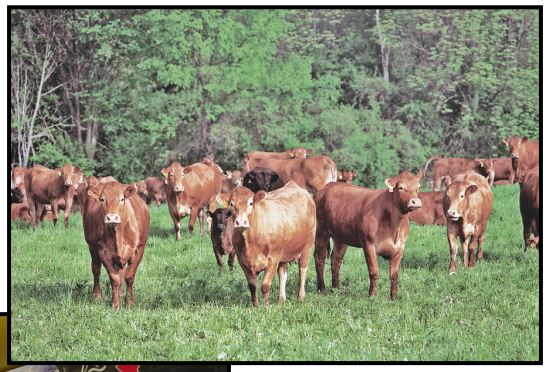
Canadian Cattlemen Market Development Council

Marketing Implementation Plan 2008/09

2008 / 09



The Canadian Cattlemen Market Development Council (CCMDC) is a partnership of the Canadian beef cattle industry, the Government of Canada, and Government of Alberta 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.

National Check-off

Canadian Beef Cattle Research, Market Development and Promotion Agency

Alberta Government

Agriculture and Agri-Food Canada

Agriculture et Agroalimentaire Canada

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I EXECUTIVE SUMMARY

PLAN INTRODUCTION AND BUDGET OVERVIEW

This document is the 2008/09 marketing implementation plan for the Canadian Cattlemen Market Development Council (CCMDC) which is the entity established to oversee allocation of the Canadian Beef and Cattle Market Development Fund. The Canadian Beef and Cattle Market Development Fund is comprised of $80 million investment by the Government of Canada ($50 million) and Government of Alberta ($30 million) to support long-term market development for the Canadian beef and cattle genetics industry. The funds have been entrusted to the Canadian Cattlemen's Association to administer in a strategic manner and are being matched by industry. The $80 million in federal and Alberta government funding, combined with industry funds from national check-off, is expected to provide over $170 million for the 10-year period 2005 to 2015 – to recover and expand markets around the world for Canadian beef and cattle genetics.

This plan reflects the direction and priorities of the CCMDC Strategic Marketing Plan (2006), and has been developed in consultation with the Global Marketing Advisory Committee of the Canadian Cattlemen's Association, the Beef Value Chain Roundtable, and the major Fund recipients. The Canadian Beef Breeds Council (CBBC), Beef Information Centre (BIC), and Canada Beef Export Federation (CBEF) have collaborated on the development of this plan which is the **third** yearly implementation plan for the 10-year global marketing strategy. It outlines 2008/09 market development objectives and activities commencing July 1, 2008 for beef cattle genetics, the domestic market (Canada), commercial beef, U.S., Mexico, Asia, and rest of world markets.

The total budget of the 2008/09 marketing implementation plan is **$24,383,142**. Industry contributions towards this plan will be $8,691,708. In addition, $2,250,000 is being requested from the Canadian Agriculture and Food International (CAFI) Program and $960,000 in other provincial government funding. Therefore, in order to successfully implement this plan, $10,579,147 will be required from the Canadian Beef and Cattle Market Development Fund.

LONG-TERM MARKETING STRATEGY FUNDED BY INDUSTRY-GOVERNMENT PARTNERSHIP

Canada's beef cattle industry is one of the most important agricultural sectors in the country and the largest source of farm cash receipts – with farm cash receipts for cattle and calves totalling $6.5 billion in 2006. Canada's beef industry produced 3.5 billion pounds of beef and contributed $26 billion to Canada's economy in 2006.

Throughout its history, Canada's cattle industry has adapted to many changes and challenges. However, the industry faced its greatest challenge in 2003 when BSE (Bovine Spongiform Encephalopathy) was diagnosed in the domestic herd. Overnight, countries closed their borders to Canadian beef, cattle prices dropped, and impacts were felt throughout the entire production chain. Working together, industry and government moved quickly to handle the immediate situation and continue to work closely together on a recovery plan including a global marketing strategy to help the industry regain market access globally and re-establish beef and cattle genetics sales.

The Canadian beef industry's global marketing strategy is a 10-year plan (2005-2015) *"to recover and expand markets for beef and cattle genetics around the world ensuring a profitable, sustainable Canadian industry that results in Canadian beef and cattle being recognized as the most outstanding by Canadian and world customers"*.

