketing priorities for the CCMDC over the life of the “Legacy Funds”. The priorities in this document communicate the CCMDC’s focus over this time period.

This document will be subject to review and revision by the CCMDC.

*Plan Structure* The plan is structured in five sections:

**Market Context** – Provides the context within which the Canadian beef and cattle genetics industry operates, and an assessment of the industry’s opportunities and challenges in Canadian and international markets.

**Canadian Industry Strategy** – Provides the recommendations for the development of a shared vision, goals and targets for the Canadian industry that form the basis for the CCMDC’s marketing strategy.

**Desired Canadian Market Positioning** – Describes the market positioning believed by the CCMDC to reflect the best opportunity for Canadian beef and cattle genetics industry success.

**CCMDC Goals and Performance Measurement** – Articulates the CCMDC’s overall strategic marketing goals, and the performance indicators that the CCMDC will employ to measure its success.

**Proposal Evaluation Criteria** – Outlines the proposal screening, evaluation and selection process that the CCMDC will employ and highlights the criteria that the CCMDC will be basing the relative evaluation of proposals on.



## 2 MARKET CONTEXT

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### CONTEXT FOR THE CCMDC

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By 2002, the Canadian beef industry had steadily grown its export activity, reaching a peak of over half a million tonnes of beef valued at approximately C\$2.2 billion. Canada had achieved meaningful and growing market share in the U.S., Mexico, Japan, Korea and Taiwan, and was growing its exports to a number of other nations.

With a case of BSE identified in the Canadian herd in 2003, the Canadian industry's access to international markets was significantly limited. This caused a dramatic drop in beef and live cattle exports, growth in the Canadian herd to record levels and substantially reduced cattle prices.

At the same time, beef consumption by Canadians remained strong. Without access to export markets, Canadian beef production was able to displace nearly two-thirds of beef imports, growing the Canadian industry's share of the domestic market to approximately 85-90% (up from 70% in 2002).

Through the significant efforts of the industry and government, international borders are re-opening to Canadian beef, creating new opportunities for the industry. At the same time, Canada is experiencing record levels of investment in new domestic processing capacity.

As a result, the Canadian industry is now better positioned to increase Canadian beef exports than it has ever been.

### CANADIAN BEEF & CATTLE MARKET DEVELOPMENT FUND

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In 2005, the Government of Canada announced a contribution of \$50 million, referred to as the "Legacy Fund", to be used to support long term market development for the Canadian beef and cattle genetics industry.

Also in 2005, the Government of Alberta announced an allocation of \$30 million for the creation of an Alberta International Beef Market Development Fund (AIB MDF).

The combined government contributions are referred to as the Canadian Beef & Cattle Market Development Fund (CBCMDF).

These funds are entrusted to the Canadian Cattlemen's Association to administer the government contributions combined with industry funds in a strategic manner. As part of the funding agreements with the Governments of Canada and Alberta, the

industry is required to match a minimum of 25% of government funds for CBCMDF funded initiatives.

The \$80 million in government funding, combined with industry funds including national and provincial check-off, is expected to provide over \$170 million for industry marketing efforts over the ten year period.

The Canadian Cattlemen Market Development Council has been established by the CCA as an industry-based governance structure to oversee the administration and allocation of the \$80 million CBCMDF.

*The remaining material in this section is drawn from the materials presented at the “January 2006 CCMDC Industry Workshop”. Copies of the original presentation materials are available from the CCMDC upon request.*

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## **OVERVIEW OF CANADIAN BEEF MARKET**

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The domestic Canadian market has historically been and continues to be the largest customer for Canadian beef products. Restrictions on the industry’s ability to export have only served to increase the importance of the Canadian market to the industry.

Currently, consumption by Canadian consumers accounts for over half of the Canadian industry’s beef production, and for over 90% of Canadian commercial beef production. Even as market access continues to improve, the Canadian beef industry will continue to recognize and value the Canadian market as its most important and valued market.

Given the CCMDC’s mandate, this plan focuses upon export beef, export genetics, and commercial beef. However, it is important to recognize that the Canadian industry remains fully committed to meeting the needs of Canadian customers and end consumers.

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## **OVERVIEW OF INTERNATIONAL BEEF EXPORT COMPETITION**

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Three broad groups of competitors dominate the global beef export market:

1. Canada and the U.S. – High quality grain-fed beef production
2. Brazil, Argentina and Uruguay – Lower cost grass-fed beef production
3. Australia and New Zealand – High quality grain and grass fed production

Competition among these key competitors is intense. The large export players (Australia, Brazil, Argentina, and the U.S.)

aggressively pursue the major global markets for beef. Currently, Canadian beef competes directly with U.S. grain-fed beef in the U.S. and Mexican markets, and with Australian grain-fed beef in the Japanese market. However, competition in both of these key markets and in other major export markets is expected to increase.

The U.S. and Australia, in particular, as Canada's primary grain-fed competitors, have large, well-established beef industries and substantial resources dedicated to the marketing of their products. These industries are leveraging these resources, particularly in the Pacific Rim, to project images of safety (Australia) and food quality (Australia and U.S.). As a result, they have been able to create a strong consumer image and strong industry networks in these key markets.

The intensity of competition within grain-fed markets will continue to intensify with the growth of Australian feedlot capacity and potential investment in grain feeding in Argentina and Brazil.

Cattle health issues have had, and will continue to have, a significant impact on these competitive dynamics. In particular, recent outbreaks of Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth Disease (FMD) have dramatically affected market access for key export players including Canada, the U.S., Brazil and Argentina.

Should the South American competitors bring their FMD issues under greater control, they may begin to emerge over time in high value markets. However, at this time, continued outbreaks of Foot and Mouth Disease (FMD) appear likely to delay their emergence.

## **CANADA AS A BEEF EXPORTER**

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Through the 1990s and 2000s, Canada emerged as one of the largest beef exporters in the world and is currently the largest exporter of grain-fed beef products.

Following the events of 2003, Canada has been able to re-establish export activity to near pre-BSE levels, but the industry remains affected by significant lost revenue. Expected increases in domestic slaughter capacity will boost the amount of beef product available for export and create new or expanded export opportunities for a full range of beef products.

