Canadian Cattlemen Market Development Council

Marketing Implementation Plan
2009/10

2009/10

CANADIAN BEEF

CANADA BEEF

The Canadian Cattlemen Market Development Council (CCMDC) is a partnership of the Canadian beef cattle industry, the Government of Alberta, and Government of Canada to fund and oversee a 10-year global marketing plan to help the industry recover from BSE.

The vision of the CCMDC is to recover and expand markets for beef and cattle genetics around the world assuring a profitable, sustainable Canadian industry that results in Canadian beef and cattle being recognized as the most outstanding by Canadian and world customers.

CANADIAN BEEF CATTLE CHECKOFF

Government of Alberta

Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada

Canada

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1. CHAIRMAN'S MESSAGE

DAVID ANDREWS
CCMDC CHAIRMAN

On behalf of the Canadian Cattlemen Market Development Council (CCMDC), I am pleased to present the 2009/10 Marketing Implementation Plan for the Canadian Beef and Cattle Market Development Fund. Managed by the CCMDC, this $80 million fund invested by the Governments of Canada and Alberta supports market development and promotion initiatives for the Canadian beef cattle and genetics industry. The planning for this document began last September and as we know the targets and challenges for the beef industry continue to shift rapidly. The Beef Information Centre, the Canada Beef Export Federation and the Canadian Beef Breeds Council, as much as is possible, have taken into account the concerns around both the deterioration of the global economy and the advent of country of origin labelling in the U.S. These issues combined with the slow but encouraging signs of easing market access will make it necessary for us to be able to adapt within the plan to be as responsive as possible as we progress through the year.

In the fall of 2008 the Global Market Advisory Committee, under direction from the CCMDC, initiated meetings and a workshop with fund recipients (BIC, CBEF and CBBC) and with a broad range of industry stakeholders across the value chain seeking input into the development of this 2009/10 Marketing Implementation Plan. The need to align the marketing strategies and outcomes with the long-term goals and performance measures put forward in the 2006 CCMDC Strategic Marketing Plan was emphasized and resulted in a coordinated plan that focuses on three key priority areas:

1. Building awareness of the Canadian beef brand and the Canadian Beef Advantage (CBA).
2. Expanding market share within key markets and market segments.
3. Maximizing the total value realized by the industry through the optimization of carcass values.

The 2009/10 plan continues to build on the value proposition of "Leadership in Animal Health and Beef Safety" identified in our Strategic Plan. We are building on the Canadian Beef Advantage and the value chain information-sharing components that will enable it. We have also identified the basic promises around the new Canadian beef brand that is intended to become the visual identity for the CBA. The strategy is to clearly differentiate Canadian beef and cattle genetics resulting in increased demand for Canadian products. The plan also identifies opportunities to optimize carcass cut-out values by looking for opportunities throughout the domestic and export market complex.

In May 2003 the Canadian industry was poised to enjoy profitability as increased world demand and reduced supply indicated good times ahead. BSE robbed us of that opportunity. Today, it is ironic that while CanFax tells us that reduced cattle numbers in North America and drought in Australia indicate a short beef supply, this global financial crisis may result in lower demand for beef and the opportunity may be eroded once again. These are reflections of forces we cannot control. The CCMDC assures both the producer and government fund providers for our market development and promotion plans that the industry is well positioned to profit as market access resolves itself and customer demand for our products increases.

I would like to thank the Council members for their ongoing engagement and support to the CCMDC. I want to particularly thank the industry stakeholders from across the value chain for their commitment of time and energy to this process. This commitment to the process validates all our efforts and makes me confident that the Canadian Beef Advantage concept will succeed in putting Canadian beef and cattle genetics at the forefront in domestic and world markets.

2. EXECUTIVE SUMMARY

This document is the 2009/10 Marketing Implementation Plan for the Canadian Cattlemen Market Development Council (CCMDC) – the entity established to oversee allocation of the Canadian Beef and Cattle Market Development Fund. This fund, also known as the Legacy Fund, is comprised of $50 million invested by the Government of Canada, $30 million by Alberta government, and matched national and provincial check-off funds for a total investment of $170 million over a 10-year period 2005-2015. The Legacy Fund was established to recover and expand markets around the world for Canadian beef and cattle genetics.

The CCMDC is tasked with and remains committed to coordinating effective marketing programs between organizations with differing mandates and structures, and therefore industry input into plan development was widely sought. Under the direction of the Global Marketing Advisory Council, meetings with fund recipients *Beef Information Centre (BIC), Canada Beef Export Federation (CBEF) and Canadian Beef Breeds Council (CBBC);* funders (*Alberta and federal governments*); and industry stakeholders across the value chain (*producers, packers, processors*), provided a forum for valuable discussion and recommendations around domestic and international marketing opportunities. Stakeholders representing the genetics industry were engaged to assist with the strategies specific to marketing of beef genetics.

This fourth CCMDC plan, commencing July 1, 2009, is aligned with the long-term goals and performance measures put forward in the 2006 CCMDC Strategic Marketing Plan. The CCMDC priority goals identified across all markets in this plan include:

- *Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition*
- *Achieve growth in traditional, existing, new and emerging markets for Canadian beef or Canadian genetics products*
- *Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values or genetics and live cattle values*

Additional goals identified under the marketing strategies include:

- *Achieve resilience in light of potential future industry events through expanded and / or more secure market access, and greater market diversification*
- *Create a commitment to successful and effective initiatives through demonstration of impact and success*
- *Leverage the benefits of Canadian cattle genetics products to strengthen the Canadian beef brand and vice versa*

Marketing program **evaluation and reporting were given careful consideration** in developing this plan as the CCMDC is responsive to both industry and government regarding the use and value derived from their investment. Measurement of results directly linked to the investments can be difficult as changes in volume and value of beef products can be impacted by external market dynamics and overall benefits are often apparent in the longer term. The outcome-based evaluation framework of this plan centers on marketing targets and indicators, overarching market measures, and performance measures aligned with specific goals. **Expected market specific outcomes are identified for each of the priority goals** with the intent that realized outcomes will be evaluated against expected outcomes to determine progress made and to assist in identifying core areas of focus moving forward.

The plan includes BIC administered marketing programs for beef and beef products in Canada (commercial beef only) and U.S.; CBEF administered programs in international markets including Mexico, China, Japan, Taiwan, South Korea as well as other countries such as Russia and the European Union; and CBBC administered programs for Canadian cattle genetics.

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Further to the CCMDC's recommendation to review the funding guidelines under the Alberta-based supplementary market development initiatives, a review is underway to re-evaluate and revise the framework of the current structure to encourage export market development of Alberta further value-added beef products. Revisions to address the Alberta Livestock and Meat Agency (ALMA) strategic priorities and principles as a requirement of the proposal to be funded, as well as the opportunity to involve outside enterprises and/or businesses that promote the livestock industry to benefit from the fund, are being assessed.

Canadian Beef Advantage

This plan **builds on the value proposition and the *Canadian Beef Advantage* (CBA)** identified in the Strategic Plan, with domestic and international marketing programs incorporating the overarching CBA attributes and Canadian beef brand identity that were created during the past year. The value proposition, supported by several differentiating attributes relating to animal production, profitability, health and beef safety, quality, and nutrition, creates distinct value to customers, and a competitive advantage for the Canadian industry. The integration of the CBA strategy with value chain partners to ensure their buy-in, leverage resources and maximize market development opportunities remains an essential component of this plan.

As the focus turns to educating industry players on the CBA, one key component of the Canadian Beef Advantage strategy is the enhanced information exchange system called the Beef InfoXchange System (BIXS). The BIXS will be used to encourage stakeholders to share information between each sector of the beef value chain. This will lead to those same stakeholders embracing the CBA and its role in developing an auditable and credible brand promise, adding value to Canadian beef. Throughout 2009/10 and where specific opportunities exist such as with brand value chain alliances, communications and liaison efforts will focus on what the CBA strategy offers to the Canadian cow-calf, purebred and feedlot sectors.

The plan also identifies opportunities to optimize carcass cut-out values within domestic and international markets. BIC and CBEF will collectively identify priority cuts, target markets, market segments, and develop and implement strategies that optimize cut-out values.

Market Outlook

The Canadian beef industry has faced a number of challenges and financial losses over the last five years due to market access limitations; volatile currency, energy and feed prices; labour shortages and unpredictable commodity markets. However in 2008, the Canadian beef industry experienced some relief with the declining dollar, lower production costs and progress with trade negotiations. Moving into 2009, cattle and beef prices will continue to be challenged by lower cut-out values due to economic downturn, large competitive meat supplies and country of origin labelling. Reduced consumer purchasing power will negatively impact the demand for high value middle meats that contribute the greatest value to the carcass. Demand for trim is expected to be strong, as consumers switch to less expensive options when eating out and cooking at home.

While non-fed beef production is expected to remain constant in 2009, fed beef production is expected to decrease three per cent. However with the expectation that a larger proportion of fed cattle will be processed domestically, reducing fed cattle exports, combined with larger carcass weights, domestic fed beef supplies are expected to remain relatively steady to slightly lower. Considering steady Canadian beef production in 2009, reduced fed cattle exports, a depreciated Canadian dollar and anticipated improvements in market access, opportunities exist to grow the Canadian beef and genetics export market.

Marketing Strategies

The Canadian Beef Breeds Council, as the overarching body, guides and supports its members, including breed associations, to develop **genetics** strategic marketing plans based on the suitability of breeds in international

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markets. Marketing activities promoting Canadian purebred beef cattle genetics include inbound and outbound missions, study tours, attendance at trade shows and international forums, technical support through education and training, as well production of print and electronic material. The CBBC provides information and tools to enhance member knowledge and skills which support future sales opportunities through increased knowledge and competence among customers. Through CBBC support, the Canadian Beef Advantage messaging will be utilized by potentially the 19 breed association members of the CBBC and several thousand producer members.

CBBC priority international markets throughout 2009/10 include the European Union, Mexico, Russia, Kazakhstan, the United States and China. Secondary priorities include Brazil, Colombia, Venezuela, Uruguay, the Philippines, Thailand, Vietnam and Indonesia, among others. Expected outcomes include increased sales of breeding cattle to Mexico and the U.S., as well as ongoing shipments to Russia and initial sales to Kazakhstan. The World Angus Forum, a major international marketing event promoting Angus purebred genetics to be held in Calgary in 2009, will support CBBC marketing initiatives to increase the profile of Canadian beef cattle genetics in diverse and targeted markets. A substantial increase in genetic product sales is expected from this event.

The **domestic market** is the largest and most stable for Canadian beef, accounting for 63 per cent of Canadian beef production in 2008. Programs directed towards the domestic fed beef market are ineligible for legacy funds however the domestic market remains a major component of the global marketing strategy. The domestic fed beef marketing initiatives undertaken by the BIC directly complement and support commercial beef and U.S. programs, making these three programs highly integrated. Domestic marketing programs in 2009/10 focus on the priority CCMDC goals. Awareness of the Canadian Beef Advantage attributes and the Canadian beef brand with trade partners and consumers will increase with the support of BIC programs - all featuring the CBA.

Beef marketing programs for Canadian **commercial beef** include products from cull cows and bulls. BIC programs feature the CBA brand messaging and logo and target the retail, foodservice and food processing sectors through educational seminars, trade show participation and print and electronic technical resources. A CBA tool kit will be developed and distributed to all key decision-makers in trade, influencing them to incorporate CBA messaging into their day to day business dealings and ultimately increase Canadian beef purchases.

The BIC will support retailers across Canada with training seminars and technical resources to develop value-added convenience commercial beef products such as deli, home meal replacements and frozen segments. At foodservice, the BIC will promote beef marketing programs nationwide, and will strategically align with the largest quick service restaurant users of commercial beef to maintain their preference and focus on Canadian beef in their burger formulation. Value-added product development for new convenience-based products will also be facilitated through research. Consumer resources designed to motivate fresh beef purchase in-home will be developed. Supported by research, BIC activities and strategic alliances are expected to increase annual beef eatings to 81.5 per capita, a five per cent increase over 2008.

A multimedia campaign including print, radio, out-of-home mediums plus a web component will carry the single minded message “Canadian beef is good for you”. Brand awareness and attitudes towards the healthfulness of beef with consumers and key influencers are expected to improve, shifting light beef eaters from 69 per cent to 65 per cent by 2011. The BIC will work to maintain consumer confidence at 85 per cent through representation and collaboration with government, academia, national organizations, key health and food safety influencers and media.

U.S. marketing programs will focus on expanding ethnic market opportunities. Canadian beef represents three per cent of total U.S. supply, with strong potential for growth. Although the entire impact of country of origin labelling on beef exports is unknown, a significant consumer market opportunity exists with heavy beef eating Hispanics and Latinos, representing 15 per cent of the U.S. population. The CBA messaging and identity will be highlighted through trade shows, association events, CBA perception survey, print trade ads and a targeted

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campaign for Hispanic markets. BIC programs will be supported with customized education and marketing resources featuring CBA messaging and Canadian beef logo, developed to increase market share and create a unique brand identity for Canadian beef in key markets and segments. Trade awareness and comprehension of CBA attributes with BIC's marketing partners in the U.S. and Canada will increase or be maintained at a minimum of 85 per cent.

To mitigate the impact of country of origin labelling (COOL) – seminars, trade shows and technical resources will address COOL compliance utilizing Canadian beef and develop opportunities to include Canadian branded programs in the product mix. Through enhanced awareness of the Canadian Beef Advantage and its attributes, a more diversified market reach, alleviating COOL concerns, and maintaining the Beef Information Centre as a credible resource, BIC's Partner Programs are expected to utilize 3,500 tonnes of Canadian beef, a 49 per cent increase over 2008.

CBEF programs across **Mexico, China, Japan, Taiwan, South Korea and other international markets**, are supported by newly developed point-of-sale materials and technical resources that prominently display the CBA messaging and logo in an effort to increase the awareness and comprehension of CBA attributes with partners and clients. The materials will be widely circulated through seminars, VIP missions, trade shows and printed resources including newsletters to build business for Canadian beef. To allow CBEF to fully support sales activities with CBA messaging across various markets, CBEF will also encourage retailers to segregate Canadian beef and dedicate shelf space to Canadian product. A newly launched consumer website will target market specific consumers across all markets with recipes, cooking information and Canadian beef facts, increasing awareness of the Canadian beef brand.

The **Mexico** market is open to all beef and offal from animals under 30 months and to offal from animals over 30 months. In Mexico, Canadian beef quality is considered comparable to the U.S., therefore CBEF positions Canadian beef as a "premium quality" product to partners representing high-end retail and foodservice sectors. CBEF will raise the level of participation at major retail, foodservice and industry shows, and will also target select, high-end foodservice operations in Cancun, Vallarta and possibly Los Cabos. Participation will seek to maintain sales with existing clients and develop new sales opportunities for middle cuts and branded programs with trade partners.

The **Hong Kong** market is open to boneless beef from animals under 30 months and select bone-in products. The **Macau** market is open to all beef products regardless of age and the **China** market is closed to Canadian beef. As all major importers and distributors in Hong Kong have networks in mainland China, the ongoing relationship building in Hong Kong supports CBEF initiatives that will be implemented when the China market reopens. In China, Canadian beef also competes most directly with U.S. product. CBEF programs aim to strengthen Canadian beef's image by maintaining and building partnerships with high-end retailers and restaurants.

Japan is the third single largest beef importing nation in the world but present access conditions limit imports of Canadian beef to product from age verified animals under 21 months of age. CBEF will target its acquisition and maintenance efforts on several small and mid-sized retail chains that Canada's beef industry can service. Partnering with the Canada Tourism Commission on a seasonal campaign, the CBA messaging will reach a broad Japanese audience through newspaper and magazine coverage. This campaign strengthens CBEF marketing efforts in Japan and reinforces Canadian beef brand attributes, thus building loyalty and sales for Canadian beef.

The **Taiwan** market is presently open to boneless beef from animals under 30 months. CBEF will maintain solid working relationships with Taiwan's largest importers and distributors who dominate the market, as well as established and newly acquired retail partners. Promotional efforts to raise awareness for Canadian beef product and generate trust among their clientele include advertising on the trucks of select CBEF distribution partners. CBEF will leverage its partnerships with major restaurants in cost-sharing advertising programs, expounding on the Canadian Beef Advantage.

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With the **South Korean** market currently closed to Canadian beef products, CBEF activities in Korea will focus largely on representation, information and liaison. CBEF will continue to monitor new developments, providing both the industry and the Canadian government with information to assist with trade negotiations. If market access is granted during 2009/10, marketing strategies are in place and CBEF will enter a rebuilding phase where client acquisition efforts will be central. The **Russian** and **Middle East** markets are both at early developmental stages for Canadian beef. Responding to research that suggests Canadian beef would place at the high end of the spectrum of products offered in these markets, CBEF marketing efforts will focus accordingly on distributors, retailers and foodservice sectors. CBEF will approach the **EU** market as a long-term project - considering the current regulatory roadblocks.

Budget

The total budget of the 2009/10 marketing implementation plan is **$21,472,777**. Industry contributions are $8,281,371 and $560,000 is being sourced from provincial government funding. In order to successfully implement this plan and to cover the administration, Alberta supplemental program and enhanced information exchange system, **$13,673,733** will be required from the Canadian Beef and Cattle Market Development Fund.

CCMDC Budget Summary

Revenue	2009/10 Budget	2008/09 Budget	2008/09 Projected	2007/08 Actual
Legacy Fund - Federal	9,459,838	12,250,000	10,350,000	5,017,258
Legacy Fund - Alberta	4,213,895	3,825,798	3,750,000	2,057,105
Total Revenue	**13,673,733**	**16,075,798**	**14,100,000**	**7,074,363**

Expenses	2009/10 Budget	2008/09 Budget	2008/09 Projected	2007/08 Actual
Administration	540,223	565,054	600,000	275,599
Special Projects-Info Exchange	206,000	-	-	-
Commercial Beef	2,853,347	4,093,754	3,250,000	1,588,750
U.S.	2,094,093	3,738,669	2,800,000	1,817,823
International	4,773,570	5,193,361	4,950,000	2,392,191
Live & Genetics	2,956,500	2,234,960	2,500,000	1,000,000
Alberta - Other	250,000	250,000	-	-
Total expenses	**13,673,733**	**16,075,798**	**14,100,000**	**7,074,363**

In Summary

All marketing programs outlined in this plan focus on the value proposition “Leadership in Animal Health and Beef Safety”. The strategies link the newly established components of the Canadian Beef Advantage including brand identity, license agreement and Beef InfoXchange System, and include enhanced efforts to maximize cut-out values. A shift from previous years, the 2009/10 Marketing Implementation Plan focuses on **expected outcomes** that will be measured against an evaluation framework and reported on in the next Results Report. The Legacy Fund is helping to pull the industry together to deliver a truly coordinated global marketing strategy aligned with industry vision to have Canadian high quality beef products recognized as the most outstanding by Canadian and world customers.

3. INTRODUCTION

A Canadian Beef and Cattle Market Development Fund was established in 2005 to support long-term market development for Canadian beef and cattle genetics. The fund of $80 million is comprised of $50 million invested by the Government of Canada and $30 million by the Government of Alberta. These monies, combined with industry national check-off dollars paid by cattle producers, is expected to provide over $170 million for the 10 year period 2005 – 2015, to recover and expand Canadian beef and cattle genetics markets around the world. The fund, also known as the Legacy Fund, was entrusted to the Canadian Cattlemen's Association (CCA) to administer in a strategic manner. In turn, the Canadian Cattlemen Market Development Council was established under the CCA to manage the fund, including fund allocation and development of annual marketing implementation plans for programs supported by the fund.

This document is the 2009/10 Marketing Implementation Plan developed by the CCMDC under the Legacy Fund agreement. The plan is based on the direction and priorities of the CCMDC Strategic Marketing Plan (2006) as well as the comprehensive analysis of the cattle and beef industry post-BSE efforts to regain and expand markets around the world. Funders, industry stakeholders across Canada and fund recipients play an integral role in the annual plan development process. The Global Marketing Advisory Committee of the CCA, representing stakeholders across all sectors of the beef industry, facilitates the planning process in coordination with the funders, the Beef Value Chain Roundtable and the marketing organization fund recipients – Beef Information Centre, Canada Beef Export Federation and Canadian Beef Breeds Council.

In the fall of 2008, the CCMDC initiated meetings with fund recipients, industry stakeholders and partners across the value chain, seeking input into the development of the 2009/10 Marketing Implementation Plan. The CCMDC met with the marketing organizations to discuss effective strategies and programs to be implemented for beef genetics, commercial beef, and U.S., Mexico, Asia and other international markets. Meetings were also held between CCMDC representatives and Canadian packers to discuss their market priorities and strategies and identify opportunities, in coordination with the marketing organizations, for market development in new and existing markets.

A major focus of the 2009/10 plan is to continue to build on the value proposition and Canadian Beef Advantage to clearly differentiate Canadian beef and cattle genetics. As well, the plan identifies target markets, market segments, and strategies that optimize cut-out values. With support from the major packers, current cut-outs were analyzed and opportunities identified across all markets where marketing efforts could be directed to enhance cut-out values, with a clear focus on underperforming cuts. These initiatives are identified in the plan. The CCMDC continues to enhance its planning and reporting processes to ensure alignment with its long-term goals and strategic plan. Consequently, the 2009/10 Marketing Implementation Plan is restructured significantly from its past format to depict consistent key priorities and measurement tools across all markets.

The **Market Context** section provides an environmental scan of the Canadian beef cattle industry including: inventories; prices; cattle exports; domestic slaughter and beef production; cut-out values; competing meats; beef trade; and market outlook for Canadian and global markets. CanFax Research Services, a division of the Canadian Cattlemen's Association and a source for cattle market information, has prepared the market context section.

The **Strategic Direction** section outlines: vision, mission, and goals; Canadian Beef Advantage brand development and industry support for the value proposition; communications and restructuring of the national marketing organizations.

The **Marketing Strategy & Programs Overview** provides an overview on the marketing targets for each of the markets, as well as the cut-out benchmark data. The **Market Strategy** sections provide: 1) executive summary, 2) environmental scan and, 3) strategy for each of the markets including genetics, commercial beef, U.S., Mexico, China, Japan, Taiwan, South Korea, and other countries. The program information for each market includes expected outcomes, purpose, budget, activities, and expected outputs for each goal. An executive summary and

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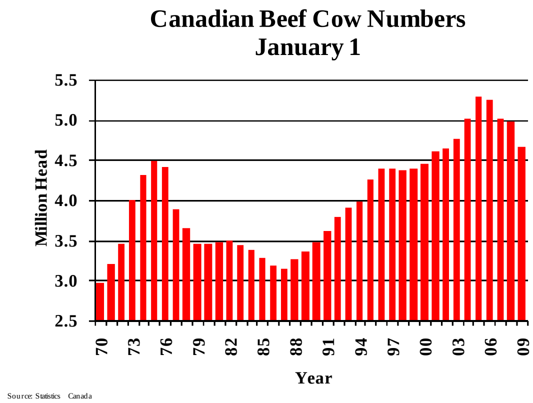
environmental scan are included for the domestic market considering these programs are not funded by the CCMDC but are a major component of the global marketing strategy.

The market strategy and program overview is followed by sections on **Alberta-based Supplementary Marketing Initiatives** and **Budget and Funding.**

4. MARKET CONTEXT

Cattle Inventories



Canadian cattle inventories were down 5.1 per cent on January 1st 2009 to 13.2 million head. Inventories have been steadily declining for four years and are now 12 per cent below the peak in 2005 and two per cent below 2003 (pre-BSE) levels. While inventories declined in all provinces, not all provinces are below their 2003 inventory levels, which are used as a measuring point given the expansion that occurred after May 2003 was due to limited market access for cows.

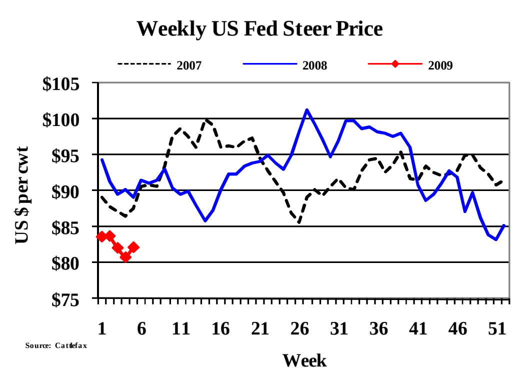
Canadian Cattle Inventory – January 1 (1,000 head)			
	2008	**2009**	**09 as % of 08**
Bulls	246.8	242.9	-1.6%
Beef Cows	4,981.9	4,654.5	-6.6%
Dairy Cows	983.5	978.4	-0.5%
Dairy Hfrs	471.1	455.6	-3.3%
Beef Hfrs(brdng)	595.0	537.0	-9.7%
Beef Hfrs (sltr)	982.9	824.5	-16.1%
Steers (> 1 Yr)	1,101.6	1,057.6	-4.0%
Calves (< 1 Yr)	4,532.2	4,429.5	-2.3%
Total	**13,895.0**	**13,180.0**	**-5.1%**

Beef cow inventories are down 6.6 per cent from 2008 and are now two per cent below 2003 levels. The expansion of market access into the U.S. for the first full year since 2003 increased slaughter cow marketings 30 per cent in 2008. Beef cow inventories declined in most provinces with the largest decline seen in British Colombia, where numbers decreased 15 per cent. This was followed by an 8.4 per cent decline in Ontario, seven per cent in Alberta, 6.4 per cent in Manitoba and six per cent in Saskatchewan. Beef cow inventories increased five per cent in Quebec. Part of the differences between provinces can be attributed to movement of cows in 2004 and 2005 due to feed availability. With a smaller cow herd, the 2009 calf crop is expected to be down an equal amount. With beef heifer replacement numbers down 10 per cent from a year ago, continued liquidation is expected in 2009. Significant market uncertainty, rising input costs and country of origin labelling (COOL) all encouraged liquidation of the national herd in 2008. In addition, higher cow prices have made producers willing sellers. Cow slaughter is expected to stay strong in 2009 due to strong trim demand as consumers look to reduce expenditures.

Statistics Canada reported feeder and calf supplies outside of feedlots down eight per cent from 2008 to 4.32 million head. This is the lowest inventory outside of feedlots since 2003. With fewer cattle coming to market in the first half of 2009 and a smaller calf crop expected across North America, fed supplies are expected to tighten in the second half of 2009 supporting prices. Overall, decreasing inventories and production should support cattle prices in coming years. However feed costs and consumer demand will be the largest factors in determining what level Canadian inventories fall to before stabilizing.

Prices

Fed Cattle



Fed prices have averaged US$93/cwt in 2008 steady with 2007, with strong export demand in the first part of the year supporting live prices. U.S. fed cattle prices fell US$13/cwt between September and the end of the year from US$98/cwt to $85/cwt. In the wake of financial uncertainty, significant negative pressure has been placed on cut-out values as consumers switch from higher to lower priced cuts and alternative protein sources. In turn this has pressured fed cattle prices downward. The appreciating U.S. dollar and

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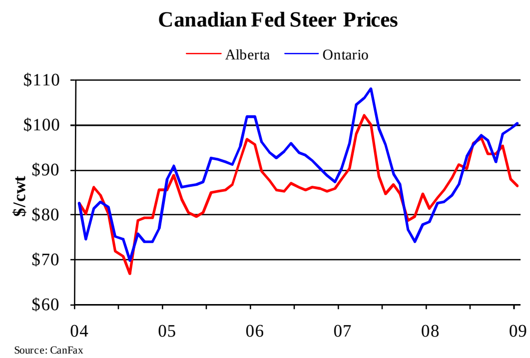
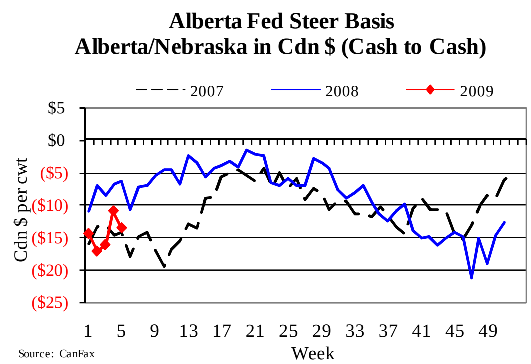
deterioration of the global economy has also negatively impacted imports to many key export destinations. Most importantly hide and offal values, which are key export items, have declined $45/head between July and November.

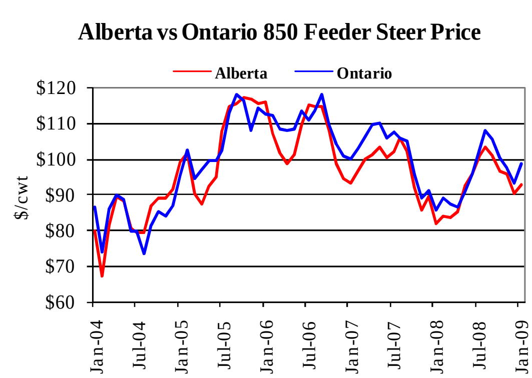


Alberta and Ontario fed cattle prices averaged $88.50/cwt and $90/cwt in 2008. This is steady in Alberta and down $2/cwt in Ontario from 2007. The counter-seasonal pricing trend has held throughout 2008 with prices increasing throughout the second half of the year as supplies have tightened. However, price increases have not been as high as expected due to softer demand and larger than anticipated production. Producers were able to delay finishing cattle to target this time period when premiums in the future market were large. Moving into 2009 Canadian fed cattle supplies are expected to be seasonally large again in the spring (even larger than was seen in 2008). Overall supplies are expected to be tighter North America-wide in 2009 due to reduced inventories. Consequently supplies are expected to tighten again in the fall. To what extent Canadian fed cattle prices move in 2009 will be largely determined by cut-out values and COOL.



The entire impact of COOL on Canadian prices is still largely unknown. The final rule came into effect on March 16th, 2009. While the rule offered some flexibility and allowed the commingling of category B & C cattle (Canadian feeder and fed cattle), which is expected to reduce the economic impacts of COOL relative to what was proposed in the interim final rule, uncertainty in the market exists due to the Secretary of Agriculture's public request that packers follow more restrictive labelling guidelines. It was stated that should they not do this on a voluntary basis the additional requirements would be made mandatory. The longer term impact of COOL is still unknown and will be dependent on how U.S. packer and feedlot procurement practices of Canadian cattle evolve to comply with COOL regulations.

With fewer U.S. plants accepting Canadian cattle and on fewer days, fed and feeder cattle exports are expected to decline in 2009. This has essentially reduced the number of bidders for Canadian cattle both at the feedlot and slaughter level. It has also increased transportation costs for those cattle that must now be hauled longer distances, and added other transaction costs into the marketing equation. While it is currently difficult to definitively establish the impact this has had on the basis, current estimates are that the Alberta to Nebraska cash to cash basis has widened $3-5/cwt as a result of COOL. How long this wider basis will be sustained will be dependent on not only COOL, but also supply and demand dynamics.



Feeder Cattle

Alberta and Ontario 8-900lb feeder steer prices averaged $93/cwt and $95/cwt in 2008. This is down $5/cwt and $7/cwt from the same period in 2007 but up $10/cwt from the lows seen in January of 2008. Canadian feeder prices in 2008 were pressured by an appreciated dollar and feed grain

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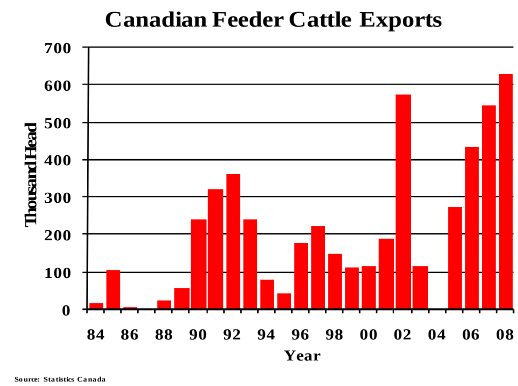
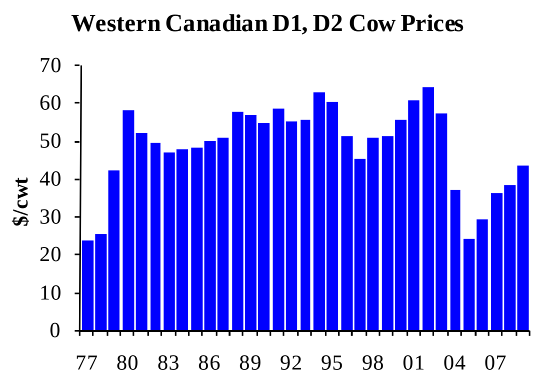
prices, which peaked in June at $270/tonne ($6.85/bu) for corn and in July at $259/tonne ($5.64/bu) for barley. Prices in the most recent period have seen some support due to lower feed costs, but the increase was not to the extent that would otherwise be expected due to lower fed cattle prices that have placed downward pressure on feeder values.



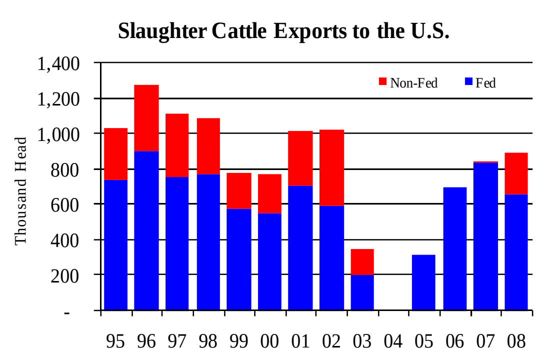
In 2008 Canadian feeder cattle exports were supported by a smaller calf crop in the U.S. and relatively strong demand from U.S. feedlots during the first half of the year. Feeder cattle exports did slow in the second half of the year, with Canada's cost of gain once again becoming competitive relative to the U.S. as a result of barley prices realigning to more closely reflect corn prices, and the implementation of country of origin labelling that has increased the feeder cattle basis and discouraged some U.S. feeders from procuring Canadian cattle. Overall feeder exports totalled 630,500 head in 2008, up 16 per cent from 2007 levels. With the number of U.S. plants accepting 'B' cattle (Canadian feeder fed in the U.S.) decreasing throughout the latter part of 2008, Canadian feeder exports are expected to decrease moving into 2009. The level and extent to which they decrease will largely be determined by U.S. packer discounts on Canadian fed cattle versus feeder cattle and the relative cost of gain in Canada as compared to the U.S.

Cow Prices



Alberta cow prices averaged $43.50/cwt in 2008, while Ontario cow prices have averaged $50/cwt. This reflects a $5.50/cwt increase in Alberta cow prices and a $10/cwt increase in Ontario prices when compared to 2007. Cow prices have been supported by record large domestic slaughter and the resumption of live cow exports to the U.S. Cow slaughter numbers have been supported by strong North American trim prices, which have occurred due to lower non-NAFTA beef imports and strong trim demand as consumers move toward cheaper beef cuts. Boneless beef prices averaged $1.59/lb in 2008 and reached a high of $1.83/lb in August, an increase of 23 per cent from the high in 2007. Canadian cow prices continue to average $12/cwt below the U.S. cow price, which is expected given the age verification requirements and costs associated with Specified Risk Material removal for slaughter cow exports. Cow prices are expected to come under some pressure in 2009, with continued large slaughter numbers expected along with increased non-NAFTA beef imports that will add to supplies and pressure both trim and cow prices downward.

Live Cattle Exports



Fed cattle exports totalled 660,000 head in 2008, down 21 per cent from 2007. With tighter Canadian fed cattle supplies, resulting from the export of a large number of feeder cattle over the last year and a half, fed cattle exports declined significantly. At the same time domestic demand stabilized with proportionally more cattle staying in Canada. Smaller Canadian fed cattle inventories and steady domestic demand combined with the implementation of COOL in the

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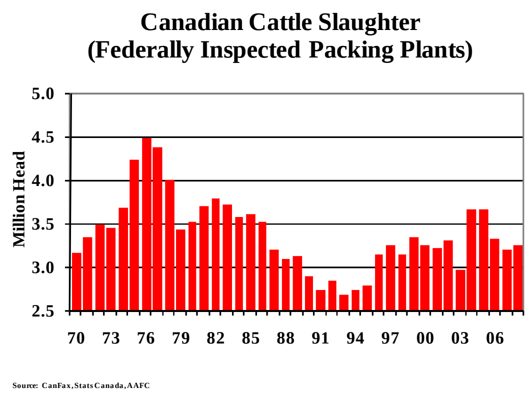
U.S., is expected to reduce fed cattle exports further in 2009 as a limited number of U.S. packers are accepting cattle direct for slaughter.

Slaughter cow and bull (non-fed) exports totalled 235,000 head in 2008, with cow exports at 187,000 head and bull exports at 48,000 head. This represents the first full year of trade for non-fed exports since the implementation of Rule II in November 2007. Current numbers remain well below historical trends, which typically saw slaughter cow and bull exports exceed 300,000 head. While exports are expected to continue to increase in 2009, they are anticipated to remain well below historical levels due to age verification requirements for export and continued strong domestic cow slaughter.

Domestic Slaughter

Total slaughter (federally and provincially inspected) was 3.54 million head in 2008, up 1.4 per cent from 2007. Steady slaughter can be attributed to stronger demand by domestic packers keeping more cattle in Canada. Total fed cattle slaughter was down 0.8 per cent to 2.69 million head, while cow slaughter was up seven per cent to 807,500 head and bull slaughter was down 41 per cent to 38,000 head. The large decrease in bull slaughter has been more than balanced by large increases in bull exports, which has consequently resulted in total bull marketings being up 31 per cent overall.



The composition of slaughter was similar to 2007, with the proportion of total kill made up of non-fed slaughter and fed slaughter being 24 per cent and 76 per cent respectively. In 2008, 46 per cent of total slaughter was made up of steers, 31 per cent heifers, 23 per cent cows, and one per cent bulls.

While slaughter overall has been relatively steady in Canada there has been a significant shift in the distribution of slaughter between eastern and western Canada in 2008. Eastern Canadian slaughter has been running eight per cent below year ago levels while western Canadian slaughter is up five per cent. Reductions have occurred across all categories in eastern Canada, with steer and heifer slaughter down four and 4.5 per cent respectively, while cow and bull slaughter is down 17 and 25 per cent respectively. Reductions in eastern Canadian slaughter can be attributed to decreased packing capacity, an expansion in the dairy quota resulting in delayed slaughter and relatively strong fed and feeder cattle exports from this region. At the same time fed cattle slaughter in western Canada is up 2.4 per cent, with cow slaughter up 19 per cent and bull slaughter down 51 per cent.

% Change in FI/PI Canadian Cattle Slaughter (YTD (2008/2007))		
	% ▲ Eastern Slaughter	% ▲ Western Slaughter
Steers	-3.7%	+4.4%
Heifers	-4.5%	-0.4%
Cows	-17.1%	+19.2%
Bulls	-24.5%	-51.2%
Total	-7.8%	+4.9%

Slaughter Capacity and Utilization

Slaughter capacity in Canada expanded after 2003 with existing plants increasing capacity and new plants coming on line. Total Canadian weekly slaughter capacity increased from 83,000 head in 2004 to a high of 102,000 head in late 2006. Within the same time period of capacity expansion, the resumption of live cattle exports to the U.S. occurred. This effectively reduced the amount of fed cattle supplies available in Canada and also increased the number of packers bidding for Canadian cattle. The result was a decrease in capacity utilization from a high of 92 per cent during the second half of 2004 to 69 per cent in 2006. Lower utilization rates increase operating costs per head for processors and consequently reduce profitability.

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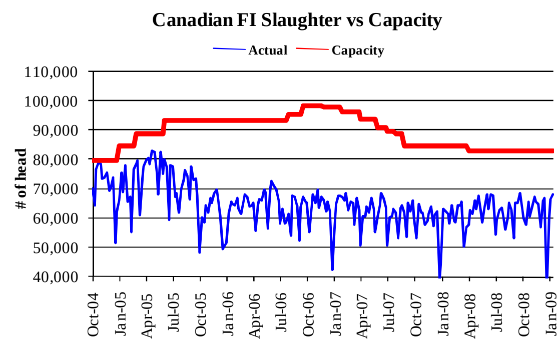
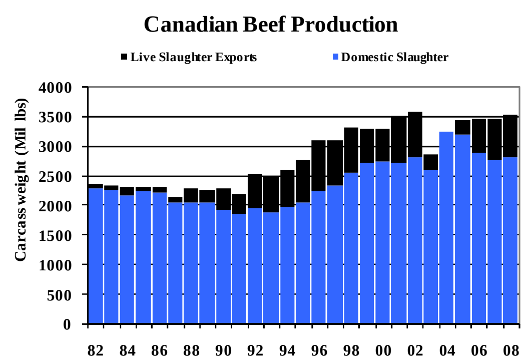


Utilization rates have continued to struggle over the last couple of years as a result of labour shortages; enhanced regulations that increased labour requirements and resulted in higher relative costs for Canadian packers compared to U.S. counterparts; and an appreciated Canadian dollar. The result of the losses incurred has been a reduction in capacity, with the closure of plants during the latter half of 2007 and into 2008. Slaughter capacity in the fall of 2008 was back to 2004 levels at 83,000 head per week with utilization at 76 per cent. Domestic packers have recently seen an improved position with higher utilization rates, easing labour shortages, and a lower Canadian dollar. With the implementation of COOL in the U.S. domestic packers have also seen reduced competition for Canadian cattle, which has further improved their position. At the same time weak cut-out demand and reduced by-product values will continue to limit substantial improvements in margins over the near term.

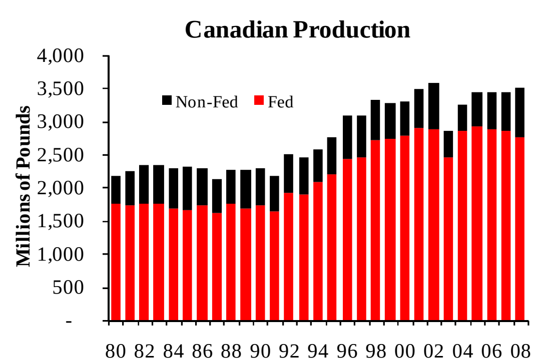
Beef Production



Total cattle marketings increased 2.3 per cent to 4.43 million head in 2008, with domestic slaughter up 1.4 per cent. Slaughter cattle exports increased 5.5 per cent from 849,000 head in 2007 to 895,600 head in 2008, with the increase a result of the resumption of cow and bull exports to the U.S.

Canadian beef production, which includes production derived from both domestic slaughter and slaughter cattle exports, was up two per cent in 2008 at 1.6 million tonnes. Beef production has been relatively steady since 2005, while the proportion of beef production derived from domestic slaughter has slowly moved towards more historic levels to account for 79 per cent of the total, as compared to 84 per cent in 2006 and 80 per cent in 2007. Domestic beef production increased 1.5 per cent in 2008 to 1.27 million tonnes, while live slaughter exports increased four per cent to account for 325,000 tonnes.