The estimated cost of the long-term strategy is $170 million which is being funded by the Government of Canada ($50 million), Government of Alberta ($30 million), and Canadian cattle producers through the national check-off deducted on cattle marketings ($90 million). The Canadian beef industry's global marketing strategy is a collaborative effort involving all stakeholders including industry, government, and representatives from every aspect of the beef value chain. In consultation with the stakeholders, a comprehensive evaluation framework has been developed which includes standardized market indicators and performance measures being applied across all markets. Marketing targets are also included in the yearly implementation plan, along with the long-term targets established in the CCMDC Strategic Marketing Plan.

THE VALUE PROPOSITION

Since BSE, the global marketplace has changed dramatically. Cattle health and beef safety are key to securing sales. Global beef market competition is stiff. Canada is competing against many large well-established players that have substantial marketing resources. Sustainable success in domestic and international markets for all aspects of the Canadian beef and cattle genetics industry will require the industry to have 1) expanded, secure access to a diverse portfolio of international markets for all products, and 2) products that are clearly differentiated from competing products.

The underpinning of the long-term global marketing strategy is a value proposition to clearly differentiate Canadian beef and cattle genetics products. Clearly differentiated products will enable Canada to offer tangible, unique benefits to its customers. These benefits will create value for the Canadian industry in the form of more secure sales and higher product values.

The basis for the value proposition is **leadership in animal health and food safety** supported by quality and Canadian image attributes such as the environment and integrity. For Canada to achieve the goal of having its beef and cattle genetics products recognized as the most outstanding by Canadian and world customers, the industry has to be able to demonstrate that its systems are among the best in the world and that everyone involved in producing the product is doing their part to ensure quality and safety. The Canadian cattle industry considers this a priority and is planning an enhanced cattle producer communication program to increase awareness of the value proposition. The industry is also launching initiatives to increase enrollment in on-farm food safety quality assurance programs and age verification of cattle. Canada's national cattle identification program, already a world leader, is being further enhanced to include a traceability system and animal movement tracking. Industry support for the value proposition is an overarching performance measure of the long-term market development plan.

The Beef Information Centre, Canadian Beef Breeds Council and Canada Beef Export Federation are working together to develop the industry-wide description of the *Canadian Beef Advantage* and an overarching unique brand identity for Canadian beef. The goal is that over time, the new brand identity will become a recognizable Canadian beef symbol identifiable anywhere in the world, promoting the safety and high quality of Canadian beef and cattle products. The brand strategy development process is well underway and at time of writing, logo options are being selected for testing in target markets.

LOOKING AHEAD TO 2008/09

The coming year presents many challenges and opportunities for Canadian beef and cattle genetics market development. A number of factors are impacting competitiveness including an appreciated Canadian dollar, feed grain costs, labour shortages and costs, negative beef processing margins, enhanced regulations (such as removal and disposal of specified risk materials and U.S. country of origin labelling), and continued market access restrictions limiting Canadian beef exports.

This plan includes a comprehensive analysis of projected total beef supplies for 2008 which has served as the basis for establishing marketing targets. Total Canadian beef supplies are projected to increase slightly from 1.462 million tonnes in 2007 to 1.463 million tonnes in 2008, with a decline in domestic beef production being offset by increased beef imports. High cow marketings leading to a reduced beef cow inventory and smaller calf crop, and the resumption of live cattle trade to the U.S. resulting in the export of large numbers of fed and feeder cattle are two of many factors that will likely result in a reduction of domestic beef production. Canada is facing tight beef supplies and will be competing with large and relatively lower priced meat supplies in the global marketplace. Thus the global marketing strategy for Canadian beef and cattle genetics is placing emphasis on **increasing value**, optimizing carcass value by matching products to markets that will deliver the highest return.

Market access for Canadian beef and cattle genetics exports continues to expand as new markets open and broader access is gained in those markets that were already open to a limited list of products. Most recently, the industry has seen the expansion of market access to the U.S. with the re-entry of beef products from cattle over-30-months and all live cattle born after March 1, 1999. This is a substantial gain in market access for the Canadian beef cattle industry as it provides the opportunity to resume the export of beef products from cattle of all ages, live cattle for breeding purposes, and animals over-30-months of age. Another significant gain in market access was the reopening of Taiwan for boneless beef from animals under-30-months of age. This is an import market for middle meats which historically offered the highest value per kilogram of beef exported. Continued gains in market access are necessary to maximize carcass values and the benefits received by the Canadian beef industry from trade. Canada remains one of the largest global beef exporters and is currently the largest exporter of grain-fed beef products. With rising incomes and a growing middle class in several populous regions, demand for grain-fed beef will remain strong and has the opportunity to increase over the next decade. This provides significant opportunities for the Canadian beef industry.