Despite its position as a major beef exporter, Canadian beef exports have been highly focused in the U.S. and Mexico and have become even more concentrated since 2003, with approximately 80% of current Canadian beef exports going to the

U.S. and 11% going to Mexico. As a result, Canada is a smaller player in the international beef market beyond North America.

A long term goal of the Canadian beef industry is to mitigate export market risk through expanded and/or more secure market access and greater market diversification. Achieving this goal will require a substantial increase in exports to other markets, including Mexico and the Pacific Rim, while maintaining the U.S. as the industry's primary export customer.

Given the high level of competition among beef producing nations, Canada will continue to be challenged to differentiate products in its key markets, particularly given the cost advantage that South Americans and the Australians have over Canadian production.

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## OVERVIEW OF MAJOR INTERNATIONAL BEEF MARKETS

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Based on market preferences and characteristics, the major import markets can be loosely grouped together into five groups:

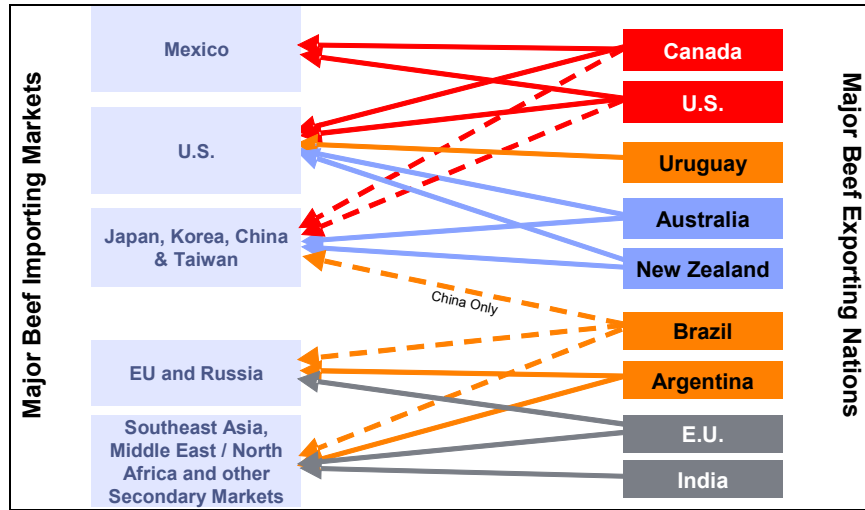
1. U.S.
2. Mexico
3. Japan, Korea, China & Taiwan (the Pacific Rim)
4. European Union and Russia
5. Middle East/North Africa, Southeast Asia and other Secondary Markets

The first three of these groups (North American and Pacific Rim markets) are predominantly higher value beef markets, importing grain-fed and selected high quality grass-fed beef from Canada, U.S, Australia and New Zealand. These same producing nations, plus Uruguay, compete for share within the manufacturing beef segment of these markets.

The European Union, Russia and other secondary markets (low value markets) are predominantly served by South American and EU producers, driven primarily by trade barriers (Hilton quota, tariffs, and production restrictions) for the EU and price sensitivity for other markets. In the EU, in particular, the beef trade dynamic is changing significantly and the EU has recently become a net importing market.

This competitive dynamic is summarized in Figure 1-1 below.

**Figure 1-1: Producer-Market Connections**



As discussed earlier, the Canadian beef industry’s export activities have been focused primarily on Canada’s NAFTA partners and on the higher value Asian markets (Japan, Korea and Taiwan). As access to the Asian markets gradually reopens, competition among Australia, U.S., New Zealand and Canada is expected to be intense. Australia and New Zealand have both made significant gains in these markets with the absence of North American beef products, and Australia is investing heavily to protect their gains. China is expected to be an emerging market for producers. However, this market is large and complex and therefore more challenging to manage. It is also likely to have a significant sensitivity to price.

New potential markets exist for Canadian beef, each with their own set of advantages and challenges. The European Union is a large, growing, high value market, but is not easily accessible for Canadian producers, given the hormone free requirements and tariff quotas. Other markets such as South East Asia, Russia and the Middle East/North Africa may also present new and growing export opportunities for Canadian beef over time.

## OVERVIEW OF THE COMMERCIAL BEEF MARKET

The Canadian commercial beef market has been traditionally comprised largely of non-NAFTA grass-fed imports and Canadian over thirty month (OTM) non-fed beef.

With the recent BSE crisis and subsequent border closures to OTM beef and live cattle, Canadian commercial beef prices have dropped and, as a result, have been able to displace a significant portion of imports in the commercial beef market. Uruguay and New Zealand maintain significant imports into Canada, and Australia may reenter the market in a significant way as Australia

faces increasing competitive pressure in the Pacific Rim and as OTM market access for Canadian product expands.

Uruguayan product is able to maintain a price discount to domestic processors relative to Canadian commercial beef, even with low commercial beef prices that have prevailed in Canada as a result of constrained OTM market access. For Australia to reemerge in the Canadian commercial beef market, it would likely do so on the basis of similar price-driven switching from Canadian to Australian product.

New Zealand is primarily selling bull beef products into the Canadian commercial beef market. These products have unique properties, including a very high degree of consistency and very high lean content, which provide them with an advantage in selected processing applications.

Canada's OTM production is projected to increase with higher domestic slaughter capacity. At the same time, competition from non-NAFTA imports is also expected to increase, particularly if Argentina and Brazil are able to address their FMD issues and subsequently secure access to the Canadian market.

Canada is gaining access to additional markets for OTM, potentially including the important U.S. and Mexico markets. The U.S. has indicated that the border may soon open to Canadian OTM beef and live cattle, providing a second major market for Canadian commercial beef. Should this happen, Canadian commercial beef would still face strong competition in the U.S. from non-NAFTA producers and domestic U.S. production. Expansion of OTM market access requires significant and focused intervention to support and maintain negotiation efforts.

Given these competitive dynamics, success in the commercial beef market will require Canada to ensure that it meets the needs and addresses the concerns of processors. In particular, Canadian commercial beef will need to recognize and address customers concerns regarding:

- Product consistency (i.e., quality, lean content, size),
- Microbial contamination risk / plate count,
- Specific specifications in cut, trim and packaging,
- Maintenance of import quotas,
- Diversity of supply,
- Consistency of supply, and
- Forward price predictability.