Fed Production



Source: CanFax

Large feeder cattle exports in the fall of 2007 and throughout 2008 resulted in a 4.5 per cent decline in fed cattle marketings in 2008 to 3.35 million head. Tighter fed cattle supplies have resulted in a more noticeable reduction in fed cattle exports than domestic slaughter. Domestic fed slaughter was up 0.8 per cent to 2.69 million head, whereas fed exports to the U.S. were down 21 per cent to 660,000 head.

Steer carcass weights were up slightly to 842 pounds in 2008, mainly due to heavier in-weights of cattle entering feedlots. Overall fed beef production decreased four per cent in 2008

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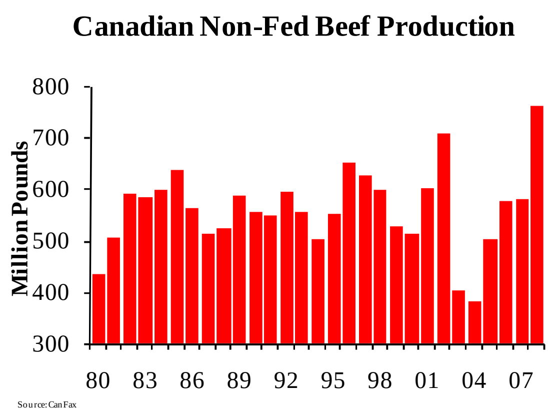
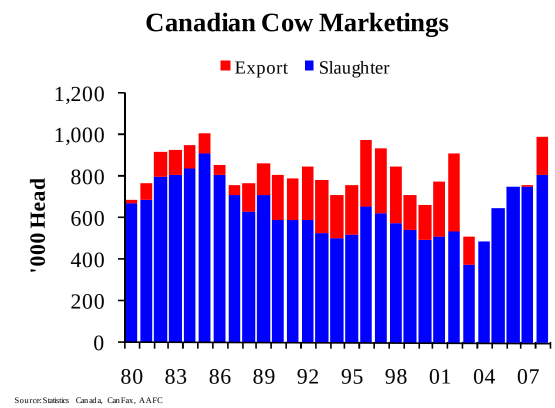
to 1.248 million tonnes from 1.299 million tonnes in 2007, while domestic fed beef supplies increased 1.2 per cent from 991,000 tonnes to 1.003 million tonnes.

Non-Fed Production

Non-fed beef production reached 345,500 tonnes in 2008, up 31 per cent from 2007 and surpassing 2002 levels when production totalled 321,000 tonnes. Resumed non-fed exports have contributed to the higher production levels. Non-fed exports totalled 235,000 head, while domestic cow slaughter is up seven per cent to a record high of 807,500 head. Total cow marketings reached 994,000 head, which is the highest level since 1985.

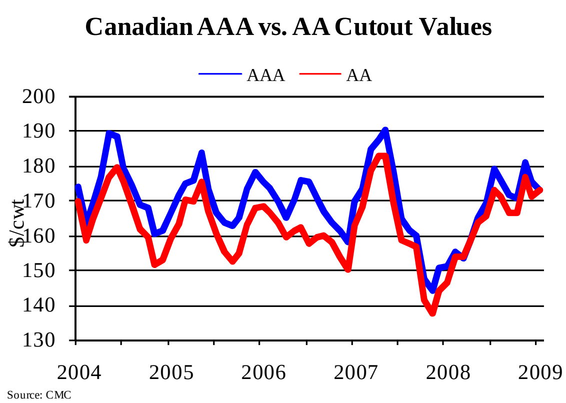


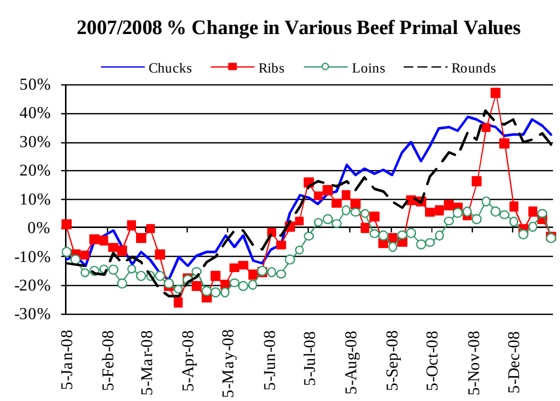


Non-fed beef exports are estimated to be 13 per cent of domestic production or 24,000 tonnes (boneless). Cattle exports reached 55,600 tonnes for a total of 80,000 tonnes exported or 33 per cent of total production. This continues to be smaller than 2002 when 78 per cent of domestic production was exported. Since COOL does not apply to trim product, non-fed beef and cattle exports are expected to stay strong moving into 2009. However the age verification requirement will keep cattle exports below historical levels.

Boxed Beef Cut-out Values

The AAA cut-out saw an average value of $167/cwt in 2008, down $5/cwt from 2007. The AA cut-out actually increased in value, moving from an average of $162/cwt in 2007 to $164/cwt in 2008. While both AAA and AA cut-out values have improved from the lows seen in November 2007, recovery throughout 2008 was slow. Furthermore, recessionary concerns during the latter part of 2008 pressured the cut-out back down, as both domestic and export demand began to fall away due to reduced consumer spending.





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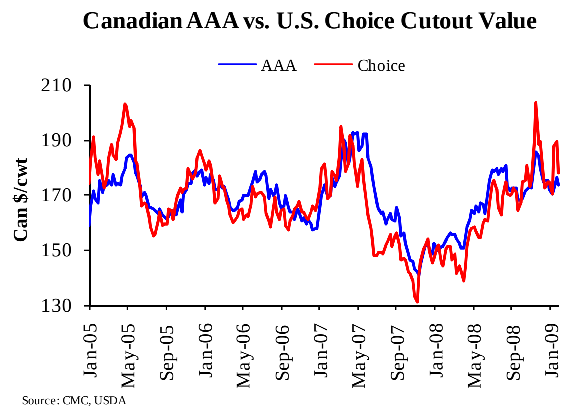
The increase in the cut-out throughout 2008 occurred despite large supplies of beef and pork throughout the first half of the year. The chart (above on the right) shows year over year percentage changes in the various AAA primal values between 2008 and 2007. Prices for all primals were seasonally low throughout the spring due to cold damp weather which delayed the grilling season. Prices then increased in June and July as grilling demand improved. Moving into fall, chuck and round values continued to see improvements over year ago values, as consumers moved toward cheaper cuts and ground beef. At the same time, middle meats (which account for a significant portion of the value of the cut-out) have struggled with consumers eating out less and reducing consumption of high value cuts. Primal values for chucks were up seven per cent in 2008 at $1.22/lb, while the round primal was up three per cent from 2007 values at $1.39/lb. Meanwhile rib and loin values were down two and 10 per cent respectively in 2008, with ribs averaging $2.52/lb and loins $2.89/lb.

In order to compare Canadian and U.S. boxed beef values, the U.S. cut-out has been converted to Canadian dollars. The steady premium the Canadian cut-out has had over the U.S., which first occurred in 2007, was maintained throughout 2008. The main reason for this trend has been reduced fed cattle slaughter in eastern Canada, which has resulted in reduced supplies and elevated cut-out values. This in turn has encouraged increased imports of product from the U.S. into the eastern Canadian market, with U.S. imports up 22 per cent in 2008. Imports were further supported by an appreciated Canadian dollar throughout the first three quarters of 2008, which made the market very attractive for U.S. exporters. The AAA/Choice spread averaged $4/cwt in 2008, narrowing from a spread of $7/cwt in 2007. Similarly the AA/Select spread averaged $7/cwt in 2008, as compared to $9.50/cwt in 2007.



Competing Meats

Large supplies of competing meats have limited retail and boxed beef price advances for most of 2008. While production is expected to decrease in 2009 it is not anticipated to be down to levels significant enough to bolster prices. Large production has been supported by strong exports, but moving into 2009 exports of competing meats are expected to decrease. Moving forward, exports of competing meats will be an important factor influencing the ability of beef retail prices and cut-out values to move upwards. Similar to the beef industry, U.S. **pork** production has a strong influence on Canadian meat markets and prices. The U.S is the largest export market for Canadian hogs and pork. Pork output in the U.S. is expected to decline moving into 2009, but not significantly, with production only slightly below lower than record levels achieved in 2008. While pork production has expanded substantially over the last three years, per capita consumption has struggled and is only expected to marginally increase in 2009 while pork exports are projected to be 11 per cent lower. Consequently larger North American supplies will continue to pressure retail pork prices downward and also limit upward movement of beef prices.

Canadian pork production has been steady throughout 2008 with 2007 levels. Pork exports were up nine per cent, while imports were only up two per cent. While smaller domestic supplies are available, when combined with lower retail prices (down three per cent), it is apparent that consumer demand for pork has softened in Canada. Moving into 2009 the Canadian hog industry, which relies heavily on live exports to the U.S., is expected to struggle with larger domestic supplies as a result of the implementation of COOL. COOL has resulted in many U.S. packers refusing to take Canadian hogs and as a result feeder hog exports were down significantly during the latter part of 2008 and this trend is expected to continue into 2009. Pork production is anticipated to stay steady to higher in 2009, while live exports decline. Domestic slaughter is expected to increase as more market hogs and cull sows get processed locally and producers continue to reduce inventory levels.

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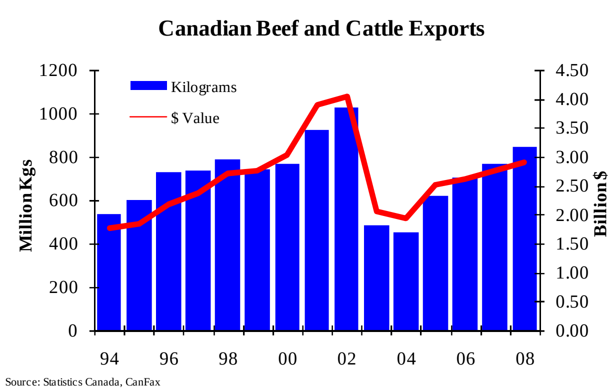
Canadian **poultry** production in 2008 was up 1.4 per cent from 2007. During the same period imports were up 1.4 per cent, while exports were up 12.9 per cent. This leaves domestic disappearance up 0.9 per cent, which when combined with a six per cent increase in retail prices points towards stronger demand. Stronger retail prices have translated into higher live prices, which is expected to encourage increased production moving into 2009. In the U.S., overproduction of poultry meat in 2008 depressed prices making poultry an attractive alternative for consumers. Poultry production was 2.4 per cent larger in 2008. The resulting lower meat prices are anticipated to result in producers decreasing production in 2009 by a modest two per cent. Per capita consumption is expected to be steady in 2009.

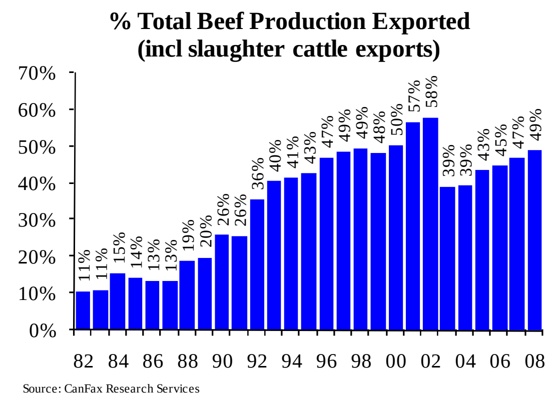
Trade

Canadian Beef and Cattle Exports

In 2008, Canadian exports of beef and live cattle were up 10 per cent from 768,000 tonnes to 846,500 tonnes. The total value of beef and live cattle exports increased six per cent from $2.75 billion to $2.91 billion. Both beef and live cattle exports were higher. While beef exports increased eight per cent to 393,000 tonnes, live cattle exports to the U.S. were up 13 per cent as a result of the resumption of slaughter cow and bull exports.

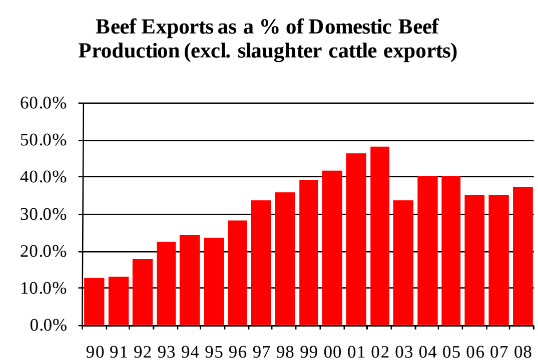
In 2008 exports accounted for 49 per cent of total beef production when slaughter cattle are included. This is a two per cent increase from 2007 when 47 per cent of total beef production was exported – and is similar to 2000 levels. While continuing to climb, the current proportion of beef production that is exported remains below the five-year pre-BSE average of 53 per cent.





Total Volume and Value of Beef Exports

Exports of beef and beef products were up eight per cent from 362,000 tonnes (product weight) in 2007 to 393,000 tonnes in 2008. Despite tight beef supplies domestically, resulting from reduced domestic production and smaller imports, beef exports have been strong in 2008. The value of beef exports struggled and is up 8.6 per cent at $1.35 billion, as a result of a strong Canadian dollar throughout much of the year that reduced returns for beef exports. Beef exports as a per cent of production (excluding slaughter cattle exports) increased from 35 per cent in 2007 to 37 per cent in 2008. While continuing to climb, the proportion of beef production exported continues to



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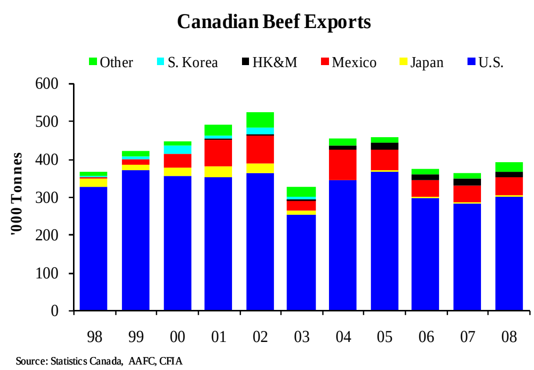
remain well below the historical average of 42 per cent.

The **United States** is the largest importer of Canadian beef, accounting for 76 per cent of beef exports in 2008. The U.S. share of Canadian beef exports has been decreasing since reaching a high of 81 per cent in 2005, but is still above pre-BSE levels when the U.S. represented 70 per cent of exports. As market access to other countries increases, the proportion of exports going to the U.S. is decreasing. In 2008 beef exports to the U.S. were up seven per cent in volume to 300,500 tonnes and down six per cent in value to $1.02 billion. The majority of beef exports to the U.S. have consisted of trim (47%), boneless cuts (31%), miscellaneous (11%), veal and offal (4% each) and bone-in cuts (3%).

Mexico is the second largest export market for Canadian beef exports, representing 11.5 per cent of total exports in 2008. Mexico imported 45,000 tonnes in 2008, down slightly from 45,600 tonnes in 2007. The value of beef exports was down one per cent to $171.5 million in 2008.

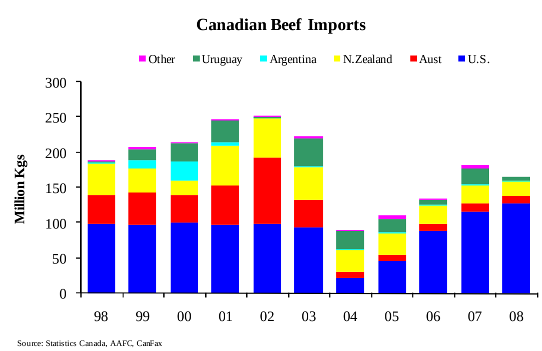


Hong Kong and Macau, the third largest export market for Canadian beef, accounted for four per cent of total exports in 2008. Exports to Hong Kong and Macau were down four per cent to 16,000 tonnes from 16,790 tonnes in 2007. The value of exports reached $66.7 million, up seven per cent from $62 million in 2007.

Beef exports to **Japan** continued to increase in 2008, increasing 20 per cent to 4,500 tonnes in 2008 while the value of exports was up 12 per cent to $26 million. With the resumption of exports to **Taiwan** during the latter part of 2007, 2008 represented the first full year of trade to this market. Exports to Taiwan reached 2,800 tonnes up from 1,151 tonnes in 2007, while the value of exports climbed from $5 million in 2007 to $13 million in 2008. Beef exports to Taiwan still remain below 2002 levels when 8,000 tonnes valued at $41.5 million were exported. In 2008 exports into **Southeast Asia** also saw substantial gains, with volume increases from 4,500 tonnes to 10,000 tonnes in 2008. This represents a 126 per cent increase between 2007 and 2008. Most of this product is moving into Indonesia and the Philippines, with growth in these markets expected to continue as demand for lower-end products continues to increase.

Beef Imports

Beef imports totalled 169,000 tonnes in 2008, down seven per cent from 2007. Reduced imports can be attributed to a 38 per cent decrease in non-NAFTA imports. Non-NAFTA imports declined sharply in 2008 as supplies were directed into the EU. Imports from Uruguay alone were down 79 per cent to 4,900 tonnes, while imports from Australia and New Zealand were down 16 per cent as these countries concentrated on more lucrative markets. While non-NAFTA imports were down significantly, beef imports from the U.S. increased 11 per cent in 2008 and reached a record high of 128,000 tonnes. Imports from the U.S. occurred as a result of higher Canadian cut-out values when compared to the U.S. throughout most of 2008, due to reduced beef supplies in eastern Canada and a strong Canadian dollar that made Canada a relatively attractive market for U.S. exporters.



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Trade Market Access Situation and Outlook

Canada continues to recover market access for beef and live cattle exports, but the reopening of markets has been slow and in many cases only partial access in many important markets for exports has been achieved. Age restrictions, product restrictions, and limitations on live cattle exports for breeding continue to place significant limitations on the ability of Canadian beef and genetics exporters to achieve meaningful gains. A current list of trading partners and market requirements is included as an Appendix (page 144).

Steps taken toward greater normalization of trade are critical to the long-term sustainability and success of the Canadian beef industry. Most recently, the Canadian government has engaged in trade discussions with South Korea to lift their ban on Canadian beef. It is expected that re-entry into this market for boneless beef products derived from cattle under-30-months of age will occur shortly. South Korea is a high value market with strong demand. However Canada's re-entry will be difficult given current economic concerns, strict inspection requirements, and an expectation of significant scrutiny around future BSE cases found in Canada.

Mexico expanded market access to include live cattle for breeding purposes in March 2008. At the same time access for beef continues to be limited to beef derived from animals that are under-30-months of age. Mexico was expected to follow the U.S. and expand market access further to include over-30-month beef in 2008, but this did not occur. Enhancing access for all beef into Mexico will be an important step moving forward as the U.S. and Mexico were the two largest destinations for beef from over-30-month animals prior to 2003.

Canada re-entered the Taiwan market in July 2007, but was limited to exports of boneless beef from cattle under 30 months of age. There is a possibility that market access will be expanded to include bone-in under-30-month beef, but recent announcements indicating that the U.S. will not be receiving expanded access at this time do not bode well for Canada receiving expanded access over the near term. In terms of other Asian markets, Canadian beef exports to Japan continue to be limited to beef derived from cattle under 21 months in age. Since Canada is limited in its ability to supply product that meets the current age restriction on a year-round basis due to the seasonality of our production system, meaningful gains in exports have not been achieved. Much of current trade has been limited to the cash market, with preference for contracts given to those exporters that can provide a consistent year-round supply. If access can be expanded to beef from animals under 30 months in age exports to Japan would become more viable, but negotiations with Japan are ongoing at this point.

Canadian 2009 Cattle and Beef Supply Outlook

Over the last five years the Canadian beef industry has been faced with a significant number of challenges, turmoil, and financial losses as a result of border closures due to BSE and continued market access limitations, a volatile currency, escalating energy and feed prices, labour shortages, and unpredictable commodity markets. In 2008 profitability in the primary production sectors continued to be challenged with an appreciated Canadian dollar limiting gains in cattle and beef prices. Profitability was also challenged by escalating feed grain prices arising from a growing ethanol industry and strong global demand, which was combined with tight feed grain supplies. Volatility has been the name of the game. Dramatic swings in commodity markets have also occurred as a result of the entry and exit of a large number of speculators who sought alternative markets to invest in as they divested away from an uncertain stock market.

The latter part of 2008 saw more uncertainty as markets shifted significantly in response to recessionary concerns, a dramatic downturn in the stock market, reduced energy prices, and the implementation of COOL in the U.S. On the positive side, the Canadian industry has finally started to see the alleviation of severe labour shortages and rising labour costs, as expanded foreign worker programs and the softening economy have provided relief. In addition, many of the excess costs incurred as a result of the implementation of the enhanced specified risk material regulations at the packing level have been overcome. Regulators have relaxed initial enforcement requirements, while still meeting the intent of the regulations. Consequently while additional costs are still being

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incurred, which are not incurred by competing U.S. packers, the change in enforcement has at least minimized these costs and brought them more in line with initial expectations of industry.

Another positive was the dramatic decline of oil prices which occurred as a result of economic slowdown and large supplies. This decline brought around a large decline in the Canadian dollar and feed grain prices. The demand for Canadian dollars declined due to reduced oil values, while feed grain prices decreased as a result of reduced ethanol production due to losses in the sector associated with reduced energy prices. A reduced dollar and feed grain prices are very positive for the Canadian beef industry moving into 2009 – improving cattle and beef prices and export beef demand, while reducing production costs. At the same time, significant volatility is expected and the dollar and feed grain prices could increase quite quickly depending on how rapidly the economy recovers and the supply situation for both oil and feed grains.

Although industry has seen some relief, significant challenges have been placed on the road ahead. These include limited upside potential for cut-out values due to a global recession and the implementation of COOL in the U.S. which has resulted in substantial costs being incurred by the Canadian cattle industry. It is currently expected that many of the benefits associated with a reduced dollar and feed costs will be offset by COOL and reduced cut-out values. In order to minimize the impact and continue Canada's recovery, export development will be critical for increasing cut-out values and reducing the industry's dependency on exports to the U.S.

Canadian Dollar

The Canadian dollar ranged between 0.98 and 1.02 from January to July of 2008 before declining to 0.82 at the end of the year. The dollar is directly linked with declining oil prices which have been pressured lower with declining world demand as financial markets slumped. Volatile financial markets have had wide ranging impacts with tightening credit limiting global economic growth. Demand for oil, raw materials, food and livestock feed have all softened. A weaker outlook for global demand is expected to drag on the Canadian economy which depends on exports. However, the recent decline in the dollar is thought to be an over exaggeration and not connected to fundamentals and the last five or 10 cents could be reversed as quickly as they came. Further gains are expected in the latter half of 2009 as the global economy and commodities rebound. It is likely to take longer to get back to parity, but as a country rich with scarce resources demanded by the world it is expected the dollar will be back at par in a couple of years.

A lower dollar has supported fed and feeder cattle prices, however not at a level expected. Historically a one per cent decrease in the exchange rate would increase domestic cattle prices by one per cent. The decline in the Canadian dollar since July has not seen a corresponding increase in Canadian cattle prices because of COOL and limited upside potential for cut-out values. The lower dollar has given some breathing space to Canadian packers whose costs on a U.S. dollar basis have improved and fallen more in line with their U.S. counterparts. In addition, a weaker dollar is expected to increase export values in 2009, which will increase packer profitability and viability in these volatile times.

With the Canadian dollar and feed grain prices so closely linked to oil prices there is no other market fundamental in the near future expected to influence the market like oil. However, while oil prices are determined by a roller coaster stock market there is little information available in the way of economic forecasting over the short term.

Cattle Inventories and Feeder Marketings

With continued record high cow marketings and reduced heifer retention, Canadian beef cow numbers are projected to continue to decline. On January 1, 2010 beef cow numbers are estimated to decline another six per cent or 300,000 head. The continued reduction can be attributed to a number of factors including historically low calf prices for the second consecutive year and a highly uncertain market. Moving into 2009, instability in the financial markets and tightening of credit will also impact producers' ability to get operating capital. In addition,

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the highly volatile market has increased risk, discouraging older producers from remaining in agriculture and limiting the ability of younger individuals to enter.

Cow slaughter is expected to stay steady in 2009 as producers continue to liquidate the herd, with marketings not expected to tighten until 2010 due to limited potential upward movement in feeder prices over the near term. Cow exports are expected to be steady and remain below historical levels, with volumes being limited by age verification requirements. Overall steady non-fed marketings are expected to keep non-fed beef production steady in 2009. At the same time reduced cow numbers translate into a reduced calf crop. This will impact the number of feeder cattle available to be placed on feed in Canada or exported to the U.S. in 2009 and 2010.

As a result of higher cost of gain in Canada compared to the U.S. and strong demand by U.S. feedlots, feeder cattle exports were higher in 2007 and 2008 than any other year outside of a drought year. As the U.S. cow herd decreases, overcapacity in U.S. feedlots has resulted in strong demand for Canadian feeders. Moving into 2009 it is expected that feeder cattle exports will be lower as a result of the implementation of COOL and an improved cost of gain in Canada.

Feed Grain Prices

The dramatic increases in grain prices seen over the last several years was driven by both demand growth, with the rapid expansion of the ethanol industry due to government mandates and incentives, and supply concerns as many grain-producing regions experienced severe drought or adverse weather conditions. With both demand and supply pressures, grain stocks hit record lows and prices reacted strongly. The age old adage “high prices cure high prices” held true, with producers responding by increasing crop acreage and increased supplies emerging. As well, high feed prices resulted in reduced demand as livestock feed use was reduced and ethanol production backed off due to unprofitable conditions associated with high input costs and reduced oil prices. Slowing global demand for commodities in the face of uncertain economic conditions has brought prices down further.

Despite the current downturn, grain prices are expected to stay higher than previous levels due to strong demand for both feed and food, as well as continued growth in industrial demand for biofuel production. Demand for feed grains for biofuel production is the largest source of new demand and will have the strongest influence in the upward shift in prices. With growing demand prices are expected to be more volatile for a few reasons. Over the next 10 years stock levels are not expected to be replenished to historical levels, leaving prices vulnerable to supply changes resulting from variable weather conditions and drought. In addition, with the expansion of ethanol production the demand for feed grains has become closely linked with energy prices. Consequently downturns or upturns in energy prices will be directly reflected in the demand and price for feed grains. Finally, speculative interest in agriculture futures markets has increased, with the entry and exit of speculators as profit opportunities are presented also adding volatility to markets.

While elevated prices and increased volatility will affect global meat production, the relative price of feed between Canada and the U.S. will be an important factor in determining whether animals are fed and produced in Canada or the U.S. After the dramatic rise in prices in 2007, corn acreage in the U.S. rose dramatically and demand was less than expected which caused prices to see some downward movement. At the same time Canada did not see the same acreage response given barley, the main feed source, is a relatively small crop. With a minimal production response and strong barley exports driven by strong global demand, barley prices did not follow corn prices and the Canadian beef industry was at a cost of gain disadvantage. Although dynamics have changed to bring Canada’s cost of gain in line with the U.S., the above scenario is evidence that things can change quite quickly moving into 2009 depending on relative demand and supply responses between Canada and the U.S. Spring acreage allocations of corn and barley and conditions throughout the growing season will be important in determining feed grain prices and the influence on feeder exports.

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Fed Cattle Marketings

Large feeder exports over the last couple of years are expected to reduce fed cattle marketing by three per cent in 2009. But current reductions in monthly feeder export levels are increasingly evident in most recent Cattle on Feed numbers. After seeing low Cattle on Feed numbers over the last couple of years, increased placements have occurred throughout the fall improving Canada's supply of fed cattle for domestic slaughter or export moving into 2009. Following the trend in 2008, fed cattle exports are expected to continue to decline due to relatively strong domestic packer interest and the implementation of COOL in the U.S., which has reduced the number of plants accepting Canadian fed cattle and widened the basis to discourage exports. Therefore domestic slaughter of fed cattle is expected to stay steady.

A Note on Capacity.......

Reduced North American inventories of fed and feeder cattle have implications for the utilization, or underutilization, of both feedlot and packing capacity in Canada and the U.S. Excess capacity at both levels has been evident over the last several years, resulting in elevated demand and prices for feeder cattle as cattle feeders compete to fill their feedyards despite limited and/or negative profit margins. Similarly, Canadian and U.S. packers have been faced with the same dynamics and the result has been further consolidation in the packing sector as well as plant closures given tight supplies and strong competition for fed cattle despite limited and/or negative profit margins. As cattle inventories continue to reduce and supplies tighten, which is the trend expected over the next few years, packers and feeders will struggle to operate at optimal utilization levels with stiff competition for cattle despite limited upside potential on the revenue side of the equation.

With the implementation of COOL in the U.S., the struggle to operate at optimal capacity levels may become more evident in the U.S. where some feedlots and packing plants rely heavily on Canadian cattle.

North American Packing Sector and Beef Production

Canadian packers are in a better situation going into 2009 with a lower Canadian dollar, an easing labour market and increased utilization rates relieving some of the pressure. This has strengthened domestic demand for fed cattle. Domestic slaughter has been further supported by the implementation of COOL, which has effectively reduced competition from U.S. packers and consequently reduced the prices that must be paid to procure adequate supplies of fed cattle domestically.

On the revenue side, North American cut-out values are expected to remain under pressure in 2009. This is a result of expectations of large competitive meat supplies, global economic uncertainty, and reduced consumer purchasing power, which negatively impacts meat demand. While demand for trim is expected to be strong, as consumers switch to more inexpensive options when eating out and cheaper alternatives when cooking at home, demand for high value middle meats that contribute the greatest value to the carcass is expected to decline. Cut-outs will only be able to advance as financial markets stabilize and consumer confidence grows.

While non-fed beef production is expected to remain constant in 2009, fed beef production is expected to be reduced three per cent in 2009. However with the expectation that a larger proportion of fed cattle will be slaughtered domestically and fed cattle exports will be reduced, domestic fed beef supplies are expected to remain relatively steady to slightly lower. Larger carcass weights, which have occurred as a result of larger placement weights going into the feedlot, are also expected to offset a portion of reduced marketings in the coming year. The combination of steady non-fed beef production and fed production in 2009 is expected to result in beef supplies for domestic consumption and export remaining at levels that are consistent with 2008.

It is important to note that at time of writing the purchase of Tyson's Lakeside operation in Brooks, Alberta by the Canadian owned XL Foods was still under review and had not been finalized. This transaction has important

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implications on the Canadian packing sector and beef industry. It would result in further consolidation within an already highly concentrated sector, which is a concern especially in light of the current decrease in U.S. bidders with the implementation of COOL. At the same time it would also result in the largest Canadian packer being a Canadian owned operation, which would more likely allow for the differentiation of Canadian beef from U.S. product. The practice of differentiating product by origin was often in contravention of American-owned packers whose larger operations were in the U.S. Although an existing player, the expansion of XL Foods is expected to significantly alter dynamics within the Canadian industry.

Canadian Beef Disposition and Trade

Beef supplies are expected to be larger in 2009 due to steady production and increased imports as non-NAFTA countries refocus exports into North America due to strong trim prices. Imports from the U.S. are also expected to continue to be above historical levels but come off from current highs. U.S. imports will be less desirable with the Canadian dollar depreciated relative to the U.S., but maintain relatively strong levels as long as the Canadian cut-out continues to trade at a premium relative to the U.S. While supplies are expected to be up, domestic per capita beef consumption is expected to decrease. Overall, when population growth is factored in total domestic beef consumption is expected to remain steady.

Larger beef supplies create the opportunity for higher beef exports. The lower Canadian dollar further supports expanded beef exports, making them relatively more competitive in the global marketplace. Exports to the U.S. are projected to increase as live cattle exports are replaced with beef exports. It is estimated that 22 per cent of Canadian non-fed beef production will be exported to the U.S. in 2009. This is up from 13 per cent in 2008. The effect of COOL on beef exports is expected to be less apparent, given the exemption that does not require product going into foodservice to be labelled. As much of the product being exported to the U.S. is trim product, efforts are being made to expand Canadian market share in the foodservice sector where a lot of this product is utilized. Export levels to the U.S. will also be dependent on retailer response to COOL. Currently retailers are demanding mostly the ‘A’ label – beef from cattle born, raised and slaughtered in the U.S. in order to decrease costs. As supplies tighten in the U.S. price may become a factor that sees more willingness to carry Canadian product.

Exports to Mexico in 2009 will be highly dependent on whether market access is expanded to include over-30-month beef. This market has continued to grow and if market access is expanded, further growth in exports to Mexico is expected. As well, if Canada gains access to the Korean market this will provide a significant opportunity for Canadian packers. Growth in Taiwan and Japan is also expected to continue, but will be limited unless expanded market access is achieved to allow for bone-in beef from animals under 30 month of age in Taiwan and boneless beef from animals under 30 months. Increasing the age requirement for Japan would provide Canada with more viable access that would allow the industry to more aggressively pursue the market and establish year-round supply commitments.

The recovery of Canadian beef exports has been slower than anticipated due to numerous hurdles in re-establishing full market access in many markets and gaining access to fully closed markets. Further gains are expected to be made in 2009, but legal and political circumstances make it difficult to predict when increased access will be achieved. At the same time, further gains are necessary in order to increase carcass values and improve returns received by the Canadian beef industry.

The outlook presented for 2009 has made predictions using the best information available regarding a multitude of factors that impact both the supply and demand situation for Canadian beef. A change in the global economy, Canadian dollar, feed grain supplies, prices and relative costs of gain, beef processing margins, or COOL could have a significant impact on the market in the coming year and needs to be monitored moving forward.

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Global Market Outlook

This analysis was drawn from multiple sources including: the OECD-FAO Agricultural Outlook 2008-2017, which is produced by the Organization for Economic Cooperation and Development (OECD); the Food and Agriculture Organization (FAO) of the United Nations; and the GIRA Meat Club 2009 Outlook.

The global meat market situation is influenced by numerous factors including exchange rates, income and population growth, the incidence of animal disease outbreaks, changes in trade barriers, new policy initiatives and weather in major meat-producing countries. Most recently global economic and financial situations have tightened credit, limiting the ability of importing nations to buy meat. Current economic concerns have also decreased demand in many countries reducing imports. However despite the current downturn, over the long term global meat trade is expected to continue to expand, with the outlook for GDP growth in developed countries expected to be slightly negative in 2009 and rebound in 2010.

Consumption and Imports

Changing diets, urbanization, economic growth (albeit at a slower pace) and expanding populations are driving food and feed demand in developing nations. While economic concerns are mounting, global demand for meat is expected to continue to be strong over the long term. Meat consumption in developing nations is expected to account for 80 per cent of global growth. Much of this expansion will take place in Asia and Pacific regions and is reflective of increasing consumption of mainly pork and poultry. Consumption of pork is expected to increase particularly in China where it is the dominant protein. Pork consumption is expected to grow two per cent annually (2.3 billion pounds per year), while poultry is expected to grow at two per cent annually (two billion pounds per year). Meanwhile, global beef consumption is expected to grow 1.6 per cent annually, averaging 2.6 billion pounds per year.

Previous long-term global GDP forecasts that were expected to drive consumption up over the next 10 years have deteriorated. GDP growth has been revised down for most countries, with weaker short-term meat demand delaying growth. However long-term trends will be reached eventually with the fundamentals still supporting longer-term growth. Global meat consumption is expected to only marginally increase in 2009 and is negative if China is excluded from the numbers. While consumers still need to eat, in economic hard times they are expected to trade down worldwide to cheaper protein sources.

Import dependency for meat is expected to grow in many developing countries as growing demand surpasses domestic production. Russia is set to remain the world's largest net meat importer followed closely by Japan. Exports of high quality grain-fed beef are expected to struggle as world demand for expensive cuts declines over the short term in tough economic times.

It is important to note that although disease has been less disruptive than in previous years there continues to be occurrences (FMD in South America, bluetongue in the EU, PRRS in China and anthrax in Canada) requiring countries to constantly be accountable, transparent, and able to demonstrate the efficacy of their food safety systems. Food safety issues are expensive and disruptive (e-coli in the U.S., listeria in Canada and dioxin in Ireland) with short-term consumer reaction often being very negative and in some cases border closures or restrictions occurring. In addition, over the long term industries struggle to re-establish their reputation and consumer confidence. Recognizing both the short and long-term effects, it has been widely accepted that meat sectors need to be well organized to anticipate, prevent, control and eradicate food safety and disease issues, while widely communicating the control measures in place.

Meat Production and Trade

Against a backdrop of high feed costs, low profit margins and competition for land resources, meat production and consumption is expected to grow in developing nations, although at a slower pace than seen in the past decade.

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World meat production is expected to grow two per cent annually. Growth in developed nations is expected to be about 0.5 per cent annually, while growth in developing nations is expected to occur at a rate of 2.5 per cent annually. Continued investment, increasing capacity, improved infrastructure and the dissemination of production technology are the main factors supporting such growth in economies such as China and Brazil for pork and poultry. Brazil is expected to assume a 30 per cent share of world meat exports in the next 10 years.

Long-term trends of global economic growth, firm global beef demand and rising beef prices continued through the first nine months of 2008 before being interrupted with the global economic slowdown, strengthening U.S. dollar, weakening beef demand and declining beef prices. Weak demand for beef is expected with the economic slowdown. Small reductions in beef production are expected in most countries as there is a general desire to restock (specifically in Australia and Brazil). Further declines in Brazilian exports are expected but will be less severe than this year as their herd starts to rebuild. Global beef production and consumption is forecast to be down with lower beef prices. Large decreases in the global herd in 2008 have supply implications for 2009. Production and consumption are expected to be down one per cent in 2009.

Overall world beef trade is expected to grow by over 40 per cent. For relatively expensive beef products, import growth is expected to be dominated by developed countries. Meat and livestock trade is expected to be down in 2009 after strong growth in 2008, which was mostly due to increased market access for North America. World growth in trade is expected to grow at a much slower rate in 2009 with a strong correction in 2010. Imports are expected to increase as the U.S., Russia, Japan and EU all increase demand. The U.S. accounts for the largest share of rising imports due to the strength of the dollar and lower cow slaughter which is expected to encourage non-NAFTA imports. This points towards stronger cattle prices in mid to late 2009 as supply decreases and import demand increases.

Competing Meats

Global pork production is expected to decrease in 2009 following large industry losses in 2008. However prices are not expected to bounce back a lot due to the current economic situation. Lower feed costs will improve profitability, but producers will have to watch the market closely to avoid oversupplying the market when demand is generally weak in most regions. Russian pork consumption is expected to decline and negatively impact imports which will affect major suppliers such as the U.S. and Brazil.

Globally higher feed costs for poultry producers were largely recovered by higher poultry prices in the first half of 2008. Lower feed costs provide an opportunity for better profits in 2009. Global poultry demand was firm with strong demand in Russia and Middle East and North Africa (MENA) such that total exports grew on both a volume and value basis. Larger production is expected in major importing countries (Russia and China) but at a slower rate than previously. Production plans for 2009 will be slightly curtailed as major exporters recognize and accept weaker demand. The poultry price outlook is slightly negative with weaker global demand pressuring producer prices.

Competitor Analysis

The top four beef-producing nations in the world accounted for 61 per cent of global beef production in 2008. U.S. share of global beef production was up slightly to 20.7 per cent, while Brazil's share declined to 15.8 per cent but is expected to rebound to 16 per cent in 2009. The EU-27 and China's market share have remained steady. Canada remains the ninth largest producing nation, accounting for 2.3 per cent of global production in 2008. This is expected to be steady in 2009. It is important to remember that the top producing nations are not necessarily the top exporting nations. For example, Australia is projected to only produce four per cent of global beef supplies in 2009, but accounts for 17 per cent of global beef exports. At the same time Brazil is estimated to produce 16 per cent of global supplies but is expected to represent 26 per cent of exports in 2009.

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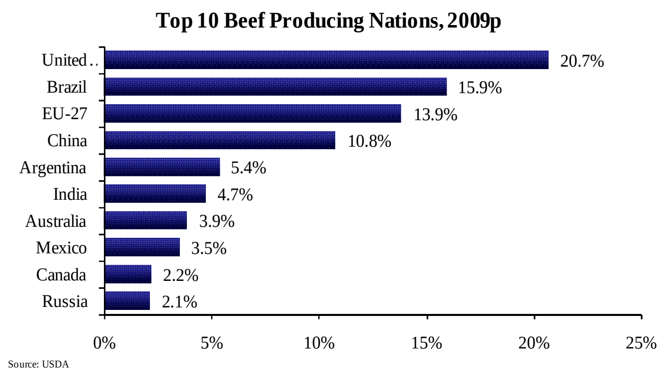
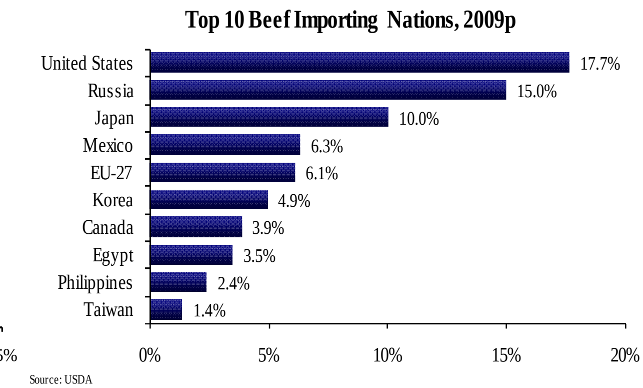
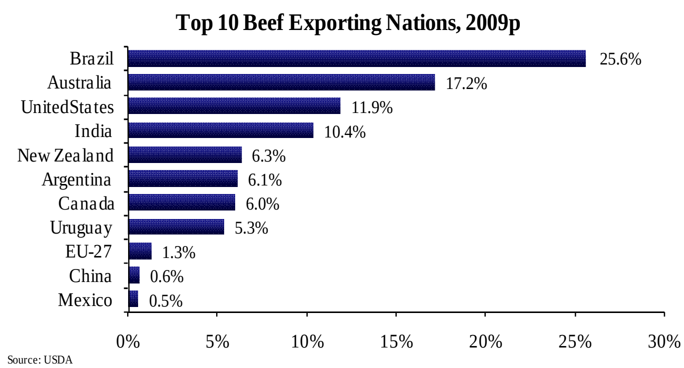
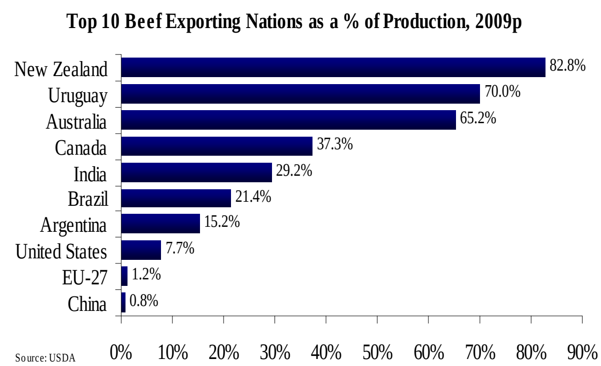
The top four exporting nations accounted for 64 per cent of beef traded in the world in 2008. Brazil made up 25 per cent of world trade in 2008 and is expected to grow to 26 per cent in 2009. Exports from Australia have been steadily declining since 2004 when it exported 21 per cent of total beef traded. In 2008 Australia's exports were 18 per cent of total exports and this is expected to decline to 17 per cent in 2009. The United States is expected to continue to increase exports as it regains market access. Market share was up to 11 per cent in 2008 and is projected at 12 per cent in 2009.