Thanks to the leadership and investment by industry and the federal and Alberta governments, a significant and coordinated long-term market development strategy is underway as part of the BSE recovery process. This 2008/09 marketing implementation plan focuses on expanding markets and increasing value for Canadian beef and cattle genetics, with significant progress expected on the development and launch of the brand strategy in the coming year.

II INTRODUCTION

This is the **third** marketing implementation plan for the Canadian Beef and Cattle Market Development Fund. The plan outlines market development objectives and activities for 2008/09 – commencing July 1, 2008 which is consistent with the Canadian Cattlemen's Association fiscal period (July 1 to June 30).

The plan is structured to first present **MARKET CONTEXT** – a comprehensive environmental scan for the Canadian beef cattle industry covering cattle inventory, beef cattle marketings and production, prices, exchange rate, trade, genetics, market access situation, **outlook**, global beef market trends, beef import country profiles, competitor analysis, and challenges and opportunities. The market context section has been prepared by CanFax Research Services, Canada's source for cattle market information. CanFax Research Services is a division of the Canadian Cattlemen's Association.

After Market Context, the **STRATEGIC DIRECTION** section lays out the marketing vision, mission and goals from the CCMDC Strategic Marketing Plan. The process for establishing marketing targets is then outlined, followed by discussion on value-based targets. Canadian beef market positioning is also covered here and explains the value proposition and efforts to increase industry support towards ensuring animal health and food safety.

The **MARKETING STRATEGY** follows and is presented in two sub-sections:

The ***first sub-section*** summarizes the development of the *Canadian Beef Advantage* and brand strategy. The basis for the branding strategy is a value proposition that defines unique product attributes with proof points, referred to in this document as the *Canadian Beef Advantage*. This will be communicated through a visual identification mark (logo), along with positioning statements (slogans) that are being developed for use in all markets.

The ***second sub-section*** outlines the specific market development programs for each market including:

- Genetics
- Domestic (Canada)
- Commercial Beef
- United States
- Mexico
- China (including Hong Kong, Macau, Mainland China)
- Japan
- Taiwan
- South Korea
- Export Preparedness for Mexico, Asia and Emerging Markets
- Alberta-Based Supplementary Marketing Initiatives

Marketing program sections include 2008 marketing targets, environment scan, objectives, goals and tactics.

The **BUDGET AND FUNDING** section presents the 2008/09 consolidated marketing budget, followed by the CCMDC administration budget and allocation from the Canadian Beef and Cattle Market Development Fund.

REPORTING AND COMMUNICATION overviews the interim and year-end reports, and financial summaries and audited statements that will be provided for this plan.

Last but certainly not least, the **IMPACT OF THE MARKETING STRATEGY** section summarizes how results will be measured through an evaluation framework being applied across all markets that includes **standardized market indicators and performance measures**.

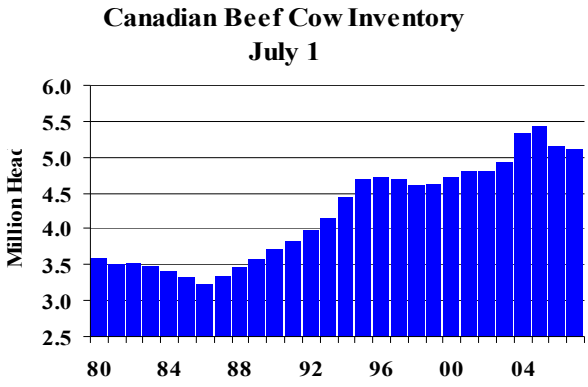
APPENDICES include a backgrounder about the Canadian Beef and Cattle Market Development Fund and governance, followed by the 2008/09 budgets of the major fund recipients and Canadian beef industry marketing organizations – Beef Information Centre, Canadian Beef Breeds Council, and Canada Beef Export Federation.

III MARKET CONTEXT

The market context section was provided by CanFax Research Services, Canada's source for cattle market information. CanFax Research Services is a division of the Canadian Cattlemen's Association.