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## OVERVIEW OF THE MARKET FOR CATTLE GENETICS

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The cattle genetics market encompasses three main products:

1. Live breeding cattle (generally purebred)

2. Beef cattle embryos
3. Bull semen

Prior to the BSE events of 2003, all types of Canadian beef cattle genetics products were sold to virtually every country with domestic beef cattle production. As a leading beef producing nation, Canada was also a significant exporter of cattle genetics products.

In 2003, market access for live breeding cattle was dramatically constrained and remains highly restricted today, although market access for embryo and semen products has been less impacted.

Despite these constraints, Canadian beef cattle genetics are exported to dozens of countries across the globe, with a particular focus on U.S., South American and European markets. In these markets, Canadian products compete with genetics products from all the major beef producing nations, including the U.S., Australia, New Zealand, and EU.

These global sales provide the genetics industry sufficient revenues to fund research which enhances the genetic quality of Canadian beef cattle – a benefit to the whole industry.

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## **IMPLICATIONS**

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The international beef and cattle genetics industries are highly competitive, with competitors from a number of major beef producing nations investing substantially to compete aggressively for a share of the global market.

In this context, the Canadian industry will need to be well aligned behind a clear, demonstrable market position to achieve success. The following sections of the CCMDC's Strategic Marketing Plan provide the CCMDC's view of the market positioning and approach that will create the most sustainable value for the Canadian industry.



### 3 CANADIAN INDUSTRY STRATEGY

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The CCMDC's success requires it to be well aligned with the broader beef and cattle genetics industry in its marketing strategy and efforts.

This alignment can be best achieved through a common view, shared by all members of the value chain, of the Industry Vision and the Industry's Goals for the future. Only through such a shared understanding, and the alignment and coordination that comes out of it, can the Canadian industry itself achieve long-term, sustainable success.

The CCMDC, drawing from consultations and discussions with industry stakeholders, has developed recommendations for a shared industry vision, goals and targets. The CCMDC's marketing strategy, which follows this section, draws upon these recommendations to develop a strategy tailored to CCMDC's specific mandate.

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#### INDUSTRY VISION

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Key stakeholders throughout the Canadian beef industry have a clear vision, which reflects their respective roles within the industry. However, the industry lacks a comprehensive vision encompassing production through processing.

The CCMDC recommends that the Canadian beef and cattle genetics industry, through the Beef Value Chain Round Table, consider the development of an Industry Vision, covering all major elements of the Canadian beef value chain. This single Vision would define the overall direction and priorities for the industry to enhance its competitiveness and sustainability.

The CCMDC recommends that this Vision be built from the foundation of existing visions articulated by key stakeholders, including the Canadian Cattlemen's Association. The following additional potential concepts are put forth for consideration in the development of an industry vision:

*Potential Industry  
Vision Concepts*

- **Growth** – achieve significant long-term in the value realized and captured by the Canadian beef and cattle genetics industry
- **Sustainability** – focus on the long-term viability of the industry through strength in all elements of the value chain
- **Differentiation** – enhance and communicate what is different about the Canadian industry and Canadian products and how they are uniquely positioned relative to competing products

- ***Coordination and Alignment*** – define a shared vision for the industry, with effective communication and information flow across the value chain

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## INDUSTRY GOALS

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Goals communicate the industry's long-term areas of focus. The CCMDC has identified nine potential industry goals for consideration by the industry.

1. Maximize the total value realized for Canadian beef and cattle genetics industry through optimization of genetics products values, carcass values and live cattle values.
2. Achieve growth in traditional, existing, new and emerging markets for Canadian beef and genetics products.
3. Achieve resilience in light of potential future industry events through expanded and / or more secure market access, and greater market diversification.
4. Build awareness for a Canadian beef identity / brand built on the benefits defined by a strong and clear value proposition.
5. Align and leverage the benefits of Canadian cattle genetics products to strengthen the Canadian beef brand and vice versa.
6. Continue to implement the necessary industry changes and improvements to be able to deliver on a clear, differentiated value proposition.
7. Enhance coordination and alignment across all stakeholders in the Canadian beef industry.
8. Maximize the amount of Canadian cattle processed in Canada, and eliminate dependence on non-breeding live cattle exports.
9. Achieve long-term commitment to pursue and support the Canadian beef and cattle genetics industry's key points of differentiation.
10. Enhance the overall image of the Canadian beef and cattle genetics industry.

## 4 DESIRED CANADIAN MARKET POSITIONING

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Sustainable success in domestic and international markets for all aspects of the Canadian beef and cattle genetics industry will require the industry to have:

- Expanded, secure access to a diverse portfolio of international markets for all products.
- Products that are clearly differentiated from competing products, providing unique, significant benefits.

Expanded and secure access allows the industry to maximize the value it receives for its beef and cattle genetics products, and provides some mitigation against the risk of market constraints in individual markets on the basis of future events.

Clearly differentiated products will enable Canada to offer tangible, unique benefits to its customers. These unique benefits will create value for the Canadian industry in the form of more secure sales, and higher product values.

It is essential to continue to integrate strategies with exporters and importers of Canadian beef and purchasers of Canadian cattle. CCMDC will continue to leverage both the staff and financial resources of our supply-chain partners to impact existing and potential customers.

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### DESIRED MARKET POSITIONING

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For the Canadian industry, these two objectives will be best achieved through a focus on implementing significant and demonstrable animal production, health and beef safety changes throughout the value chain, including quality assurance and HACCP-based programs, and source and age verification. These real and substantive changes across the value chain will enable the Canadian industry to be recognized first and foremost as a leader in animal production health and beef safety.

Through these industry and market driven changes, the Canadian industry will be not only securing access to markets through demonstrable beef safety, but will also be creating a competitive advantage relative to competing beef products in an area that is expected, over time, to become increasingly important to customers and consumers of beef products.