Countries that have a high level of beef exports as a per cent of their total production are vulnerable to government policy changes and animal health and food safety concerns that result in the closure of key markets. Within the last five years, several major beef exporters (such as Canada, the U.S., Brazil and Argentina) have been challenged to regain or maintain their market share. The global beef market will continue to change moving forward with highly competitive players competing for market share while also being challenged with ongoing uncertainty arising from global financial markets and fluctuating consumer demand.

The following section is intended to provide brief profiles of several competing beef exporting nations. Data and information has been compiled from multiple sources including the United States Department of Agriculture, Foreign Agriculture Services GAIN reports, GIRA Meat Club's 2008-2009 Outlook and other individual country reports. Data is based on 2008 and 2009 projections and unless otherwise indicated, volumes are based on carcass weight.

Brazil

	2007	**2008p**	**2009p**
Cattle Inventory	173.8 million head	175.4 million head	177.4 million head
Beef Production	9.3 MMT	9.2 MMT	9.39 MMT

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Consumption	7.1 MMT	7.3 MMT	7.41 MMT
Imports	30,000 MT	33,000 MT	30,000 MT
Exports	2.18 MMT	1.92 MMT	2.01 MMT
Reliance on Exports	23.5%	20.9%	21.4%

Brazil is the world's second largest producer of beef, accounting for 16 per cent of world production, and is also the largest beef exporter – supplying 25 per cent of global exports.

Over the last five years low cattle prices have encouraged Brazilian producers to liquidate the breeding herd. Low prices were attributed to a cartel of the five largest processors who are the only processors eligible to export beef. As cattle supplies have tightened, prices have increased significantly and encouraged heifer retention in 2008. It will take time for the herd to rebuild before production and exports increase again. The question moving forward is at what level Brazil production will stabilize. Land constraints and export demand have led to a shift from grass finishing to grain finishing as Brazil typically has a surplus of grain (corn), and large portions of grazing land have converted over for grain production. Growth will be limited by land availability and competition for grain acreage allocations, with expectations of increasing demand for acreage to be allocated towards crops for export and ethanol production. It is also important to note that increased grain-fed beef production has seen a shift in the Brazilian cattle herd from the north to more southern regions where the risk of foot and mouth disease (FMD) is higher.

Brazilian cattle inventories are expected to increase one per cent in 2009, as strong export demand and higher domestic prices encourage production. This will increase production by two per cent with domestic consumption up one per cent. Domestic demand is expected to be the main driver for growing production with rising consumer incomes and growth for 2009 projected at four per cent.

The industry will face some challenges moving into 2009 as a result of a smaller supply of cattle for slaughter, increased production costs associated with grain-fed production, and reduced export volumes. Brazil continues to be plagued with FMD. Furthermore, Brazil's inability to meet the European Union's traceability requirements resulted in their market access being restricted in early 2008. While Brazil was successful in redirecting beef exports into emerging markets like Russia, their inability to meet importing countries requirements is indicative of the challenges they will face moving forward. While partial access has been restored to the EU, export volumes have remained significantly lower. Exports are expected to increase five per cent in 2009 as a result of regained access into the EU and Chile. Chile was a traditional export destination before the export ban in 2005.

Australia

	2007	**2008p**	**2009p**
Cattle Inventory	28.4 million head	28.1 million head	28.3 million head
Beef Production	2.17 MMT	2.10 MMT	2.07 MMT
Consumption	719,000 MT	730,000 MT	737,000 MT
Imports	7,000 MT	7,000 MT	7,000 MT
Exports	1.4 MMT	1.38 MMT	1.35 MMT
Reliance on Exports	64%	66%	65%

Australia is the world's second largest exporter, accounting for 18 per cent of global exports. Australia is also heavily dependent on exports, with an estimated 65 per cent of its production destined for export markets.

With substantial limitations in recent years in market access for North American exporters due to BSE and for Brazilian exporters due to FMD, Australian exports have grown. Export growth has been further supported by a

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weaker Australian dollar. Growth has been limited to some extent by drought conditions over the last several years, which has resulted in high cow slaughter and limited increases in production. Despite positive market indicators, the Australian herd has not increased since 2003 due to water constraints. A return to average seasonal conditions this fall is expected to increase cow numbers and expand calf production in coming years. However the threat of tightening credit markets has reduced producer confidence in their ability to finance cattle as the industry is still significantly in debt due to drought and higher production costs. In addition, futures prices have dropped in light of expectations of softer export demand due to a global economic slowdown and increased North American competition. It is expected that a weaker Australian dollar will offset some of the negative impacts, but not entirely.

Beef production declined three per cent in 2008 due to herd retention and lower cattle on feed numbers, which in turn decreased Australia's beef supplies available for export. With elevated grain prices and drought, cattle on feed numbers declined from 33 per cent of production in 2006 to 30 per cent in 2007 and 25 per cent in 2008. Moving into 2009 cattle prices are expected to increase as supplies tighten with herd rebuilding. Feedlot production is also expected to increase as grain production and supplies have improved.

Beef exports are expected to decline two per cent in 2008. Australian exports are concentrated in three main markets – the United States, Japan and Korea which represented 81 per cent of total exports. Exports to Japan have declined due to reduced availability of grain-fed beef and competition from North American exporters. Similarly, exports to Korea are also declining due to competition from U.S. exporters. Declines in Asian exports are somewhat being offset by strong demand for Australian beef in emerging markets such as Russia and Indonesia, but exports are expected to decline a further two per cent in 2009 due to growing global competition and a global economic slowdown.

United States

	2007	**2008p**	**2009p**
Cattle Inventory	97 million head	96.66 million head	96.2 million head
Beef Production	12.096 MMT	12.226 MMT	12.203 MMT
Consumption	12.829 MMT	12.52 MMT	12.483 MMT
Imports	1.384 MMT	1.131 MMT	1.213 MMT
Exports	650,000 MT	851,000 MT	934,000 MT
Reliance on Imports	11%	9%	10%
Reliance on Exports	5%	7%	8%

The U.S. is the largest beef producer in the world, accounting for 20.6 per cent of world production. As the third largest exporter the U.S. accounted for 11 per cent of global beef exports, but it does not rely heavily on exports with only seven per cent of production being exported in 2008.

In face of poor profitability the U.S. industry began liquidating the cow herd over the last year and reductions are expected to continue into 2009. After two years of drought and market volatility, tightening credit markets and limited upside potential for prices is expected to continue to pressure cow numbers downwards. Over the near term beef production is expected to see only a moderate decrease, as larger carcass weights offset smaller cattle supplies. Continued large dairy cull cow marketings are also expected to buoy production in 2009, as losses in the California dairy industry encourage liquidation (losses were not as large in Wisconsin where cheaper feed sources were available). The one uncertainty in production moving forward will be the availability of feeder imports from Canada and Mexico, as well as fed cattle from Canada for direct slaughter. With the implementation of COOL there is some expectation of reduced slaughter and feeder imports unless regulations are amended. Reduced

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imports will reduce feedlot inventories and fed cattle marketings for slaughter and potentially capacity in both sectors if supplies remain tight over the long term and if the costs of implementing COOL become too burdensome.

Recession in the U.S. and tightening credit markets have resulted in weak consumer demand domestically and this is expected to continue into 2009. An overabundance of protein, as a result of large supplies of pork and poultry, has pressured cut-out values and limited the ability to improve returns received by industry. In 2008 softer domestic demand was offset by stronger export demand, with a weak U.S. dollar relative to other exporting countries and expanded market access (South Korea) seeing exports up 31 per cent in 2008. As the dollar strengthens in 2009, growth in exports is expected to slow.

Uruguay

	2007	**2008p**	**2009p**
Cattle Inventory	11.9 million head	11.87 million head	11.76 million head
Beef Production	560,000 MT	588,000 MT	600,000 MT
Consumption	179,000 MT	190,000 MT	183,000 MT
Imports	4,000 MT	2,000 MT	3,000 MT
Exports	385,000 MT	400,000 MT	420,000 MT
Reliance on Exports	69%	68%	70%

Uruguay benefited in 2008 from export disruptions in Brazil and Argentina to various markets. Good future prospects are expected to increase the herd. Inventories are expected to increase due to a larger calf crop and sustained investment in pasture and herd management. This will increase overall production in 2009. Uruguay has been able to take advantage of its traceability system and hormone-free certification in many countries.

After the EU banned Brazilian beef in January 2008 Uruguay took advantage of the opportunity and increased exports into the EU which is a higher valued market for them. The U.S. is no longer the largest market for Uruguay with market share of exports dropping seven per cent in 2008. Russia has become the major beef market for Uruguay as it pays higher prices than the U.S. market for the same product.

Beef exports slowed in the fourth quarter of 2008 with smaller supplies as record cattle prices have encouraged heifer retention. In addition, exporters saw softer global demand with some meat packers concentrating on cleaning out product in cold storage. Export prices have slumped after six years of a steady upward trend. Moving into 2009 exports are projected to increase due to larger slaughter.

Argentina

	2007	**2008p**	**2009p**
Cattle Inventory	55.66 million head	55.66 million head	55.16 million head
Beef Production	3.3 MMT	3.2 MMT	3.16 MMT
Consumption	2.77 MMT	2.81 MMT	2.68 MMT
Imports	5,000 MT	5,000 MT	4,000 MT
Exports	534,000 MT	400,000 MT	480,000 MT
Reliance on Exports	16%	13%	15%

Beef exports from Argentina have been limited in 2008 due to government restrictions and export tariffs. Restrictions were put in place in an effort to limit domestic inflation; given beef consumption is very high and therefore makes up a significant portion of consumer expenditures. These restrictions have encouraged producers

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to limit expansion and turn to grain production where there is less government interference. Cattle inventories and beef production have stayed steady in anticipation of reduced restrictions in the future, but the longer the restrictions stay in place the greater the desire grows to liquidate the herd. Overall there is a very negative impression for the industry's future if government intervention continues. Exports are expected to fall 25 per cent in 2008 due to restrictions, but rebound 20 per cent in 2009 if restrictions are removed.

New Zealand

	2007	**2008p**	**2009p**
Cattle Inventory	9.6 million head	9.7 million head	9.83 million head
Beef Production	607,000 MT	618,000 MT	600,000 MT
Consumption	123,000 MT	115,000 MT	115,000 MT
Imports	12,000 MT	12,000 MT	12,000 MT
Exports	496,000 MT	515,000 MT	480,000 MT
Reliance on Exports	82%	83%	83%

New Zealand beef production is expected to increase in 2008 after three years of decline. Production in 2008 is expected to increase two per cent, with smaller carcass weights somewhat offsetting a three per cent increase in production. Production is expected to decrease again in 2009, with smaller inventories and rising costs outweighing rising global beef prices. Lower production combined with steady domestic consumption is expected to decrease exports 3.5 per cent in 2009.

The dairy industry continues to dominate New Zealand's beef production. Therefore as the dairy industry continues to expand, dairy cull numbers will grow and a larger proportion of beef production will be made up of manufacturing/commercial beef. With strong demand for this type of product expected to continue in North America due to consumers switching to cheaper protein sources, exports from New Zealand are expected to be directed to this market. In addition, New Zealand's free trade agreement with China which was signed in April 2008 and phases out tariffs on beef is expected to increase its competitive position in key growth markets including Indonesia, Malaysia and the Philippines.

5. STRATEGIC DIRECTION

Vision, Mission and Goals

The business plan for the Canadian Beef and Cattle Market Development Fund (June 21, 2006) included a provision for the CCMDC to:

> "Facilitate a consultation with stakeholders, including the Beef Value Chain Roundtable, to develop the framework for setting and evaluating the priorities of the strategic marketing plan which will cultivate the development of the marketing implementation plans."

The CCMDC consulted with stakeholders in 2006 through a workshop facilitated by Framework Partners Inc., and discussions with the Canadian Cattlemen's Association Global Marketing Advisory Committee, Executive and Board of Directors, and the Beef Value Chain Roundtable. The CCMDC, drawing from the workshop and discussions with industry stakeholders, developed recommendations for a shared industry vision, goals, targets and marketing priorities which are summarized in the CCMDC Strategic Marketing Plan (2006).

The CCMDC recommended that the Canadian beef and cattle genetics industry, through the Beef Value Chain Roundtable, consider the development of an industry vision, covering all major elements of the Canadian beef value chain. The intent was that this single vision would define the overall direction and priorities for the industry to enhance its competitiveness and sustainability.

The following vision, mission, goals and targets have resulted from the stakeholder consultation process:

Industry Marketing Vision

Lead the world in profitable, innovative beef solutions – together.

Industry Marketing Mission

Create and achieve the Canadian Beef Advantage – together.

Industry Marketing Goals

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 Goals

1. Achieve lasting, ongoing (industry) commitment to the value proposition.
2. Realize long-term and sustainable market impact.
3. Foster innovative and effective approaches to delivering on the value proposition and to market development.
4. Enhance industry efforts and investments through measurement of impact and performance.
5. Create a commitment to successful and effective initiatives through demonstration of impact and success.

5. STRATEGIC DIRECTION

Key Priorities for 2009/10

The previously listed goals are CCMDC specific overarching goals for the long-term market development program. Based on industry discussions with respect to the current marketing environment and opportunities, as well as the implementation of sustainable programs with measurable goals, three key priorities or market specific goals were identified from the CCMDC overarching goals. They include:

- *Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition*
- *Achieve growth in traditional, existing, new and emerging markets for Canadian beef or Canadian genetics products*
- *Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values or genetics and live cattle values*

Additional goals identified under the marketing strategies include:

- *Achieve resilience in light of potential future industry events through expanded and / or more secure market access, and greater market diversification*
- *Create a commitment to successful and effective initiatives through demonstration of impact and success*
- *Leverage the benefits of Canadian cattle genetics products to strengthen the Canadian beef brand and vice versa*

Canadian Beef Advantage Brand Development

A strong brand is important in selling any product in today's competitive global marketplace. The process of "branding" involves brand development as well as positioning the brand and its attributes to existing and potential customers – feats of the Canadian Beef Advantage. This marketing plan supports the value proposition and the Canadian Beef Advantage that was created during the past year.

The value proposition is the combination of leadership in animal production, health and beef safety, the beneficial image of Canada and Canadian producers, and the quality attributes and points of differentiation for Canadian beef products and service that will create a compelling and distinct value to customers, and a competitive advantage for the Canadian industry.

The following attributes have been identified to support the value proposition and Canadian Beef Advantage:

- Canadian beef profitability and value
- Canadian animal health and on-farm food safety system
- Canadian food safety system at slaughter and fabrication
- Canadian cattle production system
- Canadian beef breeds and genetic improvement system
- Canadian beef grading system
- Canadian beef product specifications
- Canadian beef processing characteristics
- Canadian beef supplier sales and service standards
- Canadian beef eating quality, shelf-life and appearance
- Canadian beef nutrition and health
- Animal welfare and cattle production in Canada
- The environment and cattle production in Canada
- Canadian brand (brand recognition, brand image, broader perceptions of Canada and Canadians)
- Canadian beef and cattle marketing association services (BIC, CBEF, CBBC)

5. STRATEGIC DIRECTION

Building the Canadian beef brand identity is a long-term strategy within the CCMDC marketing implementation plan, coordinated between the various programs and activities within the domestic, U.S. and international markets. Extensive research and evaluation led to the development of a brand marque or logo and license agreement for use on Canadian beef and cattle in both domestic and international markets. In addition to the logos, three market specific taglines were also developed to further represent Canadian beef in the Canadian and U.S. markets. The incorporation of these logos and taglines into the marketing initiatives of BIC, CBEF and CBBC will identify Canadian beef and cattle genetics products around the world and support the Canadian Beef Advantage communication strategies.

The integration of the Canadian Beef Advantage strategy with value chain partners to ensure their buy-in, leverage resources and maximize market development opportunities remains an essential component of this plan.

Canadian Beef Advantage – Industry Support for the Value Proposition

With the visual brand under the Canadian Beef Advantage developed, the strategic focus will be positioning the brand to industry players and garnering support for the value proposition. Much of the industry support will be realized through an education process on the CBA attributes and resulting benefits to the industry as a whole.

As reported in the 2007/08 CCMDC Results Report, a pilot project was initiated in order to advance the development and implementation of a comprehensive information exchange system to encourage producers to embrace the Canadian Beef Advantage and its role in developing an auditable and credible brand promise, adding value to Canadian beef. Also called the **Beef InfoXchange System or BIXS**, this system will enable industry stakeholders to access information along the value chain that will lead to genetically improved herds, improved feeding and animal health practices, reduced production costs – all leading to higher carcass values as beef from cattle on the CBA achieves increased demand domestically and internationally.

The intent of the BIXS is to determine what standards, technical requirements, and information elements can and will be captured. It will also provide an opportunity to demonstrate to participants across the value chain what standards and programs require commitment, incorporating programs such as age and source verification and the Verified Beef Production on-farm food safety program.

Due to necessary time constraints and the beef cow production/marketing cycles, BIXS must initiate at the feedlot sector of the industry. Over the first quarter of 2009, feedlot operations with registered premise IDs and with known age verified animals on feed and expected to finish prior to April will capture specific individual animal data for the pilot. This data will include, but is not limited to, in-out animal weights and certain animal health records. At specified times this data, linked to the animal's unique RFID (radio frequency identification) tag identifier, will be uploaded to the CBA database. Likewise, participating packers will collect and upload to the CBA database specific individual carcass yield and grade data as the pilot project cattle move through harvest. Upon completion the BIXS will have identified the standards, technical requirements and information elements the system is able to capture and relay as well as remaining challenges.

Through the balance of 2009/10, BIXS and other components of the Canadian Beef Advantage program will be rolled out to the entire beef cattle industry. Where specific opportunities exist such as with brand value chain alliances, communication and liaison efforts will focus on what the Canadian Beef Advantage strategy offers to the Canadian cow-calf, purebred and feedlot sectors. These include promotion of the national on-farm food safety (Verified Beef Production) program to the Canadian beef value proposition as an enhancement to age and source verification of product. As well, specific information management and marketing opportunities the CBA program offers will be highlighted in communication efforts. The total budget for BIXS for the 2009/10 fiscal year is $206,000 as highlighted in the budget section under Special Projects –Beef InfoXchange System.

5. STRATEGIC DIRECTION

The Canadian cattle industry continues to encourage producers to **age verify** their calves as the marketing challenges continue for certain beef products to international markets. This voluntary program remains a critical element of the Canadian Beef Advantage and long-term success of the Canadian beef industry.

The **Verified Beef Production** (VBP) on-farm food safety program continues to expand across Canada. It is a key element in providing verified assurance of good on-farm food safety practices to Canadian customers and contributes to positioning the Canadian beef cattle industry as a leader in animal health and food safety. Producer participation in this program plays a major role in the CBA strategy by not only supporting the information system but also confirming producers' commitment to produce beef products that meet and often exceed the evolving regulatory and consumer expectations. With provincial capacity strengthened to deliver workshops and registrations strengthened and several new coordinators in place, meeting the training demand will be a priority.

The on-farm food safety program includes an initiative directly related to the BIXS. A number of beef producers have provided input into the development of a VBP pilot database, to exchange information with the next customer in the production chain. This project is being designed to fit with efforts of the BIXS, and will be optional to those producers who want to use this service.

The VBP program will continue to promote enhanced veterinarian/producer relationships for decision-making, leading to improved efficiency of product use and responsible pharmaceutical practices. The program structure will also continue to support the effort by provincial cattle associations to integrate VBP staff within their long-term plans, building the capacity to deliver provincial programs.

Reporting and Communication

The 2009/10 Marketing Implementation Plan covers the period July 1, 2009 to June 30, 2010, following the Canadian Cattlemen's Association fiscal year. As stated in the Canadian Beef and Cattle Market Development Fund (July 2006) business plan, a report of funded activities is to be provided to Fund signatories within four months of the end of each fiscal year. Therefore, an annual results report in follow up to this plan will be provided by October 31, 2010. The annual results report will be a consolidated report summarizing completed activities in target markets, achievements, quantifiable results and audited financial statements.

The Canadian Cattlemen's Association is committed to communicating Fund activities and results – to industry including cattle producers across Canada; value chain partners including packers, processors, retailers and foodservice; government; and the general public. Content from CCMDC annual reports will continue to be sourced for the development of communication tools such as news releases, fact sheets, articles, presentations, website content, etc. The annual CCMDC Marketing Implementation Plan and Results Report will be circulated to CCA, CCMDC and GMAC members, and posted on the CCA website *at the following link*. Select documents are also available online in French.

http://www.cattle.ca/research%20and%20development/Market%20Development%20Fund/Market%20Development%20Fund.htm

The CCMDC; Canadian Cattlemen's Association; Canadian Beef Industry Research, Market Development and Promotion Agency (national check-off agency); and recipient beef marketing organizations will continue to collaborate on future communication opportunities. These organizations will also promote the CBA and activities funded by the CCMDC in their presentations delivered to diverse audiences.

Further to recommending the development of a Senior Trade Secretariat, the CCMDC and Canadian Cattlemen's Association welcomed the news that the federal government is creating a new export market-access secretariat to work full time on aggressively and strategically pursuing international markets. This development will enhance Canada's market access negotiating capabilities to restore and secure economically-meaningful access to foreign

5. STRATEGIC DIRECTION

markets lost to BSE. As well under this strategy, communication opportunities and strategies within industry and government consultative groups will be discussed as a means to strengthen market access negotiations.

Restructuring of the Marketing Organizations

The Canadian Cattlemen's Association at its summer board meeting in Winnipeg (2008) accepted a steering committee recommendation to develop a business plan to integrate the function of the Beef Information Centre and the Canada Beef Export Federation under a new organizational structure. The intent is that this would significantly improve the ability to produce and deliver a consolidated global marketing strategy that is aligned with industry priorities and enables more synergistic use of resources. In advancing this effort the CCA through the CCMDC sought to expand upon the review conducted by Framework Partners Management Consultants to explore optional business models for structure, governance, and operations of the beef marketing organizations. At time of writing a steering committee had been formed and the services of Deloitte Consulting Services have been retained to evaluate alternate business models. The steering committee is to provide a recommendation to the CCA Board on the optimal governance and business structure at the March Annual General Meeting (2009).

The stakeholders of the Beef Information Centre and Canada Beef Export Federation are seeking:

- Resolution to the industry's frustration with the status quo which is driven by the unique challenges inherent in the current operating and governance structures of BIC and CBEF.
- The rationalization and streamlining of services currently delivered by the BIC and CBEF so as to increase efficiency and effectiveness and create greater value returns for all industry participants.
- Recast the manner in which services are delivered so as to create a high performance organization(s), that is nimble, responsive, and success driven, within a market environment that is characterized by rapid change, uncertainty, and a high degree of domestic and international volatility.

In moving this process forward, the industry is highly sensitive to the fact that organizational change initiatives are complicated and charged undertakings – for the organizations and their respective staff members and for the stakeholder community. Transformations also take time to fully implement and organizations must continue to function, deliver services, and respond to market opportunities while the organizational change is implemented. Therefore the work put forward by the steering committee and Deloitte is focused on building the foundation and providing an initial implementation plan to assist in transition. This will maximize the organizational effectiveness during the transition, reduce the possibility of unexpected talent loss, and maximize the acceptance of redefined roles and responsibilities.

6. MARKETING STRATEGY & PROGRAMS OVERVIEW

The CCMDC continues to enhance its reporting processes to ensure alignment with its long-term goals and strategic plan. The CCMDC is responsive to both industry and government regarding the use and value derived from their investment in marketing initiatives, and has worked to implement advancements in how it measures progress and performance.

Measurement of results directly linked to the investments made in individual marketing activities and programs across countries can be difficult. Changes in overall volume and value can be impacted by external market dynamics and also do not necessarily reflect investments in education, relationship maintenance, and relationship building where returns are often derived over the longer term and are not necessarily immediately apparent. Therefore the CCMDC has worked to establish an evaluation framework centered on marketing targets and indicators, overarching market measures, and performance measures aligned with specific goals.

In addition, in order to implement a more outcome-based process, it was important to the CCMDC that specific expected outcomes be established that outlined progress made in advancing the priority goals of the CCMDC to increase awareness of the Canadian Beef Advantage, expand market share within key markets and market segments, and optimize carcass values through targeted marketing strategies. Expected market specific outcomes have been identified for each of the priority goals with the intent that realized outcomes will be evaluated against expected outcomes to determine progress made and to assist in identifying core areas of focus moving forward.

The CCMDC in collaboration with the marketing organizations has established market specific targets, expected outcomes, and associated performance measures for each market and where applicable aligned with specific goals. The CCMDC evaluation framework will include the following: marketing targets, overarching market indicators, performance measures and market specific reporting requirements.

Marketing Targets

As in previous years, volume targets for 2009 were established based on an evaluation of the production and supply situation and current market conditions in both domestic and key export markets. This information was utilized to establish near-term targets that are ambitious, but also achievable based on current expected beef production and supplies.

Projecting the supply and disposition of Canadian beef in 2009 is highly dependent on multiple factors including total cattle marketings, live cattle exports, beef imports, domestic beef consumption, changes in market access for Canadian beef exports, the exchange rate and the implementation of trade barriers such as mandatory country of origin labelling in the U.S. Utilizing the most current information and data, CanFax Research Services has set beef export targets by country through first establishing an estimate of 2009 beef supply.

As outlined in the market outlook section, total fed cattle marketings are projected to decline in 2009. Despite reduced total numbers, the number of fed cattle slaughtered domestically is projected to remain steady with 2008 levels. This is a result of fed cattle exports to the U.S. decreasing with the implementation of country of origin labelling. Fed beef production (excluding slaughter cattle exports) is projected to be steady at one million tonnes in 2009. Non-fed marketings are also projected to be steady in 2009, with domestic non-fed slaughter resulting in similar production levels to 2008 at 266,000 tonnes.

While domestic beef production is projected to remain steady in 2009, beef imports are projected to increase five per cent. The increase is expected to offset higher commercial (non-fed) beef exports and will be further encouraged by strong North American trim prices. As well, weakening global economies that previously were demanding significant volumes of South American beef, which saw reduced volumes being shipped into North America, are expected to be less attractive to export to in 2009 and encourage more exports to be targeted to

6. MARKETING STRATEGY & PROGRAMS OVERVIEW

North America. When total beef supplies available incorporate the above elements, as well as offal production and carry-over stocks, total Canadian beef supplies are projected to be steady at 1.3 million tonnes in 2009.

Determining the disposition of total Canadian beef supplies for 2009 includes estimating domestic consumption, beef exports and carry-over stocks. Domestic beef consumption is projected to decline modestly in 2008 and 2009 to 979,000 tonnes. Furthermore, the proportion of domestic beef consumption made up of Canadian beef is expected to decrease and be displaced by imports. With steady supplies and reduced domestic consumption, beef supplies available for exports are projected to increase 2.4 per cent to 526,000 tonnes. While the share of exports made up by fed beef is expected to decrease, based on a survey completed by the major packers, the share made up by non-fed beef is expected to increase. It is projected that 22 per cent of non-fed production will be exported with 86 per cent being shipped to the U.S. and 14 per cent to Mexico.

The distribution of Canadian beef exports is projected to shift in 2009, with the U.S. market share decreasing while exports to Mexico and Asia increase. The key changes assumed for 2009 are the reopening of the South Korean market, expanded market access in Japan to under-30-months and gaining over-30-month beef access to Mexico.

	2008		2009p		% change
Total Beef Supplies	1,308,176		1,308,176		n/c
Domestic Consumption	989,315		979,422		n/c
Consumption of Canadian Beef	801,521		766,939		-1%
Fed	569,913		559,291		2%
Non-Fed	231,608		207,648		-10%
Beef Available for Export	**513,498**		**525,938**		2.4%
Non-Fed for Export	34,608		58,567		69%
Beef Exports by Country	**Tonnes**	**% of total**	**Tonnes**	**% of total**	**% change**
U.S.	357,753	76.5%	359,692	68%	0.5%
Mexico	53,626	11.5%	64,260	13.1%	20%
Hong Kong & Macau	19,097	4.1%	23,681	4.8%	24%
Japan	5,413	1.2%	8,806	1.8%	63%
Taiwan	3,364	0.7%	2,856	0.6%	-15%
South Korea	-	0.0%	8,925	1.8%	100%
ROW	28,247	6.0%	57,718	10.5%	103%

MT, Carcass Weight

These marketing targets depend on several factors with the understanding that a significant change in any one factor will impact the level of beef supplies available and the level of beef exports to individual markets.

Long-term Marketing Targets

Longer-term marketing targets were established as part of the CCMDC Strategic Marketing Plan and are included below. Longer-term marketing targets are not adjusted on a year-to-year basis, with the intent that these reflect goals for which the marketing organizations will strive to reach through the successful implementation of the marketing strategy. These goals were established in 2005 when inventories were peaking and expectations for market access were more ambitious, leading to larger targets being set for 2010. Targets for 2010 will be revised in the 2010/11 Implementation Plan to reflect actual production levels and the market access situation and outlook. These longer-term targets will be reviewed and revised as part of the three year planning process so that they reflect the current market situation and can be effectively used by the marketing organizations as goals to strive for.

6. MARKETING STRATEGY & PROGRAMS OVERVIEW

	2010 Target	2015 Target
Domestic		
Disappearance of Cdn beef (MT)	778,000	744,000
Market Share (% vs. imports)	80	77.5
Commercial Beef		
Disappearance of Canadian Commercial Beef (MT)	n/a	n/a
Beef Exports		
U.S.	n/a	n/a
Mexico	121,400	138,000
Japan	33,500	52,500
Korea	28,500	38,000
Hong Kong/Macau	18,000	24,000
China	19,000	26,000
Taiwan	9,500	12,000
Cattle Genetics		
Value ($ 000s)		
Live Breeding Cattle	90,000	175,000
Semen	10,000	12,500
Embryos	12,500	25,000
Volume (units)		
Live Breeding Cattle	30,000	50,000
Semen	400,000	500,000
Embryos	25,000	50,000
TOTAL	112,500	212,500

Market Indicators

These are broad measures of industry's success in realizing the industry vision and long-term industry goals. Market indicators focus on market impacts. These measures are influenced by the CCMDC, but are not under the CCMDC's direct control.

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 (when applicable)

Performance Measures

Performance measures (PM) are specific measures that will be used to directly evaluate the impact of CCMDC efforts and investments, and the status and success of CCMDC-funded initiatives. These measures correspond to the priority goals focused on by the CCMDC and are closely related to the activities and expected outcomes outlined in this plan and therefore are more directly impacted by the CCMDC.

Due to the difficulty in accurately reporting on some of the originally established performance measures, as well as a desire to establish an outcome-based process more directly aligned with CCMDC's priority goals, certain performance measures have been removed from the reporting process and others have been repositioned to be aligned with a specific goal instead of overall market activities.

6. MARKETING STRATEGY & PROGRAMS OVERVIEW

Goal 1: Build awareness for a Canadian beef brand

PM: Customer awareness and understanding of Canadian beef value proposition
PM: Size of market influenced by the value proposition

Goal 2: Achieve growth in traditional, existing, new and emerging markets

PM: New markets and customers created and maintained by funded initiatives
PM: Canadian share of target market and market segments

Goal 3: Maximize value through optimization of carcass values

PM: Cut-out value comparison Canadian vs. U.S.
PM: Cut-out Benchmark (see explanation below)

In addition, market specific performance measures have been identified by the marketing organizations for each CCMDC goal addressed in that market. These will be reported on as well.

Cut-out Benchmark

One of the primary goals for the Council is to enhance carcass values. The Beef Information Centre and Canada Beef Export Federation in collaboration with CanFax Research Services (CRS) established a coordinated process to evaluate the Canadian cut-out, identifying and monitoring changes in undervalued cuts. In order to identify undervalued cuts the marketing organizations consulted with the major packers to ensure targeted cuts reflected their priorities.

A benchmark model was developed by CRS to allow consistent measurement over time. This model compares Canadian and U.S. equivalent cuts in Canadian dollars. Canadian cuts are identified as being undervalued, steady or premium to U.S. cuts based on the number of weeks they traded at lower prices. Cuts that trade below the U.S. price for more than 26 weeks were undervalued, cuts that traded below the U.S. price between five and 25 weeks were defined as being steady with the U.S. and cuts that traded below the U.S. for less than five weeks were considered to be premium.

Target groups were then set depending on the value difference between the annual averages of U.S. and Canadian cut values. Cuts with prices that averaged a discount of more than five per cent (i.e. -10%) were placed in target group one. Cuts with prices averaging between a discount of five per cent and steady with U.S. prices were placed in target group two. Cuts with prices averaging between zero and three per cent to U.S. prices were placed in target group three and cuts averaging greater than three per cent higher were placed in target group four. Target groups one and two were designated as high priority and sorted by value to determine which cuts on which to place the most marketing emphasis.

Marketing organizations have used a combination of the above model, feedback from packers, in-market intelligence and historic product mixes to determine priority cuts in each market.

Market Specific Reporting Requirements

The following measures provide an indication of funded initiatives' status and success. They will be reported on by market to evaluate the effectiveness of funds invested:

1. Industry funding leverage provided to funded initiatives
2. Level of completion of funded initiatives
3. Efficiency of CCMDC investment

7. GENETICS STRATEGY

Genetics Strategy Executive Summary

The Canadian beef cattle genetics strategy builds upon the historical positive reputation of Canada and the genetics industry in the international community. Based on science, transparency, technology, skill and commitment, Canadian genetic stakeholders will continue to develop and support the key principle of the value proposition of leadership in animal health and food safety. The goals are to build awareness, achieve growth, capture value, leverage benefits (attributes) and achieve resilience through maintaining access and protecting capacity.

The critical element of the Canadian beef genetics strategy is the fostering of strong relationships and network development. Canadians are viewed internationally as trustworthy, friendly, honest, competent, generally well-educated and credible. Through the leveraging of trust, increased exports will result. The Canadian Beef Breeds Council (CBBC) beef genetics strategy features a process of research, intelligence-gathering, identification and prioritization (of markets and activities), strategic thinking, advocacy, development, service and continuity of presence in markets. All are required elements of the successful sale and export of genetics products.

CBBC breed associations, exporters and sector service-providers develop strategic marketing plans based on the suitability of breeds in international markets and identified prospects. As the overarching body, CBBC guides and supports members' strategies, particularly in consideration of past results, subsequently applying due diligence in an effort to ensure stated goals are achieved, by optimizing the use of resources (both human and financial) when executing its strategy.

As a key goal of the CCMDC is to build awareness of and leverage the recently developed Canadian Beef Advantage, the CBBC will assist in achieving this goal by incorporating where possible the overarching brand identity into all CBBC and member activities for marketing and promotion in international target markets. This identifier and accompanying brand promise supports CBBC and CCMDC collaborative partners in positioning Canadian beef and genetics in alignment with the value proposition.

Successful international marketing for the CBBC and its members is dependent upon a variety of activity types including inbound and outbound missions, study tours, attendance at international forums (such as world conferences), trade shows; through communication/creating awareness (advertising, promotion); and by providing technical support through education and training. Members' priority international target markets for 2009/10 include countries in the European Union, Mexico, Russia, Kazakhstan, the United States and China. Secondary priorities include Brazil, Colombia, Venezuela, Uruguay, the Philippines, Thailand, Vietnam and Indonesia, among others. If access currently exists for genetics (semen and embryos), the CBBC will be working in parallel, directing its efforts towards establishing access for purebred breeding cattle.

Specific primary outcomes pursued for 2009/10 include increased sales of breeding cattle to Mexico and the U.S., as well as ongoing shipments to Russia and initial sales to Kazakhstan. Access to China is the major prize in Asia; although access for embryos and cattle is required for the Philippines and Thailand. Members have also requested access for breeding cattle to Australia, New Zealand, Brazil, Panama and South Africa.

Specific activities undertaken to achieve these primary outcomes include participation in ongoing trade missions with Agriculture and Agri-Food Canada and the Canadian Food Inspection Agency, working in a collaborative manner in the development of approaches to negotiate market access. In particular, at the request of Kazakhstan industry stakeholders, the CBBC and relevant members will collaborate in the compilation of a proposal to conduct a feasibility study for the establishment of model purebred farms. Kazakhstan stakeholders have also requested beef production seminars to support the feasibility studies. This approach will be studied as a model for other markets.

7. GENETICS STRATEGY

The CBBC strategy also addresses barriers from an international perspective that Canadian representatives sometimes do not recognize as necessary when conducting business. Examples of these barriers include buyer perceptions of Canadians, limited in-depth knowledge of current or potential customers, a lack of professional assertiveness, a limited dedication to follow up/technical support, and a lack of consistency with respect to delivery. The CBBC has recognized that an innovative approach to skill development of Canadian stakeholders is necessary to address and improve in these critical elements. This innovative approach will identify representatives requiring training in terms of cross-cultural conditioning, professional assertiveness, customer service and technical support (business and marketing plan development and post sales training/support). The CBBC will support this intellectual development through the provision of information and tools to enhance member(s) knowledge and skills. Improvements in these areas will result in representatives having the confidence to enter international markets to negotiate and successfully close sales in shorter periods of time and provide consistency with respect to servicing international customers.

The CBBC will also commit resources to review current international multilateral free trade agreements to ascertain further market access opportunities with the assistance of government and current alliances/trading partners, who will provide leverage to successfully negotiate access and commence sales into markets currently untapped.

During July 2009, the World Angus Forum, a major marketing event promoting Angus purebred genetics on the international stage, is due to be held in Calgary, Alberta. Showcasing the International Embryo Program featuring Angus progeny from globally donated embryos, the forum will also host the World Angus Secretariat Technical Conference. Known interested buyers from over 20 countries will be attendance among other confirmed global delegates. A substantial increase in genetic product sales is expected from this event.

The ongoing CBBC Purebred Risk Assessment (PBRA) Project is designed to identify and address various producer business risks associated with producing and marketing purebred beef genetics. A significant genetics marketing initiative for 2009/10 is the development of the CBBC Information Flow initiative, coordinating efforts in conjunction with the Canadian Beef Breeds Council PBRA project. The initiative is designed specifically to impact domestic and international industry alike, increasing demand for superior Canadian purebred genetic quality across the entire value chain, by providing reliable production and business information. The development of this initiative will complement the elements of the Canadian Beef Advantage, increasing Canada's global competitiveness, in addition to enhancing our ability to respond to the particular demands of international niche markets.

Despite global economic challenges, CBBC members are focused, well-informed, optimistic and energized as they continue to exploit 2008/09 marketing strategies and prepare to advance with plans for 2009/10.

7. GENETICS STRATEGY

Environment Scan / Market Profile

The Canadian Beef Breeds Council continually monitors and assesses the world market for Canada's purebred beef cattle genetics (semen, embryos and breeding cattle). The CBBC combines current understanding of global market opportunities and challenges, with its stakeholders' intelligence; CBBC's 19 breed association and 12 exporter and sector service-provider members share essential knowledge and insight. Members' understanding of the suitability of, and demand for, specific breeds within particular global regions and countries helps guide marketing initiatives. The CBBC maintains regional dossiers which aid in the development of its collaborative international strategic marketing plan and draws on the analysis of previous years' genetics export experiences and successes. CBBC's collaborative efforts with its membership, government and industry representatives constantly work to enhance, expand, and exploit global market access for Canadian purebred beef cattle genetics.

Canada's Herd

There are 33 breeds of Bos taurus[1] beef cattle recognized under the Animal Pedigree Act administered by Agriculture and Agri-Food Canada. Bos taurus cattle are known to produce high quality, tender beef on a consistent basis. The foundation of Canada's national herd is the traditional breeds of British origin (primarily Angus, Hereford, Shorthorn, Galloway, and others). Throughout the 1950s, '60s and '70s breeds of Continental European origin (e.g. Charolais, Simmental, Limousin, Gelbvieh, Salers, Maine Anjou, and others) were introduced to improve growth and weight rates, efficiency, dressing percentage and cut ability. In addition, Canada has also developed its own breeds using other breeds in combination, for example: Hays Converter and Speckle Park.

As of January 1, 2009, Statistics Canada reported total beef cow inventories of 4.65 million head and beef breeding heifer inventories of 537,000 head. In terms of capacity, the national herd represents more than adequate supply to meet the CBBC long-term marketing strategies to international destinations for breeding stock. Two thousand and eight figures to date reflect that producers of purebred cattle registered 88,594 head of cattle in Canada. This is a significant drop in comparison to the 2007 numbers; purebred cattle registrations are down almost 23 per cent and producers of purebred cattle are down just over 51 per cent. It is apparent that since the formal cessation in 2006 of the federal funding program 'Sustainable Genetic Quality of Ruminants' which provided a $30/head incentive for producers to register their purebred cattle, combined with decreased industry profitability, registration numbers have continually declined.

Canada currently exports Bos taurus genetics for purebred herd building purposes to numerous countries. In addition, genetics are exported for crossbreeding with Bos indicus breeds to several countries including the U.S., Australia and Brazil. The export market access opportunities for Canadian genetics remain vast and continue to provide avenues to increase semen, embryo and breeding cattle sales.

Strengthening Canada's Purebred Beef Cattle Sector

The CBBC's vision is for Canada to be recognized worldwide as a preferred supplier of purebred beef cattle genetics and related technologies and services, based on standards of high quality and product safety. The CBBC marketing strategy for 2009/10 focuses on sustainable increases in the volume and value of exported Canadian genetics products and will be accomplished through increased market access and market development in those countries already recognizing the quality, safety and value of Canadian genetics.

[1] Bos indicus (or *Bos taurus indicus*) cattle, also called zebu, are adapted to hot climates. Bos taurus (or *Bos taurus taurus*) are the typical cattle of Europe, northeastern Asia, and parts of Africa and many are adapted to cooler climates. Taurus/indicus hybrids are widely bred in many warmer regions, combining characteristics of both Bos types.