Canadian Cattle Inventory

The most recent inventory report released by Statistics Canada provides July 1, 2007 cattle inventory numbers. Canada's national herd declined for the second consecutive year as the breeding herd fell in most provinces. As of July 1, 2007 cattle inventories sat at 15.9 million head, down one per cent from last year. After the dramatic decline seen between 2005 and 2006 when inventories fell 880,000 head and the more moderate decrease of 115,000 head over the last year – Canadian cattle herd numbers more closely reflect pre-BSE inventory levels of 15.4 million head.



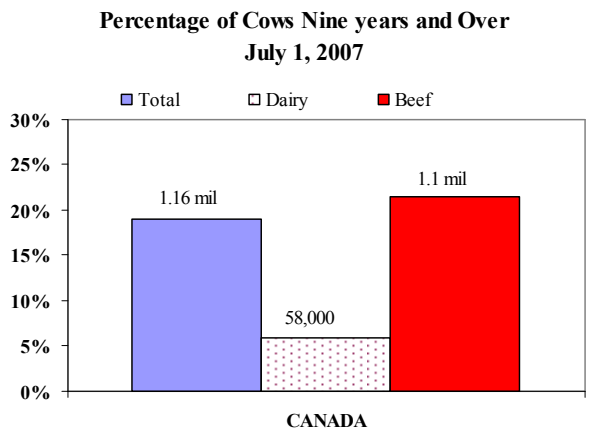
Source: Statistics Canada, CanFax

In Alberta, the largest cattle producing province, the herd rose 2.7 per cent between July 1, 2006 and July 1, 2007. This was due to greater demand for steers and heifers among feedlot operators. The increase in Alberta's cattle herd was offset by declines in inventory levels in other provinces. By far the largest decrease in cattle numbers occurred in Manitoba, which saw a decline in numbers of 8.3 per cent from 1.68 million head to 1.54 million head. Ontario cattle inventories decreased 3.9 per cent, 2.1 per cent in Quebec, 1.8 per cent in British Columbia, and 0.6 per cent in Saskatchewan.

CANADIAN CATTLE INVENTORY Jul 1 (000 head)			
	2006	2007	07 as % of 06
Total	16,000	15,885	-0.7%
Bulls	267.6	263.5	-1.5%
Milk Cows	1,005.4	979.6	-2.6%
Dairy Heifers	503.5	480.0	-4.7%
Beef Cows	5,204.6	5,112.9	-1.8%
Heifer Replacements	700.8	668.3	-4.6%
Heifer Slaughter	1,247.4	1,289.6	+3.4%
Steers (>1 Yr)	1,655.3	1,790.5	+8.2%
Calves (<1 Yr)	5,415.4	5,300.6	-2.1%

Reductions in the Canadian cattle herd can be attributed to record high domestic cow slaughter and the resumption of live cattle trade to the U.S., which has resulted in the export of large numbers of fed and feeder cattle. Strong domestic cash markets also encouraged heifers to move into feedlots. Beef cow numbers in Canada declined two per cent to 5.1 million head, while beef replacement heifers declined 4.6 per cent to 668,000 head. At the same time, beef heifers for slaughter increased 3.4 per cent to 1.29 million head and steers increased 8.2 per cent to 1.79 million head. With a smaller beef cow herd, July 1 calf inventories are down two per cent to 5.3 million head. As of July 1, the total feeder supply (> one year of age) was estimated to be 3.08 million, up 4.5 per cent from the same time last year.

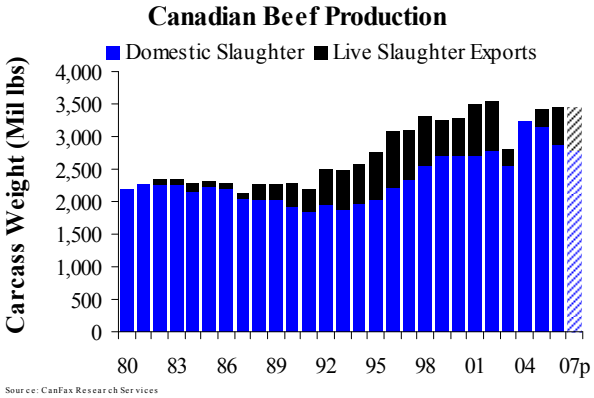
In July 2007, 19 per cent of the 6.09 million cows on-farm were nine years or older (born prior to 1998). The number of older cows in the Canadian cattle herd decreased from July 2005 when 31.6 per cent of cows were born prior to 1998. The most recent inventory of older beef cows was 1.1 million head or 21.5 per cent of all beef cows, which has been reduced from 35 per cent in 2005. As a result of more aggressive culling in the dairy sector, only 58,000 head (5.9 per cent) of dairy cows were reported as nine years or older in 2007.