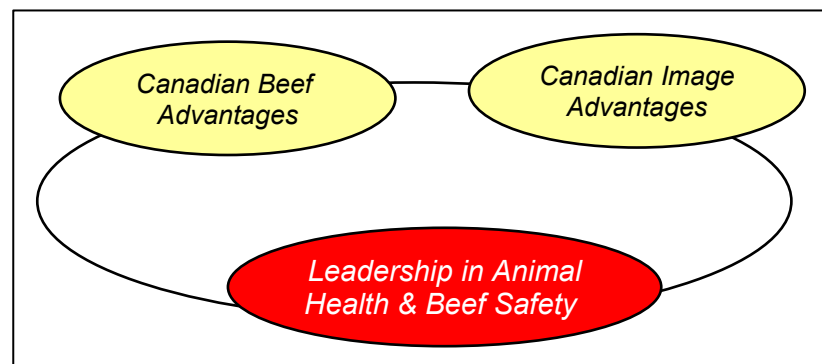
Currently, Canadian beef products are able to leverage a range of very specific attributes, with appeal to selected market segments. These attributes include, among other things, higher yield than competing products, a more precise grading system improving consistency, high levels of service in terms of conformance to specifications, and high tenderness (as a result of an exclusively

Bos Taurus herd). In addition, the Canadian beef industry benefits from the Canadian image of integrity, fairness and a pristine environment.

By establishing itself as a leader in animal production, health and beef safety, the Canadian industry would be building a sustainable foundation upon which these existing product benefits will be further strengthened. Customers of Canadian products will have full confidence in the beef and cattle genetics products they purchase, knowing that the Canadian industry has chosen to implement among the most comprehensive and rigorous safety systems. Long-term success will require the Canadian beef industry to maintain and build on its strong position in these other attributes, in addition to its core investments in animal production, health and beef safety.

As shown in Figure 3-1 below, the combination of leadership in animal production, health and beef safety, the beneficial image of Canada and Canadian producers, and the specific advantages of Canadian beef products and service, creates a compelling and distinct value to customers, and a competitive advantage for the Canadian industry.

**Figure 3-1: Overview of Desired Market Positioning**



### **BENEFIT TO MARKET ACCESS**

*A transparent, reliable system that maintains full customer confidence in the safety of the product.*

Few producing nations remain untouched by key animal diseases, such as BSE and FMD.

All beef producing nations are expected to experience animal health related events (e.g., BSE or FMD outbreaks), and face increasingly stringent animal production, health and food safety requirements. In the future, it is expected that market access will not be based on the presence of animal health issues (as it largely is today), but on the industry's ability to isolate animal health issues and ensure the safety and security of the food supply and genetics products.

Only those nations that are able to provide markets with full confidence in safety of their beef and cattle genetics products will be able to achieve and maintain market access. This will require greater flexibility on the part of the industry in meeting the regulatory requirements of importing nations, and higher standards of processes and systems throughout the value chain.

*Canada's current market access challenges*

The Canadian industry continues to face highly constrained market access, following the discovery of BSE in the Canadian herd in 2003.

While the most recent case of BSE has not impacted the access the Canadian industry has been able to re-establish over the last several years, it is likely to have increased the challenge in expanding Canada's access beyond current levels.

Canada's ability to regain market access across the full breadth of products will be facilitated by continuous improvement of fully transparent, comprehensive, trusted and reliable animal production, health and beef safety systems across the value chain.

*Canada's current position in animal production, health and beef safety*

The Canadian industry has taken some significant steps towards leadership in animal production, health and beef safety.

The industry and government response to BSE events have been among the best in the world, in terms of integrity, transparency and comprehensiveness.

Through the "Quality Starts Here" program and its components, such as the HACCP-based on-farm food safety program, "Verified Beef Production", the Canadian industry is establishing the tools to be recognized for its animal production, health and beef safety. In addition, implementation of the Canadian Cattle Identification Program is providing the tools to enable enhanced traceability, with the subsequent potential for source verification. These tools offer a solid foundation for the industry to continue to enhance and build upon as it strives to become known for its animal production, health and beef safety standards.

*Implications for the Future*

A focus on animal production, health and beef safety will require a significant commitment from the Canadian beef industry, particularly in terms of implementing cross-industry systems and processes. However, these investments will act to ensure that all customers of the Canadian beef and cattle genetics industry will have full confidence in the safety of our products. This confidence, built from a recognition that Canada is among the leaders in animal production, health and beef safety, will provide the opportunity for the Canadian industry to establish more expanded and secure access to key markets.

## INTERNATIONAL COMPETITION

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Canadian beef and cattle genetics products are facing significant competition from other international beef and cattle genetics suppliers.

### *Grain-Fed Competition*

Canada's primary competition in grain-fed export markets comes from the U.S. and Australia. Long-term success against these competitors, and potential emerging grain-fed competition from South America, requires that the Canadian beef industry be uniquely positioned against these other producers.

The Canadian industry has a number of unique advantages, particularly relative to U.S. and South American industries, in its ability to implement fully transparent animal production, health and beef safety systems across the full value chain. These advantages build upon the specific product (yield, tenderness, consistency) and service (conformance) advantages of the Canadian product and Canadian industry.

By building on this advantage, the Canadian industry will develop a platform to clearly differentiate its products in target markets, and to offer unique benefits to its customers.

### *Commercial Beef Competition*

Competition in the commercial beef market has traditionally been driven by price, consistency and processing attributes. In this context, Canadian commercial beef, particularly with Canada's unique D1 and D2 grades, has been a highly competitive for many applications. These specific attributes are expected to remain an important consideration for commercial beef customers in the future, and Canadian commercial beef will need to remain competitive in these areas.

However, commercial beef customers are highly sensitive to food safety issues. The potential for future additional animal health events and for increasing food safety concerns will increase the relative emphasis on animal production, health and beef safety as a key factor in the minds of commercial beef customers.

Over time, a platform of animal production, health and beef safety, augmented by the presence of desired price, consistency and processing attributes, may become a key driver of success in this marketplace.

### *Genetics Competition*

The continued enhancement of a comprehensive and transparent source verification system as part of animal production, health and beef safety positioning, will create substantial value for the Canadian cattle genetics industry. This system will provide a detailed and complete database of information on key animal characteristics that will help support and guide genetics research

and development efforts.

In turn, the beef industry's animal production, health and beef safety positioning can be substantially enhanced through the coordinated and targeted efforts to become a leader in improved animal health through genetics research.