7. GENETICS STRATEGY

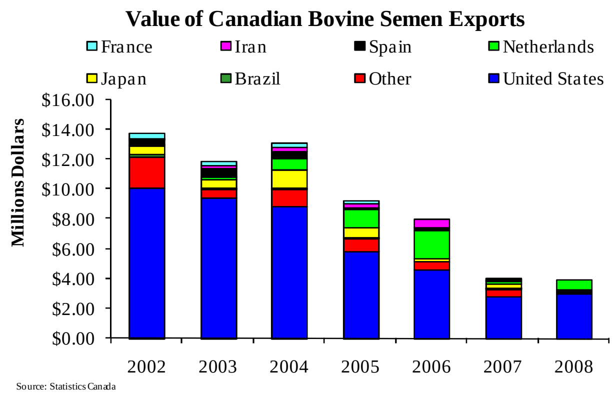
The CBBC is undertaking several strategic initiatives external to the CCMDC implementation strategy to strengthen Canada's purebred beef cattle sector. A strong domestic sector is the essential foundation to support increased export viability, readiness and success.

Breeding Cattle

Exports of breeding cattle continued to increase in 2008 with resumed access to the U.S. and Mexico; historically two of Canada's largest markets. Exports were up significantly in 2008 at 12,000 head valued at $23.96 million compared to 4,800 head valued at $12.05 million in 2007. This is just below 2002 levels when 11,000 head of beef breeding cattle were exported for $19.71 million. Most of the exports in 2008 were destined for the U.S. where built-up demand has provided a strong market for Canadian genetics.

Semen

Statistics Canada reports the value of beef semen exports down two per cent in 2008 at $3.89 million compared to $3.98 million in 2007; however, some exporters have offered that they have experienced a steady increase in sales this year compared to last. Steady declines in exports to the U.S. have been observed since 2002, however a four per cent increase is expected in 2008. The U.S. is Canada's largest market representing 76 per cent of total value. Exports to other countries have declined from $2 million in 2002 to an estimated $950,000 in 2008.



The Canadian Food Inspection Agency reports volumes of beef semen exports down 26 per cent in 2008 to 233,000 units from an already low level of 316,000 units in 2007. In 2006, exports had totalled 550,000 units. South and Central America represents 30 per cent of volumes sold but only 3.5 per cent of value. Europe represents 15 per cent of volumes and 18 per cent of value. Australia and Asia, like South America, represent a larger proportion of volume at 8.6 per cent but only three per cent of value. In contrast, North America represents a smaller portion of volume sold at 43 per cent but is the best value market with 76 per cent of the total.

Embryos

In 2008, beef embryo exports were down 64 per cent in volume to 2,200 units from 4,800 in 2007; while value was down 30 per cent to $2.5 million from $3.6 million in 2007. Canadian embryo exports do not depend on one or two prominent countries; however each year there tends to be one dominant country. In 2008, the United States, Russia, Colombia and Australia dominated the market with 40, 13, 13 and 11 per cent of total volumes sold. Embryo sales to the United States were up significantly with pent-up demand to 900 units valued at $1.1 million. Russia continues to be a good market at 300 units valued at $850,000; however this is down from the phenomenal year in 2007 when 1,000 units were exported to Russia. Sales to Brazil were also down to 93 units compared to 1,300 in 2007.

North America represented the largest market by volume in 2008 at 41 per cent of the total and 44 per cent of value. Europe like North America is a high value market, while, South and Central America along with Australia and Asia all have larger volumes with much smaller values.

Note: Market information and trade data continue to be a challenge for the Canadian beef cattle genetics industry. It is well recognized within the industry and government that the reported export value of purebred animals only captures approximately

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20 per cent of the actual sales. Figures shared must be viewed with some latitude as to accuracy and completeness. Work is ongoing to enhance genetic export data collection and reporting.

Market Access Situation and Outlook

Moving into 2009, more than five years after trade restrictions were imposed on the Canadian cattle and beef industry due to the occurrence of BSE, the Canadian purebred beef cattle and genetics industry continues to face significant restrictions that limit the export of breeding cattle to countries such as China, Brazil, Australia etc. (see table below for countries that have reopened to Canadian breeding cattle). To date, markets for semen have been restored in 108 countries and for embryos, 78 countries.

To date the following countries (by region) have reopened to Canadian breeding cattle:

Africa	Algeria, Egypt, Morocco, Tunisia (*heifers only*);
Europe	The EU27 member states – Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom, Croatia, Russia, Serbia and Ukraine;
Asia	South Korea *(proven bulls only*), Kazakhstan and Lebanon *(slaughter cattle only);* and Jordan
North America	Cuba, Mexico, St Pierre and Miquelon and the United States

Market access to Canada's two largest export nations for breeding cattle, the United States and Mexico, came into effect on November 19, 2007 and October 10, 2008 respectively.[2] The European Union opened their border to breeding cattle during October 2008. Even though the border has opened, the requirements for export are extremely onerous, limiting viable access. It has yet to be seen how many producers will endure the EU export requirements to enter the market. Clarification on vaccinations allowed for purebred breeding cattle has been requested from the EU for exports to the United Kingdom.

During May 2008, Russia and the United States agreed upon several new veterinary certificates for livestock genetics, including breeding cattle and bovine embryos. Supplies of cattle from Western Europe have been largely exhausted with importers turning to Australia, Canada, and the U.S. for genetics. Cattle genetics are in high demand as higher daily weight gain and better feed conversion ratios can be achieved through specialized breeds. Russian cattle breeders started to import breeding cattle and embryos from the United States after an agreement on veterinary protocols was reached. Market access has been regained in Kazakhstan for breeding cattle.

It should be noted that international customers are more interested in documentation, expressly completion of export certificates tracing breed types, vaccinations etc., than domestic buyers. This indicates a need to maintain beef cattle pedigrees and national expected progeny differences so that they are available to international customers. General interest in genetic performance has increased as feed costs increase and performance has become increasingly important to producers and feedlots.

Canadian breeding cattle exports are expected to increase with renewed access to Mexico, strong demand in Russia, recent market openings i.e. EU27 and Egypt and potential opportunities in emerging markets. The United States is expected to continue to be the largest market for purebred cattle exports due to built-up demand for Canadian genetics. However, difficulty in accessing credit, a weak economy and the current liquidation in the commercial cow herd is expected to limit the large growth potential in the U.S. market.

[2] Note: Mexico had reopened prior to October yet closed again after Canada's 14th case of BSE was announced on August 15, 2008.

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Strategy Overview

The CBBC beef genetics strategy features a process of research, intelligence-gathering, identification and prioritization (of markets and activities), strategic thinking, advocacy, development, service and continuity of presence in markets. All are required elements of the successful sale and export of genetics products.

CBBC breed associations, exporters and sector-service providers develop strategic marketing plans based on the suitability of breeds in international markets and identified prospects. As the overarching body, CBBC guides and supports members' strategy, particularly in consideration of past results, subsequently applying due diligence in an effort to ensure stated goals are achieved, by optimizing the use of resources (both human and financial) when executing its strategy.

The CBBC has historically utilized the value proposition within its international market development strategy: *Through known genetics, the purebred sector promotes consistency, performance, predictability and profitability to add value to the Canadian commercial cattle industry*. Now with the Canada Beef Advantage and Canadian beef brand established, the 2009/10 CBBC strategy will utilize the inherent advantages of this overall Canadian beef branding/positioning throughout all CBBC strategic marketing components/activities, where possible.

For 2009/10, CBBC long-term international strategy marketing priorities are established by region (Africa, Asia, Europe, North America, South America and Oceania) and specifically identify countries and their associated potential. Major competitors in nearly all target markets include the U.S., Australia, New Zealand, Uruguay, Brazil, member states of the EU27, as well as local stocks. Ongoing market intelligence-gathering by the CBBC and its members, together with long-term collaborative strategies and lobbying efforts, work to enhance and increase access to global markets, and support the setting of priorities. In specific priority markets, access may currently exist for genetics (semen and embryos) and marketing focus may be on increasing those sales – with parallel CBBC efforts directed toward establishing access for breeding cattle.

Members' priority international target markets for 2009/10 include the EU27, Mexico, Russia, Kazakhstan, the United States, China, Brazil, Colombia, Venezuela, Uruguay, the Philippines, Thailand, Vietnam and Indonesia. If access currently exists for genetics (semen and embryos), the CBBC will be working in parallel, directing its efforts towards establishing access for purebred breeding cattle.

Genetics Marketing Targets

The 2009 global marketing plan targets for genetics are:

Value (million $)	2007	2008	2009p
Total	$23.14	$30.35	$33.00
Breeding Cattle	$17.00	$23.96	$28.50
Semen	$3.98	$3.89	$3.10
Embryos	$2.16	$2.50	$1.40
Volume (units)			
Breeding Cattle	6,857	12,000	15,000
Semen	316,275	233,000	140,000
Embryos	4,820	2,200	2,000

Market information and trade data continue to be a challenge for the Canadian beef cattle genetics industry. However, progress has been made and the following analysis is based on Statistics Canada and CFIA data for **beef** breeding cattle, semen and embryos. Efforts are being made to improve accuracy and timeliness, however, funding and resources for inputting this information by government and making it available to industry, has been pressured. *As data is being slowly improved it is important to focus on overall trends and not individual data points.*

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Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

As previously indicated, target markets for the 2009/10 strategy are established in response to CBBC and its members' global intelligence, available market access and identified growth and new opportunities. Global region targets are first established and refined into specific countries of focus. The CBBC is committing resources to review current international multilateral free trade agreements to ascertain further market access opportunities with the assistance of government and current alliances/trading partners, who will provide leverage to successfully negotiate access and commence sales into markets currently untapped.

Africa

The primary focus for the beef cattle industry in Africa is the country of South Africa. Opportunities exist for market development in providing genetics for herd improvement. Reports point to a herd buildup as a result of a number of factors including favourable weather conditions.

A secondary focus is the Muslim markets in Northern Africa. These countries include: Algeria, Egypt, Morocco (currently all open to receive breeding cattle imports from Canada), and additional surrounding nations such as Libya, Ethiopia and Kenya. The CBBC aims to increase sales of semen and embryos and examine potential viability of gaining access for slaughter cattle with future effort focused on exporting breeding cattle. There is a need to establish a regional trading block in this area to support Canada's export efforts.

Asia / Middle East

A key opportunity exists with the APEC trading bloc. APEC allows Canada to further engage in bilateral and multilateral discussions and negotiations in one of the world's largest economic zones, where many of CBBC key trade partners are also members. The APEC forum includes 21 members. The participating APEC economies are: Australia, Brunei, Canada, Chile, China, Taipei, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Thailand, United States, and Vietnam.

A secondary opportunity exists with the Gulf Cooperation Council (GCC), consisting of Bahrain, Kuwait, Oman and Qatar, where Bahrain currently imports Canadian semen and embryos (and all beef), Oman and Qatar import only semen and Kuwait currently imports no Canadian genetic products. Kuwait, in 2007 accepted the CFIA's proposed certificate for breeding cattle importation; however the GCC has banned importation of breeding cattle from Canada and the CFIA certificate can only be applied and utilized by Kuwait after the lifting of the ban. A current opportunity exists to gain access to Kuwait for sales of semen and embryos.

A further opportunity exists for the Canadian beef cattle industry to develop a significant trading relationship with the Muslim markets in the Middle East and Asia. A key competitor for Canada in this market is Australia. Egypt is currently the largest export market in the region for Canadian genetics, open to bovine semen and embryos for some time. In April 2008, the CFIA activated Egypt's certificate for breeding cattle. Leveraging Egypt as a trading partner will provide future regional access opportunities.

On February 3, 2009, federal Agriculture Minister Ritz and International Trade Minister Day issued a news release to announce agreement on access for cattle (and beef) had been reached with Jordan. Sales to Jordan will be pursued.

Vietnam and Indonesia are large markets experiencing voluminous growth. Australia has the first mover advantage for gaining access to Vietnam, recently signing a MOU for the supply of 1,500 breeding cattle. This offers that the door has been opened for breeding cattle supply. On November 27, 2008, Vietnam indicated to the CFIA that they would proceed with their detailed risk assessment of Canada "step-by-step" but also indicated that they would only be considering over-30-month beef at this time. A positive outcome with Vietnam is not

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predicted for 2009/10. Canada currently exports bovine embryos to Indonesia. On January 20, 2009, Indonesia finally provided health requirements for bovine semen which the Canadian Food Inspection Agency is now reviewing and the CBBC remains optimistic that a positive result will be forthcoming in 2009/10.

Access to China for breeding cattle is still the major prize in Asia; although access for embryos and cattle is requested by members for the Philippines and Thailand and CBBC will actively pursue this request. The Philippines currently permits imports of U.S. cattle; therefore an optimistic view as to Canada's successful entry to do the same is feasible. Thailand currently imports bovine semen and the CFIA has requested approval for a bovine embryo certificate with several subsequent exchanges. The CFIA is expected to soon present a proposed new certificate.

Western Europe (EU-27)

The export market for breeding cattle was re-established with the EU27 during October 2008. On December 29, 2008, the new certificates for export of cattle for breeding and/or production, from Canada to the EU became available. Canada's greatest competitor in the region, Brazil, is currently banned (temporarily) from supplying the European market due to hygiene and traceability concerns. The current gap in the market provides substantial opportunity for Canada's purebred beef cattle sector to increase and secure market share, before Brazil is permitted to recommence supply. Canadian cattle producers are continuing to face the challenge of the European Union's onerous importation requirements.

Eastern Europe

Priority countries of this region include Russia and Ukraine in addition to the most recent additions to the EU27, Romania and Bulgaria. Russia leads in the demonstration of interest with sales of beef embryos forming the most significant level of beef genetics exports since BSE in May 2003. Certificates for the export of Canadian breeding cattle have been achieved for Russia, Serbia, Croatia and the Ukraine, with a push to increase numbers supplied to Russia in the immediate term.

Interest is increasing for breeding cattle, semen and embryo exports to Kazakhstan. On November 14, 2008 Kazakhstan confirmed acceptance of the CFIA breeding cattle certificate.

Canada successfully exported 5,700 head of breeding stock in 2007 to Russia and Kazakhstan, with numbers set to increase in 2009/10. Efforts in this market will build on innovative market and business development value-added services by the CBBC to enhance export success through collaborative support to business development and execution occurring within 2008/09.

North America

Canada will intensify its efforts to increase all genetic product exports in both the United States and Mexico. Significant focus will be placed on Mexico as market access was re-established on November 10, 2008. There is continuity in the market with an interest in beef breeding cattle particularly Charolais, Brown Swiss and Salers. CBBC will continue to renew its focus in this market in view of latent demand and Mexico's WTO issues with the U.S. With the Final Rule for Mandatory Country of Origin Labeling effective March 16th, 2009, as noted in the Market Context section, more active enforcement will occur from April 2009 and into the future. Agricultural Marketing Service will begin audits of firms that supply retailers with covered commodities in July 2009. The overall impact of Country of Origin Labeling is an ongoing concern, as it may cause problems elsewhere in the industry trade areas i.e. genetic product range.

South America (and Central America)

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The Andean Community (members including Bolivia, Colombia, Ecuador and Peru) and Mercosur (members including Argentina, Brazil, Paraguay and Uruguay), comprise the two main trading blocs of South America. Canada-Peru and Canada-Colombia Free Trade Agreements were signed in May and November 2008, respectively yet still require ratification.

All Andean Community and Mercosur members, with the exclusion of Ecuador and Peru, currently import both purebred beef cattle semen and embryos from Canada. Most nations continue to resist the importation of breeding cattle in the region but CBBC efforts to effect change are ongoing. These nations are a major focus for CBBC in the South American region.

Brazilian cattle inventories are expected to reach nearly 180 million by the end of 2009. Main factors that have contributed to the increase in cattle industry productivity in Brazil are the cross-breeding programs with the use of imported genetics, restoration of degraded pasture land and improved pasture programs. Brazil remains eager to increase its numbers of breeding beef cattle, semen and embryos. Several exporters are experiencing sustainable levels of growth in this region, yet Canadian breeding cattle are still not permitted. The CBBC will continue to raise the awareness of this trade issue at opportunities such as Feicorte, in Sao Paulo and Expointer, in Puerto Alegre where interaction and exchanges of mutual business interests occur.

Central America nations of focus include Costa Rica and Panama. In January 2009, Panamanian Angus association officials offered that they are eager to continue negotiations for future purebred genetic product utilization, in particular, Red Angus genetics. Panama currently imports Canadian purebred beef semen and embryos. Ongoing negotiations are underway at the ministerial level with follow-up meetings being held in Ottawa.

Target Markets and Market Segments

The CBBC monitors world markets and regulatory changes – and works where possible to influence market access for Canadian cattle/genetics both at home and abroad. The evolution of a viable market may follow predictable steps that can occur in any manner of sequence: promotion, demand, access, education, relationship-building, governmental/protocol management, negotiations, sales, training, ongoing collaboration/support and potentially repeat business and expansion, to market building on initial successes. Frequently environmental, business and/or access changes can impede, alter or stall market development process.

With the world economic climate severely challenged, it must be expected that some market reluctance and/or cutbacks in purchasing will negatively hamper genetic export sales or at least reduce or delay the exploitation of identified opportunities.

The following table lists the present target markets identified by the CBBC and the respective opportunities and challenges facing the breed associations, producers and exporters in order to trade effectively.

REGION	COUNTRY	OPPORTUNITIES	CHALLENGES
AFRICA	Algeria	To increase sales of all genetic products	Logistics/transporting cattle costs
	Egypt	To increase sales of all genetic products as there is a high demand for high quality, fresh meat	Logistics/transporting cattle costs; Halal requirements
	Major Muslim Markets	There is a strong cultural preference for freshly slaughtered meat of high quality	Logistics/transporting cattle costs; Require market access; and Halal requirements
	Morocco	To increase sales of all genetic products especially cattle as there is a high demand for high quality, fresh meat	Logistics/transporting cattle costs; and Halal requirements
REGION	**COUNTRY**	**OPPORTUNITIES**	**CHALLENGES**
	South	Herd improvement desires provides an opportunity to increase	Lack of market access for breeding cattle

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	Africa	sales of semen and embryos	
MIDDLE EAST	Israel	Pursue access for breeding cattle	Australia is the key exporter to this region
	Lebanon	Pursue access for breeding cattle as access only exists for slaughter cattle	Most cattle are supplied by Brazil
	Major Muslim Markets	There is a strong cultural preference for freshly slaughtered meat of high quality	Logistics/transporting cattle costs; Halal requirement
EUROPE	Kazakhstan	To further pursue sales of semen, embryos and breeding cattle	Logistics/transporting cattle costs as landlocked country
	Russia	To further pursue sales of breeding cattle, semen and embryos	Logistics/transporting cattle costs; Competition from U.S. producers and others: Australian and NZ in particular
	EU27	To pursue sales of breeding cattle as market access is now re-established. The Irish, a key supplier is struggling to meet EU demand as Brazil is no longer permitted (temporarily banned) to supply the EU due to traceability and hygiene issues.	Bluetongue outbreaks occurring; Ensuring Canadian producers and exporters can meet onerous paperwork and zootechnical requirements; and Genetic Modified concerns
	Ukraine	To further pursue sales of breeding cattle, semen and embryos	Logistics/transporting of cattle costs; Competition from U.S./Australian and NZ producers
ASIA	China	To further increase sales of semen and embryos	Regaining access for breeding cattle; Urbanization of farmland creating available farm space issues
	South Korea	To further increase sales of semen and embryos	Lack of market access for breeding cattle; South Korea has current trading issues with the U.S.;
	Vietnam	Growth market - will pursue sales of semen and embryos and establishment of market access for breeding cattle	Australia has signed a MOU as the first country to progress breeding cattle exports to Vietnam; Vietnam needs to develop feedlots in order to receive potential future breeding cattle transported; Vietnam is conducting a step by step detailed risk assessment of Canada; and Seven recent cases of foot and mouth in Vietnam
	Indonesia	Embryos sales already established – pursue sales; Growth market – pursue market access for breeding cattle and semen	Australia is the key exporter and a strong relationship currently exists; Transport costs may also hinder progress
SOUTH AMERICA	Brazil	Pursue semen and embryos sales	Lack of market access for breeding cattle; Canada seek to gain access Brazil cattle inventories will increase during 2009 due to continued substantial loss of market share in the EU
	Colombia	To pursue breeding cattle, semen and embryos sales – free trade agreement has been signed which will benefit the beef/cattle trade as immediate relaxation on tariffs is agreed	FTA requires ratification
	Uruguay	To pursue increased sales of semen and embryos for British breeds i.e. Angus and Hereford	Competition from Mercosur members
	Venezuela	To increase sales of semen and embryos	Political instability / nationalization
NORTH AMERICA	Mexico	To pursue increased sales in breeding cattle due to regaining market access; Further increase sales of semen and embryos	Increasing transport costs; COOL matters may arise in the future
	United States	To pursue increased sales of breeding cattle, semen and embryos as built-up demand exists for all Canadian purebred beef genetic products	Increasing transport costs; COOL matters may arise in the future

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Strategy

The CBBC strategy will be implemented through market development, market promotion and market access initiatives. Extensive strategic activities include advocacy, reputation-building, promotion, study tours, seminars, web enhancements, collateral support (literature, video, destination advertising). Collaborative efforts include participation in Agriculture and Agri-Food Canada trade missions, and hosting of international delegates in response to market development activities and requests through diverse beef industry groups and CBBC stakeholders.

In its implementation, the genetics marketing strategy will promote significant and demonstrable animal production, animal/human health and beef safety, in addition to seeking collaboration with Canadian partners. In a market-driven environment, Canadian exporters leverage a range of specific beef genetics and attributes that appeal to selectively identified and prioritized market segments in international market destinations. Canada has become known as an exporter of genetics, cattle and beef products that are safe and of high quality. A return to a stable and predictable, and therefore more certain, marketplace is required for the long-term sustainability and growth of the Canadian genetics, cattle and beef industries.

The proposed genetics marketing strategy budget for 2009/10 reflects a significant increase over 2008/09 figures due to the increased number of strategic activities planned for implementation by the Canadian Beef Breeds Council and its breed association and exporter members. Recent market access developments e.g. regained access to Mexico and the EU, identified opportunities e.g. Kazakhstan, and the continuation of sales development work accomplished in 2008/09 warrant the increase in planned strategic activities for 2009/10.

Incremental costs address the need for additional missions, and enhanced promotion and marketing. CBBC's services and activities are also significantly expanded in 2009/10 to support all efforts – with innovation in several areas including the Flow of Information initiative and significant complementary web enhancements and expansion. Enhanced market research and intelligence gathering by the CBBC will also support many of the collaborative international genetics marketing strategies proposed for 2009/10.

The 2009/10 genetics strategy budget figures presented in this plan reflect an increase of approximately $1.2 million over the 2008/09 genetics marketing strategy budget figures, incorporating the additional costs associated to complete the targeted strategic activities listed under the goals detailed in this plan.

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Utilization of Canadian Beef Advantage messaging and beef brand by potentially the 19 breed association members of CBBC and several thousand of their producer members
- Enhanced brand awareness with current and potential industry stakeholders and customers

Programs

i. CBA Brand Execution and Utilization

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Budget:	Budget allocated under other market programs
Primary Program Purpose:	To incorporate the overarching CBA brand identity for Canadian cattle genetics (and beef) in promotion activities in international target markets.
Program Activities:	Through a multi-faceted approach, the CBA logo and key messaging specific to the purebred beef cattle genetics market including aspects of animal health, food safety and quality of Canadian products will be utilized in promotional materials.
Expected Tactic Outputs:	• Enhance CBBC website including the CBA brand on the home page and links to understand the benefits of using the CBA brand within the industry; pages intended for international audiences will feature the CBA and attributes • Develop regular e-marketing campaign to all breed associations, both domestic and international and market updates • Incorporate CBA brand in CBBC electronic and print marketing material updates • Prepare and distribute CBA brand tool kits (via web links) to breed associations and producers, providing information on the CBA brand, ways to promote the brand and encouragement to support the sector-wide utilization of the CBA brand • Produce CBA brand banner stands for each CBBC breed association member, for use at trade shows/meetings

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Increased sales of breeding cattle to Mexico and the U.S., as well as ongoing shipments to Russia
- Advance current successful relationships and ultimately garner sale of Angus, Hereford, Galloway and other breeds in Kazakhstan
- Secure assistance in enhancing, building and formalizing strategic relationships to advance the sale of Canadian genetics
- Increased profile of Canadian beef cattle genetics in diverse and targeted markets, particularly Red and Black Angus via the World Forum
- Increase awareness and relationship development in support of future business/potential exports
- Drive ongoing collaborative pre-sale business planning and post-sale support strategies between established Kazakhstan contacts and Canadian exporters

Programs

The CBBC and its members participate in separate activities in support of export market access, market development and service of export markets. Activities include inbound missions to Canada and outbound missions to key destination countries, in addition to sector support/promotion, participation at numerous industry events and production of print and electronic material promoting Canadian purebred beef cattle genetics.

i. Inbound Missions

Budget:	$656,000
Primary Program Purpose:	Inbound missions are conducted for various purposes. These may include farm

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tours and site visits to artificial insemination centers and embryo transfer facilities to provide extensive cow-calf production and management training. Others include delegates meeting with breed organizations to learn about registration systems and technologies.

Program Activities: The CBBC leadership team and breed association member representatives will host key industry decision-makers for study of the Canadian purebred industry. Canadian stakeholders are also invited to bring their expertise and support to the intelligence-sharing and market development that occurs at these missions, often held in conjunction with major domestic events.

Expected Tactic Outputs:

- Ten missions for breeders from Mexico to attend various livestock shows in Canada with a view to providing opportunities for purchasing genetics
- Three missions for Chinese delegates to attend Farmfair, and Canadian Western Agribition
- One mission for Russian representatives to tour breeding enterprises, attend Canadian Western Agribition, and more intensive activities such as embryo transfer technical training
- Host three delegations from Colombia to participate in farm tours, attend Canadian Western Agribition and meet with producers with a view for potential purchases of genetics
- One mission from Indonesia to participate in farm tours and meetings with breed associations
- One mission from Brazil to attend Canadian Western Agribition
- One mission from Poland to visit various ranches with a view to purchasing Canadian genetics
- Four missions from Scotland, Ireland and the United Kingdom to attend the World Angus Forum and participate in farm tours
- Four delegations from Australia and New Zealand to attend Farmfair, Canadian Western Agribition and the Royal Agricultural Winter Fair
- One mission from Uruguay for delegates to attend Farmfair, Canadian Western Agribition and the Royal Agricultural Winter Fair

ii. Outbound Missions

Budget: $1,306,000

Primary Program Purpose: Enhance existing and build new relationships to support and advance genetic product sales.

Program Activities: Strategic meetings and tours are held with destination country representatives. Canadian government staffers frequently link CBBC personnel to their international governmental counterparts to help CBBC arrange meetings with representatives who are critical to trade exploration negotiations in specific countries.

Expected Tactic Outputs:

- Fourteen missions to attend major livestock shows such as Expo Ganadera in Mexico
- Nine missions to China to address various activities such as market identification, and follow up missions to pursue prospects for the sale of genetics
- Two missions to the Middle East to pursue inquiries for breeding stock and Canadian genetics
- Nine missions to Russia addressing market identification as well as follow up on previous shipments of cattle and to investigate further sales opportunities
- Five missions to Kazakhstan pursuing market development opportunities
- Twenty-eight missions to the U.S. including attendance at various livestock shows and Beef Improvement Federation conference

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- One outbound mission to Colombia to attend AgroExpo
- Two missions to meet with potential buyers in South Africa
- Sixteen missions to EU countries to explore market opportunities and attend livestock shows
- One mission to each of Thailand, Indonesia and Argentina to promote Canadian genetics
- Seven missions to Australia and New Zealand to attend various livestock shows such as the Sydney Royal Easter Show and 2009 Beef Australia in Rockhampton to promote Canadian genetics
- One mission to Namibia for the World Simmental Fleckvieh meetings

iii. Promotional Activities:

CBBC DVD Video Production

Budget: $50,000

Primary Program Purpose: To enhance awareness and support marketing activities. The DVD will be used internationally by breed associations and exporters at trade shows and events and with inbound and outbound missions to showcase Canadian purebred genetics and anchored in the CBA brand.

Program Activities: Production of 5-7 minute (anticipated) video, including scripting and original footage showcasing diverse Canadian purebred cattle and speaking to inherent qualities as aligned to CBA brand.

Expected Tactic Outputs: DVD and video posted to CBBC website

Canadian South Devon Breed Association International Website Addition

Budget: $5,000

Primary Program Purpose: To provide multilingual website content to enhance marketing efforts to international prospects/customers.

Program Activities: Develop additional structure on existing website and a communication strategy to create awareness of multilingual content among intended audiences.

Expected Tactic Outputs:

- New copy and multilingual web pages
- Three monthly teleconferences between world associations
- Design, printing and circulation of South Devon calendar
- Promotion of attendance at both international and domestic livestock shows

2009 World Angus Forum

Budget: $200,000

Primary Program Purpose: Promote Canadian genetics.

Program Activities: Showcase the first International Embryo Program which features Angus embryo calves from countries around the world and host the World Angus Secretariat technical conference. International attendees will include potential buyers from Panama and Australia interested in Red Angus genetics, among other confirmed global delegates.

Expected Tactic Outputs:

- Host international delegates at technical, business and social events during the forum which includes World Angus Futurity Show finals, bull, female and junior breeder activities and shows
- Display industry and provincial exhibits

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2010 Murray Grey World Congress (Preliminary Promotion)

Budget:	$50,000
Primary Program Purpose:	Promote Canadian genetics.
Program Activities:	As the congress immediately follows the Calgary Stampede it is important to conduct preliminary promotion of the event, to ensure visitors to the Calgary Stampede are aware that an extended stay (if attending Stampede) is necessary.
Expected Tactic Outputs:	Design promotional print materials and trade show advertising, mail outs and website marketing

Diverse International Print Marketing Tool Development

Budget:	$134,000
Primary Program Purpose:	To promote Canadian purebred cattle genetics (semen, embryos and breeding cattle) to an international audience/potential customers; to generate interest among international beef industry stakeholders to visit Canada.
Program Activities:	Develop print marketing materials (many in several languages) including the Canadian Beef Advantage messaging and brand where possible.
Expected Tactic Outputs:	• CBBC – multilingual export brochure • Canadian Blonde d'Aquitaine Association – export brochure • Canadian Charolais Association – export brochure • Canadian Galloway Association – export brochure • Canadian Pinzgauer Association – export brochure • Canadian South Devon Association – world association promotional calendar • Development of print marketing materials – several in languages other than English; Canadian Beef Advantage brand inclusion where possible

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics products values and live cattle values

Expected Outcomes

- Build CBBC best practices and adaptable models to be utilized across various international markets
- Support future sales opportunities through increased knowledge and competence among customers
- Enhanced recognition of Canada as a full-service provider delivering quality genetics and pre and post-sales support which in turn positively advances sales development activities

Programs

i. Innovation, Sales and Support

Budget:	$145,000
Primary Program Purpose:	To support increased sales development and post-sale support initiatives.
Program Activities:	Working closely with member organizations, producers and exporters to enhance support to feasibility studies, business and marketing plan development and other value-added services that support market penetration and sales through

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pre-sale preparedness, and post-sale technical support via exporters (See Program (ii) below for detail on value-added services). For example, identified opportunities in Kazakhstan will be better pursued through enhanced pre-sale market development including collaborative business planning with potential customers that will help the market evolve and realize sustainable expansion.

Expected Tactic Outputs:

- Pilot project for purebred operations in Kazakhstan developed by exporter members, together with breed associations
- Enhanced internal dossiers on countries of interest and trade from expanded research and market intelligence gathering in this period

ii. Export Preparedness, Education Services and Technical Transfer

Budget: $546,000

Primary Program Purpose: To support sales in the Canadian beef and cattle genetics industry; these value-added services enhance and expand customer relationships, increase client technical confidence and promote ongoing business dealings with Canadian purebred beef cattle producers.

Program Activities: Training seminars, sessions and technical information transfer are typically developed and delivered by Canadian exporters, most often occurring in the country of the purchasing organization. This provides the organization an opportunity to have their personnel trained in their own environment, by Canadian experts, with the added awareness of local conditions, production methods and opportunities. Embryo transplant and artificial insemination training programs in particular provide critical technical and knowledge transfer in support of sales development. Export preparedness, building the capacity of exporters of Canadian livestock genetics, is conducted by ongoing consultations and electronic updates as to Canadian Food Inspection Agency requirements and changes to rules and regulations.

Expected Tactic Outputs:

- Twelve inbound missions to train delegates in production, selection as well as technical transfer and embryo transfer
- Ten outbound missions to provide after-sales support training, onsite recipient training and selection and basic embryo transplant technology. Includes delivery of genetics seminars, and support to feasibility studies regarding production

CCMDC Goal #4

Leverage the benefits of Canadian cattle genetics products to strengthen the Canadian beef brand and vice versa

Expected Outcomes

- Gain a competitive advantage – increase buyer contact, generate sales and build Canadian Beef Advantage brand awareness
- Enhanced buyer confidence in Canadian purebred beef genetic products

Programs

i. CBBC Website Enhancements

Budget: $50,000

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Primary Program Purpose: To optimize the CBBC website in tandem with the development of the CBBC Flow of Information initiative portal.

Program Activities: Develop electronic marketing materials including CBA brand strategies for use by breed associations and purebred producers; improve website attributes to align with e-marketing campaigns.

Expected Tactic Outputs:

- Online Canadian Beef Advantage brand tool kit
- Online blog
- E-newsletters for domestic and international audiences
- Testimonials for use in marketing efforts

CCMDC Goal #5

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Identify and increase the demand for superior genetic quality
- Improved producer and customer access to management information, reduce risk and increase the profitability, quality and global competitiveness of our product
- Establish specific national purebred beef cattle benchmarks

Programs

i. CBBC Purebred Risk Assessment (PBRA) Project – ongoing

Budget: N/A (funded outside CCMDC through Agriculture and Agri-Food Canada)

Primary Program Purpose: To identify and address various producer business risks associated with producing and marketing purebred beef genetics.

Program Activities: The project has included national surveys of Canada's purebred producers and their commercial customers, and focus groups with wider beef industry stakeholders. After key risks were identified, several were prioritized by the CBBC Board of Directors for further exploration and the subsequent development of risk mitigation strategies and tools for purebred producers.

Expected Tactic Outputs: The PBRA project is currently working to improve access to capital and enhanced insurance products. The following producer tools are anticipated to be launched April 2009:

- Cost of production, product pricing and benchmarking workbook
- Purebred sales reporting database
- In addition, the following online resources will be made available via the CBBC website:
  - Before Meeting with your Lender checklist
  - Financial self assessment and quick calculator
  - List of lenders and online catalogue of loan products
  - Investment capital and equity finance – overview

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ii. CBBC Information Flow Initiative

Budget:	$200,000
Primary Program Purpose:	To increase sector relevance and demand for superior genetic quality across the entire value chain by providing informed and valuable management information. The goal is that information will be linked through an information sharing network to reduce risk and increase the profitability, quality, and global competitiveness of purebred genetics/animals. . The CBBC information flow initiative is planned to be inherently complementary and linked to the Canadian Beef Advantage (CBA) Beef InfoExchange System. This helps leverage expanded data sources established by CBA and those initiated by CBBC through the Purebred Risk Assessment Project which through the development of business risk mitigation tools and strategies is working to improve access to, and application of, management data (financial and genetic), specific to purebred beef cattle producers.
Program Activities:	The Flow of Information initiative includes the development of a portal system, an essential component, to support expanded data sharing and information exchange within the beef industry. Communication and education among all stakeholders is critical to ensure understanding of benefits and to solicit buy-in.
Expected Tactic Outputs:	• Portal interface via the CBBC website • Databases to hold specific data submitted by purebred producers to help generate national benchmarking: sales pricing figures, cost of production data, etc. • Increased collection, access and utilization of genetic, genomic, market and financial data • Formalized links to other beef value chain systems and data sources • Customized report generation opportunities for breed associations and individual producers

8. DOMESTIC STRATEGY

Domestic Strategy Executive Summary

The domestic market is the largest and most stable market for Canadian beef. In 2007, 65 per cent of Canadian beef was consumed domestically and 35 per cent exported. The 2009 market forecast includes reduced domestic production, steady imports and increased exports with expanded market access. In Canada, the primary competitors are poultry and global beef imports. Light beef eaters represent 69 per cent of Canadians who eat beef and are the largest consumer market opportunity. They have a "vague unease" with beef, primarily due to concerns about beef's nutrition and healthfulness.

The 2009/10 domestic market strategy includes six specific market goals aligning with CCMDC strategic priorities. Highlights of what's new, activities and expected outcomes are below.

1) ***Increase awareness and comprehension of the Canadian Beef Advantage with trade partners.***
   Strategies are based on new research supporting points of differentiation. They target retail and foodservice sectors. Activities include updated Canadian Beef Advantage technical resources, 12 trade shows, nine seminars and nine e-communications. A key outcome is to increase or maintain trade awareness of the specific attributes of the Canadian Beef Advantage to a minimum of 85 per cent.

2) ***Maximize demand for 800,000 tonnes (carcass weight) of Canadian beef at a value of $6.4 B.***
   Trade strategies target at least two national restaurant chains to either expand or maintain use of Canadian beef by leveraging the new Canadian beef brand. Consumer strategies build demand for Canadian beef through targeted and innovative web-based communications, reaching over 10,000 consumers with at least five e-Make-it-Beef bulletins. Activities are supported by market research. Outcomes include an increase in trade usage of the Canadian beef brand mark and reaching 81.5 annual beef eating per capita, a five per cent increase over 2008.

3) ***Build Canadian beef brand equity amongst consumers based on the consumer brand position that beef is lean and nutritious, while reinforcing convenience and taste.***
   Strategies focus on the new consumer target, the light beef eater, with the single-minded message 'Canadian beef is good for you'. Activities include a three month integrated multimedia campaign, public relations, website, health professional communication and three consumer beef education resources. Outcomes include increasing brand awareness with target consumers and shifting light beef eaters from 69 per cent to 65 per cent by 2011 and improving attitudes towards the healthfulness of beef with consumers and key influencers.

4) ***Mitigate the risk of erosion of consumer and customer confidence.***
   Strategies build and maintain critical relationships with government, academia, national organizations, key health and food safety influencers and media. Outcomes aim to influence nutrition and food safety policy, maintain consumer confidence at 85 per cent and maintain a state of preparedness.

5) ***Optimize the value of priority Canadian beef products in the domestic market.***
   Strategies are new and aim to increase value of specific priority products in retail and foodservice market segments (for example, AAA middle meats at foodservice, chucks/rounds/trimmings in processing and AAA full carcass at retail). At least five Partners Programs are targeted. Outcomes enhance industry awareness for innovative heavy middle applications.

6) ***Effectively measure and communicate program outputs and outcomes.***
   To measure the effectiveness of BIC strategies and report back to Canadian beef cattle producers and other stakeholders

8. DOMESTIC STRATEGY

Environment Scan / Market Profile

The domestic market is ineligible for Canadian Beef and Cattle Market Development Funding however the domestic market is a major component of the global marketing strategy. This plan includes a summary of the programs implemented in the domestic market as there are direct linkages and synergies between the domestic, commercial and U.S. marketing programs.

The domestic market continues to be the largest and most stable market for Canadian beef. In 2007, 65 per cent of Canadian beef production was consumed domestically, while 35 per cent was exported. Canada's beef consumption has been stable since 2000, ranging between 21 and 23 kilograms per capita. In 2007, per capita consumption was 22.3 kilograms, with total beef consumption of 1,009,505 tonnes (carcass weight).

The trend of softer domestic beef consumption and demand in 2008 is expected to continue moving into 2009, with reduced North American beef supplies anticipated and relatively strong global meat demand providing support for global prices and consequently exports. Overall smaller supplies domestically should result in increased imports, but strong global demand combined with an overall global reduction in beef supplies is expected to keep imports below historical levels.

The general downturn and volatility in global commodity markets has created a significant reduction in consumer confidence. This uncertainty, combined with rising food costs, has led to reduced spending resulting in a general reduction in demand for higher priced middle meats. The current dynamics see a shift towards less expensive cuts and ground product, as well as a shift towards cheaper competing proteins in the coming year.

Beef continues to hold the number one fresh meat position at retail for both dollar (38.9 per cent market share) and tonnage share (33.6 per cent share). Year ending July 2008 reported retail beef sales at $2.1 billion and retail beef volume at 247.2 million kilograms.[3] While small segments, both the 'value-added' segment (which includes kebobs and medallions) and the 'all other' segment (which includes pre-made fresh burger patties, cubes, and strips) continue to realize strong dollar volume growth. Chicken is the number two protein at retail with 29.5 per cent dollar share and 30.3 per cent tonnage share.[4] The chicken category continues to grow and is the primary competitor for beef in the domestic market.

Nutrition, taste and convenience remain as key factors in consumer food-purchase decisions. Nutrition is consistently only second to taste, and shows the most growth over the past five years.[5]

2009 Marketing Target

The 2009 marketing target for the Domestic Market is:

Domestic Consumption of Beef	979,442 MT
Domestic Consumption of Canadian Beef	766,939 MT

(volume in carcass weight)

[3] Nielsen MarketTrack, July 2008.
[4] Nielsen Market Track, July 2008.
[5] NPD, National Eating Trends, March 2008.

9. COMMERCIAL BEEF STRATEGY

Commercial Beef Strategy Executive Summary

In 2008 Canadian commercial beef production increased 31% to 240,000 tonnes due to the trade impacts of BSE and record domestic cow slaughter. In 2009, production is expected to be steady. As over-30-month cattle exports increase, imports of non-NAFTA commercial beef will increase to meet domestic demand. Light beef eaters represent the largest consumer market opportunity. Safety and health perceptions of ground beef rank lower than the overall beef category. While beef safety ratings are stable, confidence issues are top of mind with consumers. The 2009/10 commercial beef market includes six market specific goals, aligning with CCMDC's strategic priorities. Approximately $1.17 million in domestic market initiatives directly complement commercial beef initiatives; making these two market programs highly integrated. Highlights of what's new, activities and expected outcomes are below.

1) ***Increase awareness and comprehension of the Canadian Beef Advantage with trade partners***
   Strategies target the retail, foodservice and processing sectors and leverage new research that supports the Canadian Beef Advantage. Activities include updated CBA technical resources, 10 trade shows, nine seminars, nine e-communications and four trade publication inserts. A gap analysis will identify key points of difference between Canadian commercial beef versus imports. A key outcome is to increase or maintain trade awareness and comprehension of specific CBA attributes to a minimum of 85 per cent.

2) ***Maximize demand for 200,000 tonnes (carcass weight) of Canadian commercial beef in the domestic market.*** Commitment to Canadian beef is driven through retail, foodservice, processors and direct-to-consumer. At retail, there is a strategic focus on the top four national retailers to develop new and/or market value-added convenience commercial beef products e.g. deli and home meal replacements. At foodservice, quick service restaurants are the key market opportunity with the formation of at least one formal strategic alliance. Value-added product development targets at least ten new convenient beef products. Canadian source grinds are driven by innovative consumer initiatives including at least five issues of e-Make-it-Beef bulletins. Activities are supported by market research. Outcomes include at least eight Partners Programs with commitment to Canadian beef and an increase in annual beef eatings to 81.5 per capita, a five per cent increase over 2008.