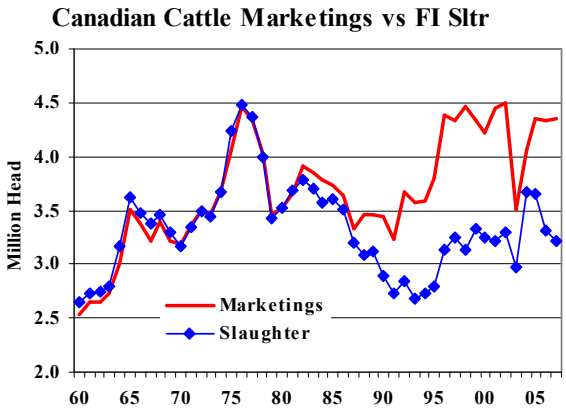
The inventory of older animals born prior to 1998 and the full implementation of the feed ban in 1997 are monitored in order to demonstrate that there has been a reduction in these inventories. While these older animals are not a food safety concern given the stringent safety measures Canada has in place to manage the removal and disposal of specified risk materials, continued interest has been seen by importing countries as to the number of animals that were born prior to the full implementation of the feed ban. With strong domestic cow slaughter in both 2006 and 2007 and the resumption of over-30-month live cattle exports to the U.S., there has been a significant reduction in older animals which is expected to continue moving forward.

Beef Cattle Marketings and Production

Canadian beef production volumes account for both domestic slaughter and net live slaughter cattle exports, in order to provide industry with an understanding of what the Canadian cow herd is capable of producing. Canadian beef production reached near record levels in 2005 at 3.5 billion pounds and remained steady in 2006. Projections for 2007 have total beef production increasing slightly to 3.51 billion pounds.



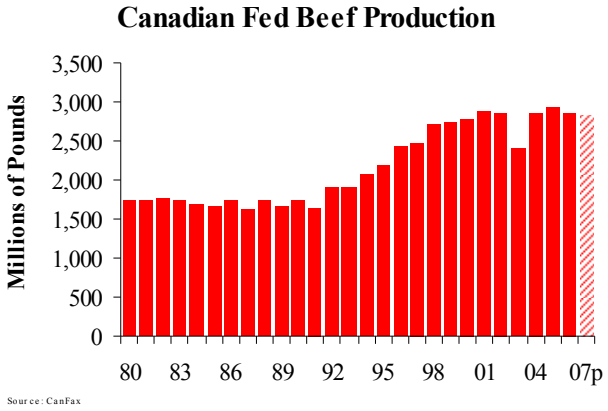
While total beef production increased in 2007, the proportion of beef production derived from domestic slaughter decreased from a high of 92 per cent in 2005 to 81 per cent in 2007. Total cattle marketings increased slightly to 4.35 million head in 2007, but federally inspected domestic slaughter is projected to fall three per cent from 3.32 million head in 2006 to 3.22 million head in 2007. With slaughter cattle exports estimated to reach 800,000 head in 2007, the reduction in domestic cattle slaughter is expected. Beef production derived from domestic slaughter is projected to decrease 2.4 per cent in 2007 to



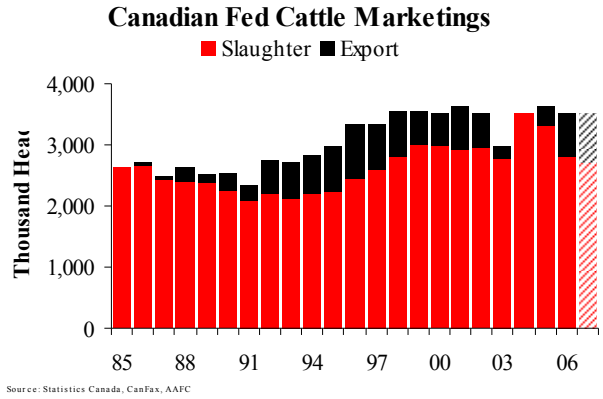
2.798 billion pounds, while beef production from slaughter cattle exports is expected to increase 13.6 per cent to 643 million pounds.