As a result, the full implementation of an animal production, health and beef safety positioning will create reciprocal benefits for the beef and cattle genetics and allow each to contribute directly to the success of the other.

### **POSITIONING FOR THE FUTURE**

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A foundation on animal production, health and beef safety will only become more important over time. Consumers across the globe are becoming increasingly sensitive to connections between quality food, animal health, nutrition and human health. By establishing itself as a leader in this area, the Canadian industry would be positioning itself as uniquely able to address this growing customer need, and would be setting the stage for long-term industry success.



## 5 CCMDC GOALS AND PERFORMANCE MEASUREMENT

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### CCMDC GOALS

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CCMDC's goals are its long-term areas of focus, given its mandate as defined by the CCA and the funding agreements.

#### *Industry Goals within CCMDC's Mandate*

1. Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics products values, carcass values, and live cattle values.
2. Achieve growth in traditional, existing, new and emerging markets for Canadian beef and genetics products.
3. Achieve resilience in light of potential future industry events through expanded and / or more secure market access, and greater market diversification.
4. Build awareness for a Canadian beef identity / brand built on the benefits defined by a strong and clear value proposition.
5. Leverage the benefits of Canadian cattle genetics products to strengthen the Canadian beef brand and vice versa.

#### *CCMDC Specific Goals*

6. Achieve lasting, ongoing (industry) commitment to the value proposition.
7. Realize long term and sustainable market impact.
8. Foster innovative and effective approaches to delivering on the value proposition and to market development.
9. Enhance industry efforts and investments through measurement of impact and performance.
10. Create a commitment to successful and effective initiatives through demonstration of impact and success.

### PERFORMANCE MEASUREMENT

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The CCMDC will be measuring its overall performance and the success of the industry by monitoring two categories of indicators:

- **Market Indicators** – Broad measures of the industry's success in realizing the Industry Vision and the long-term Industry Goals. Market Indicators focus on market impacts. These measures are influenced by the CCMDC, but not under the CCMDC's direct control.
- **CCMDC Performance Indicators** – Specific measures that will be used to directly gauge the impact of CCMDC efforts and investments and the status and success of CCMDC funded initiatives. These measures are closely related to the CCMDC's activities and are more directly impacted by the CCMDC.

Many of these measures will be monitored on the basis of trends, rather than comparison to baseline values. However, for some metrics, it may be necessary and appropriate for specific targets to be established.

## **MARKET INDICATORS**

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1. Volume and value of Canadian beef exports (total and by target market)
2. Volume and value of Canadian commercial beef sales
3. Volume and value of Canadian cattle genetics product sales (total and by target market)
4. Export market shares of total Canadian exports
5. Canadian share (penetration) of target markets and market segments
6. In-market price differential between Canadian and competing (U.S. and Australian) beef products (for each target market)
7. Basis and prices for live Canadian cattle
8. Domestic slaughter rate (fed and non-fed)
9. Exports of live cattle

Specific details about the component indicators associated with each of these Market Indicators, the source of data and the frequency of reporting is included in *Appendix A Performance Indicator Worksheets*.

## **CCMDC PERFORMANCE INDICATORS**

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### *Measures of CCMDC Impact*

1. Customer awareness and understanding of Canadian beef value proposition.
2. Size of market influenced by the value proposition (and change in size of this segment over time)
3. New markets and customers created and maintained by funded initiatives
4. Canadian industry support for / buy-in to the value proposition (measured by Canadian industry investment in implementing the value proposition across the Canadian value chain).
5. Industry funding leverage provided to funded initiatives

### *Funded Initiatives Status and Success*

6. Level of completion of funded initiatives
7. Objective and benefit realization
8. Efficiency of CCMDC investments (incremental sales

revenue per dollar invested in promotion)

Specific details about the component indicators associated with each of these CCMDC Performance Indicators, the source of data and the frequency of reporting is included in Appendix A *Performance Indicator Worksheets*.

In addition to these indicators that measure CCMDC impact and performance, CCMDC will conduct reviews of this strategic marketing plan periodically. These reviews will involve the gathering of relevant market information to support strategic marketing plan decision-making. The type of information gathered for these reviews will include:

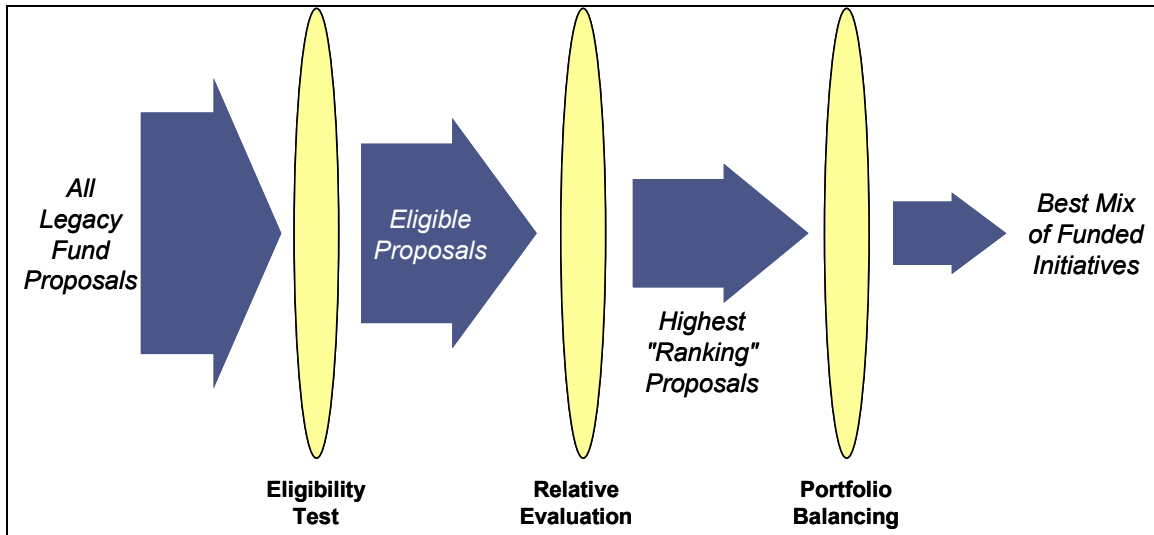
- Global market profiles (e.g. summary of beef production, consumption, exports and imports by market)
- Target market profiles (e.g. production, consumption, imports)
- Beef export nation profiles (e.g. production and export volume and value by destination markets and product type)
- Canadian industry stakeholder views about the CMDC and its direction and priorities.