3) ***Build Canadian beef brand equity amongst consumers based on the consumer brand position that beef (especially ground beef) is lean and nutritious, while reinforcing convenience and taste.***
   Strategies focus on the new consumer target, the light beef eater, with the single minded message 'Canadian beef is good for you'. There is emphasis on the nutrition benefits of ground beef. Activities include a three month integrated multimedia campaign, public relations, website, health professional communication and three consumer beef education resources. Outcomes include increasing brand awareness, shifting light beef eaters from 69 per cent to 65 per cent by 2011 and improving attitudes towards the healthfulness of beef with consumers and key influencers.

4) ***Mitigate the risk of erosion of consumer and customer confidence.*** Strategies build and maintain critical relationships with government, academia, national organizations, key health and food safety influencers and media. Outcomes aim to influence nutrition and food safety policy, maintain consumer confidence in beef at 85 per cent and maintain a state of preparedness.

5) ***Optimize the value of priority Canadian commercial beef products in the domestic market.***
   Product prioritization by sector is a new approach that builds market demand for premium commercial products, e.g. source specific trimmings and middle meats. Programs include a consumer education campaign, four retail Partners Programs and at least one launch of a premium source ground product at foodservice. Outcomes include increased carcass cut-out values for mature cattle and an increase in market share of source grinds.

6) ***Effectively measure and communicate program outputs and outcomes.*** To measure the effectiveness of BIC strategies and report back to Canadian beef cattle producers and other stakeholders.

9. COMMERCIAL BEEF STRATEGY

Environment Scan / Market Profile

Commercial beef is a segment of the domestic market that utilizes non-fed beef (product from cull cows and bulls) primarily for further processing (products include items such as ground beef, precooked deli meats and heat-and-serve entrées). The Beef Information Centre has focused on the commercial beef market since 2003, when the industry was challenged to establish a strong domestic market for the consumption of non-fed beef due to market access restrictions that limited the ability to export animals that were over 30 months in age and the beef derived from these older animals.

Canadian domestic commercial beef production has grown from a low of 92,000 tonnes in 2003 to 180,000 tonnes in 2007 due to record domestic cow slaughter. With the opening of the U.S. border in 2007 to live cattle that are over 30 months in age and all beef products, total commercial beef production continued to increase a further 31 per cent in 2008 to 240,000 tonnes. The proportion of commercial beef production made up by domestic slaughter is projected to be up two per cent to 184,000 tonnes. While domestic cow slaughter maintained record levels, large numbers of bulls were exported live to the United States reducing bull slaughter significantly and consequently domestic production.

The percentage of production exported (live and domestic slaughter) increased from two per cent in 2007 to 33 per cent in 2008. Live cow and bull exports are projected to total 55,600 tonnes, while exports of commercial beef totalled 24,000 tonnes. With the resumption of exports of commercial beef, the amount of commercial beef production consumed domestically declined 10 per cent to 160,000 tonnes. The expectation is that non-NAFTA imports, which are considered to be a substitute for beef derived from cow and bull slaughter, would increase as domestic utilization of commercial beef production decreased. But even though trim prices have been strong in 2008, non-NAFTA imports were down 38 per cent, with many of these countries concentrating exporting to more lucrative markets in the European Union and Russia.

Commercial beef production is expected to be steady to higher in 2009 with continued large cow marketings. Country of origin labelling in the United States allows a multiple country label on ground beef and is therefore not expected to negatively impact over-30-month beef and cattle exports, which are anticipated to continue to increase. This will in turn decrease the amount of commercial beef production that is consumed domestically. At the same time, strong demand for ground beef due to a weakening economy will support trim prices. This is expected to encourage non-NAFTA countries to increase their exports to North America into 2009.

Marketing Target

The 2009 marketing target for Commercial Beef is:

Domestic Consumption of Non-Fed Beef	207,648 MT
Non-Fed Beef for Export	58,567 MT

(volume in carcass weight)

Local Beef Market and Sector Specific Analysis

Grocery Retail Fresh Meat - Ground Beef – Ground beef in Canada accounts for 48 per cent of retail beef volume or 119 million kilograms worth $697 million. Ground volume was up three per cent in the past year reversing trends of the prior year while dollar volume was down one per cent due to significant retail price declines in all sub-segments except for chuck/sirloin. Over 50 per cent of Canadians eat ground beef at least once a week.

Home Meal Replacement (HMR) – is defined as fully prepared foods purchased from either a grocery store or restaurants that are eaten in the home. HMRs from grocery account for just under six per cent of total foodservice

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spending and have seen flat growth for the past several years. Growth in HMR is contingent on grocery stores adopting restaurant tactics making it more convenient and easier to order as well as building in greater variety. The only occasion that is seeing growth is the lunch market that is being taken back to work.[6]

Foodservice Market – Foodservice traffic softened in 2008 versus prior years but dollars continued to grow due to a seven per cent gain in average eater cheque. Consumers were visiting restaurants, including quick service restaurants (QSRs), less in 2008 but spending more per visit. QSRs represent 52 per cent of total foodservice traffic and 64 per cent of all foodservice beef servings. In the total foodservice market, while beef had good growth in number of servings at plus four per cent, it was lower than either poultry at plus seven per cent, seafood at plus seven per cent, or pork at plus nine per cent.[7]

Beef Safety – Food safety issues have been in the media during the past year. While beef safety ratings are stable at pre-BSE era ratings, these confidence issues are more top of mind with consumers. Ground beef (rated at 38 per cent) and processed beef (rated at 28 per cent) rank lower than beef overall (53 per cent) or beef cuts, but are on par with pre-BSE era.[8] In addition to safety, several regulatory and policy issues may impact beef consumption in Canada including health claims, food labelling, release of the second World Cancer Research Fund report, and new technology such as the pending approval of irradiation of ground beef.

The Consumer and Canadian Beef Branding Research – Extensive research conducted for the Canadian beef branding project in 2007 shows that there are many perceived positives about beef, but barriers to consumption prevail. The good taste of beef is established. However, particularly for light beef eaters (consumers who eat beef one to two times per week) there is a "vague unease" about increasing beef usage primarily due to concerns about beef's nutrition and healthfulness. Beef's strengths do not provide a comparative advantage for the light beef eater. To the light beef user, enjoyment of beef is inseparable from its perceived nutrition benefits.[9] Research indicated that positive messages about beef's healthfulness also appeal to medium and heavy beef users.

Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

The opportunities and challenges identify specific target markets and market segments.

Opportunity: Establish Canadian Beef Brand – Branding is a long-term strategy that requires concentrated resource effort and time to influence both the consumer and trade. Continuing to build the Canadian beef brand identity through integrated marketing and communications based on health positioning and leveraging the Canadian brand mark with trade is integral to building a solid brand identity for Canadian beef.

Strategies reaching the consumer and trade are critical in building brand equity. Light beef eaters, eating one to two beef servings per week, are the largest opportunity to increase beef consumption in the commercial market. Nutrition and health messaging to this target group would help to increase the perception of the safety of ground beef, which ranks lower at 38 per cent versus beef overall at 53 per cent.

Consumer Brand Positioning:

To the light beef eater, Canadian beef is the healthful, nutritious choice because bite for bite, Canadian beef is naturally more nutrient rich than chicken and just as lean.

[6] CREST, May 2008, NPD.
[7] CREST, May 2008, NPD.
[8] Beef Safety Tracking, Sept 2008.
[9] BIC Branding Study, 2007.

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The Canadian Beef Advantage – The Canadian Beef Advantage consists of the rationale for "why" meat professionals should prefer Canadian beef, the attributes of Canadian beef and cattle and/or supply chain that support the value proposition. The Canadian Beef Advantage attributes include the measurable component that is the foundation of the value proposition of Canadian beef including: animal health systems; safety assurance systems; meat quality systems; positive perceptions of Canada; and the consumer desire for the product.

Opportunity: Product Mix – To maximize value, product priorities have been identified. As an example, source grinds represent an added value opportunity to exploit. When comparing to the U.S experience, the ground sirloin segment represents 13.4 per cent of the dollar share of the ground beef segment versus three per cent in Canada. Key to growth will be to build distribution in larger beef markets such as Quebec and Ontario. Refer to CCMDC Goal #1 for product priorities.

Opportunity New Product Development – Product development initiatives that tap into the consumer's need for convenience while at the same time adding value to beef products.

Opportunity Quick Service Restaurant – QSRs represent a significant segment of beef-eating occasions and the trend of increased eater cheque through upscaling such as the purchase of premium burgers.

Confidence in Beef Safety – There is an opportunity to monitor consumer confidence of ground beef through ongoing consumer tracking, monitoring and issues management of regulatory and policy issues such as health claims and labelling, and new technology such as the pending approval of irradiation of ground beef.

Challenge – The BIC conducted a Commercial Beef Industry Assessment in 2007 which confirmed that commercial beef customers in Canada are able to substitute Canadian product for offshore imports. Forward pricing and seasonal supply consistency of domestic commercial beef are major concerns with processors. Generating a steady supply of cattle to market is key to addressing uncertainty of consistent availability for specific products. If Canada is to supply the domestic market with this type of commercial beef product, cattle marketings must be more uniform throughout the year and less a function of seasonal culling practice. Not all domestic product is equally substitutable with imported products. Mature domestic beef quality can vary between grades and is not always comparative to imports for specific product applications. While significant gains have been made in working with processors to increase commercial beef product offerings and sales in some products, Canada is facing competition.

9. COMMERCIAL BEEF STRATEGY

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

BIC MARKET SPECIFIC GOAL

To increase awareness and comprehension of the Canadian Beef Advantage with trade partners

Expected Outcomes

- Increase or maintain trade awareness and comprehension of the specific attributes of the Canadian Beef Advantage at a minimum of 85 per cent
- Establish industry's ability to value attributes, systems and processes unique to Canada and positively effect purchase decisions

Programs

i. Communicate the Canadian Beef Advantage – Retail

Budget: $20,000 (DOMESTIC MARKET $60,000)

Primary Program Purpose: Communicate the elements of the Canadian Beef Advantage most applicable to the retail sector at all opportunities.

Program Activities: Delivery of the Canadian Beef Advantage will be administered through trade related events, training seminars and technical resource development.

Expected Tactic Outputs:

- Replenish existing CBA resources
- Participate in three national retail related trade shows
- Participate in at least six key national/regional partner training seminars
- Participate in industry related conferences through speaking engagements that target the Canadian Beef Advantage
- Deliver components of the Canadian Beef Advantage tool kit to all key decision-makers in trade actively influencing them to incorporate messaging into their day to day business dealings
- Incorporate messaging in e-learn program
- Partner with at least two retailers to leverage e-learn training and Canadian Beef Advantage communications

ii. Communicate the Canadian Beef Advantage – Foodservice

Budget: $20,000 (DOMESTIC MARKET $60,000)

Primary Program Purpose: Communicate the elements of the Canadian Beef Advantage most applicable to foodservice at all opportunities.

Program Activities: To formulate and communicate the benefits of the key and foodservice relevant attributes of the Canadian Beef Advantage.

Expected Tactic Outputs:

- Replenish existing Canadian Beef Advantage resources
- Participate in one national trade shows, six regional trade shows
- Deliver educational initiatives with culinary students with a minimum of two college seminars
- Develop an educational tool to be incorporated into culinary school curriculum
- Partner with at least two operators/distributors to leverage e-learn training and Canadian Beef Advantage communications

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iii. Communicate the Canadian Beef Advantage – Processing Development

Budget: $40,000

Primary Program Purpose: Communicate the elements of the Canadian Beef Advantage most applicable to the processing sector at all opportunities.

Program Activities: Participate in trade events, industry meetings and trade communications to increase awareness of the Canadian Beef Advantage. Increase comprehension through communicating applicable key attributes and points of differentiation to leverage demand for Canadian content in value-added beef products.

Expected Tactic Outputs:

- Replenish existing Canadian Beef Advantage resources
- Leverage the brand mark with new products launched
- Participate in three national trade shows
- Take an active role in industry related conferences through speaking engagements that target the Canadian Beef Advantage
- Deliver key components of the Canadian Beef Advantage resource directly to trade through industry meetings with processors

iv. Canadian Beef Advantage Enhancement

Budget: $50,000

Primary Program Purpose: To further establish key points of differentiation for Canadian commercial beef and to identify gaps that could be overcome with strategic research priorities.

Program Activities: Analyze gaps in the ability to differentiate the key points of difference with Canadian commercial beef versus imports.

Expected Tactic Outputs: Detailed analysis of advantages of fresh versus frozen in various processes

v. Canadian Beef Advantage Communications

Budget: $10,000 (DOMESTIC MARKET $30,000)

Primary Program Purpose: Communicate information and messaging on Canadian commercial beef to trade to maximize demand.

Program Activities: Communicate technical information and development ideas directly to key industry stakeholders, specifically in the processing industry. Produce a communication newsletter for retail and foodservice with distribution through national publications, content to focus on technical and product development information on source grinds and commercial beef priority cuts.

Expected Tactic Outputs:

- Three retail and three foodservice electronic newsletters, English and French
- Six technical electronic bulletins
- Three media releases
- Stakeholder updates as needed

vi. Canadian Beef Advantage Trade Advertising

Budget: $10,000 (DOMESTIC MARKET $30,000)

Primary Program Purpose: Direct communication to trade to increase awareness and comprehension of the Canadian Beef Advantage.

Program Activities: Develop a series of electronic bulletins with links back to BIC trade website. Highlight individual Canadian beef attributes and how the Canadian Beef Advantage can benefit specific segments of the industry. Develop a print advertising campaign that communicates the Canadian Beef Advantage to the retail and foodservice industry.

Expected Tactic Outputs:

- Six electronic Canadian Beef Advantage bulletins to stakeholders
- Six trade advertisements on CBA

9. COMMERCIAL BEEF STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

BIC MARKET SPECIFIC GOAL (2-A)

To maximize demand for 200,000 tonnes (carcass weight) of Canadian commercial beef in the domestic market

Expected Outcomes

- At least eight Partners Programs with commitment to Canadian beef
- By 2011, increase # of annual beef eatings to 81.5 per capita, a five per cent increase over 2008[10]
- Enhance commitment for Canadian beef with quick service restaurants
- At least 10 value-added products launched utilizing Canadian beef

Programs

i. Marketing and Consumer Research

Budget:	$50,000 (DOMESTIC MARKET $30,000)
Primary Program Purpose:	Provides limited market assessment for BIC program execution.
Program Activities:	Purchase and analysis of limited market data including market trend data and CanFax. Dissemination of existing market data. A minimum of semi-annual beef safety tracking.
Expected Tactic Outputs:	Research presentations and briefs, internal and external business use

ii. Consumer Beef Usage Initiatives

Budget:	$20,000 (DOMESTIC MARKET $50,000)
Primary Program Purpose:	To build demand for Canadian beef through production of consumer resources designed to motivate fresh beef purchases for use in-home. Aligns with consumer Canadian beef brand position and target market, with focus on cuts that optimize value of Canadian beef.
Program Activities:	Provide electronic and print consumer communication resources that motivate at-home fresh beef purchase. Provide consumer marketing messages and imagery for consumer initiatives.
Expected Tactic Outputs:	• Create five to 10 issues of a Canadian beef brand e-newsletter and expand circulation • Reprint consumer education resources for stakeholders • Provide/update web content on a regular basis

iii. Retail Segment Expansion

Budget:	$100,000
Primary Program Purpose:	Support growth opportunities in growing segments of the retail sector.
Program Activities:	Facilitate opportunities for value-added product marketing of existing and new convenience-based products in deli, home meal replacement and frozen

[10] 2010 progress against this goal will be reported in the 09/10 Results Report.

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	segments.
Expected Tactic Outputs:	• Align/partner with at least one retailer/processor on the development, execution and marketing of a deli rotisserie roast program • Align/partner with retail trade focusing on top four national retailers to aid in promoting value-added products within the Home Meal Replacement segment at retail • Work with one national retailer on development of a Canadian frozen boxed steak program using over-30-month beef
Expected Leverage:	Partners Program at 3:1

iv. Foodservice Quick Service Restaurant Alliance

Budget:	$100,000
Primary Program Purpose:	To increase the commitment and loyalty to Canadian beef
Program Activities:	To strategically align with the largest quick service restaurant users of commercial beef in an effort to maintain the preference and focus on Canadian beef in their burger formulation.
Expected Tactic Outputs:	At least one annual agreement that aligns with the criteria as outlined in the CCA brand license and substantial marketing opportunities
Expected Leverage:	Partners Program at approximately 6:1

v. Value-Added Product Development and Commercialization

Budget:	$200,000
Primary Program Purpose:	Facilitate the development of value-added product development for new convenience-based products.
Program Activities:	Leverage BIC cross trade marketing and industry relationships to drive product development opportunities from end-user back to processing sector.
Expected Tactic Outputs:	• Approve a minimum of six Partners programs with industry for new value-added products and/or expanded market reach for existing products • Participate in a minimum of three trade shows • Participate in at least 10 trade meetings to explore new product development opportunities • Communicate research findings to industry
Expected Leverage:	Partners Program at 2:1

vi. Customer Service Support

Budget:	$160,000 (DOMESTIC MARKET $160,000)
Primary Program Purpose:	Support commercial beef market in the area of website development/maintenance, direct response centre and resource systems management.
Program Activities:	Maintain consumer and trade websites. Report back to programs. Manage distribution of commercial beef resources through vendor as required. ResQ will continue to be customized to support programs.
Expected Tactic Outputs:	• Quarterly and ad hoc updates for trade and consumer website • Monthly tracking, reporting and management of inventory • Respond to customer and consumer emails and calls within target service levels • Maintenance of image library • Ongoing development of database management

9. COMMERCIAL BEEF STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

BIC MARKET SPECIFIC GOAL (2-B)

To build Canadian beef brand equity amongst consumers based on the consumer brand position that beef is lean and nutritious, while reinforcing convenience and taste

Expected Outcomes

- Shift attitudes about healthfulness of ground beef amongst light beef users and key influencers
- Shift light beef eaters from 69 per cent to 65 per cent by 2011
- Increase awareness and comprehension of brand mark and its consumer position

Programs

i. Integrated Consumer Brand Marketing Campaign

Budget:	$750,000 (DOMESTIC MARKET $250,000)
Primary Program Purpose:	To increase awareness of the Canadian beef brand consumer position, beef is lean and nutritious. To improve attitudes towards beef healthfulness, especially ground beef, targeting consumers eating beef one to two times per week.
Program Activities:	Develop and implement a consumer directed multimedia campaign, including advertising and communication, to maximize reach and frequency of the Canadian beef brand identity.
Expected Tactic Outputs:	Launch a three month multimedia campaign with expected print, radio, out-of-home mediums plus a web component
Expected Leverage:	Potential of retailers, other stakeholders leveraging campaign

ii. Nutrition Marketing and Communications

Budget:	$42,500 (DOMESTIC MARKET $127,500)
Primary Program Purpose:	To increase positive attitudes towards the healthfulness of Canadian beef by reaching health professionals, key influencers and the public.
Program Activities:	To reach health professionals and key influencers on a regular basis through print and electronic communication, events and liaison meetings. To ensure continuous positive, evidence-based and credible information on Canadian beef's role in a healthy diet, with a focus on ground beef, and the brand position. Strengthen relationships with health associations, networks and other Canadian commodity groups.
Expected Tactic Outputs:	• Develop and distribute print and web-based nutrition communication • Health Check license renewal for lean and extra lean ground beef and source grinds • Develop and disseminate the Naturally Nutrient Rich initiative

iii. Consumer Public and Media Relations

Budget:	$80,000 (DOMESTIC MARKET $40,000)
Primary Program Purpose:	Increase consumer awareness of ground beef's healthful attributes, supported by convenience, quality and taste. Utilize public relations activities to support the integrated consumer brand marketing campaign.

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Program Activities: Target print, broadcast and electronic media with relevant and timely messaging. Maintain relationships with key media through association memberships, seminars and serving as a credible source of information. Engage with consumers, media and other influencers through social media and website content. Maintain media relationships through event sponsorship, media tours and continuous media engagement. Develop a comprehensive and user-friendly media room.

Expected Tactic Outputs:

- Strategic media releases
- Event sponsorship and media tours and media relations
- Identify and respond to public relations opportunities

iv. Consumer Education Resources

Budget: $260,000 (DOMESTIC MARKET $260,000)

Primary Program Purpose: To increase awareness and leverage the Canadian consumer beef brand position, beef is lean and nutritious to the light beef eater. To leverage preparation of beef meals at home while supporting the integrated consumer brand multimedia campaign. A focus on source grinds and other Health Check qualified beef.

Program Activities: Incorporate Health Check into each of the three Canadian beef cross promotion programs and in the consumer brand resource.

Expected Tactic Outputs:

- Three Canadian beef cross promotion programs will leverage the Canadian brand mark and consumer position
- Consumer brand resource will feature Health Check qualified lean beef with distribution focused consumer target
- Quarter of content of Canadian beef cross promotions will leverage Health Check branding

Expected Leverage: CPG minimum $50,000

v. Retail Consumer Brand Positioning

Budget: $20,000 (DOMESTIC MARKET $60,000)

Primary Program Purpose: Increase positive attitudes towards the healthfulness of Canadian beef by leveraging the Canadian beef consumer positioning that beef is lean and nutritious targeted to the light beef eater.

Program Activities: Through consultative effort, communicate the value of incorporating the consumer brand messaging into weekly retail communication vehicles.

Expected Tactic Outputs:

- Work with at least one key retailer to develop point-of-purchase material that leverages the consumer brand position. Encourage incorporation into overall in-store messaging.
- Work with all other retailers to incorporate the consumer brand message into weekly flyers and other communication vehicles

Expected Leverage: Partners Program at 3:1

vi. Foodservice Consumer Brand Positioning

Budget: $5,000 (DOMESTIC MARKET $15,000)

Primary Program Purpose: To leverage the consumer brand positioning, beef is lean and nutritious, at foodservice where possible.

Program Activities: Work with foodservice chains to include elements of the consumer positioning on the nutrition section of their communication.

Expected Tactic Outputs: Encourage adoption of consumer positioning in the nutrition section of quick service restaurant websites with at least one chain

9. COMMERCIAL BEEF STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

BIC MARKET SPECIFIC GOAL (2-C)
To mitigate the risk of erosion of consumer and customer confidence

Expected Outcomes

- Positively influence nutrition and food safety policy
- Maintain consumer confidence at 85 per cent
- Maintain BIC is recognized as a credible resource
- Maintain a state of preparedness

Programs

i. Nutrition Policy

Budget: $10,000 (DOMESTIC MARKET $30,000)

Primary Program Purpose: To mitigate the risk of erosion of consumer and customer confidence of the healthfulness of Canadian beef.

Program Activities: To present BIC's position on Canadian beef's role in a healthy diet and to maintain scientific-based knowledge on current and potential issues relevant to Canadian beef, nutrition and health. Maintain membership in key health organizations.

Expected Tactic Outputs:
- Participate in public regulatory and policy consultations
- Liaise with scientific experts, industry and health associations regarding health, nutrition and food labelling
- Participate in two international policy-related conferences
- Meet with scientific experts (travel)
- Advance front of pack labelling based on nutrient rich index

ii. Nutrition Research

Budget: $15,000 (DOMESTIC MARKET $45,000)

Primary Program Purpose: To advance the beef industry's knowledge of the role and impact of beef in diet and health. To build and maintain linkages with the scientific community.

Program Activities: Invest in human scientific nutrition research on topics relating to Canadian beef's role in health, based on established long-term priority areas. BIC will strive to co-fund research.

Expected Tactic Outputs: Co-fund at least one research study

Expected Leverage: At least $50,000

iii. Food Safety Policy

Budget: $15,000 (DOMESTIC MARKET $15,000)

Primary Program Purpose: Mitigate the risk of erosion of consumer and customer confidence due to new food safety policies.

Program Activities: In conjunction with the Canadian Cattlemen's Association, monitor and analyze food safety policy issues of relevance to the Canadian beef industry, and disseminate pertinent information. Member of the Canadian Partnership for Consumer Food Safety Education. Monitor and analyze scientific literature and

9. COMMERCIAL BEEF STRATEGY

maintain network of scientific experts.

Expected Tactic Outputs:

- Participate in public regulatory and policy consultations
- Attend at least three meetings of the Canadian Partnership for Consumer Food Safety Education
- Access advice from the scientific experts on emerging issues. Preserve and expand the list of academic contacts.

iv. Food Safety Education

Budget: $20,000 (DOMESTIC MARKET $15,000)

Primary Program Purpose: Mitigate the risk of erosion in consumer and customer confidence due to the approval of new processing technologies, outbreaks of food-borne illness and during food safety crises.

Program Activities: Revise all existing and develop new credible, science-based food safety backgrounders and consumer fact sheets. Develop consumer-directed education material on emerging food safety issues as needed, through print or web.

Expected Tactic Outputs:

- Manage development of at least one new food safety backgrounder and consumer fact sheet as well as revisions to several current food safety backgrounders
- Develop consumer resource on irradiation as needed

v. Issues Management

Budget: $20,000 (DOMESTIC MARKET $57,000)

Primary Program Purpose: Ensure awareness and preparation for external issues that have potential to significantly impact Canadian beef consumption – particularly commercial beef.

Program Activities: Maintain issues preparedness, monitor existing and emerging issues and events. Conduct media monitoring, including Internet, blogs. Understand consumer attitudes through research, questions to web, questions to BIC staff, etc. Prepare and distribute messages to internal staff and stakeholders. Ensure BIC has an effective plan crisis communication plan. Liaise with industry and academic community as appropriate.

Expected Tactic Outputs:

- Ten staff updates
- Fifteen key message documents , five Q & As and one to two press releases
- Update and prepare one to two new backgrounders and consumer fact sheets
- Approximately three updates to website on issues
- Fifteen responses to and preparation of material to respond to media inquiries on issues
- Three editorial responses
- Review and update crisis communication plan

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

BIC MARKET SPECIFIC GOAL

To optimize the value of priority Canadian beef products in the domestic market

9. COMMERCIAL BEEF STRATEGY

Priority Products	Market Segment
Source Specific Trimmings	Retail, Foodservice
Chucks/Rounds/Trimmings	Further Processing, Retail
Middle Meats	Foodservice

Expected Outcomes

- Establish at least five Partners Programs utilizing Canadian beef
- Increase value in mature carcass cut-outs
- Increase market share of source ground beef at retail by 2011

Programs

i. Source Grinds Public Relations Campaign

Budget: $20,000

Primary Program Purpose: To increase consumers' awareness of Canadian source grind attributes.

Program Activities: Consumer and media educational campaign to increase consumer awareness of source grind attributes at retail.

Expected Tactic Outputs:
- Traditional and social media releases
- Consumer and media web videos
- Partnerships with retailers (i.e. in-store magazine and online content support)

ii. Retail Source Ground Beef

Budget: $100,000

Primary Program Purpose: Maximize value of source-specific ground beef.

Program Activities: Enhance customer and consumer awareness of specific quality attributes associated to source-specific ground beef.

Expected Tactic Outputs:
- Align/partner with at least three retailers' existing source ground beef programs to maximize volume
- Develop at least one new retail source ground beef program
- Leverage cross promotional programs targeting source grounds in meal preparation with a focus on convenience and consumer brand position delivered through existing *Make it Beef* consumer booklet to drive awareness

Expected Leverage: Partners Program at 3:1

iii. Foodservice Source Ground Beef

Budget: $70,000

Primary Program Purpose: To maximize the value of source ground beef.

Program Activities: To facilitate the development and marketing of premium burgers in the quick service restaurant segment utilizing source specific trimmings.

Expected Tactic Outputs:
- Increase the understanding and uptake of source-specific ground products with foodservice partners
- Influence the launch of source ground product with one national foodservice operator

Expected Leverage: Partners Program at approximately 3:1

9. COMMERCIAL BEEF STRATEGY

CCMDC Goal #4

Create a commitment to successful and effective initiatives through demonstration of impact and success

BIC MARKET SPECIFIC GOAL

To effectively measure and communicate program outputs and outcomes

Expected Outcomes

- Increased engagement of agriculture media
- Provision of information on BIC activities in a timely manner

Programs

i. Performance Measurement Research

Budget: $115,000 (DOMESTIC MARKET $30,000)

Primary Program Purpose: To measure the effectiveness of BIC strategies and their implementation.

Program Activities: Consumer and customer surveys will be conducted to measure the effectiveness of BIC programs.

Expected Tactic Outputs:

- Retail, foodservice and processing stakeholder surveys and analysis
- Advertising tracking and analysis

ii. Stakeholder Communications

Budget: $22,500 (DOMESTIC MARKET $66,250)

Primary Program Purpose: To increase producer and stakeholder understanding of efforts to improve consumer and trade comprehension of the specific attributes of the Canadian Beef Advantage through: increased positive agriculture media coverage of CBA activities; and increased positive coverage of CBA activities through cattle industry organization opportunities.

Program Activities: Communicate the value and impact of Canadian Beef Advantage programs and services to the agricultural community, funders and other stakeholders through liaison with producer associations, engagement with agricultural media and where possible directly to producers through various public relations activities including: newsletters; news releases; website.

Expected Tactic Outputs:

- Pitch 20 feature stories
- Develop six news releases and four BIC newsletters per year
- Attend approximately 20 key meetings, trade events and other industry sessions/symposiums
- Attend each producer association annual general meeting
- Develop and produce quarterly reports and annual performance reports
- Develop and continually evolve a stakeholder website
- Create a producer contact list

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U.S. Strategy Executive Summary

The United States is the largest beef consuming nation and global leader of beef imports. Canadian beef is only 2.8 per cent of total U.S. supply, representing a significant market opportunity. The impact of country of origin labelling on beef and cattle exports is unknown indicating uncertainty to the volume and value of Canadian beef. In the U.S., Hispanics and Latinos are heavy beef eaters and represent 15 per cent of the population and therefore represent a significant consumer market opportunity.

The 2009/10 U.S. market includes six market specific goals aligning with CCMDC priorities. In total the U.S. market development programs are expected to utilize 3,500 tonnes of Canadian beef, a 49 per cent increase over 2008.[11] Highlight's of what is new, activities and expected outcomes are below.

1) ***Increase awareness and comprehension of the Canadian Beef Advantage with trade partners.***
   A customized approach will be taken to increase awareness of the key points of differentiation and verifiable attributes of the CBA. Activities include 10 trade shows, eight association events, a CBA perception survey, 16 print trade ads and a targeted campaign for the Hispanic markets. An outcome is to achieve equity and value in the Canadian brand attributes with target trade partners and to increase or maintain awareness of specific CBA attributes at a minimum of 85 per cent.

2) ***Maximize demand for 330,000 tonnes (carcass weight) of Canadian fed and non-fed beef in specific market segments in targeted regions.***
   Penetration of ethnic markets is priority. There will be increased segmentation and identification of Hispanic and Asian market opportunities. Activities include at least nine Partners Programs and 18 time-limited initiatives to alleviate concerns about country of origin labelling. Hispanic CBA resources, an e-CBA Guide and other customized marketing resources will be developed. Outcomes include utilizing at least 2,600 tonnes of Canadian beef and to create a unique brand identity for Canadian beef in key markets and segments.

3) ***Optimize value of priority Canadian beef products in the U.S. market.***
   Prioritization by product and market segments is a new business strategy. Products include middle meats at foodservice, chuck/rib for Asian/Halal markets and trimmings for processors. Primary activity is key client identification and liaison, with a minimum of 30 meetings reaching new target customers of Canadian beef. Outcomes include stronger linkages with distribution systems and Canadian value chains.

4) ***Mitigate the impact of country of origin labelling (COOL) legislation through greater diversification within the market.***
   Strategies enhance awareness and understanding of COOL compliance as it relates to Canadian beef. Programs include at least seven foodservice Partners Programs and trade education on COOL compliance utilizing Canadian beef. Outcomes include growth in volume and value of Canadian beef middle meats at foodservice, increased diversification of key markets and mitigation of the impact of COOL. Utilization of at least 900 tonnes of Canadian beef is expected.

5) ***Mitigate the risk of erosion of consumer and customer confidence in Canadian beef.***
   Outcomes are to maintain BIC as a recognized credible resource and maintain a state of preparedness.

6) ***Effectively measure and communicate program outputs and outcomes.***
   To measure the effectiveness of BIC strategies and report back to Canadian beef cattle producers and other stakeholders.

[11] Beef volume data generated from U.S. Partners Programs. In 2008 it was 2,360 tonnes

10. UNITED STATES STRATEGY

Environment Scan / Market Profile

As referred to in the Market Context section of this Plan, the U.S. financial crisis has affected all aspects of the economy and created substantial turmoil in major global and domestic markets. Markets are expected to struggle in 2009, as consumer confidence and consequently spending declines. From a beef supply and demand standpoint, the U.S. cattle industry has been challenged by higher feed costs, significant market uncertainty and volatility. This has resulted in a contraction in U.S. cattle inventories, which is expected to continue throughout 2009 as markets continue to be volatile, credit becomes difficult to obtain, and high feed grain prices limit industry's ability to expand. As a result of these market conditions, including reduced consumer spending, the U.S. beef industry will be looking at beef exports to drive cut-out values. U.S. beef exports are expected to continue to grow in 2009 with expanded market access, but value potential will be limited if a constant or stronger dollar exists, which places significant negative pressure on cut-out and more specifically by-product values.

The United States continues to be the largest beef consuming nation, accounting for 12.5 million metric tonnes or 21.5 per cent of global consumption in 2008. U.S. beef consumption has seen downward pressure in 2008 and is expected to continue to see declining demand in 2009, with consumers switching to cheaper cuts and alternative lower priced protein sources. This has placed pressure on loins and middles, which contribute significant value to the cut-out. In addition, large supplies of pork at relatively low prices have supported its consumption at the expense of beef, while poultry consumption has also stayed strong despite higher relative year-over-year prices.

The United States continues to be the largest importer of beef at 1.1 million metric tonnes or 17 per cent of global imports in 2008. In 2008 U.S. beef imports were down 23 per cent for the first eight months of the year due to a weak dollar and non-NAFTA countries focusing on more lucrative markets like Russia and the European Union. Canadian share of U.S. beef imports did increase from 26 to 33 per cent, **positioning Canada above Australia as the largest import supplier**. Given the dynamics of steady production, declining demand, and potential export growth, beef imports into the United States are expected to be steady to slightly higher in 2009. An optimistic outlook would position imports seven per cent higher in 2009, with gains expected to come from non-NAFTA countries as they refocus on the U.S. market providing strong competition for Canada. At the same time, beef imports in 2009 could be negatively influenced by an uncertain economy, large supplies of competing protein (specifically pork) and country of origin labelling.

Increased costs associated with exporting live cattle to the United States, as a result of the implementation of COOL, are expected to restrict live cattle exports. The impacts of the recent changes around the implementation of COOL have yet to be seen. But with increasing expectations of reduced live cattle exports to the United States, U.S. beef production could see further downward pressure that has not been incorporated into current projections. If this is to occur it would support further beef imports. However the costs of handling Canadian beef and labelling it at retail as a result of COOL are yet unknown and until consumer responses and potential changes in procurement practices are understood, significant uncertainty exists as to whether increased beef exports would be sustainable.

2009 Marketing Target

The 2009 marketing target for the United States is:

Exports	359,692 MT

(volume in carcass weight)

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Local Beef Market and Sector Specific Analysis

Grocery Retail Market Fresh Meat Market – The total fresh retail meat market is valued at $29.4 billion US with tonnage volume at 10.8 billion pounds. Beef continues to hold the number one fresh meat position at retail for both dollar (52.5 per cent market share) and tonnage share (39.5 per cent). Retail beef sales were worth $15.5 billion US, with retail beef volume totalling 4.3 billion pounds year ended June 2008. During this period, all beef segments realized dollar growth except for loin which was flat. Chuck had the strongest dollar growth at plus 3.8 per cent but pound volume declined at minus four per cent.[12] Ground beef sales, accounting for 46.4 per cent of the retail beef volume, were worth $5.4 billion US and totalled 1.9 billion pounds.[13]

Competitive Analysis – U.S. beef is the main competitor for Canadian beef in this market. Other significant competitors include beef from Australia and New Zealand. **Canadian beef exports to the United States only comprise 2.8 per cent of total U.S. supply,[14] representing a large volume opportunity to expand**.

Chicken is the number two protein at retail with 29.1 per cent tonnage share. The chicken category grew significantly versus year ago, up almost six per cent dollar growth and plus one per cent volume growth, outpacing the total fresh meat category.[15]

Consumer Trends – While many of the demographic and consumer trends that affect Canada are similar in the United States, some are different. Convenience is rated more important by U.S. consumers. In the United States, 22 per cent of meals are sourced from foodservice, which is almost 10 per cent higher than in Canada. Americans are more likely to say that taste is more important than nutrition than would Canadians. Americans have a higher credibility perception of brand names than Canadians.[16]

The immigration patterns are different. In the United States, Hispanics and Latinos represent the largest ethnic group representing a significant 15 per cent of the population with strong forecasted growth. Hispanics are very urbanized and focused in a few key markets. The top three of these are Los Angeles, New York and Chicago. Hispanics are heavy consumers of beef, with an eating frequency of four to five times per week versus the general population of two to three times per week. They also over index on the amount they spend on beef at 137 per cent (versus the general population at 100).[17]

U.S. Consumer and Canadian Beef Branding Research – Extensive research conducted for the Canadian beef branding project in 2007-08 concluded that Americans have little to no awareness of Canadian beef. The U.S consumer prefers U.S. beef. Currently, U.S. beef has all the perceived comparative advantages versus Canadian beef. However, research also indicates that Americans are willing to try Canadian beef if USDA approval is assured. Consumer research reveals that U.S. consumers believe that the environment plays a key role in the quality of food eaten. Americans believe Canada's clean environment and wide open spaces would lead to healthier cattle and beef. The largest gaps between U.S and Canadian beef perceptions are regarding safety, quality assurance and freshness.[18]

[12] Fresh Look, June 2008.
[13] Fresh Look, June 2008.
[14] CanFax, November 2008.
[15] Fresh Look, June 2008.
[16] NPD, National Eating Trends, 2008.
[17] NPD, National Eating Trends, 2008.
[18] BIC Branding Study, 2007.

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Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

The opportunities and challenges identify specific target markets and market segments.

Opportunity: Establishing a Canadian Beef Brand – Based on the Canadian Beef Advantage premise outlined in the commercial beef section, key is to increase awareness of Canadian Beef Advantage attributes among the trade and build equity in the value that the attributes deliver to segment specific trade partners.

Consumer Brand Positioning and Target – The medium to heavy beef eater has been identified as the target group for the U.S. consumer market as these consumers are already predisposed to eating beef frequently. Consumer brand positioning for Canadian beef is:

> To the American beef eater, no other beef lives up to the quality and taste of Canadian beef because Canadian beef has all the natural goodness one would expected in the pure, vast, unspoiled environment of Canada.

Opportunity: Product Mix – To maximize value, product priorities have been identified. Refer to CCMDC Goal #1. The United States is an opportunity market because it drives total carcass cut-out value through market diversity.

Opportunity: Ethnic Market – The Beef Information Centre will continue to target ethnic groups in the United States, primarily Hispanics who represent a significant 15 per cent of the population and who are heavy consumers of beef.[19]

Challenge and Opportunity: Country of Origin Labelling – The potential impact of country of origin labelling is unknown suggesting significant uncertainty to the impact of the volume and value of Canadian beef in the U.S. market. To mitigate the impact of COOL there is a need for more diversified reach in key markets and market segments, enhanced awareness and understanding of COOL compliance as it relates to Canadian beef. While Canadian beef exports to the United States comprise only 2.8 per cent of the total U.S. supply, this represents a huge opportunity for Canadian beef to expand.

CCA Trade Advocacy in the U.S. as an Analogous Component of the U.S. Marketing Strategy

As the recipient and administrator for the legacy funds, the Canadian Cattlemen's Association will report on and provide accounting for its advocacy services department as industry matching funds to the U.S. marketing plan for the Beef Information Centre. The CCA has historically been one of the most active proponents of free trade with the United States and has been active in liaising with U.S. industry for decades.

The CCA has established a distinct budget department for U.S. trade advocacy. The majority of the activities undertaken by the advocacy services department are focused on garnering support for market access and beneficial trade policy in the U.S. which is supportive and advantageous to the marketing initiatives implemented by the Beef Information Centre in their U.S marketing plan. Critical to this effort is the attendance at key state meetings where industry policy and positions on numerous issues of market access and harmonization are formulated for national consideration. CCA staff and directors are vital proponents at these meetings to garner industry intelligence and advise the Beef Information Centre on issues relevant to its marketing initiatives in the U.S. Advocacy services also includes work contracted in Washington D.C. by legal counsel and a registered lobbyist who works on behalf of the Canadian beef cattle industry with a number of U.S. industry groups and representatives of trade-oriented countries like New Zealand. In all cases, a clear reporting and financial distinction will be made between lobbying elected government officials and advocacy efforts undertaken at a technical and industry level in keeping with the eligibility criteria for the Legacy Fund.

[19] U.S. Census Bureau 2006; NCBA website 2007.

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CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

BIC MARKET SPECIFIC GOAL

To increase awareness and comprehension of the Canadian Beef Advantage with trade partners in key market segments in targeted regions

Expected Outcomes

- Increase or maintain trade awareness of the specific attributes of the Canadian Beef Advantage at a minimum of 85 per cent[20]
- Enhanced perception of the attributes that define the Canadian Beef Advantage with trade partners
- Develop equity in the value the attributes deliver to segment specific trade partners

Programs

i. Communicate the Canadian Beef Advantage

Budget: $225,000

Primary Program Purpose: To positively position Canadian beef to trade partners based on key points of differentiation and the attributes of the Canadian Beef Advantage.

Program Activities: Active participation in strategic trade shows and trade association events as well as specific BIC-driven trade events in key markets.

Expected Tactic Outputs:
- Replenish Canadian Beef Advantage related resources
- Participate in a minimum of 10 trade show events
- Participate in a minimum of six trade association events
- Host a minimum of four Canadian beef seminar events in key markets
- Develop a trade focused multimedia presentation focusing on Canadian Beef Advantage attributes and systems
- Canadian Beef Advantage perception survey with trade partners

ii. Trade Advertising and Communications

Budget: $200,000

Primary Program Purpose: Communicate relevant and meaningful information on the Canadian Beef Advantage to trade partners.

Program Activities: Utilize print and electronic media to communicate the relevant attributes of the Canadian Beef Advantage to U.S. retail, foodservice and ethnic markets including news and highlights of BIC activities including Canadian Beef Advantage and COOL seminars and trade show events.

Expected Tactic Outputs:
- Six electronic bulletins focusing on Canadian Beef Advantage attributes
- 10 Canadian Beef Advantage print ad insertions into trade publications focusing on Canadian Beef Advantage attributes most relevant to U.S. industry
- Develop an advertising and promotional campaign specific to the Hispanic

[20] BIC Trade Survey: 2008 Benchmark. Question "Now I'm going to read you a list of specific features of Canadian beef that you may or may not have heard about. For each, please tell me if you have heard of this before today."

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market
- Six to eight insertions in Hispanic publications
- Four to six foodservice advertorials
- Six COOL trade print ads
- Six COOL web ads

iii. Processor Relations

Budget:	$25,000
Primary Program Purpose:	To develop relationships with key industry processors.
Program Activities:	Identify opportunities within the U.S. processing sector to create linkages with Canadian suppliers.
Expected Tactic Outputs:	• Participate in a minimum of two processor industry events • Communicate Canadian Beef Advantage to all processors throughout United States • Sponsor the North American Meat Processors annual convention

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

BIC MARKET SPECIFIC GOAL

To maximize demand for 330,000 tonnes (carcass weight) of Canadian fed and non-fed beef in specific market segments in targeted regions

Expected Outcomes

- Establish at least nine Partners Programs and 18 time-limited initiatives utilizing a minimum of 2,610 tonnes of Canadian beef
- Growth in Hispanic and Asian markets for priority Canadian beef products in key markets
- Increased penetration in ethnic products category with value-added new products
- Create a unique brand identity for Canadian beef in key market and segments

Programs

i. U.S. Hispanic Retail Initiatives

Budget:	$200,000
Primary Program Purpose:	Develop strong relationships and identify market development opportunities for priority products with key Hispanic distribution and retail opportunities in key markets.
Program Activities:	Develop long-term partnerships with key Hispanic retailers. Target markets: California, Nevada, Utah, Arizona, Virginia, Maryland and Colorado.
Expected Tactic Outputs:	• Develop Hispanic Canadian Beef Advantage resources • Develop and execute a minimum of four new Partners Program opportunities • Implement a minimum of six limited time promotions designed to alleviate retailer concerns regarding COOL and confirm consumer acceptability • Utilize a minimum of 1,590 tonnes of Canadian beef
Expected Leverage:	Partners Program at 1:1

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ii. U.S. Asian Market Development Initiative

Budget: $100,000

Primary Program Purpose: Develop strong relationships and market development opportunities for priority products with key Asian distribution and retail opportunities in key markets.

Program Activities: Develop long-term partnerships with key Asian retailers.
Target market: California.

Expected Tactic Outputs:

- Develop and execute two branded beef programs at large Asian retailers in key market
- Customize existing CBEF Asian marketing resources to align with U.S. brand strategy
- Implement a minimum of two limited time promotions designed to alleviate retailer concerns regarding COOL and confirm consumer acceptability
- Utilize a minimum of 680 tonnes of Canadian beef

Expected Leverage: Partners Program at 1:1

iii. Branded Beef Initiatives

Budget: $200,000

Primary Program Purpose: Develop branded programs that leverage the attributes of the Canadian Beef Advantage.

Program Activities: Work with packers, retailers, distributors to develop and market premium branded programs that deliver on the core functional attributes of beef that appeal most to consumers including, taste, tenderness and juiciness.

Expected Tactic Outputs:

- Develop a minimum of two retail premium branded programs with Canadian beef
- Develop a minimum of 10 limited time Canadian beef promotions with targeted retailers designed to alleviate retailer concerns regarding COOL and confirm consumer acceptability
- Ongoing development of the Canadian Beef Advantage e-guide, a branded resource tool kit with supporting visual elements of Canadian Beef Advantage attributes
- Utilize a minimum of 340 tonnes of Canadian beef

Expected Leverage: Partners Program at 1:1

iv. U.S. Halal Market Development

Budget: $75,000

Primary Program Purpose: Develop strong relationships and market development opportunities in the Halal market segment in Eastern United States.

Program Activities: Work collaboratively with Canadian packers to identify market opportunities to develop branded programs in the Halal market.

Expected Tactic Outputs: Minimum of one new branded program

Expected Leverage: Partners Program at 1:1

Key Success Factors: Increased supply of Halal ritual slaughter

v. Customer Service Support

Budget: $100,000

Primary Program Purpose: Support U.S. market with website development/maintenance, direct response centre and resource systems management.

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Program Activities: Maintain consumer and trade websites. Distribution of resources to support U.S. market will be managed through vendor as required. ResQ will continue to be customized to support program areas.

Expected Tactic Outputs:
- Quarterly and ad hoc updates for trade and consumer website
- Monthly tracking, reporting and management of inventory
- Respond to customer and consumer emails and calls within target service levels
- Maintenance of image library
- Ongoing development of database management

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

BIC MARKET SPECIFIC GOAL

To optimize value of priority Canadian beef products in the U.S. market

Priority Products	Market Segment
Middle Meats	Foodservice
Full Carcass Sets	Retail
Clods, Chuck Rolls, Thin Meats, Knuckles	Hispanic
Chuck/Rib	Asian/Halal
Trimmings	Processor

Expected Outcomes

- Stronger linkages with distribution systems and Canadian value chains
- Enhanced ability to prioritize markets, market segments and targeted customer base

Programs

i. Key Client Identification and Liaison

Budget: $50,000

Primary Program Purpose: To ensure BIC is strategically aligned with U.S. industry partners.

Program Activities: BIC will engage industry partners to identify opportunities to align resources to achieve mutual objectives and identify target customers in key markets and segments.

Expected Tactic Outputs:
- Maintain strong relationships with senior level industry partners
- Implement quarterly business reviews and strategy revisions where required
- Execute a minimum of 30 meetings with new targeted customers for Canadian beef

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CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

BIC MARKET SPECIFIC GOAL (4-A)

To mitigate the impact of country of origin labelling legislation through greater diversification within the market

Expected Outcomes

- Growth in volume and value of Canadian beef with at least seven Partners Programs and three time-limited initiatives utilizing a minimum of 900 tonnes of Canadian beef
- More diversified reach in key markets and market segments
- Enhanced awareness and understanding around compliance for COOL as it relates to Canadian beef

Programs

i. U.S. Foodservice Distributor Programs

Budget:	$150,000
Primary Program Purpose:	Develop branded programs within the foodservice segment.
Program Activities:	Develop branded programs with foodservice distributors that leverage the attributes of the Canadian Beef Advantage.
Expected Tactic Outputs:	• Develop a minimum of three new branded programs • Enhancement of at least two existing distributor programs • Partner at least one packer to maximize the volume and value of existing packer brands • Utilize a minimum of 450 tonnes of Canadian beef
Expected Leverage:	Partners Program at 1:1

ii. Foodservice Operator Initiative

Budget:	$175,000
Primary Program Purpose:	To develop sustainable market opportunities for Canadian beef with U.S. foodservice chain accounts.
Program Activities:	Work with Canadian beef supply partners to identify target customers and leverage the meaningful attributes of the Canadian Beef Advantage.
Expected Tactic Outputs:	• Develop three limited time offer promotions with chain restaurants in the casual dining segment designed to enhance confidence in Canadian beef quality • Establish at least three partner projects with foodservice end-users • Resources designed to enhance operator ability to sell beef based on quality attributes versus origin • Utilize a minimum of 450 tonnes of Canadian middle meat volume
Expected Leverage:	Partners Program at 1:1

10. UNITED STATES STRATEGY

iii. Mitigate Impact of Country of Origin Labelling (COOL)

Budget:	$150,000
Primary Program Purpose:	To provide targeted retailers in key markets with viable solutions to COOL utilizing Canadian beef and address concerns around compliance.
Program Activities:	Work with U.S. retailers to understand and address concerns regarding compliance around COOL and develop opportunities to include Canadian branded programs in their product mix.
Expected Tactic Outputs:	• Six COOL seminars in key markets • COOL industry brochure (English and Spanish) • COOL industry survey
Expected Leverage:	Financial through packers/partners

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

BIC MARKET SPECIFIC GOAL (4-B)

To mitigate the risk of erosion of consumer and customer confidence in Canadian beef

Expected Outcomes

- Maintain BIC is recognized as a credible resource
- Maintain a state of preparedness

Programs

i. Issues Management

Budget:	$31,000
Primary Program Purpose:	Ensure awareness and preparation for external issues that have potential to significantly impact Canadian beef market opportunities.
Program Activities:	Maintain issues preparedness, monitor existing and emerging issues and events. Conduct media monitoring, including Internet, blogs. Review current science. Understand consumer attitudes through research, questions to web, questions to BIC staff, etc. Prepare and distribute messages to internal staff and stakeholders. Ensure BIC has an effective crisis communication plan. Liaise with government, industry and academic community as appropriate.
Expected Tactic Outputs:	• Ten staff updates • Fifteen key message documents , five Q & As and one to two press releases • Update and prepare one to two new backgrounders and consumer fact sheets • Approximately three updates to website on issues • Fifteen responses to and preparation of material to respond to media inquiries on issues • Three editorial responses • Review and update crisis communication plan

10. UNITED STATES STRATEGY

CCMDC Goal #5

Create a commitment to successful and effective initiatives through demonstration of impact and success

BIC MARKET SPECIFIC GOAL

To effectively measure and communicate program outputs and outcomes

Expected Outcomes

- Increased engagement of agriculture media
- Provision of information on BIC activities in a timely manner

Programs

i. Performance Measurement

Budget:	$35,000
Primary Program Purpose:	To measure the effectiveness of BIC strategies and their implementation.
Program Activities:	Trade customer survey will be conducted to measure the effectiveness of BIC programs.
Expected Tactic Outputs:	U.S. Customer Trade Survey and analysis

ii. Stakeholder Communications

Budget:	$36,250
Primary Program Purpose:	To increase producer and stakeholder understanding of efforts to improve consumer and trade comprehension of the specific attributes of the Canadian Beef Advantage through: increased positive agriculture media coverage of CBA activities; and increased positive coverage of CBA activities through cattle industry organization opportunities.
Program Activities:	Communicate the value and impact of Canadian Beef Advantage programs and services to the agricultural community, funders and other stakeholders through liaison with producer associations, engagement with agricultural media and where possible directly to producers through various public relations activities including: newsletters; news releases; website.
Expected Tactic Outputs:	• Pitch 20 feature stories • Develop six news releases and four BIC newsletters per year • Attend approximately 20 key meetings, trade events and other industry sessions/symposiums • Attend each producer association annual general meeting • Develop and produce quarterly reports and annual performance reports • Develop and continually evolve a stakeholder website • Create a producer contact list

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

The Canada Beef Export Federation (CBEF) develops and implements marketing programs that are tailored to each priority market and distribution sector through a set of core programs which are common across all international markets. A brief description of these core programs is highlighted below and is followed by country-specific environmental scans and marketing strategies.

1. *Market Representation* *$1,971,000*

Mexico	China	Japan	Taiwan	S Korea	Total
$386,000	$669,000	$572,000	$182,000	$162,000	$1,971,000

The Federation has offices in Japan, Korea, Taiwan, China and Mexico. CBEF offices are staffed with local hires that represent CBEF and its members in their respective markets. International offices are the main delivery arm of practically all CBEF international programs and as such, their operational success and standing in the local beef market are essential to the effectiveness of efforts at building awareness for Canadian beef identity and brand. Moreover, the offices themselves, their physical presence and the visibility of Federation representatives and activities have become elements of the Canada beef brand.

CBEF representatives provide a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in international markets. The representatives proactively identify new potential clients for Canadian beef on behalf of CBEF members. They monitor existing and emerging constraints and opportunities facing Canadian beef exporters in foreign markets, and recommend industry-wide and company-specific responses to address them.

2. *VIP Beef Awareness Missions* *$460,000*

Mexico	China	Japan	Taiwan	Others	Total
$45,000	$80,000	$95,000	$80,000	$160,000	$460,000

The VIP beef awareness missions create the opportunity for importers and trade contacts to experience Canada's delivery system first-hand through structured trade education activities combined with system wide value chain inspections across the nation. The purpose is to create a "buy Canada" mandate within the most senior levels of prominent international meat import and distribution, retail, and foodservice companies. VIP beef awareness missions give participants first-hand understanding of the defining characteristics of Canada's industry as a whole and of many core elements of the Canadian Beef Advantage such as Canada's: on-farm safety programs, cattle ID system, food safety systems at slaughter, superior genetics and grading system.

These missions also create the opportunity for CBEF staff to establish strong relationships with the buyers during the course of the missions. CBEF asks export members to nominate prospective mission members. Promise of growth, loyalty as well as geographical or sectoral expansion will be considered when choosing participants. Many former VIP mission members have become "pro-Canada" and started purchasing Canadian beef products soon after returning to their countries.

3. *CANADA BEEF Seminars* *$445,000*

Mexico	China	Japan	Taiwan	S Korea	Others	Total
$90,000	$80,000	$160,000	$55,000	$35,000	$25,000	$445,000

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

Demand and differentiation of Canadian beef will be created through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand through the positioning of the Canadian beef industry as a leader in animal health, beef safety and quality control systems that provides demonstrable marketing solutions for customers and their end-users. To accomplish this, a series of educational forums and technical seminars will be implemented designed to focus on the Canadian Beef Advantage and highlight Canada's competitive advantage to the local meat trade.

CBEF members are invited to attend these events, to display their products and meet with buyers. Additional technical components (i.e. cutting, merchandising, cooking, financial/yield analysis) will be included based on specific clients' group requirements. All technical seminars will be closely coordinated with the Federation's retail/foodservice promotion strategies and advertising programs. CBEF international offices also hold smaller seminars to support the acquisition efforts and to maintain or expand sales of existing accounts through increased awareness and understanding of Canadian beef.

4. Retail and Foodservice Promotions $1,064,000

Mexico	China	Japan	Taiwan	Total
$450,000	$140,000	$350,000	$124,000	$1,064,000

The promotion strategy will focus on distribution channel development tactics supported by consumer marketing promotions to enhance and create sales opportunities for end-users to build brand equity in the Canadian beef brand. CBEF invests in partners who invest in the Canadian beef brand. Channel development strategies and tactics are designed to create demand and grow volumes within the delivery system by differentiating Canadian beef and the CBEF team from competitors. This will be accomplished by leveraging the Canadian beef value proposition and Federation expertise to create and implement business successes for trading partners, end-users and consumers. The Canadian beef brand represents outstanding quality, safety, craftsmanship and value that is not currently found or fully understood in the marketplace. These attributes must be demonstrated, proven and earned in the marketplace in order to differentiate from competitors. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in international markets.

CBEF's contractors approach small, medium, and large-sized department stores, supermarkets, hotels, and restaurants to create Canadian beef and veal promotions to support sales growth and build equity in the Canadian beef branding strategy with international consumers. Export members nominate Canadian beef clients for a number of these promotions as well. Export members also individually develop terms of reference for the selection of potential promotional partners who do not presently purchase Canadian beef and veal products.

Multimedia advertising, product demonstrators, and point-of-sale materials are supplied to CBEF clients. Whenever possible, such support is subject to guaranteed purchases of certain quantities of Canadian beef and veal. In all cases, companies are selected after they have indicated a strong willingness to continue carrying Canadian beef and veal, subject to consumer acceptance of the product. CBEF promotional material developed for each specific market and their retail and foodservice sectors will be used in these promotions.

CBEF will continue to consult with packers when they lead, initiate or participate in promotional activities. These continued contacts will ensure that packers are offered an opportunity to appreciate the potential value

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

and impact of a given activity on cut-out values. Packers will continue to be provided with an opportunity to provide input on the product mix being promoted.

Annual surveys of the major packers will be conducted. Packers will be asked to clearly identify the top five cuts they want help in promoting in each market where CBEF has representation. CBEF assumes that packers are choosing optimum destinations for these cuts, thus maximizing the cut-out value. CBEF will give these cuts special attention during 2009/10. CBEF will cross reference the results of its packer consultations with those of other marketing agencies such as the Beef Information Centre and will produce a consolidated list of "priority" cuts, with target markets, whose promotion should receive special attention during the year. This process will ensure that the industry's combined efforts are maximized while at the same time avoiding any counterproductive work that risks neutralizing their respective organization's work.

5. Food Shows *$550,000*

Mexico	China	Japan	Taiwan	Others	Total
$155,000	$90,000	$135,000	$70,000	$100,000	$550,000

CBEF will participate in select food shows to advance its international brand building objectives and help maintain and grow its client base. Material (print and video) will be distributed and presented that expounds on the merits of Canadian product as outlined in the Canadian Beef Advantage message. CBEF representatives will be on hand to help convey the CBA message directly to international traders, distributors, retailers and consumers.

Trade show participation provides an opportunity for end-users to get acquainted with Canadian beef while offering the CBEF team an opportunity to witness and observe the promotional efforts in international markets of other Canadian agri-food products such as pork, seafood and spirits. Export members will be invited to join the Federation at its booth and help its members establish contacts with potential partners in international markets. CBEF will also help its members use the food shows to introduce and promote their branded initiatives in international markets. Whenever possible and appropriate, CBEF will collaborate with other food marketing agencies in order to maximize the impact of its participation and the effectiveness of its financial and human resources.

6. Promotional Materials *$440,000*

Mexico	China	Japan	Taiwan	S Korea	Total
$95,000	$50,000	$175,000	$40,000	$80,000	$440,000

Technical Marketing Resources:
The development and distribution of standardized science-based technical marketing materials in international markets is essential for the effective communication and support of the Canadian beef value proposition and for building equity in the Canadian beef branding strategy throughout the distribution channels, trade associations and government.

Trade Marketing Resources:
Custom or generic promotional materials will continue to be developed and utilized to support CBEF members and their clients delivering the Canadian Beef Advantage message and to build equity in the Canadian beef branding strategy.

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

Consumer Marketing Resources:
The development and distribution of standardized consumer marketing materials in international markets is essential for the effective communication and support of the Canadian beef value proposition and building equity in the Canadian beef branding strategy for international consumers.

7. *Newsletter and Website* *$116,000*

Mexico	China	Japan	Taiwan	S Korea	Total
$5,000	$17,000	$70,000	$12,000	$12,000	$116,000

Newsletters are a valuable communication tool to maintain ongoing contacts with key international clients. The newsletter provides the means for the distribution of important information, up and coming events of interest, technical seminars and export member profiles. The newsletter is also used to support and promote Canada's value proposition and build equity in the Canadian beef branding strategy in international markets and the programs and services that CBEF brings to the table to create demand for Canadian beef.

CBEF will continue to leverage its partnership with other marketing agencies like the Beef Information Centre and use the web-based material they have developed and adapt it for use with an international audience on the Federation website. CBEF will also develop new attractive and user friendly content of its own. The website will feature strategically and tastefully presented information on the CBA that places emphasis on differentiation characteristics and features of Canadian beef that CBEF market research has identified as having the most resonance with consumers in each of its major markets. Future promotional material in each market will feature the local CBEF website URL in order to generate traffic to the site and expand the reach of Federation messaging.

8. *Market Research* *$60,000*

Mexico	China	Japan	Taiwan	Total
$12,000	$20,000	$20,000	$8,000	$60,000

An international client satisfaction survey conducted by an independent research contractor will be commissioned. The objectives of this study are to survey a population of individuals with whom CBEF has had a business interface to determine their attitudes and satisfaction level with the services, programs and information provided by CBEF in their country. This survey will also evaluate the communication of Canada's value proposition and the effectiveness and impact of the Canada beef team to deliver this message over the previous year. Results will be presented each year at the semi-annual meeting and available on the members' website.

9. *Advertising and Public Relations* *$460,000*

Mexico	China	Japan	Taiwan	S Korea	Total
$150,000	$35,000	$200,000	$65,000	$10,000	$460,000

Creative joint advertising opportunities will be developed and implemented with trading partners, end-users and other stakeholders in the food industry to maximize the communication of Canada's value proposition and to build equity in the Canadian beef branding strategy in international markets. Advertising and public relations initiatives will focus on trade communications and selected niche marketing opportunities tied

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

closely with approved retail and foodservice feature activity and through CBEF's local language trade and consumer websites. Specific local and regional advertising will be completed to support the Canadian beef value proposition and build equity in the Canadian beef branding strategy.

10. Member Information and Liaison *$60,000*

As the Canadian industry moves away from the BSE crisis toward the renewed pursuit of export prosperity, the focus of CBEF's member information and liaison communication is three-fold: to communicate new developments as they happen to members through email, fax and teleconference calls; on a more regular basis, to keep members apprised of market developments and ramifications through competitive intelligence reports; and to inform a wider audience - including the media - of immediate market developments and activities through the distribution of news releases. The *Beefing Up Exports* newsletter distributed to members, industry partners and media, continues to provide an in-depth and pictorial report of CBEF activities and accomplishments.

The membership directory, providing information about CBEF and its services, continues to serve as a source of contact information for CBEF membership as well as a high quality information resource about their capabilities and services. The directory will continue to be updated annually to reflect CBEF current membership. Canadian producer magazines will continue to be provided with internationally focused content to help inform their readership of the challenges and opportunities facing the industry.

11. Emerging Markets *$150,000*

CBEF will pursue market access on behalf of the Canadian cattle and beef industry in all key markets. This will require travel to international markets to meet with international market regulators and industry leaders. This process will also require an increased focus on hosting incoming missions of foreign market regulators and industry leaders. In addition to market access projects, CBEF will continue to participate in the International Meat Secretariat (regional conferences and World Meat Congress) and actively contribute to the WTO negotiations through established consultation processes. Specific promotions in emerging markets that demonstrate value and opportunity to the industry will also be undertaken.

12. International Marketing Seminar *$25,000*

One major international marketing seminar in conjunction with the CBEF annual general meeting will be conducted. High value international speakers will be invited to inform, educate and motivate CBEF's membership and attending cattle producers about constraints and opportunities for Canadian beef exports in the international marketplace. This seminar will lead to an improved understanding of the international marketing process - and challenges - for Canadian beef.

13. Market Research Program *$40,000*

GIRA's Group-Client Worldwide Annual Meat Study:

CBEF will continue its membership in GIRA's group-client worldwide annual meat study. This study covers more than 30 countries' beef production and trade capabilities. Worldwide demand and pricing series are also estimated in the short term.

CORE PROGRAMS FOR MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

CBEF-Canada Performance Survey

A survey will be performed to measure current levels of satisfaction with Federation programs, services and resources with CBEF membership. An independent research firm will be utilized to tabulate results and develop the final report. Results will be used to guide the development of Federation initiatives and will be considered in strategic planning and performance measurement.

14. International Consumer Marketing $50,000

The increasing growth of the Internet in key international markets has resulted in a total user base of over 200 million consumers. The Internet offers the potential to deliver promotional messaging on a continuous and almost universally accessible basis at a cost per user which typically decreases with increasing site utilization. This potential has not been lost on competitors who utilized consumer focused web sites to promote their beef products.

The use of dedicated consumer sites recognizes that messaging to support the Canadian Beef Advantage must be adapted for the consumer perspective. While information regarding the profitability and yield of Canadian beef is appropriate and highly effective for trade audiences it does not have the same resonance with consumers. Similarly, content such as recipes and nutrition information is less likely to maintain the interest of the meat industry professional. Most importantly, messaging which is targeted at the industry (such as that related to beef safety) often contains information which can be frightening to consumers who typically have a limited understanding of beef production/slaughter and fabrication techniques.

The proposed approach will result in the development of a consumer-oriented website in each key market. The site development process will be initiated with the production of an English-language global Canadian beef consumer website which will also serve as a template to be further refined for all other languages and markets. The website architecture will utilize a content management system to permit a consistent visual identity while permitting customization of text content for each market. The graphic design of the site will build on the defining attributes of the Canadian beef logo. Information to be featured will include culturally appropriate recipes, nutritional information, beef safety and quality facts, a multimedia overview of farming and meat production processes, and an introduction to Canada which could potentially include messaging from internationally recognized spokespersons. The front page will also feature information to support current promotions conducted by CBEF or its partners at retail and foodservice. The database oriented design where principal graphic elements are retained separately from text will permit the very rapid and cost effective production of sister sites should they be required in the future to support additional markets such as the EU or Russia.

15. Technical Marketing Material $75,000

A wide range of technical materials will be developed as the CBA continues to evolve. Materials in 2009/10 year will focus on the "Canadian Environmental Advantage," a new handbook of Canadian beef and detailed fabrication guides to augment the Asian and Latin American merchandising posters.

16. Partner Market Development Program $500,000

The Partner Market Development Program is designed to allow export members to contribute funds and resources to CBEF for projects of interest to their companies and the entire industry.

CORE PROGRAMS FOR
MEXICO, ASIA AND OTHER MARKETS' STRATEGIES

The generic export development component supports incoming and outgoing missions related to: exploring new market segments; developing new products or specifications, and; participation in CBEF-led international promotional events such as trade shows or seminars held anywhere in the world but more specifically Russia, the EU and MENA. The generic export readiness component supports technical training related to: export members understanding new markets, products, and/or specifications; international clients understanding Canadian beef and veal products and the merits of their use, and; international regulators and other market leaders understanding Canada's product specifications, regulations (quality and safety), and trade practices. The branded promotion component supports export members' response to competitors' foreign-government sponsored initiatives in specific markets. The Partner Market Development Program helps CBEF export members learn about new markets, explore them, understand them, establish networks, meet potential clients and support their new business with branded programs.

11. MEXICO STRATEGY

Mexico Strategy Executive Summary

The Mexican market is open to all beef and offal from animals under 30 months and to offal from animals over 30 months. A significant part of our success in the Mexican market is dependent on the trust Canada builds for both its industry and product. In order to build on Canada's strong brand and encourage the Mexican industry to grow their existing Canadian beef business, the Federation will strengthen the quality element of its Canadian Beef Advantage message in Mexico. New in 2009, the level and quality of CBEF participation at major retail, HRI and industry shows will be raised. The Federation plans a high quality participation in three major food shows in 2009/10 – ANTAD (retail) in Guadalajara, ABASTUR (HRI) in Mexico City, and ExpoCarne (meat industry) in Monterrey. CBEF also plans to attend regional shows with a high-end HRI focus in Cancun, Vallarta and possibly Los Cabos to maintain sales to existing clients and develop sales opportunities for middle cuts and branded programs. The Federation will also participate in smaller trade shows organized by clients of which two will have an HRI focus. CBEF members and local distribution partners will be invited to join the CBEF booth.

In order to maintain and build the CBEF network of clients and contacts in Mexico, the Federation will conduct its time proven programs such as the VIP buyer mission and international seminars. New in 2009/10 will be a deliberate effort to ensure meaningful HRI sector participation that promises to generate additional business for AAA and branded products. In addition to its two main international seminars held in Mexico, the local CBEF office expects to organize and lead six other specialized smaller scale seminars for individual clients. At least two of these extra seminars will be conducted in regions showing potential for growth such as the Pacific and Gulf of Mexico regions.

CBEF will continue to work with retailers to encourage them to dedicate space to Canadian product in order to offer them with more effective promotional support. CBEF will use promotional support to help sustain the initial efforts of new clients and maintain existing accounts. A new focus in 2009/10 will be the strategic allocation of a significant portion of Federation promotional resources to support the efforts of partner importers and distributors. The Federation's goal is to leverage these partnerships and their networks to help Canadian beef reach new clients and expand its business base. Moreover, in order to further enhance the "quality" element of the Canadian Beef Advantage message, CBEF will hold a number of its promotions with select, highly visible, high-end HRI operations whose association with Canadian beef will benefit the brand.

New in 2009/10, and common to all markets, will be the adaptation and launch of the Federation's consumer website. The website will feature appealing local and international recipes complemented by subtle but targeted Canadian Beef Advantage messaging that addresses local consumer concerns. The URL for the website will be featured prominently on all point-of-sale material on display in stores. Also new in 2009/10, and common to all markets, will be the redesign of CBEF point-of-sale material. The material will build the Canadian beef brand by placing emphasis on Canadian Beef Advantage points of differentiation that CBEF market research has identified as having the most resonance with Mexican consumers. The Federation will ensure that common design elements are easily recognizable across the full range of consumer targeted Federation material, from consumer website to recipe leaflets. The result will be a tighter "package feel" that will enhance Canadian product's appeal among Mexican consumers. This effort will also raise confidence levels among existing clients and encourage new clients to join the Canadian beef bandwagon. The Federation will consider making the in-store use of Canadian Beef Advantage point-of-sale material mandatory in order for retail partners to access CBEF funding or promotional support. The Partner Market Development Program will be available to export members to help them get acquainted with the Mexican market, network with potential clients on the ground and grow their Mexican business.

11. MEXICO STRATEGY

Environment Scan / Market Profile

	2007	2008p	2009p
Cattle Inventory	26.64 million head	26.72 million head	27.09 million head
Beef Production	2.202 MMT	2.253 MMT	2.293 MMT
Consumption	2.563 MMT	2.651 MMT	2.685 MMT
Imports	403,000 MT	440,000 MT	435,000 MT
Exports	42,000 MT	42,000 MT	43,000 MT
Reliance on Imports	16%	16.5%	

Source: FAS

Mexico is the sixth largest beef consuming nation in the world and the fourth largest importing nation. Cattle inventories are expected to increase seven per cent in 2009 due to a reduction in cattle exports to the U.S. as country of origin labelling comes into effect. This should mean that more domestic cattle will be available for slaughter for domestic consumption. There will also be more cattle available for processing for export to markets such as Japan. Mexico's government is analyzing the possibility of supporting domestic cattle producers with cheaper grain. Total exports are expected to grow eight per cent in 2009 due to greater price stability and new export markets anticipated in Russia and Singapore. The OIE's new categorization of Mexico as a BSE controlled risk country could encourage Mexico's Asian clients to reduce their purchases leaving competing high quality beef in Mexico.

Increased consumer prices and marginal economic performance is anticipated to decelerate red meat consumption as middle and lower income consumers substitute red meat for cheaper poultry products. Red meat consumption will not be increasing at the same rate as population and income growth. Beef consumption is expected to grow 1.9 per cent in 2008 and one per cent in 2009. Beef imports are expected to grow a modest 5.8 per cent in 2009. Beef imports from the U.S. and Canada are expected to increase at a marginal rate in 2009 despite higher beef prices. The U.S. continued to be the largest supplier of Mexican imports in 2008.

Marketing Target

The 2009 marketing target for Mexico is:

Exports	64,260 MT

(volume in carcass weight)

Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

North American beef and domestic grain-fed beef produced in some of Mexico's northern states such as Sonora, Nuevo Leon, Chihuahua, Sinaloa and Coahuila is considered to be of the highest quality in Mexico. Canadian beef is generally considered comparable to U.S. beef. In the past two years, CBEF Mexico's strategy has focused on positioning Canadian beef as a "premium quality" product, higher than the U.S.; therefore CBEF Mexico has chosen its partners well, avoiding visible association with independent neighbourhood butcher shops which don't have a high-end image in Mexico. Mexican consumers are currently looking for safe and nutritious beef products that provide them with a good eating experience and a reliable source of protein. However, Mexican consumers are also remarkably price conscious. This has an impact on beef consumption habits (cuts and specifications) along the different regions in the country based on affluence. On the other hand, Mexico's beef market has evolved remarkably in recent years. Most of the beef which goes to big population centers is sold at national retail chain stores (i.e. Soriana, Wal-Mart, Comercial Mexicana), regional retail chains (i.e. Arteli, AlSuper, Smart), and through chains of butcher shops particularly in Mexico's northern states. CarneMart (BAFAR), SuKarne, Carnes San Juan,

11. MEXICO STRATEGY

Carnicerías Ramos, Vigar, etc., are good examples of this kind of business. Although important volumes of beef are sold through the mentioned channels, there is still a large volume of beef which is traded in fresh markets in big and small cities under very questionable sanitary conditions.

Big retailers and importers/distributors are looking for the appropriate balance of price, quality and yield in order to make their operations profitable while at the same time fulfilling their clients' needs. Again, regional differences, buying power and consumption habits decide what product is offered in the cases. Retailers and distributors consider imported products for three main reasons; the availability of product since Mexico is not self sufficient in beef; price – certain grain-fed Mexican beef products can fetch up to 15 per cent more than imported product (round and shoulder cuts are examples); and consistency of both quality and supply. Retailers and distributors make their purchase decisions based on the economic climate, seasonal demand for product, quality, yield, availability, consumer trends and of course price. As in many other countries today, consumption trends in Mexico are oriented towards a healthier lifestyle; therefore, the development of materials that help support the benefits of consuming Canadian beef can be helpful. On the other hand, beef consumption overall has been on the rise both at home and in restaurants. However, the relatively lower price of poultry and pork could threaten this trend, especially in difficult economic times.

Target Markets and Market Segments

Canadian beef has all of the attributes to be accepted in most of the country except for very specific regions where grass-fed beef is the preferred product. These conditions apply mostly to southern Mexico and are due to culinary traditions and/or price. Canadian beef today is in a position to grow or consolidate its share in practically every segment. Housewives are the main decision-makers for purchases made for commodity type product bought in the retail sector, represented by supermarkets (national and regional) and the better chains of butcher shops that are generally part of important companies that offer reliable quality and safety along with competitive prices. The reluctance of most major retailers in Mexico to segregate Canadian and U.S. product in meat cases makes it hard for CBEF to properly support the sale of Canadian beef through promotion programs. It's important for CBEF to continue to work with these retailers to convince them to assign space in their stores specifically for Canadian beef to allow for more effective growth promoting programs.

The high-end tourism sector accounts for a significant part of middle cut purchases along with steak houses and high-end restaurants. CBEF's interaction with the HRI sector is vital to target these sectors and grow demand for this type of product. This can be done through seminars, meetings and electronic and printed media. A significant opportunity could also arise when Mexico reopens its borders to over-30-month product in accordance with the OIE.

Although it can be easier to get regional chains to allocate space specifically for Canadian product, these types of chains are generally reluctant to commit to one source of product, Canadian or other. There are exceptions and the Federation's Mexico office has developed and nurtured regional powerhouse Arteli into a committed client for Canadian product. Nonetheless, they often report problems in ensuring supply and have had to make purchases through U.S. or large domestic trading companies. Although a slowdown in activity is expected in the HRI sector due to macroeconomic factors, the Federation must remain actively engaged to maintain its share of the business and position itself for a rebound in that sector in the future. Present and future demand for AAA middle cuts in high-end resorts in Mexico is significant.

The importer/distributor segment is also a crucial partner for the Canadian beef industry. They are often the bridge between clients who want Canadian product but whose financial situation and/or purchase volume does not allow them to import directly. Consideration should also be given to the further processor sector which takes in a considerable amount of Canada's beef exports.

11. MEXICO STRATEGY

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes with trade partners and their clients through point-of-sale material
- Sectors better understanding the importance of points of differentiation between Canadian and competing product
- Positively affect purchasing decisions in the Mexican market
- Gain brand recognition through a number of promotions with select, highly visible, high-end HRI operations
- Raise consumer awareness for the Canadian Beef Advantage through consumer website
- Make in-store use of CBA point-of-sale materials mandatory to increase brand awareness at the consumer level

Programs

Budget:	$1.39 million across all goals
Primary Program Purpose	Communicate the elements of the Canadian Beef Advantage to the Mexican trade, distribution, retail and foodservice sectors as well as to Mexican consumers.
Program Activities:	The delivery of the Federation's messaging effort will be administered through a combination of all core programs outlined in the preceding section with an emphasis on VIP awareness missions, seminars, retail and foodservice promotions, food shows, promotional material, newsletters and website, and advertising and public relations.
Expected Tactic Outputs:	• Develop point-of-sale material featuring the CBA logo and differentiation message based on issues that resonate most with Mexican consumers, as identified by CBEF market research • One VIP mission to Canada for selected Mexican industry representatives • Two international Canadian beef seminars • Six smaller scale targeted Canadian beef seminars • Leverage partnerships with partner retailers such as Wal-Mart, Soriana and Artelli to place CBA supporting messaging in their stores • Conduct at least 25 retail, foodservice and distribution promotions where CBA messaging material will be used • Actively encourage major retailers to segregate Canadian product in their meat cases to allow CBEF to fully support sales activities with CBA messaging • Communicate CBA message to retail sector through participation at ANTAD food show to HRI through participation at ABASTUR show • Participate in two or three other regional shows • Develop and distribute new variety meats chart • Adaptation and update of Mexican consumer website • Quarterly newsletter for retail and distribution partners • Yearly survey to better understand the effectiveness of messaging and brand building efforts • Place 40 ads in targeted trade and consumer publications

11. MEXICO STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Strengthening of the CBEF clients-export member relationship
- Increased loyalty of existing accounts
- Acquisition of new accounts for Canadian beef in the HRI sector, while maintaining current accounts
- Acquisition of dedicated shelf space to Canadian beef

Programs

Budget:	$1.39 million across all goals
Primary Program Purpose:	Maintain and build demand for Canadian beef among the Mexican distribution, retail and foodservice and institutional sectors as well as their clients.
Program Activities:	The delivery of the Federation's growth efforts will be administered through a combination of all core programs with an emphasis on VIP awareness missions, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, advertising and public relations and Partner programs.
Expected Tactic Outputs:	• One VIP beef awareness mission for six to eight Mexican industry representatives that offer promise of growth and loyalty • Support sales growth through at least 25 retail, foodservice and distribution promotions • Two international seminars • Six smaller scale targeted seminars of which at least two will target growth areas of the Pacific and Gulf of Mexico region • Encourage major retailers to segregate Canadian product in their meat cases to allow CBEF to fully support sales activities with CBA messaging • Support sales growth in retail sector and HRI through participation at ANTAD and ABASTUR trade shows • Attend at least two HRI targeted regional shows to promote graded (AAA) product as well as CBEF members' branded initiatives • Develop Mexican point-of-sale material with a differentiation message based on issues that resonate most with Mexican consumers, as identified by CBEF market research • Complete development of and distribute new variety meats chart • Adaptation and update of Mexican consumer website • Quarterly newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of messaging and brand building efforts • Placement of 40 ads in targeted trade and consumer publications • Support members' exploration, understanding and development of the Mexican market through the Partner Program • Arrange networking sessions for CBEF members who travel to Mexico • Work on advertising and promotional tie-ins with mid-sized Mexican retailers that promise access to new sales networks
Expected Leverage	Partner program activities are funded 75% CBEF and 25% Partner

11. MEXICO STRATEGY

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

Expected Outcomes

- Increase in sales of cuts identified as priority cuts
- Long-term reduction in pricing spread between Canadian and U.S. product in Mexican market
- Increased industry awareness in Mexico for use of priority cuts

Programs

Budget:	$1.39 million across all goals
Primary Program Purpose:	Increase value of product mix and priority cuts exported to Mexico.
Program Activities:	Carcass value optimization will be achieved through a combination of all core programs with an emphasis on retail and foodservice promotions and seminars. The Federation's brand building activities as a whole are a central part of the cut-out value maximization effort. By raising awareness and creating buy-in for the Canadian Beef Advantage message, the Federation is in fact raising the price threshold that Canadian product can sustain, thus maximizing returns on the cut exported to Mexico and maximizing the cut-out value. The Federation's growth generating activities are a central part of the cut-out value maximization effort. By growing demand for Canadian beef in Mexico, the Federation is generating more competition over a finite quantity of product, maintaining and raising the price threshold that Canadian product can sustain and consequently maximizing returns on the cuts exported to Mexico and maximizing the cut-out value.
Expected Tactic Outputs:	• Maintain consultative and cooperative process with Mexican and domestic office of packers when deciding on product mix for promotions • Conduct annual survey of packers to identify priority cuts. Cuts identified as a priority in Mexico in 2009 are: - Level 1 priority (chosen by three packers or more): strip loin, rib eye/rib, tenderloin - Level 2 priority (chosen by two packers): inside skirt, chuck - Level 3 priority (chosen by one packer): feet, shoulder clod, tongue, short rib, top butts, beef lips, kidney, cheek meat, ground beef, gooseneck, primal hips, outside flat, hanging tender, tripe, veal portion, veal rack, veal legs, veal value-added • Cross reference priority cut list with other market organizations to maximize impact and avoid counterproductive work • Conduct significant part of total retail and foodservice promotions in Mexico in support of priority cuts • Conduct educational/sales seminars to educate local industry in the use and merchandising of target cuts

11. MEXICO STRATEGY

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Mexican market
- Improved understanding among Canadian authorities of industry concerns and goals in the Mexican market
- Strengthening of industry's efforts at maintaining or increasing access to the Mexican market

Programs

Budget:	$1.39 million across all goals
Primary Program Purpose:	Establish long-term relationships with all sectors of the Mexican beef industry. Establish and maintain long-term collaborative relations with local Canadian authorities in order to strengthen Canada's position and maintain and expand access to the Mexican market.
Program Activities:	Strengthened resilience of Canada's industry in the Mexican market will be achieved through a combination of all core programs with an emphasis on market representation and member information and liaison. CBEF will liaise with Canadian government representatives in Mexico, providing them with information and insight into market dynamics. As well, CBEF will monitor, report and represent CBEF members regarding all regulatory market access matters affecting Canadian beef and veal products.
Expected Tactic Outputs:	• Communicate new developments of interest in the Mexican market through email, fax and teleconference calls • Monthly competitive intelligence reports to communicate significant new economic and regulatory developments in the Mexican market to its members • News releases to communicate significant economic and regulatory market developments

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

China Strategy Executive Summary

The Hong Kong market is now open to boneless beef from animals under 30 months and select bone-in products. The Macau market is open to all beef products regardless of age and the China market is closed to Canadian beef. Canadian sales into the Hong Kong market are at record levels. Faced with increased competition from U.S. product, maintenance of existing accounts in Hong Kong will be central to CBEF's strategy. Key to success will be maintaining a strong partnership with major players in the region. The Federation's goal is to leverage these partnerships and their networks to help CBEF service Hong Kong and Macau end-users more effectively. CBEF will also use its promotional programs to support client acquisition efforts and seek opportunities for expansion of Canada's business base. It's important to note that all major importers and distributors in Hong Kong have networks in mainland China as well. The networking and relationship building that Federation representation allows in Hong Kong is in fact laying the groundwork for faster and deeper penetration of the Chinese market when it reopens.

CBEF will continue to work with major Hong Kong retailers such as Parkn'Shop, DCH Food Mart and Wellcome on volume and loyalty building promotions. Moreover, CBEF will continue to hold a significant percentage of its retail promotions with the Hong Kong units of high-end (often Japanese) retailers such as Sogo, Apita and Jusco whose association with CBEF is beneficial to the Canadian beef brand in Hong Kong. The Federation's goal is to maintain the Canada beef brand and leverage its high-end value in Hong Kong to secure space on the shelves of volume generating mass market retailers with solid middle class clienteles.