## 6 PROPOSAL EVALUATION CRITERIA

All proposals received by the CCMDC will be evaluated and selected through a three step process, illustrated in Figure 5-1 below.

**Figure 5-1: Proposal Screening, Evaluation and Selection Process**



### *Eligibility Test*

All funding proposals are subject to the eligibility criteria defined by the funding agreements between the Governments of Canada and Alberta and the Canadian Cattlemen's Association.

The CCMDC will determine if a proposal is eligible, and if it is not eligible, the proposing individual or organization will be so advised.

Eligible activities include (but are not limited to):

- Development and implementation of product promotion, advertising, marketing campaigns, seminars and training programs.
- Support to incoming and outgoing trade missions.
- Participation in trade shows.
- Support to the regulatory authorities of foreign countries for the purpose of official visits to Canada to review the safety and quality of Canadian beef.
- Completion of market research.
- Activities related to the development and marketing of new products.
- Product development, research and marketing measures to assist producers and processors to:
  - Enhance their capability to differentiate beef and beef products to develop customer loyalty in export markets.
  - Increase value for Commercial Beef.

While the Government of Canada funds may be used for both domestic and commercial beef and export activities, the Government of Alberta funds may only be used for export-related initiatives.

*Relative Evaluation*

All eligible proposals will be evaluated on the basis of a consistent set of criteria that assess:

1. **Alignment** of the proposed initiative with the CCMDC's marketing strategy and goals.
2. **Expected benefit** or value created by the initiative for the Canadian beef and cattle genetics industry.
3. **Investment** required to achieve that benefit or value.
4. Level of **risk** associated with realizing and sustaining the expected benefits.
5. **Other impacts** of the initiative

The specific criteria that will be used are discussed later in this section.

Through this evaluation, proposals will be assessed relative to each other, and those proposals that rate highest will be identified.

*Portfolio Balancing*

As a final step in selecting initiatives for funding, the CCMDC will review the highest potential initiatives to ensure that there is an appropriate balance of funded initiatives across various factors, including:

- Products (export beef, commercial beef and cattle genetics)
- Geographies (e.g., Canada (commercial beef only), U.S., Mexico, Japan, China, Korea, etc.)
- Risk (e.g., innovative higher risk approaches vs. known, existing approaches)

## **EVALUATION CRITERIA**

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Evaluation criteria, to be used in the second step of the screening, evaluation and selection process, are described below:

*Alignment*

- Contribution to achievement of desired market positioning.
- Alignment with CCMDC goals
- Focus on long-term (rather than short-term) benefit to the industry
- Leverage of (industry) innovation and / or innovation in the delivery of the market positioning
- Contribution to industry risk mitigation (e.g., through market

diversification)

*Expected Benefit*

- Clarity and measurability of expected benefits
- Credibility of initiative and accompanying plan
- Magnitude of expected benefit (i.e., initiative's contribution to industry positioning, industry knowledge, industry credibility/image or industry sales volume or value)
- Ability to monetize the benefit (i.e., capture and protect the value)
- Timing of expected benefit
- Sustainability of expected benefit

*Investment*

- Degree of industry funding leverage provided
- Total funding requested from the CCMDC

*Risk*

- Presence of factors that either increase or decrease the risk that benefits will be realized as expected
  - E.g., presence of existing relationships, level of market knowledge, stability of market and market structure, relative complexity of market or specific opportunity, level of competitive intensity, expected competitive responses, support from key stakeholders, sufficient and appropriate resources available, etc.
- Dependence upon other initiatives or activities
- Resilience to external change.
- Risk to the industry if the initiative is not undertaken

*Other Impacts*

- Presence of demonstrable benefit to other industry sectors
- Potential impact (positive or negative) on other areas of the industry (e.g., impact on domestic market)
- Synergies with other industry efforts (including opportunities created for other initiatives)



## 7 APPENDIX A: PERFORMANCE INDICATOR WORKSHEETS

### Market Indicators

Market Indicators	Data Source	Reporting Frequency	Comments
1. Volume and value of Canadian beef exports	AAFC/Stats Canada/CFIA  CanFax  AAFC/CBEF Stats Canada  Stats Canada/GIRA/ USDA	Quarterly /Annual	<ul style="list-style-type: none"> <li>- Volume and value of Canadian beef exports               <ul style="list-style-type: none"> <li>o Total</li> <li>o By target market</li> </ul> </li> <li>- Proportion of total CDN production exported               <ul style="list-style-type: none"> <li>o Total</li> <li>o By target market</li> </ul> </li> <li>- Volume and value of exports by product type and destination market               <ul style="list-style-type: none"> <li>o Cuts vs. Offals</li> <li>o Chilled vs. Frozen</li> <li>o Boneless vs. Bone-in</li> </ul> </li> <li>- Comparison over time of Canada vs. U.S. exports (volume &amp; value of cuts &amp; offals)               <ul style="list-style-type: none"> <li>o Total</li> <li>o By target market</li> </ul> </li> </ul>
2. Volume and value of Canadian commercial beef sales	CanFax/CBGA  CanFax CanFax	Quarterly  Quarterly Quarterly	<ul style="list-style-type: none"> <li>- Cow and bull supply               <ul style="list-style-type: none"> <li>o Slaughter and export</li> </ul> </li> <li>- Boneless beef prices               <ul style="list-style-type: none"> <li>o Domestic</li> <li>o Australia/NZ</li> <li>o S. American</li> </ul> </li> <li>- Domestic OTM beef utilization (border closed – available)</li> </ul>