The new consumer website and point-of-sale materials as highlighted in the Mexico executive summary will build the Canadian beef brand by placing emphasis on Canadian Beef Advantage points of differentiation that CBEF market research has identified as having the most resonance with Chinese consumers. Also new in 2009/10, CBEF will seek opportunities for cost-shared advertising with major retail partners. The ads will coincide with promotions held in Hong Kong retail stores and give equal billing to both retail partners' operations and Canadian Beef Advantage messaging. The ads will help generate increased sales and raise awareness for the Canadian beef brand as a whole. Also new to 2009/10 is a strategic effort to seek more promotional tie-ins with restaurants and hotels whose association with Canadian beef promises to benefit the brand. High-end restaurants and hotels will be targets.

The Federation plans to participate in two major food shows in 2009/10, Hofex in Hong Kong and the Food and Hotel China show in Beijing. Both are the premier food show in their respective regions and will offer CBEF and its members an opportunity to maintain and build its client base through meetings and other networking opportunities. Highly visible "quality participations" by the Federation at premier shows such as Hofex and Food and Hotel China are an effective brand building vehicle for Canadian beef in China and a clear sign of commitment to the Chinese market.

New in 2009/10 will be the holding of a seminar/cooking demo event that will be timed to coincide with the Hofex show. The event will focus on branded and high-end products. The event itself will help the market development efforts of CBEF export members big and small while its high-end focus will help maintain and build the Canadian beef brand. The Partner Market Development Program will be available to export members to help them get acquainted with the Chinese market, network with potential clients on the ground and grow their Chinese business.

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

Environment Scan / Market Profile

Hong Kong	2007	2008p	2009p
Beef Production	14,000 MT	14,000 MT	14,000 MT
Consumption	109,000 MT	114,000 MT	114,000 MT
Imports	95,000 MT	100,000 MT	100,000 MT
Reliance on Imports	87%	88%	88%
Mainland China			
Cattle Inventories	104.6 million head	105.9 million head	107.1 million head
Beef Production	6.13 MMT	6.26 MMT	6.36 MMT
Consumption	6.06 MMT	6.21 MMT	6.32 MMT
Imports	8,000 MT	11,000 MT	12,000 MT
Reliance on Imports	0.1%	0.2%	0.2%

Source: FAS, Macau data unavailable

China is a leading consumer and producer of beef, ranking as the world's fourth largest consumer (after the U.S., EU and Brazil) and fourth largest producer in 2008. With a population of 1.3 billion, growth in per capita beef consumption caused by rising income levels and rapid urbanization will increase demand for imports. Domestic production currently supplies the majority of consumption; however, imports are expected to increase to meet accelerating demand, particularly for rapidly expanding urban restaurants and supermarkets. Beef consumption is growing at a faster pace than pork or poultry. Shifts are occurring as a result of shortages and high prices for pork and poultry due to disease issues. Beef has historically been a special occasion food; however cooking methods are evolving to suit beef. Rising incomes in rapidly expanding urban centers are shifting to beef which is perceived as being healthier than pork.

Strong demand for quality beef in the restaurant sector and continued expansion in the mid-value portion of the market, combined with domestic shortages is expected to result in a surge of imports in 2008. The U.S. was the largest supplier pre-BSE accounting for 52 per cent of the value and 37 per cent of the import volume. In 2007, Australian imports accounted for approximately one half of the import market followed by New Zealand and Uruguay. Brazil and other South American beef exporters are expected to become important suppliers as China's beef demand accelerates. China is a very price sensitive market and is expected to respond well to lower priced Brazilian beef (half the price of U.S. beef). However, U.S. grain-fed beef claims to have a competitive advantage in quality and product diversity over grass-fed beef currently supplied by Australia, Brazil and New Zealand. This allows it to be utilized in more diverse cooking methods such as grilling, pan-frying and roasting which is particularly suited to U.S. grain-fed marbled beef. In addition, most of the beef consumption growth in China is expected to come from more affluent urban consumers who are more aware and concerned about product quality and food safety.

New Zealand signed a free trade agreement (FTA) with China in April 2008. The FTA is comprehensive covering goods, services and investments. This agreement provides a fairly rapid phase-out of tariffs for 96 per cent of New Zealand's exports to China. Any price advantage such as this will make a significant difference in market shares and imports into price sensitive China.

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

2009 Marketing Target

The 2009 marketing target for Hong Kong and Macau is:

Hong Kong and Macau Exports	23,681 MT

(volume in carcass weight)

Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

Canadian beef occupies the high end of the spectrum in terms of image and brand in Hong Kong where it competes most directly with U.S. product. The return of U.S. beef in 2006 and Japanese beef in 2007 to Hong Kong has intensified the competition in the high end of foodservice providers and retailers. CBEF programs in Hong Kong have aimed to maintain and strengthen Canadian product's high-end image by maintaining partnerships with high-end retailers. The Federation aims to leverage that brand to maintain a strong presence in high volume retailers in the market.

The China office is capitalizing on the supply channels established after Hong Kong and Macau reopened to Canadian beef, delivering advertising and promotional activities in support of the importers' and distributors' end-users. CBEF efforts have been successful and Canadian beef's position in the market has been resilient. Practically all major importers, wholesalers and retailers active in Hong Kong are also present in China. Maintaining strong partnerships with Hong Kong's major importers and wholesalers is also a strategic move that can deliver faster and deeper inroads into the Chinese market once it reopens.

Target Markets and Market Segments

Canadian beef exports to Hong Kong and Macau totalled 19,097 tonnes in 2008. These exports have been recovering and surpassing pre-BSE trade records. Canadian beef is now present and very visible in practically all major retail chains in Hong Kong. This is unprecedented. The Federation's goal will be to maintain and expand its presence in the retail sector through strong sales and brand building promotional programs.

Gains over the last few years have not been limited to the retail sector. Canadian beef is also popular in the HRI sector in both Hong Kong and Macau. However, there is room for increased partnerships with high-end restaurants and hotels. These partnerships will not only help to increase sales but such highly visible associations will be beneficial to the Canadian beef brand in the region.

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes with trade partners and their clients through point-of-sale material
- Sectors better understanding the importance of points of differentiation between Canadian and competing product
- Positively affect purchasing decision in the Chinese market
- Maintain the Canadian beef brand and leverage its high-end value in Hong Kong to secure space on the shelves of volume generating mass market retailers with solid middle class clienteles
- Establish more promotional tie-ins with high-end restaurants and hotels
- Raise consumer awareness through CBEF consumer website

Programs

Budget:	$1.2 million across all goals
Primary Program Purpose:	Communicate the elements of the Canadian Beef Advantage to the Chinese (Hong Kong, Macau and China) trade, distribution, retail and foodservice sectors as well as to Chinese consumers.
Program Activities:	The delivery of the Canadian Beef Advantage will be administered through a combination of all core programs outlined in the preceding section with emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, and advertising and public relations.
Expected Tactic Outputs:	• Development of Chinese point-of-sale material featuring the CBA logo and differentiation message based on issues that resonate most with Chinese (Hong Kong/Macau and China) consumers, as identified by CBEF market research • One VIP mission to Canada for selected Chinese industry representatives • Two international seminars • Two to five smaller scale seminars featuring CBA messaging of which at least one will be for branded high-end programs • Leverage partnerships with retailers such as City Super, Wellcome, DCH to place CBA supporting messaging in their stores • Conduct at least 25 retail, foodservice and distribution promotions where CBA messaging material will be used; at least 15 of these brand building promotions will be with high-end retail partners such as Jusco, Sogo and Apita • Communicate CBA message to Hong Kong industry through participation at Hofex food show in Hong Kong • Communicate CBA message to China industry through participation at Food and Hotel China show • Complete development of and distribute new variety meats chart • Adaptation and update of Chinese consumer website

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

- Conduct yearly survey to better understand the effectiveness of CBEF messaging and brand building efforts
- Placement of four to six ads featuring CBA messaging in the Hong Kong mass media in support of major retail accounts

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Strengthening of the CBEF clients-export member relationship
- Creation of new accounts, while enhancing loyalty of existing accounts
- Maintain or grow exports of Canadian beef into Hong Kong/Macau market

Programs

Budget: $1.2 million across all goals

Primary Program Purpose: Maintain and build demand for Canadian beef among the Chinese distribution, retail and foodservice sectors as well as their clients.

Program Activities: The delivery of the Federation's growth efforts will be administered through a combination of all core programs with an emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, advertising and public relations and Partner Program.

Expected Tactic Outputs:

- One VIP beef awareness mission for six Chinese industry representatives that offer promise of growth and loyalty. Particular attention will be given at getting HRI participation.
- Support sales growth through at least 25 retail, foodservice and distribution promotions
- Two international Canada beef seminars
- Two to five smaller scale Canada beef seminars in support of client acquisition and/or maintenance of which at least one will be for branded programs
- Support sales growth in Hong Kong through participation at Hofex food show
- Support sales with new Chinese point-of-sale material featuring a differentiation message based on issues that resonate most with Chinese consumers, as identified by CBEF market research
- Complete development of and distribute new variety meats chart in support of sale of such product
- Adaptation and update of Chinese consumer website in support of sales and promotional activities
- Place four to six ads in the Hong Kong media to support promotions at major retail accounts
- Place and maintain semi-permanent advertising on retail and distribution partner trucks, meat cases and warehouse
- Support CBEF members' exploration, understanding and business development in the Hong Kong market through the Partner Program
- Arrange networking sessions for CBEF members who travel to the market

Expected Leverage Partner program activities are funded 75% CBEF and 25% Partner

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

Expected Outcomes

- Increase in sales of cuts identified as priority cuts
- Long-term reduction in pricing spread between Canadian and U.S. product in Hong Kong, Macau and China markets
- Increased industry awareness in Hong Kong , Macau and China for use of priority cuts

Programs

Budget: $1.2 million across all goals

Primary Program Purpose: Increase value of product mix and priority cuts exported to China.

Program Activities: Carcass value optimization will be achieved through a combination of all core programs with an emphasis on retail and foodservice promotions as well as seminars. The Federation's brand building activities as a whole are a central part of the cut-out value maximization effort. By raising awareness and creating buy-in for the Canadian Beef Advantage message, the Federation is in fact raising the price threshold that Canadian product can sustain, thus maximizing returns on the cuts exported to China and maximizing the cut-out value. The Federation's growth generating activities are a central part of the cut-out value maximization effort. By growing demand for Canadian beef in China, the Federation is generating more competition over a finite quantity of product, maintaining and raising the price threshold that Canadian product can sustain and consequently maximizing returns on the cuts exported to China and maximizing the cut-out value.

Expected Tactic Outputs:

- Maintain consultative and cooperative process between CBEF and packers when deciding on product mix for promotions
- Conduct annual survey of packers to identify priority cuts in Hong Kong/Macau and Chinese markets. Cuts identified as a priority in this market in 2009 are as follows:
  - Level 1 priority (chosen by three packers or more): strip loin, rib eye/rib, tenderloin
  - Level 2 priority (chosen by two packers): short rib, chuck
  - Level 3 priority (chosen by one packer): short plate, primal hip, ground beef, chuck flap, middle meats (in general), veal portions, veal sausage, veal racks, veal leg, veal value-added
- Cross reference priority cut list with other market organizations to maximize impact and avoid counterproductive work
- Conduct significant part of retail and foodservice promotions in Hong Kong/Macau in support of priority cuts
- Conduct educational/sales seminars to educate local industry in the use and merchandising of target cuts

12. CHINA STRATEGY

INCLUDES HONG KONG, MACAU, MAINLAND CHINA

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Hong Kong, Macau and China markets
- Improved understanding among Canadian authorities of industry concerns and goals in the Hong Kong, Macau and China markets
- Strengthening of industry's efforts at maintaining or increasing access to the Hong Kong, Macau and China markets

Programs

Budget:	$1.2 million across all goals
Primary Program Purpose:	Establish long-term relationships with all sectors of the Chinese beef industry. Establish and maintain long-term collaborative relations with local Canadian authorities in order to strengthen Canada's position and maintain and expand access to the Chinese market.
Program Activities:	Strengthened resilience of Canada's industry in the China market will be achieved through a combination of all core programs with an emphasis on market representation and member information and liaison. CBEF will liaise with Canadian government representatives in China, providing them with information and insight into market dynamics. As well, CBEF will monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products.
Expected Outputs:	• Communicate significant new economic and regulatory developments in the Hong Kong, Macau and China markets to its members through monthly competitive intelligence reports • Communicate significant economic and regulatory market developments through news releases

13. JAPAN STRATEGY

Japan Strategy Executive Summary

Japan is the third largest beef importing nation in the world but present access conditions limit imports of Canadian beef to product from age verified animals under 21 months of age. Supply is always a concern and Canada can't become a year-round supplier of beef to Japan. Japanese retailers and HRI operations have mitigated the resulting supply risks by offering products of many different origins in their stores. This has meant that very few retailers focus on only one product which in turn limits the volumes that individual accounts can generate in Japan. Under the circumstances, CBEF's strategy has been to cast a very wide net and work with as many different partners as possible even if it means sharing space with competing product. When access conditions improve and allow more product to go to Japan, the Federation's hope is that with a better product and better servicing of its accounts, Canadian beef will be able to displace competing product and grow its market share; therefore, creating a vast network of retailers who are acquainted with Canadian product is crucial.

The Federation has targeted its acquisition and maintenance efforts on small and mid-sized retail chains that Canada's beef industry can service now and in the future. CBEF's promotional support is part of the enticement package used to attract new accounts as well as an incentive to keep Canadian product on store shelves even when supply conditions are not ideal.

New in 2009/10, and common to all markets, will be the adaptation and launch of the Federation's consumer website. The website will feature appealing local and international recipes complemented by subtle but targeted Canadian Beef Advantage messaging that addresses local consumer concerns. The URL for the website will be featured prominently on all CBEF point-of-sale material on display in stores. Also new to 2009/10, and common to all markets, will be the redesign of point-of-sale material. This new material will build the Canadian beef brand by placing emphasis on Canadian Beef Advantage points of differentiation that CBEF market research has identified as having the most resonance with Japanese consumers. The Federation will ensure that common design elements are easily recognizable across the full range of consumer targeted Federation material, from consumer website to recipe leaflets. The result will be a tighter "package feel" that will enhance Canadian product's appeal among both Japanese consumers and industry.

CBEF will continue to seek and nurture the support of regional distributors and leverage their extensive sales networks to garner new accounts for Canadian beef. When appropriate, the Federation will partner with these distributors to hold local seminars for both existing and prospective clients. The VIP missions will continue to be a crucial tool in order to develop awareness for Canadian product while nurturing mutually beneficial relationships with both distributors and promising retail and HRI accounts.

Participation at the Foodex trade show, the largest food show in Asia, will remain one of the core elements of CBEF's PR strategy, sending out a message of commitment, allowing the dissemination of Canadian Beef Advantage messaging and to provide a forum to increase contacts with existing and potential clients. The Federation also plans to attend between 10 and 15 smaller shows that allow more direct contacts with end-users in regions targeted by our partners. The Federation will continue to place ads in trade publications to disseminate the CBA messaging that promises to build the Canadian beef brand and grow sales.

Also new for 2009/10 will be CBEF's involvement in one of the seasonal Canada Tourism Commission (CTC) campaigns in Japan. The CTC promotions feature full page spreads in national newspapers as well as a 20 page magazine fully devoted to tasteful Canadian themes centered on tourism and gastronomy. By partnering in and leveraging the CTC's multimillion dollar campaigns - at a fairly low cost - CBEF's marketing efforts will reach a broad audience in Japan and link Canadian beef to Canada's pristine image, build the quality and image attributes of the Canadian beef brand, build loyalty and grow sales. The Partner Market Development Program will be available to export members to help them get acquainted with the Japanese market, network with potential clients on the ground and grow their Japanese business.

13. JAPAN STRATEGY

Environment Scan / Market Profile

	2007	2008p	2009p
Cattle Inventory	4.39 million head	4.398 million head	4.4 million head
Beef Production	504,000 MT	510,000 MT	505,000 MT
Consumption	1.182 MMT	1.187 MMT	1.19 MMT
Imports	686,000 MT	675,000 MT	690,000 MT
Reliance on Imports	58%	57%	58%

Source: FAS

Beef is a relatively small source of protein in Japan with seafood consumption surpassing beef, pork and poultry. Beef consumption in Japan improved slightly in 2008 with larger imports decreasing prices leaving beef expenditures unchanged. Consumption is expected to be steady in 2009 at 1.19 MMT. Poultry prices have been increasing relative to beef with rising demand. Japanese consumers are price sensitive with rising supplies from imports and subsequently declining prices supporting consumption. However, slow economic growth and rising food inflation is pressuring beef consumption, especially for high priced domestic beef.

Imports are expected to increase two per cent in 2009 as prices continue to fall encouraging consumption. Japanese imports were led by Australia in 2007 with 76 per cent, followed by the United States (10%), New Zealand (7.5%), Mexico (2%), China (1.7%) and Canada (1.1%). Imports from the U.S. increased 50 per cent in the first eight months of 2008 despite a seasonal shortage of cattle less than 21 months in some months. U.S. beef exports to Japan are expected to remain strong despite tight supplies of eligible cattle. Australian packing plants are increasingly willing to supply specific beef cuts to Japan, a practice more common with U.S. suppliers. While only a minor portion of total exports, this reflects an increase in segmentation in Australian suppliers that may influence market share.

The recent change in currencies has left the Australian dollar with a price advantage in Japan over the short term. This has provided opportunities for Japanese retailers to hold special promotions to attract price conscious consumers. The financial crisis does not appear to have impacted Japan as much as it has other parts of the world, keeping demand strong.

2009 Marketing Target

The 2009 marketing target for Japan is:

Exports	8,806 MT

(volume in carcass weight)

Local Beef Market and Sector Specific Analysis

In 2008, Japan imported 5,413 tonnes of Canadian beef, up 20 per cent year on year. The U.S. exported approximately 13 times more beef to Japan than Canada. U.S. beef exports to Japan have been growing faster than Canadian exports due in part to its industry size, enabling the U.S. to service some accounts year round, along with the more flexible A40 standard for age verification.

In Japan, Canadian beef is well known among both consumers and distributors as a grain-fed product that is higher in quality than Australian beef. In the perception range among industry and consumers, Canadian beef is generally considered second to Japanese beef in quality, comparable to U.S. product and ahead of Australian and New Zealand beef. Safety is an important factor and a fundamental requirement in the consumer market, but safety

13. JAPAN STRATEGY

alone cannot bring growth in sales. It is therefore important for pricing to match quality, especially at the retail level. For distributors and retailers, stable supplies as well as good prices are the best incentive for increased sales.

A long string of incidents caused by misconduct and negligence have been uncovered in the food industry recently. The made-in-China label has suffered terribly because of highly publicized cases of product laced with toxic substances, sales of food with labels falsely indicating origins, and distribution of substandard products for general consumption. Having felt cheated in many ways, consumers are losing confidence in the food industry. Fortunately Japanese still hold a very positive image of Canada as a vast land of mountains, rivers and unspoiled nature, associating it with good health. We think this image is a major advantage in making Japanese consumers feel safe and confident about purchasing Canadian beef.

If stable Canadian beef supplies can be maintained at a competitive price, the Japanese beef industry will be motivated to promote it. Retailers and foodservice outlets will be more enthusiastic about selling beef, which will naturally encourage consumers to buy more of it and positively affect sales of Canadian product.

Target Markets and Market Segments

Strict access conditions for Canadian beef in Japan severely limit the supply. Therefore, the industry should focus its acquisition efforts on the front lines of beef consumption, retailers and foodservice. Regional distributors, which have a good understanding of Canadian beef, hold an important key to successful promotions. By working closely with them, making the most of their footwork, CBEF can approach end-users (retailers and HRI) in each region and build strong sales networks.

An essential element in CBEF's strategy to promote Canadian beef, regardless of the access situation, is targeting mid-sized regional supermarket and restaurant chains that the Canadian industry can service now and in the future. Nationwide supermarket chains like AEON, Ito-Yokado and Daiei are not our primary targets. In the Japanese market, end-users of Canadian beef rarely buy directly from foreign suppliers. Instead they prefer to work through importers and distributors, using their strengths, like inventory management and transportation and also limiting risk.

It's crucial for the Federation to maintain solid relationships with enthusiastic regional distributors to promote Canadian beef and in a joint effort with them, work to raise awareness for Canadian beef among their clients and generate and maintain accounts for Canadian beef.

13. JAPAN STRATEGY

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes with trade partners and their clients through point-of-sale material
- Sectors better understand importance of points of differentiation between Canadian and competing product
- Positively affect purchasing decision in Japanese market
- Raise consumer awareness through CBEF consumer website

Programs

Budget:	$1.78 million across all goals
Primary Program Purpose:	Communicate the elements of the Canadian Beef Advantage to the Japanese trade, distribution, retail and foodservice sectors as well as to Japanese consumers.
Program Activities:	The delivery of the Canadian Beef Advantage will be administered through a combination of all core programs outlined in the preceding section with emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, and advertising and public relations.
Expected Tactic Outputs:	• Development of Japanese point-of-sale material featuring the CBA logo and a CBA differentiation message based on issues that resonate most with Japanese consumers, as identified by CBEF market research • One VIP mission to Canada for selected Japanese industry representatives. Particular attention will be given to getting promising HRI sector participation. • Two international seminars • Four smaller scale targeted seminars • Conduct at least 50 retail, foodservice and distribution promotions where CBA messaging material will be used • Communicate CBA message to Japanese industry through participation at Foodex food show • Participate at 10-15 other regional meat industry trade shows as well as those organized by some of the Federation's retail and/or distribution customers • Complete development of and distribute new variety meats chart • Adaptation and update of Japanese consumer website • Publish quarterly print newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of CBEF messaging and brand building efforts • Place 8-10 ads in targeted trade publications • Cooperate with the Canada Tourism Commission on one of their seasonal ad campaigns in Japan and leverage their multimillion dollar campaign to generate exposure and awareness for the CBA and the Canadian beef brand

13. JAPAN STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Strengthening of the CBEF clients-export member relationship
- Increased loyalty of existing accounts
- Creation of new accounts for Canadian beef, focusing specifically on acquisition and maintenance of small and mid-sized retail chains

Programs

Budget:	$1.78 million across all goals
Primary Program Purpose:	Maintain and build demand for Canadian beef among the Japanese distribution, retail and foodservice sectors as well as their clients.
Program Activities:	The delivery of the Federation's growth efforts will be administered through a combination of all core programs with an emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, advertising and public relations and Partner Program.
Expected Tactic Outputs:	• One VIP beef awareness mission for six Japanese industry representatives that offer promise of growth and loyalty. Particular attention will be given to getting promising HRI sector participation. • Support sales growth through at least 50 retail, foodservice and distribution promotions • Two international seminars and four smaller scale targeted seminars of which at least one will target the foodservice Industry • Support sales growth in retail and HRI sectors through participation at Foodex food show • Participate at 10-15 other regional meat industry trade shows as well as those organized by some of CBEF's retail and/or distribution customers • Support sales with new Japanese point-of-sale material featuring a differentiation message based on issues that resonate most with Japanese consumers, as identified by CBEF market research • Complete development of and distribute new variety meats chart • Adaptation and update of Japanese consumer website • Publish quarterly print newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of messaging and brand building efforts • Placement of 8-10 ads in targeted trade and consumer publications • Support member exploration, understanding and development of the Japanese market through the Partner Program • Arrange networking sessions for CBEF members who travel to Japan • Cooperate with the Canada Tourism Commission on one of their seasonal ad campaigns in Japan and leverage their multimillion dollar campaign to generate exposure and awareness for the CBA and the Canadian beef brand
Expected Leverage	Partner programs are funded 75% CBEF and 25% Partner
Key Success Factors	Access to the Japanese market is limited to beef from animals under 21 months of age. These conditions make it practically impossible for Canada to service the Japanese market year round. Many retailers and HRI operations are unwilling to take on a product for which the supply is uncertain many months of the year.

13. JAPAN STRATEGY

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

Expected Outcomes

- Increase in sales of cuts identified as priority cuts
- Long-term reduction in pricing spread between Canadian and U.S. product in Japanese market
- Increased industry awareness in Japan for use of priority cuts

Programs

Budget:	$1.78 million across all goals
Primary Program Purpose:	Increase value of product mix and priority cuts exported to Japan.
Program Activities:	Carcass value optimization will be achieved through a combination of all core programs with an emphasis on retail and foodservice promotions as well as seminars. CBEF's brand building activities as a whole are a central part of the cut-out value maximization effort. By raising awareness and creating buy-in for the Canadian Beef Advantage message, the Federation is in fact raising the price threshold that Canadian product can sustain, thus maximizing returns on the cuts exported to Japan and maximizing the cut-out value. The Federation's growth generating activities are a central part of the cut-out value maximization effort. By growing demand for Canadian beef in Japan, the Federation is generating more competition over a finite quantity of product, maintaining and raising the price threshold that Canadian product can sustain and consequently maximizing returns on the cuts exported to Japan and maximizing the cut-out value.
Expected Tactic Outputs:	• Maintain consultative and cooperative process with Japanese and domestic office of packers when deciding on product mix for promotions • Conduct annual survey of packers to identify priority cuts in Japanese market. Cuts identified as a priority in Japan in 2009 are as follows: - Level 1 priority (chosen by three packers or more): strip loin, rib eye/rib, tenderloin - Level 2 priority (chosen by two packers): chuck - Level 3 priority (chosen by one packer): short rib, short plate, chuck short rib, shoulder clod, hip cuts, brisket point, flap meat, veal racks, veal legs, veal portions, veal value-added • Cross reference priority cut list with other market organizations to maximize impact and avoid counterproductive work • Conduct significant part of retail and foodservice promotions in Japan in support of priority cuts • Conduct educational/sales seminars to educate local industry in the use and merchandising of target cuts
Key Success Factors	Access to the Japanese market is limited to beef from animals under 21 months of age. These conditions make it practically impossible for Canada to service the Japanese market year round. Many retailers and HRI operations are unwilling to take on a product of which the supply is uncertain many months of the year.

13. JAPAN STRATEGY

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Japanese market
- Improved understanding among Canadian authorities of industry concerns and goals in the Japanese market
- Strengthening of industry's efforts at maintaining or increasing access to the Japanese market

Programs

Budget:	$1.78 million across all goals
Primary Program Purpose:	Establish long-term relationships with all sectors of the Japanese beef industry. Establish and maintain long-term collaborative relations with local Canadian authorities in order to strengthen Canada's position and maintain and expand access to the Japanese market.
Program Activities:	Strengthened resilience of Canada's industry in the Japanese market will be achieved through a combination of all core programs with an emphasis on market representation and member information and liaison. CBEF will liaise with Canadian government representatives in Japan, providing them with information and insight into market dynamics. As well, CBEF will monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products.
Expected Tactic Outputs:	• Communicate significant new economic and regulatory developments in the Japanese market to its members through monthly competitive intelligence reports • Communicate significant economic and regulatory market developments through news releases

14. TAIWAN STRATEGY

Taiwan Strategy Executive Summary

The Taiwan market is presently open to boneless beef from animals under 30 months. In a market like Taiwan, which is dominated by a few large importers, it's important for the Federation to maintain solid working relationships with these indispensable partners. CBEF representation in Taiwan makes this possible and the Taiwan office will continue to support the Canadian beef business of Taiwan's largest distributors such as Game Meats, Mayful, Eagle Cold Storage, Keeper and Shuh Sen.

CBEF will continue to support the retail accounts it has acquired such as Taisugar in southern Taiwan. If supply conditions allow, the Federation will lead and coordinate efforts at making new and significant inroads in the retail sector. With packer buy-in, CBEF will target the acquisition of at least one significant retail account in the Taipei region. Promises of promotional support will be part of the "enticement" package offered to potential retail acquisitions.

New in 2009/10, and common to all markets, will be the adaptation and launch of the Federation's consumer website. Also new in 2009/10, and common to all markets, will be the redesign of point-of-sale material. This new material will build the Canadian beef brand by placing emphasis on Canadian Beef Advantage points of differentiation that CBEF market research has identified as having the most resonance with Taiwanese consumers. The Federation will ensure that common design elements are easily recognizable across the full range of consumer targeted CBEF material, from consumer website to recipe leaflets. The result will be a tighter "package feel" that will enhance Canadian product's appeal among both Taiwan consumers and industry.

Ads supporting the Canadian beef brand and CBA messaging will be placed in trade publications that cater to sectors where success has proven possible in the short term, mainly the HRI sector. CBEF will continue to leverage partnerships with Shu Sen (Taiwan's largest meat importer) and support their Maple Restaurant which has become a billboard for Canadian beef. Partnerships will be maintained and leveraged with Taiwan's two major steak houses, Wang and Noble Family as well as 5-star hotel chain Landis to seek opportunities for mutually beneficial cost-shared advertising programs that expound on the CBA, build the Canadian beef brand and grow sales. New in 2009/10 will be the placement of semi-permanent advertising on the trucks of select CBEF distribution partners. This will raise awareness for Canadian product and generate trust among their clientele while further cementing CBEF's business relationship.

The Federation plans to participate at the Taipei food show, the largest and most influential show of its kind in Taiwan. A highly visible "quality participation" by CBEF is an effective brand building vehicle for Canadian beef and a clear sign of commitment to the Taiwanese market. New in 2009 will be participation in the Kaohsiung food show in southern Taiwan in support of CBEF's expansion efforts in that region and of local clients. Both export members and local distributor participation will be encouraged to join the CBEF booth.

CBEF will also sponsor large-scale events such as the Taipei Beef Noodle Festival. This sponsorship was first attempted in 2008. The sponsorship of such events will raise awareness for and broaden the appeal of Canadian beef through CBEF's association with a high profile event that features a favourite of the local cuisine. The Partner Market Development Program will be available to export members to help them get acquainted with the Taiwan market, network with potential clients on the ground and grow their Taiwan business.

14. TAIWAN STRATEGY

Environment Scan / Market Profile

	2007	2008p	2009p
Beef Production	5,000 MT	5,000 MT	5,000 MT
Consumption	107,000 MT	105,000 MT	100,000 MT
Imports	102,000 MT	100,000 MT	95,000 MT
Reliance on Imports	95%	95%	95%

Source: FAS

Taiwan has a stable population of 23 million with a small annual growth of 0.39 per cent. Taiwan imports nearly all of its oil, wheat, corn and soybeans. Inflation reached a 14-year high in July 2008 at 5.9 per cent, following global commodity prices. The current global economic slowdown is expected to drag on the Taiwan economy in 2008 and 2009. Taiwan is a country largely dependent on imports for its beef consumption. Imports and consumption are expected to decline five per cent in 2009 as rising food costs and economic uncertainty influence buying decisions.

In 2008 the U.S. turned its attention to South Korea leaving a shortage of beef in Taiwan. This provided opportunities for Canada which had regained access in July 2007. However, the U.S. has made beef a top priority in their bilateral trade talks with Taiwan. The U.S. is currently requesting open access for all beef and beef products.

In 2002 Australia was the largest supplier of imported beef with 50.5 per cent of total imports. New Zealand (22.6 %) and the U.S. (20.2%) followed while Canada held a 5.5 per cent market share. In 2007, Australia continues to be the largest supplier but with a smaller share of 40.5 per cent; New Zealand has increased market share to 33.6 per cent; and the U.S. has regained the market share lost when the border was closed and was at 21.8 per cent in 2007. Market shares are expected to continue to shift with the resumption of Canadian beef imports and changes in U.S. access.

2009 Marketing Target

The 2009 marketing target for Taiwan is:

Exports	2,856 MT

(volume in carcass weight)

Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

Canadian beef exports to Taiwan were marred by various supply issues early in 2008. In 2008, Taiwan imported 3,364 tonnes of Canadian beef which represents a six per cent share of the imported beef market. Canadian beef is often compared with market-leading U.S. beef in Taiwan for taste, texture and marbling. In terms of taste, some clients rank it between U.S. and Australian beef. Unless there is a price advantage, many Taiwan customers are choosing to stay with the product they are familiar with and often that is U.S. beef. The fact that U.S. product was granted access to the Taiwan market many months before Canada has compounded this problem.

Many in Taiwan consider Canadian beef to be of lower quality than U.S. product due to a misconception that it has a tougher texture and less marbling. Part of that is possibly based on U.S. beef's longer history in Taiwan. It's important for Canadian beef to dispel these misconceptions if it is to expand its market share.

This year, Australia had the biggest share in the market largely due to its price advantage and the abundance of supply.

14. TAIWAN STRATEGY

While safety and health have become important factors when purchasing food, customers in Taiwan remain very price sensitive. Both retail and foodservice accounts seek unique and exclusive products to offer to their customers. Canada's healthy natural image can be used to entice consumers to switch to Canadian beef but price will remain the key driver. A small share of the retail market has meant that Canadian beef has relatively low brand recognition with Taiwan consumers; conversely, these same consumers are often unaware of the occurrence of BSE in Canada. Canada is known for its pure and natural beauty; consumers extend these positive feelings towards Canadian product like its beef.

Taiwan's restaurant culture is highly developed and a very high percentage of Taiwan's population eats out regularly. The recent tainted food crises and the world economic downturn is causing many to reconsider their options. Consumers are feeling less confident about the food they eat especially food served in restaurants and bakeries since consumers have no control over the ingredients used. Since Canadian beef's presence is now strongest in the HRI sector, any shrinking of this sector could threaten Canadian beef's market share.

Since Taiwan reopened to Canadian beef late in 2007, Canadian product has had a hard time competing with the U.S. in the retail sector because of price, a reluctance to reallocate shelf space to new product, and an aggressive U.S. Meat Export Federation with deep pockets. The recent tainted food scare in Taiwan might open up doors for creative marketing opportunities for Canadian beef. Canada's positive and natural image can become a key driver for growth and help persuade distributors and consumers to choose Canadian beef over beef from other countries.

Target Markets and Market Segments

Canadian beef target markets in Taiwan are mainly the food and hotel industry; more specifically in northern Taiwan where highly populated cities like Taipei set trends for the whole country. Northern Taiwan will likely be a key target for overall activity since it is less likely to be affected by the economic crisis. However, regional and local markets should not be ignored, since they offer potential for growth.

In order to continue to grow its market share, Canadian beef must seek opportunities to make inroads in the retail sector in order to reach the growing number of people choosing to eat at home. Packers, traders, importers and CBEF will need to work together to reach this common goal.

14. TAIWAN STRATEGY

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes with trade partners and their clients through point-of-sale material
- Sectors better understand importance of points of differentiation between Canadian and competing product
- Maintain and leverage partnerships with Taiwan's major steak houses to build the Canadian beef brand and grow sales
- Positively affect purchasing decision in Taiwan market
- Increase consumer awareness through CBEF consumer website

Programs

Budget:	$636,000 across all goals
Primary Program Purpose:	Communicate the elements of the Canadian Beef Advantage to the Taiwan trade, distribution, retail and foodservice sectors as well as to Taiwan consumers.
Program Activities:	The delivery of the Canadian Beef Advantage will be administered through a combination of all core programs outlined in the preceding section with emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, and advertising and public relations.
Expected Tactic Outputs:	• Development of Taiwan point-of-sale material featuring the CBA logo and a CBA differentiation message based on issues that resonate most with Taiwan consumers, as identified by CBEF market research • One VIP mission to Canada for select Taiwan industry representatives • Two international seminars and two to five smaller scale targeted seminars • Leverage partnerships with retailers such as Taisugar to place CBA messaging in their stores • Leverage partnership with leading restaurant chains such as Wang and Noble Family to place CBA messaging in their restaurants • Conduct at least 10 retail, foodservice and distribution promotions where CBA messaging material is used • Communicate CBA message to Taiwan industry through participation at Taipei food show • Communicate CBA message in southern Taiwan through participation at Kaohsiung food show • Complete development of and distribute new variety meats chart • Adaptation and update of Taiwan consumer website • Publish quarterly newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of CBEF messaging and brand building efforts • Conduct cooperative advertising campaigns with high-end hotels including the Landis chain and/or other HRI operations whose association with Canadian beef would be beneficial to the brand • Leverage sponsorship and participation in Taipei Beef Noodle Festival to disseminate CBA messaging

14. TAIWAN STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Strengthening of the CBEF clients-export member relationships
- Increased loyalty of existing accounts
- Creation of new accounts for Canadian beef including the acquisition of at least one significant retail account in the Taipei region
- Increase in Federation activity in the retail sector

Programs

Budget:	$636,000 across all goals
Primary Program Purpose:	Maintain and build demand for Canadian beef among the Taiwan distribution, retail and foodservice sectors as well as their clients.
Program Activities:	The delivery of the Federation's growth efforts will be administered through a combination of all core programs with an emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, advertising and public relations, and Partner Program.
Expected Tactic Outputs:	• One VIP beef awareness mission for six Taiwan industry representatives that offer promise of growth and loyalty. Particular attention will be given to getting promising retail sector participation. • Support sales growth through at least 10 retail, foodservice and distribution promotions • Two international seminars • Two to four smaller scale targeted seminars to help in client acquisition and/or growth in sales • Support sales growth in Taiwan through participation at Taipei food show • Support growth in southern Taiwan through participation at KaoHsung food show • Develop new Taiwan point-of-sale material with a differentiation message based on issues that resonate most with Taiwan consumers, as identified by CBEF market research • Complete development of and distribute new variety meats chart • Adaptation and update of new Taiwan consumer website • Publish quarterly newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of CBEF messaging and brand building efforts • Support CBEF members' exploration, understanding and development of the Taiwan market through the Partner Program • Arrange networking sessions for CBEF members who travel to Taiwan
Expected Leverage	Partner Program activities are funded 75% CBEF and 25% Partner
Key Success Factors	Under present access conditions, only boneless Canadian beef can be exported to Taiwan. The unpredictable application of regulations concerning bone fragments has caused some packers to limit their efforts in the Taiwan market. Supply and availability of product has made the acquisition of major retail accounts very difficult.

14. TAIWAN STRATEGY

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

Expected Outcomes

- Increase in sales of cuts identified as priority cuts
- Long-term reduction in pricing spread between Canadian and U.S. product in Taiwan market
- Increased industry awareness in Taiwan for use of priority cuts

Programs

Budget:	$636,000 across all goals
Primary Program Purpose:	Increase value of product mix and priority cuts exported to Taiwan.
Program Activities:	Carcass value optimization will be achieved through a combination of all core programs with an emphasis on retail and foodservice promotions as well as seminars. The Federation's brand building activities as a whole are a central part of the cut-out value maximization effort. By raising awareness and creating buy-in for the CBA message, the Federation is in fact raising the price threshold that Canadian product can sustain, thus maximizing returns on the cut exported to Taiwan and maximizing the cut-out value. The Federation's growth generating activities are a central part of the cut-out value maximization effort. By growing demand for Canadian beef in Taiwan, the Federation is generating more competition over a finite quantity of product, maintaining and raising the price threshold that Canadian product can sustain and consequently maximizing returns on the cuts exported to Taiwan and maximizing the cut-out value.
Expected Tactic Outputs:	• Maintain consultative and cooperative process with Taiwan and domestic office of packers when deciding on product mix for promotions • Conduct annual survey of packers to identify priority cuts in Taiwan market. Cuts identified as a priority in Taiwan in 2009 are as follows: - Level 1 priority (chosen by three packers or more): strip loin, rib eye/rib, tenderloin, chuck - Level 2 priority (chosen by 2 packers): none - Level 3 priority (chosen by 1 packer): short rib, chuck flap, short plate, top blade, finger meat, veal racks, veal sausage, veal legs, veal portions, veal value-added • Cross reference priority cut list with other market organizations to maximize impact and avoid counterproductive work • Conduct significant part of retail and foodservice promotions in Taiwan in support of priority cuts • Conduct Canadian beef educational/sales seminars to educate local industry in the use and merchandising of target cuts
Key Success Factors	The unpredictable application of regulations concerning bone fragments has caused some packers to limit their efforts in the Taiwan market. Supply and availability of product has made the acquisition of major retail accounts very difficult. This might affect our ability to lead promotions in support of targeted cuts.

14. TAIWAN STRATEGY

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Taiwan market
- Improved understanding among Canadian authorities of industry concerns and goals in the Taiwan market
- Strengthening of industry's efforts at maintaining or increasing access to the Taiwan market

Programs

Budget:	$636,000 across all goals
Primary Program Purpose:	Establish long-term relationships with all sectors of the Taiwan beef industry. Establish and maintain long-term collaborative relations with local Canadian authorities in order to strengthen Canada's position and maintain and expand access to the Taiwan market.
Program Activities:	Strengthened resilience of Canada's industry in the Taiwan market through a combination of core programs with an emphasis on market representation, member information and liaison. CBEF will liaise with Canadian government representatives in Taiwan, providing them with information and insight into market dynamics. As well, CBEF will monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products.
Expected Tactic Outputs:	• Communicate significant new economic and regulatory developments in the Taiwan market to its members through monthly competitive intelligence reports • Communicate significant economic and regulatory market developments through news releases

15. SOUTH KOREA STRATEGY

South Korea Strategy Executive Summary

The scale and scope of CBEF activities in Korea depend on market access, allowing CBEF to significantly reduce cost of operations in Korea under a closed market scenario. If the Korean government refuses to grant Canada access, CBEF activities in Korea will focus largely on representation, information and liaison. The Korean office will continue to monitor new developments, providing both the industry and the Canadian government the information it needs to properly negotiate a meaningful and prompt expansion of access to this crucial market.

Should the market reopen in 2009/10, CBEF will enter a rebuilding phase where client acquisition efforts will be central. The Federation will partner with the local offices of Canadian packers as well as key distributors and traders to develop promotional packages that will support these efforts. CBEF's target segment and sectors will include large hypermarkets such as E-mart, Lotte Mart, or Home Plus. These retailers have a high quality image that is a good fit for higher-end product like Canadian beef. Mid-sized supermarkets and regional supermarkets, often ignored by Canadian, U.S. and Australian competitors, also offer fertile ground for rebuilding. The modern meat shops operated directly by Korean importers are a primary target as well since the importers' control over shelf space can allow CBEF to provide long-term and consistent promotional support to build both the Canadian brand and sales. Acquisition and promotional support will also be targeted at beef grill restaurant chains. Those restaurants now have to indicate the country of origin of product on their menus and their customers can see the quality of beef visibly before it's cooked which plays in Canadian product's favour.

Because of the continued denial of access to the Korean market, and concerns that food shows were not effective when product isn't available, CBEF considered cancelling its participation at food shows in Korea in 2009/10. However, careful not to send a message of resignation and abandonment to both the Korean industry and the Korean government, CBEF has decided to maintain some presence at the Seoul food show if present talks between Korean and Canadian authorities remain encouraging.

New in 2009/10, and common to all markets, will be the adaptation and launch of the Federation's consumer website. Also new in 2009/10, and common to all markets, will be the redesign of CBEF point-of-sale material. This new material will build the Canadian beef brand by placing emphasis on the Canadian Beef Advantage points of differentiation that CBEF market research has identified as having the most resonance with Korean consumers. The Federation will ensure that common design elements are easily recognizable across the full range of consumer targeted CBEF material, from consumer website to recipe leaflets. The result will be a tighter "package feel" that will enhance the appeal of Canadian product among both Taiwan consumers and industry.

Should the Korean market reopen to Canadian beef in 2009/10, the CBEF office will use the service of a professional PR agency to maximize Canadian beef exposure in the Korean print and broadcast mass media. The Federation will coordinate and complement the media strategy by organizing press conferences, ceremonies, contests, and consumer events to maximize the media impact of Canadian beef's return to the market. The Partner Market Development Program will be available to export members to help them get acquainted with the Korean market, network with potential clients on the ground and grow their Korean business.

15. SOUTH KOREA STRATEGY

Environment Scan / Market Profile

	2007	2008p	2009p
Cattle Inventory	2.484 million head	2.653 million head	2.898 million head
Beef Production	219,000 MT	240,000 MT	252,000 MT
Consumption	522,000 MT	560,000 MT	592,000 MT
Imports	308,000 MT	320,000 MT	340,000 MT
Reliance on Imports	59%	57%	57%

Source: FAS

Korean cattle inventories are expected to increase nine per cent in 2009 increasing production by five per cent. Beef consumption is a relatively small portion of Korean protein consumption trailing behind seafood, pork and poultry. Beef consumption is expected to increase six per cent in 2009. Factors affecting beef demand include consumer concern over health and food safety. BSE-related concerns increased in 2007 and 2008 after the discovery of a vertebral column in a U.S. beef shipment in October 2007 and uncertainty about the Korean government's commitment to food safety. Prior to BSE, Korean consumers preferred beef to pork and poultry but lack of supply and food safety concerns have resulted in shifts in protein consumption.

The U.S. regained market access to Korea in April 2008, however Korea did not accept imports of U.S. beef until June 26, 2008 due to public unrest and their concern about accepting U.S. beef from animals over 30 months of age. Under a "transitional private sector initiative" led by U.S. exporters, only beef less than 30 months of age has been permitted to enter Korea and this situation will last until Korean consumer confidence recovers. The restaurant sector which accounts for a large portion of beef consumption has been reluctant to sell U.S. beef due to strict country of origin labelling on menus and consumers' reluctance to choose U.S. beef from the menu. Large discount stores began selling U.S. beef at the end of November 2008. While this provides conditions for a substantial increase in beef imports, the combined effect of lingering anti-U.S. sentiment and the economic downturn in Korea has slowed down the recovery of U.S. beef sales in Korea. U.S. beef exports are expected to increase once the exchange rate has stabilized.

Australian beef imports fell with the return of U.S. beef but remain the dominant share of Korean imports. Australia has increased the use of chilled products in the foodservice and retail sectors and is increasing market activities with the Hoju Chungjung Woo label promoting Australian beef with guaranteed safety. Despite increased domestic production, beef imports are expected to increase six per cent in 2009. Imports from Australia and other competitors are expected to decline, especially if there are no disruptions to U.S. imports in the coming year. Canada has resumed beef talks with Korea with expectation of the border opening some time in 2009.

2009 Marketing Target

The 2009 marketing target for South Korea is:

Exports	8,925 MT

(volume in carcass weight)

Opportunities and Challenges – Positioning Canada (consumer and customer analysis)

Canadian beef has been recognized as the only alternative to U.S. grain-fed beef. Often the Korean market will turn to Canadian beef when they fail to get product from U.S. suppliers or demand for grain-fed beef is very high. Overall, Canadian beef is recognized as being competitive with U.S. beef in terms of quality and price. Canadian

15. SOUTH KOREA STRATEGY

beef is considered quite different from Australian and New Zealand beef in Korea, owing to its clear identity as grain-fed product.

Canadian beef has been more successful in the hypermarkets because some retail buyers were interested in differentiated or branded high quality grain-fed chilled products. If Canadian suppliers are able to supply consistent quality within tight specifications to hypermarket operators, Canadian beef can be sold as a high quality premium product. This opportunity can be also found in Korea's foodservice sector because country of origin labelling has been mandatory since 2008. Consumers' repeated experiences of Canadian beef will lead to better opportunities at these restaurants.

Korea's import of chilled grain-fed beef has grown in the past five years during the absence of U.S. beef. Chilled beef now accounts for 15 per cent of Korea's total beef imports while in pre-BSE times, it only accounted for six per cent. This trend will provide good export opportunities to those Canadian suppliers who can deliver chilled beef. Conversely, packers with limited ability to save and export chilled beef can be disadvantaged because of decreasing preference for frozen beef in Korea. Canadian beef could be positioned as high quality (grain-fed) clean (or safe) beef in Korea's beef market when they are being marketed by those who more clearly perceive Canadian beef advantages. In terms of products, Korea will give Canadian suppliers more opportunities to export bone-in and bone products to Korean than any other Asian countries. The number of BSE cases in Canada can affect the image of clean and safe Canadian beef. Additional resources have to be utilized to overcome this problem.

Overly optimistic forecasts of Korean demand for short ribs and other bone-in products can lead to oversupply in Korea's beef market, affecting export opportunities. Due to mandatory country of origin labelling, those retailers and restaurants likely won't buy products they cannot sell every day. If Canadian products are being distributed without long-term commitment to specific customers, Canadian beef will have a hard time building its name and image. U.S. and Australian products are found almost everywhere and they do not have this disadvantage.

Target Markets and Market Segments

CBEF target segments are major hypermarkets such as E-mart, Lotte Mart and Home Plus. These hypermarkets have a high quality image that is a good fit for a high quality product like Canadian beef. Medium-sized and/or provincially based supermarkets can be target segments as well. They are sometimes neglected by U.S. or Australian competitors and some of them might be open to developing special partnerships over Canadian products. Several modern meat shops operated by importers are another potential target. Since importers have direct control over shelf space allocation, they allow for long term and mutually profitable promotional support arrangements. Small neighbourhood butcher shops and restaurants offer little potential since price is their main consideration and they rarely offer long-term commitment.

Chain Korean BBQ restaurants are also a segment worth pursuing. As those restaurants have to indicate their country of origin on their menus and their customers can identify the quality of beef with their own eyes before it is cooked, they might be interested in using Canadian grain-fed beef if it's appealing both visually and in taste. Hotels and western restaurants offer opportunities for Canadian beef suppliers to move middle cuts. Importer/distributors are very important partners. Large retailers or chain restaurants, no matter how big, rarely transact directly with packers preferring to let traders take on any risk. Importers are in a position to move Canadian products in many ways, selling to local wholesalers or selling directly to retail and foodservice sectors. They are important partners in promoting Canadian beef in major retail stores or restaurants because their involvement ensures the steady supply of product necessary for long-term commitments. Local wholesalers who do not import are in a position to influence the buying decisions of small retailers and restaurant operators. However, they tend to be less committed to specific country of origin or brand and tend to be driven by price only. Nonetheless, it is always important to maintain good relationships with them because of their influence over retailers and foodservice operators.

15. SOUTH KOREA STRATEGY

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes - especially safety - with Korean trade partners and their clients through point-of-sale materials
- Sectors better understand importance of points of differentiation between Canadian and competing product
- Positively affect purchasing decisions in Korean market
- Increase consumer awareness through CBEF consumer website

Programs

Budget:	$299,000 across all goals
Primary Program Purpose:	Communicate the elements of the CBA to the Korean trade, distribution, retail and foodservice sectors as well as to Korean consumers.
Program Activities:	The delivery of the CBA will be administered through a combination of all core programs outlined in the preceding section with emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, and advertising and public relations.
Expected Tactic Outputs:	• Development of Korean point-of-sale material featuring the CBA logo and a CBA differentiation message based on issues that resonate most with Korean consumers, as identified by CBEF market research • One VIP mission to Canada for selected Korean industry representatives (conditional on reopening of market) • Two international seminars/industry VIP gatherings (scale of the events will vary depending on access situation) • Conduct at least four smaller meat cutting and marketing seminars for both potential clients and students • Conduct foodservice and distribution promotions where CBA messaging material will be used (conditional on reopening of market) • Communicate CBA message to Korean industry through participation at Seoul food show (scale of event will vary depending on access situation) • Complete development of and distribute new variety meats chart • Adaptation and update of new Korean consumer website • Publish quarterly newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of messaging and brand building efforts • Placement of 8-12 ads in targeted trade and consumer publications • Hire a professional PR agency to maximize Canadian beef exposure in the Korean print and broadcast mass media (conditional on reopening of market) • Coordinate and complement the media strategy by organizing press conferences, ceremonies, contests, consumer events to disseminate CBA messaging and maximize the media impact of Canadian beef's return to the market (conditional on reopening of market)

15. SOUTH KOREA STRATEGY

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Strengthening of the CBEF clients-export member relationship
- Increased loyalty of existing accounts
- Creation of new accounts for Canadian beef

Programs

Budget:	$299,000 across all goals
Primary Program Purpose:	Maintain and build demand for Canadian beef among the Korean distribution, retail and foodservice sectors as well as their clients.
Program Activities:	The delivery of the Federation's growth efforts will be administered through a combination of all core programs with an emphasis on VIP awareness mission, seminars, retail and foodservice promotions, food shows, promotional material, newsletter and website, advertising and public relations, and Partner Program.
Expected Tactic Outputs:	• One VIP beef awareness mission for six Korean industry representatives that offer promise of long-term business (conditional on reopening of market) • Support sales growth and client acquisition through retail, foodservice and distribution promotions (conditional on reopening of Korean market) • Two international seminars/industry VIP gatherings (scale of the events will vary depending on access situation) • Conduct at least four smaller meat cutting and marketing seminars for both potential clients and students • Support client acquisition effort through participation at Seoul food show (scale of event will vary depending on access situation) • Support sales through development of new Korean point-of-sale material with a differentiation message based on issues that resonate most with Korean consumers, as identified by CBEF market research • Complete development of and distribute new variety meats chart • Adaptation and update of new Korean consumer website • Publish quarterly newsletter for retail and distribution partners • Conduct yearly survey to better understand the effectiveness of messaging and brand building efforts • Support CBEF members' exploration, understanding and development of the Korean market through the Partner Program • Arrange networking sessions for CBEF members who travel to Korea
Expected Leverage	Partner Program activities are funded 75% CBEF and 25% Partner
Key Success Factors	The reopening of the Korean market and the conditions of renewed access will both have an effect on the level of CBEF activity and the potential gains we can hope to realize in the Korean market.

15. SOUTH KOREA STRATEGY

CCMDC Goal #3

Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values

Expected Outcomes

- Increase in sales of cuts identified as priority cuts
- Long-term reduction in pricing spread between Canadian and U.S. product in Korean market
- Increased industry awareness in Korea for use of priority cuts

Programs

Budget:	$299,000 across all goals
Primary Program Purpose:	Increase value of product mix and priority cuts exported to Korea.
Program Activities:	Carcass value optimization will be achieved through a combination of all core programs with an emphasis on retail and foodservice promotions as well as seminars. Moreover, the Federation's brand building activities as a whole are a central part of the cut-out value maximization effort. By raising awareness and creating buy-in for the CBA message, the Federation is in fact raising the price threshold that Canadian product can sustain, thus maximizing returns on the cut exported to Korea and maximizing the cut-out value. The Federation's growth generating activities are a central part of the cut-out value maximization effort. By growing demand for Canadian beef in Korea, the Federation is generating more competition over a finite quantity of product, maintaining and raising the price threshold that Canadian product can sustain and consequently maximizing returns on the cuts exported to Korea and maximizing the cut-out value.
Expected Tactic Outputs:	• Maintain consultative and cooperative process with Korean and domestic office of packers when deciding on product mix for promotions • Conduct annual survey of packers to identify priority cuts in Korean market • Cuts identified as a priority in Korea in 2009 are as follows: - Level 1 priority (chosen by three packers or more): strip loin, rib eye/rib, tenderloin, chuck roll - Level 2 priority (chosen by two packers): short rib - Level 3 priority (chosen by one packer): back rib, finger meat, beef bones, brisket, shank, hip cuts, middle meats (in general) • Cross reference priority cut list with other market organizations to maximize impact and avoid counterproductive work • Conduct significant part of retail and foodservice promotions in Korea in support of priority cuts • Conduct educational/sales seminars to educate local industry in the use and merchandising of target cuts.
Key Success Factors	The reopening of the Korean market and the conditions of renewed access will both have an effect on the level of CBEF activity and the potential gains we can hope to realize in the Korean market.

15. SOUTH KOREA STRATEGY

CCMDC Goal #4

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Korean market
- Improved understanding among Canadian authorities of industry concerns and goals in the Korean market
- Strengthening of industry's efforts at regaining and increasing access to the Korean market

Programs

Budget:	$299,000 across all goals
Primary Program Purpose:	Establish long-term relationships with all sectors of the Korean beef industry. Establish and maintain long-term collaborative relations with local Canadian authorities in order to strengthen Canada's position and regain and expand access to the Korean market.
Program Activities:	Strengthen resilience of Canada's industry in the Taiwan market through a combination of core programs with an emphasis on market representation, member information and liaison. CBEF will liaise with Canadian government representatives in South Korea, providing them with information and insight into market dynamics as well as monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products.
Expected Tactic Outputs:	• Communicate significant new economic and regulatory developments in the Korean market to its members through monthly competitive intelligence reports • Communicate significant economic and regulatory market developments through news releases

16. OTHER MARKETS' STRATEGY

(RUSSIA, MIDDLE EAST, EU AND PHILIPPINES)

Other Markets' Strategy Executive Summary

The Russian and Middle East markets are both at an early developmental stage for Canadian beef. An analysis of their purchasing patterns suggests that Canadian beef would place at the high end of the spectrum of products offered in the market. As such, the HRI sector as well as some high-end retailers would seem to offer the best potential for initial breakthroughs. CBEF's first networking and acquisition efforts in these markets will focus on solid distributors with strong sales networks in target sectors and committed to growing the Canadian beef brand and business. CBEF will approach the EU market as a long-term project where true success can only be achieved after some of the regulatory roadblocks have started to fall. Initially, small-scale efforts in the EU will target distributors with solid networks in niche retailing and HRI sectors.

The Federation plans to participate in three major food shows in these markets in 2009/10: the Anuga show in Germany, the ProdExpo Show in Russia, and the Gulfood Show in the UAE. The Anuga show is the single largest food show in the EU - and the world - and a necessary stop in support of CBEF members seeking opportunities in that market. CBEF has identified the ProdExpo show in Russia as the best venue to make a second foray into the promising Russian market. The upcoming year will mark the Federation's third visit to Gulfood in Dubai, the Middle East's most important hub for business and trade.

CBEF plans to conduct one major seminar in Russia in 2009/10 and will consult with industry and the Canadian embassy in Moscow when drawing up the guest list. If appropriate, other Canadian marketing agencies will be approached to discuss the possibility of holding this event jointly to generate a broader impact. One VIP beef awareness incoming mission will be organized and conducted that will include six Russian meat industry executives. The Russia delegation will include members from various sectors in the industry whose selection will be based on the potential they represent for long-term commitment to developing and growing Canadian beef business.

CBEF thinks it's highly unlikely that the Philippines market itself will become a major target for the Canadian beef industry in the future. Nonetheless, it appears that it has become an important trading hub in the region - possibly a temporary phenomenon - and that its traders have extensive networks in the region. At the request of CBEF export membership, CBEF will work on developing contacts with key importers in the Philippines and then leverage these contacts and their networks to the benefit of Canadian beef sales. In order to pursue these opportunities, one VIP beef awareness incoming mission will be organized and conducted that will include six Philippines meat industry executives. The Federation will work with the Philippines Meat Traders Association when choosing participants. Potential for long-term commitment to developing and growing Canadian beef business will be a major consideration. Participants with extensive networks beyond the Philippines will be given preference.

The Partner Market Development Program will be available to export members to help them get acquainted with these markets, network with potential clients on the ground and grow their business.

Environment Scan / Market Profile

The 2009 marketing target for Russia, Middle East and North Africa, EU, the and rest of world is:

Exports	57,718 MT

(volume in carcass weight)

Russia has benefited from the high commodity prices in the last five years and consumer purchasing power in the country has increased tremendously. However, the recent financial crisis and the accompanying meltdown in

16. OTHER MARKETS' STRATEGY

(RUSSIA, MIDDLE EAST, EU AND PHILIPPINES)

commodity prices are hitting the country's economy hard. Nonetheless, CBEF feels that the long-term potential offered by the country warrants laying the groundwork for future business in the region.

Russia's main supplier of imported beef is Brazil with exports of 480,000 MT in 2008 followed by Uruguay (160,000 MT) and Argentina (131,000 MT). The source of product clearly indicates that price is still the main purchase driver in this market. Among notable changes that took place in 2008 was the sudden rise in U.S. exports to Russia (from 0 MT in 2007 to 24,000 MT in 2008), Australia (2007 exports of 9,000 MT vs. 2008 exports of 121,000 MT) as well as Uruguay (2007 exports of 34,000 MT vs. 2008 exports of 160,000 MT). Although this sudden rise in imports of higher quality Australian and U.S. product is partly attributable to rising purchasing power, the main cause was the low availability of cheaper Brazilian product.

At first glance the EU, a huge highly populated and affluent market, combines all factors necessary for success for a high quality product like Canadian beef. However, EU certification requirements are complex and costly, making it very difficult for producers and packers to build the EU specific programs necessary to take on this market. Moreover, a 12,000 MT a year tariff rate quota imposed on all North American beef exports (i.e. shared with the U.S.) limits the potential rewards of seeking EU certification.

The EU produced over 8,000,000 MT of beef in 2008 making it largely self-sufficient. The EU completes its beef requirements with mainly South American imports from Brazil, Argentina and Uruguay. Although the EU's total imports of beef were an impressive 253,000 MT in 2008, comparisons with the beef imports of single countries such as South Korea, Mexico and Japan (337,000, 358,000 and 688,000 MT respectively in 2008 - practically all from higher quality supplier in North America and Oceania), along with the regulatory roadblocks in place that hinder trade in beef from North America – put the short-term relative strategic importance of this market into perspective.

The Middle East and North Africa (MENA) as a whole is one of the biggest beef importing regions in the world with total imports of beef estimated at 640,000 MT in 2008. However the region comprises a multitude of disparate states with widely varying levels of affluence. The region's main sources of supply for imported beef are Brazil and India with exports to the region of 370,000 MT and 177,000 MT respectively in 2008. Simply naming these two sources makes it easy to understand the region's price sensitive nature. Higher quality suppliers such as the U.S. and Australia have had some success in the region but the numbers they put up amount only to a small share of the overall market. Australia, which has unrestricted access to the whole region, sold only 6,000 MT of beef (muscle cuts) to the region in 2007. Those numbers were up significantly in 2008 reaching 20,000 MT. A drop in supply from Brazil (Brazilian exports to the region went from 522,000 MT in 2007 to 370,000 MT in 2008) is the main reason behind this expansion. The U.S., which benefits from better access to the region sold 12,000 MT of muscle cuts to the region in 2008, most of which went to affluent markets in Kuwait, the UAE and Saudi Arabia. Among these last three markets, Canada only has access to the UAE.

The Philippines posted a tremendous increase in imports of Canadian beef in 2008, going from 2000 MT in 2007 to an estimated 8000 MT of beef and offal. This phenomenon can't be explained by a sudden rise in Filipino affluence; there was no such rise in 2008. This sudden rise in Canadian exports is likely a temporary distortion caused by a combination of many factors such as the closure and/or limited access to other preferred markets such as Korea, China and Japan to Canadian product as well as the low supply of other product. Moreover, CBEF suspects that a high percentage (possibly over 50 per cent) of Canadian beef exports to the country are being rerouted or diverted to other markets in the region.

16. OTHER MARKETS' STRATEGY

(RUSSIA, MIDDLE EAST, EU AND PHILIPPINES)

Target Markets and Market Segments

The Russian and Middle East markets are both at an early developmental stage for Canadian beef. An analysis of their purchasing patterns suggests that Canadian beef would place at the high end of the spectrum of products offered in the market. As such, the HRI sector as well as some high-end retailers would seem to offer the best potential for initial breakthroughs. CBEF's first efforts in these markets will focus on solid distributors with strong sales networks in these target sectors and committed to growing the Canadian beef brand and business.

CBEF will approach the EU market as a long-term project where true success can only be achieved after some of the regulatory roadblocks have started to fall. Initial, small-scale efforts in the EU will target distributors with solid networks in niche retailing and HRI sectors.

CBEF thinks it's highly unlikely that the Philippines market itself will become a major target for the Canadian beef industry in the future. Nonetheless it appears that it has become an important trading hub in the region - possibly a temporary phenomenon – and that its traders have extensive networks in the region. CBEF will work on developing contacts with key importers in the Philippines and then leverage these contacts and their networks to the benefit of Canadian beef sales.

CCMDC Goal #1

Build awareness for a Canadian beef identity/brand built on the benefits defined by a strong and clear value proposition

Expected Outcomes

- Increased awareness and comprehension of Canadian Beef Advantage attributes within Russian, EU, MENA and Philippines trade and distribution sectors
- Sectors better understand importance of points of differentiation between Canadian and competing product
- Positively affect purchasing decision in target markets

Programs

Budget:	$285,000 across all goals
Primary Program Purpose:	Communicate the elements of the CBA to the trade, distribution, retail and foodservice sectors specific to Russia, the EU, MENA and the Philippines.
Program Activities:	The delivery of the CBA to Russia, the EU, MENA and the Philippines will be administered through a combination of all core programs with an emphasis on VIP awareness mission, seminars and food shows.
Expected Tactic Outputs:	• Conduct one VIP mission to Canada for selected Russian industry representatives and one for selected Philippines industry representatives • Communicate CBA message: to Russian industry through participation at ProdExpo food show; to EU industry through participation at Anuga food show, and to MENA industry through participation at Gulfood show • Conduct one international seminar in Russia

16. OTHER MARKETS' STRATEGY

(RUSSIA, MIDDLE EAST, EU AND PHILIPPINES)

CCMDC Goal #2

Achieve growth in traditional, existing, new and emerging markets for Canadian beef

Expected Outcomes

- Develop network of contacts in Russia, EU, MENA and Philippines markets
- Creation of new accounts for Canadian beef
- Increase in sales of Canadian beef into the Russian, EU, MENA and Philippines markets

Programs

Budget: $285,000 across all goals

Primary Program Purpose: Maintain and build demand for Canadian beef among the distribution, retail and foodservice sectors in Russia, the EU, MENA and the Philippines.

Program Activities: Specific to Russia, the EU, MENA and the Philippines, the delivery of growth efforts will be administered through a combination of core programs with an emphasis on VIP awareness mission, seminars, food shows and Partner Program.

Expected Tactic Outputs:

- One VIP mission to Canada for selected Russian industry representatives with members chosen for the potential business they represent as well as their potential long-term commitment to growing the Canada beef brand and business in Russia
- One VIP mission to Canada for selected Philippines industry representatives with members chosen for the strength of their networks and the potential business they represent
- Build network and contacts necessary for growth in: Russia through participation at ProdExpo food show; EU through participation at Anuga food show; MENA through participation at Gulfood show
- Build network and contacts necessary for growth in Russia by organizing a Canada beef seminar for Russian industry
- Support CBEF members' exploration, understanding and development of the Russian, EU, MENA and Philippines market through the Partner Program

Key Success Factors

The EU certification requirements are complex and costly, making it very difficult for producers and packers to build the programs necessary to take on this market. Moreover, a 12,000 MT a year quota imposed on all North American beef exports (i.e. shared with the U.S.) limits the potential rewards of seeking EU certification. Consequently, breakthrough in the EU market will hinge on getting commitment from our industry into making huge changes for possibly limited benefits. The Federation expects that only the smaller elements of CBEF export members will take on the challenge. The Federation will offer these members its full support nonetheless.

Halal certification requirements are complex and their in-market application can vary across different Muslim regions and countries. The result is a confusing and unpredictable regulatory landscape that can intimidate even the more aggressive elements of CBEF export membership. The Federation expects that only the smaller elements of CBEF export members will take on the challenge. The Federation will offer these members its full support nonetheless.

16. OTHER MARKETS' STRATEGY

(RUSSIA, MIDDLE EAST, EU AND PHILIPPINES)

CCMDC Goal #3

Achieve resilience in light of potential future industry events through expanded and/or more secure market access and greater market diversification

Expected Outcomes

- Improved understanding among Canadian beef industry of issues of concern in the Russian, EU, MENA and Philippines markets
- Improved understanding among Canadian authorities of industry concerns and goals in these markets
- Strengthening of industry's efforts at regaining, maintaining and increasing access to these markets

Programs

Budget:	$285,000 across all goals
Primary Program Purpose:	Establish long-term relationships with key sectors of Russia, EU, MENA and Philippines beef industry. Establish long-term collaborative relations with local Canadian authorities in Russia, EU, MENA and the Philippines in order to strengthen Canada's position and regain and expand access to the these markets.
Program Activities:	Strengthen resilience of Canada's industry in the Russia, EU, MENA and Philippines markets through a combination of core programs with an emphasis on member information and liaison, and Partner Program. Monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products in Russia, the EU, MENA and the Philippines.
Expected Tactic Outputs:	• Communicate significant new economic and regulatory developments in these markets to its members through monthly competitive intelligence reports • Communicate significant economic and regulatory market developments through news releases

17. ALBERTA-BASED SUPPLEMENTARY INITIATIVES

The Alberta portion of the Canadian Beef and Cattle Market Development Fund also provides an opportunity for applicants outside of the three main marketing organizations. The CCMDC invites applications from Alberta-based companies or organizations that propose innovative marketing initiatives supporting the development of export markets for Canadian beef and cattle genetics and/or facilitate the export of Alberta value-added beef products.

Considering the industry response to this component of the Legacy Fund, the CCMDC recommended a review of the current funding guidelines under the Alberta-based supplementary market development initiatives. It was agreed by the CCMDC and Alberta government that there are opportunities to re-evaluate and revise the framework of the current structure to encourage export market development of Alberta further value-added beef products. At time of writing, revisions to address the Alberta Livestock and Meat Agency (ALMA) strategic priorities and principles as a requirement of the proposal to be funded, as well as the opportunity to involve outside enterprises and/or businesses that promote the livestock industry to benefit from the fund, were being assessed. Alberta's support for the fund remains. Accountability, consistent and effective reporting by the fund recipients against the priorities, including outcomes, will remain a very important component of this initiative.

In order to ensure a consistent process for the supplementary activities funded (in alignment with the Strategic Marketing Plan), the CCMDC has implemented a comprehensive process to solicit, review, and implement Alberta-based value-added marketing initiatives. While this process may be expanded to include additional potential applicants along the supply chain and for additional project opportunities beyond value-added beef exports, the CCMDC will continue to solicit proposals from Alberta-based companies or organizations through a quarterly call for proposals. A thorough list of Alberta-based beef packers and value-added processors has been developed and will be expanded to which the call for proposals will be sent on a quarterly basis. Project proposals must be received on or before the following deadlines to be considered for funding in that quarter:

- First Quarter Deadline: January 15th
- Second Quarter Deadline: April 15th
- Third Quarter Deadline: July 15th
- Fourth Quarter Deadline: October 15th

Funding decisions for each quarter will be made within three months of the proposal deadline for that quarter. Supporting information pieces that provide background information on the fund, eligibility criteria, and the CCMDC's identified priorities are available on the CCA website for potential applicants and will be revised upon finalization of the revised Alberta agreement. Standardized application and final reporting forms have also been developed to ensure that information required is provided, and that there is consistency across all projects and initiatives when reporting results and achievements.

In order to further encourage and solicit applications that propose innovative initiatives to support the development of export markets for Canadian beef and cattle genetics and/or facilitate the export of Alberta beef products, the CCMDC intends to continue working with government and industry organizations. The intent is to coordinate with staff in order to more directly identify opportunities for the funding of innovative market development projects.

Applications received for Alberta-based valued-added marketing initiatives will continue to go through a review process which will involve an external review committee to assist the CCMDC in their decision-making process. The intent of the review committee is to provide recommendations to the CCMDC as to which projects best meet the objectives and priorities of the Council and are most likely to contribute to the enhancement of the Canadian cattle and beef cattle industry.

18. BUDGET AND FUNDING

Projected Revenues:	**2009-2010**			*Apr.17, 2009*
	BIC	CBEF	CBBC	TOTAL
1 Check-off Funds				
Domestic	4,241,692	-	-	4,241,692
U.S.	-	-	-	-
Asia, Mexico, ROW	-	2,073,054	-	2,073,054
	4,241,692	2,073,054	-	6,314,746
2 Membership Fees	-	100,000	81,000	181,000
3 Other Contributions				
Partner Market Development Program	-	125,000	985,500	1,110,500
CCA U.S. Advocacy	543,749	-	-	543,749
Executive Committee (Per Diems)	-	8,000	-	8,000
	543,749	133,000	985,500	1,662,249
4 Development Funds				
CCMDC - U.S.*	2,094,093	-	-	2,094,093
CCMDC - Commercial Beef*	2,853,347	-	-	2,853,347
CCMDC- Asia, Mexico,ROW*	-	4,773,570	-	4,773,570
CCMDC - Beef Cattle Genetics*	-	-	2,956,500	2,956,500
	4,947,440	4,773,570	2,956,500	12,677,510
5 Provincial Governments				
ALIDF	50,000	-	-	50,000
Ab International,Intergov&Aborig relations	-	500,000	-	500,000
Saskatchewan Agriculture	-	10,000	-	10,000
	50,000 -	510,000 -	-	560,000
6 Other Revenue				
Interest/other	50,000	73,376	-	123,376
	50,000	73,376	-	123,376
TOTAL PROJECTED REVENUES	**9,832,881**	**7,663,000**	**4,023,000**	**21,518,881**

* Uncommitted Funds

Summary of Funding by Source

Producer/Members/Other	8,281,371	38.5%
Government	13,237,510	61.5%
	21,518,881	100.0%

18. BUDGET AND FUNDING

Projected Expenditures Market Development Programs 2009/10:

Apr.28, 2009

	BIC				CBEF				CBBC				TOTAL
	Federal	Alberta	Industry	**BIC Total**	Federal	Alberta	Industry*	**CBEF Total**	Federal	Alberta	Industry	**CBBC total**	
Administration and Operations	0	0	427,726	**427,726**			1,296,000	**1,296,000**	281,250	168,750	150,000	**600,000**	**2,323,726**
Market Development Int'l													
U.S.	1,308,808	785,285	698,031	**2,792,123**	0	0	0	**0**	0	0	0	**0**	**2,792,123**
Japan	0	0	0	**0**	818,892	491,335	466,773	**1,777,000**	0	0	0	**0**	**1,777,000**
South Korea	0	0	0	**0**	135,187	81,113	82,700	**299,000**	0	0	0	**0**	**299,000**
Taiwan	0	0	0	**0**	292,575	175,545	167,880	**636,000**	0	0	0	**0**	**636,000**
China /Hong Kong	0	0	0	**0**	544,012	326,408	310,580	**1,181,000**	0	0	0	**0**	**1,181,000**
Mexico	0	0	0	**0**	637,345	382,407	368,248	**1,388,000**	0	0	0	**0**	**1,388,000**
World (Canada delivery)	0	0	0	**0**	421,875	253,125	225,000	**900,000**	0	0	0	**0**	**900,000**
New Markets	0	0	0	**0**	133,595	80,156	71,249	**285,000**	0	0	0	**0**	**285,000**
Genetics Programs	0	0	0	**0**	0	0	0	0	1,566,563	939,938	835,500	**3,342,000**	**3,342,000**
	1,308,808	785,285	698,031	**2,792,123**	2,983,481	1,790,089	1,692,430	**6,466,000**	1,566,563	939,938	835,500	**3,342,000**	**12,600,123**
Market Development Canada													
Commercial Beef	2,853,347	0	951,116	**3,804,463**	0	0	0	**0**	0	0	0	**0**	**3,804,463**
Domestic programs	0	0	2,744,465	**2,744,465**	0	0	0	**0**	0	0	0	**0**	**2,744,465**
	2,853,347	0	3,695,581	**6,548,928**	0	0	0	**0**	0	0	0	**0**	**6,548,928**
Total projected expenditures	4,162,155	785,285	4,821,338	**9,768,777**	2,983,481	1,790,089	2,988,430	**7,762,000**	1,847,813	1,108,688	985,500	**3,942,000**	**21,472,777**
Total projected revenues	4,162,155	785,285	4,885,441	**9,832,881**	2,983,481	1,790,089	2,889,430	**7,663,000**	1,847,813	1,108,688	1,066,500	**4,023,000**	**21,518,881**
Projected surplus/deficit	0	0	64,104	**64,104**	0	0	-99,000	**-99,000**	0	0	81,000	**81,000**	**46,104**

* includes provincial government

18. BUDGET AND FUNDING

Legacy Fund 2009/10 Budget

Revenue	2009/10 Budget	2008/09 Budget	2008/09 Projected	2007/08 Actual
Legacy Fund - Federal	9,459,838	12,250,000	10,350,000	5,017,258
Legacy Fund - Alberta	4,213,895	3,825,798	3,750,000	2,057,105
Total Revenue	**13,673,733**	**16,075,798**	**14,100,000**	**7,074,363**

Expenses	2009/10 Budget	2008/09 Budget	2008/09 Projected	2007/08 Actual
Administration	540,223	565,054	600,000	275,599
Special Projects-Info Exchange	206,000	-	-	-
Commercial Beef	2,853,347	4,093,754	3,250,000	1,588,750
U.S.	2,094,093	3,738,669	2,800,000	1,817,823
International	4,773,570	5,193,361	4,950,000	2,392,191
Live & Genetics	2,956,500	2,234,960	2,500,000	1,000,000
Alberta - Other	250,000	250,000	-	-
Total expenses	**13,673,733**	**16,075,798**	**14,100,000**	**7,074,363**

Appendix

CANADA BEEF BREEDS COUNCIL 2009/10 BUDGET

PROJECTED REVENUE

Membership fees	81,000
Partner Market Development Program	985,500
Subtotal	1,066,500
Provincial/ Federal Governments	
Canadian Beef and Cattle Market Dev't Fund	2,956,500
Subtotal	2,956,500
Total Revenue	**4,023,000**

PROJECTED EXPENDITURES

Administration & Operations	600,000
Market Development	
Africa	45,000
Asia	572,600
Kazakhstan	197,000
Russia	477,600
EU	252,620
Mexico	214,880
US	403,030
Oceania	132,520
Latin America	18,000
South America	234,960
All countries/general promo materials	593,790
Information flow initiative	200,000
Subtotal	3,342,000
Total Expenditures	3,942,000
Total Projected surplus/deficit	**81,000**

Appendix

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Net Assets, beginning of year, July 1, 2008		**4,390,435**
Projected excess (deficiency) of revenue over expenditure		**(1,800,062)**
Projected Net Assets, June 30, 2009		**2,590,373**
2009/2010 Revenue		
National Checkoff - Domestic		
B.C. C.I.D.C.	171,379	
Alberta Beef Producers	2,538,600	
Saskatchewan Check-off Fund	686,000	
Manitoba Cattle Prod. Assoc.	334,800	
Ontario Cattlemen's Assoc.	493,913	
P.E.I. Cattlemen's Assoc.(3)	5,000	
N.B. Cattle Producers	8,000	
N.S. Cattlemen's Assoc. (3)	4,000	
Subtotal	4,241,692	
National Checkoff - U.S.		
National Check Off - US	-	
Subtotal	-	
Government and Development Funds		
CBCMDF (1) - U.S. (2)	2,637,842	
CBCMDF (1) -Commercial Beef (2)	2,853,347	
ALIDF (2)	50,000	
Subtotal	5,541,190	
Additional Contributions & Income		
Pfizer Partnership (2)	-	
Interest	50,000	
Subtotal	50,000	
Total Revenue	**9,832,882**	
2009/2010 Expenses		
Market Development		
Consumer Marketing Team		
Brand Mgmt & Research	362,252	
Nutrition Program	295,675	
Food Safety Program	75,842	
Consumer Culinary Marketing	377,439	
Trade Marketing Team		
Retail Marketing	422,712	
Foodservice Program	398,884	
Processing Development	22,159	
Trade Communications	86,546	
Commercial Beef	3,804,463	
U.S. Market Development	2,792,123	
Communications Team		
Consumer Communications	259,713	
Customer Service Centre	237,588	
Stakeholder Communications	205,655	
Subtotal - Market Development	9,341,051	
Administration & Operations		
Administration		
BIC Committee	44,622	
BIC Corporate Planning	120,785	
Operations		
Calgary Office	113,945	
Mississauga Office	148,374	
Subtotal - Adminstration & Operations	427,726	
Total Expenses	**9,768,777**	
Excess (deficiency) of revenue over expenditure	**64,105**	
Projected Net Assets, June 30, 2009		**2,654,478**

1 Canadian Beef & Cattle Market Development Fund
2 Uncommitted
3 Revenue paid to BIC directly

APPENDIX

CANADA BEEF EXPORT FEDERATION 2009/10 BUDGET

PROJECTED REVENUE		
National Check-off		
Alberta	1,155,720	
British Columia	77,502	
Manitoba	110,007	
Ontario	238,723	
Saskatchewan	488,926	
Atlantic	2,175	
Subtotal		2,073,054
Membership Fees		100,000
Other Member Contributions		
Partner Market Development Program	125,000	
Executive Committee (Per Diems)	8,000	
Subtotal		133,000
Provincial/ Federal Governments		
Ab Int'l, Intergovernmental Aboriginal Relations	500,000	
Saskatchewan Agriculture and Food	10,000	
Canadian Beef and Cattle Market Dev't Fund	4,773,570	
Subtotal		5,283,570
Interest		73,376
Total Revenue		**7,663,000**
PROJECTED EXPENDITURES		
Market Development		
JAPAN		
Market Representation	572,000	
VIP Beef Awareness Mission (3)	95,000	
CANADA BEEF Seminar	160,000	
Retail and Food Service Promotions	350,000	
Food Shows	135,000	
Promotional Materials	175,000	
Newsletter and Web Site	70,000	
Market Reseach	20,000	
Advertising and Public Relations	200,000	
Total Japan		1,777,000
SOUTH KOREA		
Market Representation	162,000	
CANADA BEEF Seminar	35,000	
Promotional Materials	80,000	
Newsletter and Web Site	12,000	
Advertising and Public Relations	10,000	
Total South Korea		299,000
TAIWAN		
Market Representation	182,000	
VIP Beef Awareness Mission (3)	80,000	
CANADA BEEF Seminars	55,000	
Retail and Food Service Promotions	124,000	
Food Shows	70,000	
Promotional Materials	40,000	
Newsletter and Web Site	12,000	
Market Reseach	8,000	
Advertising and Public Relations	65,000	
Total Taiwan		636,000

Appendix

HONG KONG		
Market Representation	435,000	
VIP Beef Buyers Mission (3)	80,000	
CANADA BEEF Seminar	45,000	
Retail and Food Service Promotions	140,000	
Food Shows	60,000	
Promotional Materials	30,000	
Newsletter and Web Site	12,000	
Market Reseach	11,000	
Advertising and Public Relations	35,000	
Total Hong Kong		848,000
PEOPLES REPUBLIC OF CHINA		
Market Representation	234,000	
CANADA BEEF Seminars	35,000	
Food Shows	30,000	
Promotional Materials	20,000	
Newsletter and Web Site	5,000	
Market Reseach	9,000	
Total Peoples Republic of China		333,000
MEXICO		
Market Representation	386,000	
VIP Beef Awareness Mission (3)	45,000	
CANADA BEEF Seminar	90,000	
Retail and Food Service Promotions	450,000	
Food Shows	155,000	
Promotional Materials	95,000	
Newsletter and Web Site	5,000	
Market Reseach	12,000	
Advertising and Public Relations	150,000	
Total Mexico		1,388,000
NEW MARKETS (Russia/EU/ME/Philippines)		
Russia - Food Show	30,000	
Russia - Seminar	25,000	
Russia - VIP Beef Awareness Mission	80,000	
European Union - Food Show	35,000	
Middle East - Food Show	35,000	
The Philippines - VIP Beef Awareness Mission	80,000	
Total new markets		285,000
CANADA PROGRAMS		
Partner Market Development Program	500,000	
Member Information and Liaison	60,000	
Emerging Markets	150,000	
International Marketing Seminar	25,000	
Market Research (Base)	40,000	
Consumer Marketing	50,000	
Technical Marketing Materials	75,000	
Total Canada Program		900,000
Total Market Development Budget		6,466,000
Administration and Operations		1,296,000
Total Expenditures		**7,762,000**
Total projected surplus/deficit		**- 99,000**

APPENDIX

Current Canadian Market Access to Selected Countries

UTM = under-30-month product / U21M = under-21-month product / OTM = over-30-month product

Embryos and / or Semen Only	Live Cattle for Breeding	Selected Beef Products				All Beef Products
		UTM boneless	*UTM boneless and offal*	*U21M boneless, bone-in and offal*	*OTM offal and all UTM*	
◊ Algeria ◊ Argentina ◊ Australia ◊ Belarus ◊ Bolivia ◊ Brazil ◊ Chile ◊ China ◊ Colombia ◊ Costa Rica ◊ Dominican Republic ◊ Ecuador ◊ Guyana ◊ India ◊ **23 Other Countries**	◊ United States ◊ Mexico ◊ Russia ◊ Algeria ◊ Croatia ◊ Kazakhstan ◊ Lebanon ◊ Morocco ◊ Serbia ◊ Serbia (UTM) ◊ South Korea (Bulls only) ◊ Tunisia ◊ Ukraine	◊ Egypt *(& slaughter cattle)* ◊ El Salvador ◊ Guatemala ◊ Honduras ◊ Hong Kong *(& most bone-in)* ◊ Macedonia ◊ Mexico *(& bone in, offals & OTM liver)* ◊ Saudi Arabia ◊ St. Lucia ◊ St. Kitts & Nevis ◊ Taiwan ◊ Thailand ◊ United Arab Emirate *(& bone in)*	◊ Antigua & Barbuda *(& bone in)* ◊ Lebanon *(& live cattle)* ◊ Trinidad & Tobago *(& bone in)* ◊ Tunisia *(& bone in)* ◊ Russia *(& breeding cattle)* ◊ Vietnam *(all UTM beef and some offal: liver, heart and kidney)*	◊ Japan	◊ Cayman Islands *(all liver, all UTM)* ◊ Indonesia *(All boneless and some offal (oxtail, tongue, heart and liver)*	◊ United States ◊ Macau ◊ New Zealand ◊ Cuba *(all beef with the exception of heart, head and tissues derived from the head including tongues)* ◊ EU 27* *(hormone-free beef products only, subject to plant certification)* ◊ Bermuda ◊ Barbados ◊ Bahrain ◊ Philippines ◊ Albania ◊ Angola ◊ Jordan ◊ **40 Other Countries**

** EU 27: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands, United Kingdom.*

Increasing level of trade access