Market Indicators	Data Source	Reporting Frequency	Comments
	CanFax	Quarterly	<ul style="list-style-type: none"> <li>○ Market share of total commercial beef market</li> </ul>
	AAFC/Stats Can	Quarterly	<ul style="list-style-type: none"> <li>- Imports of beef from Non-NAFTA countries               <ul style="list-style-type: none"> <li>○ Total &amp; by country</li> <li>○ Proportion of imports by cuts and grinds</li> </ul> </li> </ul>
	DFAIT	Annual	
3. Volume and value of Canadian cattle genetics product sales (total and by target market)	AAFC	Annual	<ul style="list-style-type: none"> <li>- Total Value &amp; Volume (Embryos &amp; Semen)               <ul style="list-style-type: none"> <li>○ Trading Provinces</li> <li>○ Quarterly Shipments</li> </ul> </li> <li>- Value &amp; Volume by Target Market<sup>1</sup> (Embryos &amp; Semen)</li> <li>- Exports of Purebred Cattle to the U.S.</li> </ul>
	Uncertain		<ul style="list-style-type: none"> <li>- Exports of Purebred Cattle by Target Market</li> </ul>
4. Export markets as a % of total exports	AAFC/Stats Canada/CFIA		<ul style="list-style-type: none"> <li>- % share of total Canadian exports (by target market)               <ul style="list-style-type: none"> <li>○ Value</li> <li>○ Volume</li> </ul> </li> </ul>
5. Canadian share (penetration) of target markets and market segments	CanFax/GIRA/AAFC	Annual	<ul style="list-style-type: none"> <li>- Imports (Total Volume and Value)               <ul style="list-style-type: none"> <li>○ Canadian share (penetration) of the targeted markets and market segments</li> <li>○ Market share – domestic production &amp; imports (total &amp; by country)</li> </ul> </li> </ul>
6. In-market price differential between	Packer/Dist. Survey	Annual	<ul style="list-style-type: none"> <li>- Price, quality, and attribute differentials by target market (e.g. value chart)</li> </ul>

<sup>1</sup> Target markets to be defined relative to beef product target markets

Market Indicators	Data Source	Reporting Frequency	Comments
Canadian & competing (U.S. and Australian) beef products (for each target market)	CanFax	Quarterly	<ul style="list-style-type: none"> <li>- Canadian Boxed Beef Report               <ul style="list-style-type: none"> <li>o Cut-out values</li> <li>o Primal values</li> <li>o Cut values &amp; load counts</li> </ul> </li> <li>- Canadian Cut-out Values compared to the U.S. Cut-out Values</li> </ul>
7. Basis and prices for live Canadian cattle	CanFax	Quarterly	<ul style="list-style-type: none"> <li>- Fed &amp; feeder cattle prices               <ul style="list-style-type: none"> <li>o By province (Alberta &amp; Ontario)</li> </ul> </li> <li>- Cull cow prices</li> <li>- Fed CDN/U.S. Cash Basis</li> <li>- Non-fed CDN/U.S. Cash Basis</li> </ul>
8. Domestic slaughter rate (fed & non-fed)	CanFax/CBGA/ Statistics Canada	Quarterly/ Annual	<ul style="list-style-type: none"> <li>- Canadian Slaughter Capacity (Fed &amp; Non-Fed)</li> <li>- Utilization of Slaughter Capacity (Fed &amp; Non-Fed)</li> <li>- Disposition of Canadian beef (production, domestic consumption, exports)</li> </ul>
9. Exports of live cattle	AAFC	Quarterly	<ul style="list-style-type: none"> <li>- Fed cattle exports to the U.S.</li> <li>- Feeder cattle exports to the U.S.</li> <li>- Non-fed cattle exports to the U.S.</li> </ul>

## CCMDC Performance Indicators Worksheet

CCMDC Performance Indicator	Data Source	Reporting Frequency	Comments
1. Customer awareness and understanding of Canadian beef value proposition	Applicant's Customer assessment	Bi-annual	<p>Requires the major Applicants (CBEF, BIC and CBBC) to conduct a standardized assessment with customers in their target markets.</p> <ul style="list-style-type: none"> <li>• Typical questions to include:               <ol style="list-style-type: none"> <li>i. Awareness and understanding of the beef value proposition                   <ul style="list-style-type: none"> <li>• Perceptions of how Canadian beef differs from other sources and to what extent these differences relate to the value proposition, i.e. traceability, quality assurance, animal production and health, beef safety?</li> <li>• Knowledge of the Canadian grading system?</li> <li>• Knowledge / awareness of components of Canadian production system that support the value proposition, i.e. traceability, quality assurance, animal production and health, beef safety?</li> </ul> </li> <li>ii. The appeal of the Canadian beef value proposition to customers.                   <ul style="list-style-type: none"> <li>• Top three reasons why customers select Canadian product?</li> <li>• Top three reasons why customers select other than Canadian product?</li> </ul> </li> <li>iii. How Canadian offerings compare to those from the U.S.                   <ul style="list-style-type: none"> <li>• Perceptions of how Canadian product compares to U.S. product; what is the same and what is different?</li> <li>• How does Canadian promotional support compare with U.S. support</li> </ul> </li> <li>iv. How Canadian prices compare with other sources                   <ul style="list-style-type: none"> <li>• Are Canadian product categories perceived to be above, at or below market prices?</li> </ul> </li> </ol> </li> <li>• Assessment to focus on customers and potential customers in the target market as defined in the Applicant's proposal.</li> </ul>
2. Size of market influenced by the value proposition (and change in size of this segment over time)			

CCMDC Performance Indicator	Data Source	Reporting Frequency	Comments
3. New markets and customers created and maintained by funded initiatives	Project progress / completion reports	Annual	<p>Report results achieved in creating new markets / customers as a result of the CCMDC investment.</p> <ul style="list-style-type: none"> <li>• Number of new, sustainable customers acquired (e.g. retailers, distributors, end-users, etc) as a result of the CCMDC funded initiative, where new, sustainable customers are defined as customers where an ongoing relationship and commitment to purchase Canadian product is established. More specifically, new, sustainable customers are defined as: <ul style="list-style-type: none"> <li>• a customer that purchases more than once from the supplier within 12 months of a marketing activity undertaken by the supplier as a result of CCMDC funded project. <ul style="list-style-type: none"> <li>i. A new customer has either not previously purchased from the supplier or has not purchased from the supplier in the past two years</li> </ul> </li> <li>• an existing customer moved to a higher value product or a significantly higher volume of similar value product.</li> <li>• a customer transferred from one Canadian supplier to another Canadian supplier will not be considered a new customer.</li> </ul> </li> </ul>
4. Canadian industry support for / buy-in to the value proposition (i.e. industry investment in value proposition implementation)	CCA/Beef Cattle Research Council/ Quality Starts Here	Annual	<p>Use several proxies to assess Canadian industry support for / investment in capabilities supporting the value proposition. Specific proxy measures are:</p> <ul style="list-style-type: none"> <li>• Number of cattle registered in source / age verification database (CCIA)</li> <li>• Participation in quality assurance programs (QSH)</li> <li>• Allocation of funding to animal health &amp; production research (BCRC/ABP/ALIDF)</li> <li>• Allocation of funding to food safety research (BIC/BCRC)</li> </ul>
5. Industry funding leverage provided to funded initiatives	Proposal applications Applicant completion reports	Annual	<p>Report the projected and actual funds leveraged.</p> <p>Use proposal applications to identify proposed funding leverage. Use project completion report to identify actual funding leverage.</p>

CCMDC Performance Indicator	Data Source	Reporting Frequency	Comments
6. Level of completion of funded initiatives (%)	Applicants' draw down on allocated funding	Annual	Assuming funding dispersed to applicant correlates with the degree of completion of the initiative, then the percentage of funding transferred to the applicant provides an indication of percent completion of the initiative.
7. Objective and benefit realization	Proposal applications and progress reports	Project specific	<p>Requires each Applicant to define in their proposal the objectives of their project, the benefits they plan to deliver to their customers and the mechanism they will use for assessing whether the objectives and benefits have been achieved.</p> <p>Applicant's objectives and benefits will vary by the type of project they undertake. Applicant's objectives and benefits will fall into one or more of the five categories outlined:</p> <ul style="list-style-type: none"> <li>- What incremental volumes have been achieved in target markets as a result of the CCMDC funded initiative?</li> <li>- What incremental revenue (value) has been achieved in target markets as a result of the CCMDC funded initiative?</li> <li>- What new, sustainable customers have been acquired as a result of the CCMDC funded initiative (see previous measure for definition of new customer).</li> <li>- How has awareness and understanding of Canadian beef products and value proposition improved in target markets as a result of the CCMDC funded initiative? <ul style="list-style-type: none"> <li>o Customer awareness and understanding of Canadian beef value proposition</li> <li>o Size of market influenced by the value proposition (and change in size of this segment over time)</li> </ul> </li> <li>- How has Canadian knowledge and understanding of target markets improved as a result of the CCMDC funded initiative?</li> </ul> <p>One additional question for Applicants to respond to but not directly related to CCMDC funding:</p> <ul style="list-style-type: none"> <li>- What new investments has your organization made to help deliver the</li> </ul>

CCMDC Performance Indicator	Data Source	Reporting Frequency	Comments
			<p>Canadian value proposition (not funded by CCMDC)?</p> <p>Applicants will be required to report against the preceding questions both in absolute terms and by a consistent scale that can be applied to the achievement of objectives and benefits across all projects (e.g. a zero to 5 scale where 5 refers to full achievement of all expected benefits / objectives).</p>
8. Efficiency of CCMDC Investments	Proposal applications and progress reports	Quarterly	Calculation of incremental sales revenue per dollar of CCMDC investment in promotion for each target market. This ratio will be used to track the trend in results over time within a market but it will not be used to compare across markets.



## 8 APPENDIX B: OVERALL INDUSTRY TARGETS

Through the Beef Information Centre (BIC), the Canada Beef Export Federation (CBEF) and the Canadian Beef Breeds Council (CBBC), the Canadian beef and cattle genetics industry has established a set of targets for sales volume and value over the near to medium term, summarized in the table below.

### Current CBEF, BIC and CBBC Industry Targets (*Volume in Carcass Weight*)

	2006 Target	2007 Target	2008 Target	2010 Target	2015 Target
<b>Domestic</b>					
Disappearance of Cdn beef (MT)	844,000	839,000	838,000	778,000	744,000
Market Share (% vs. imports)	86	85	84	80	77.5
<b>Commercial Beef</b>					
Disappearance of Canadian Commercial Beef (MT)	177,203	232,000	206,000	n/a	n/a
<b>Beef Exports</b>					
U.S.					
Exports (MT)	492,665	489,678	457,109	n/a	n/a
Exports (\$ bln)	1.95	n/a	n/a	n/a	n/a
Mexico					
Exports (MT)	119,000	138,040	142,800	159,460	178,500
Exports (\$ mln)	n/a	464	n/a	536	600
Japan					
Exports (MT)	29,750	40,460	45,220	57,120	80,920
Exports (\$ mln)	n/a	169	n/a	239	349
Korea					
Exports (MT)	23,800	27,370	33,320	41,650	59,500
Exports (\$ mln)	n/a	106	n/a	162	232
Taiwan					
Exports (MT)	9,520	10,710	11,900	14,280	20,230
Exports (\$ mln)	n/a	47	n/a	63	105
Hong Kong					

	<b>2006 Target</b>	<b>2007 Target</b>	<b>2008 Target</b>	<b>2010 Target</b>	<b>2015 Target</b>
Exports (MT)	17,850	13,090	14,280	15,470	19,040
Exports (\$ mln)	n/a	38	n/a	45	59
China					
Exports (MT)	4,760	9,520	14,280	24,990	46,410
Exports (\$ mln)	n/a	20	n/a	52	98
<b><i>Cattle Genetics</i></b>					
Volume (units)					
Embryos	10,000	15,000	20,000	25,000	50,000
Semen	250,000	275,000	300,000	400,000	500,000
Live Breeding Cattle	0	10,000	20,000	30,000	50,000
Value (\$ 000s)					
Embryos	5,000	7,500	10,000	12,500	25,000
Semen	6,250	6,875	7,500	10,000	12,500
Live Breeding Cattle	0	20,000	50,000	90,000	175,000
<b>TOTAL</b>	<b>11,250</b>	<b>34,375</b>	<b>69,500</b>	<b>112,500</b>	<b>212,500</b>

These industry targets will need to be revisited by the GMAC and the specific marketing organizations (BIC, CBEF and CBBC) on an ongoing basis based on alignment with the value proposition, and that they fully reflect the market context and the Canadian industry's ability to deliver on its Industry Vision and Goals.