FED BEEF PRODUCTION

Large volumes of feeder cattle exports and a reduced calf crop in 2006 and 2007 resulted in fed cattle marketings declining slightly in 2007 to 3.52 million head. Fed cattle marketings for domestic slaughter are estimated to decrease 3.4 per cent in 2007 to 2.72 million head, whereas fed exports to the U.S. are projected to increase 13.6 per cent and reach 800,000 head.

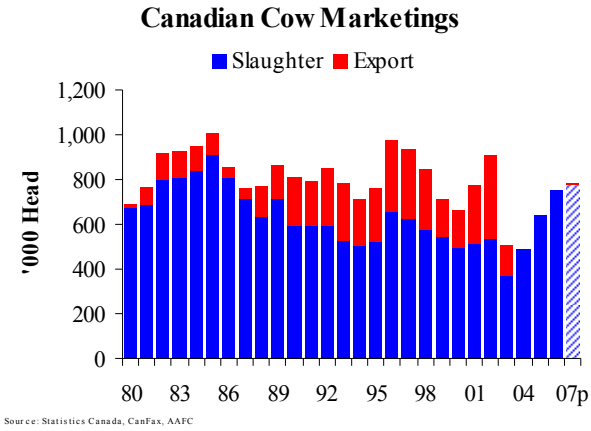


In addition to reduced fed cattle marketings in 2007, carcass weights are also estimated to decrease as a result of a higher cost of gain in feedlots that increased finishing costs and encouraged more aggressive marketing of fed cattle. When both reduced marketings and carcass weights are taken into consideration, fed beef production is estimated to fall one per cent in 2007 to 2.84 billion pounds. While only a slight decrease in fed beef production is expected, the distribution of this production between domestic slaughter and slaughter cattle exports is expected to shift, with the share of fed beef production made up by slaughter cattle exports increasing from 20 per cent in 2006 to 22.7 per cent in 2007. This results in a decline in domestic fed beef production of 3.8 per cent from 2.3 to 2.2 billion pounds.

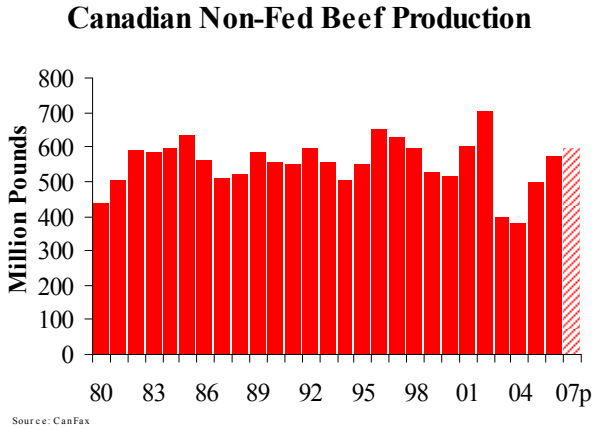


NON-FED BEEF PRODUCTION

After over four years of the U.S. border being closed to over-30-month cattle and beef, the implementation of Rule 2 in November 2007 saw the resumption of both over-30-month cattle and beef exports to the U.S. Despite the restriction that cattle must be born after March 1, 1999, slaughter cow exports for 2007 are expected to reach 10,000 head. Total slaughter cow marketings for 2007 are expected to surpass year-ago levels of 752,000 and total 784,000 head. Domestic cow slaughter is estimated to be up three per cent from last year and account for 774,000 of total slaughter cow marketings. The 2007 cow slaughter is expected to be the largest in Canada since 1985 when 909,000 cows were

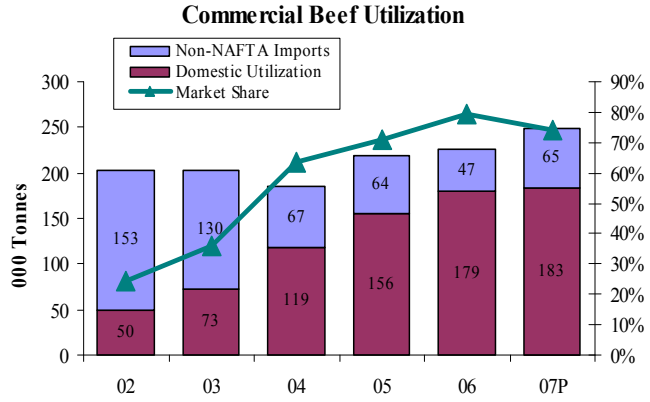


processed. With increased domestic and export slaughter cow marketings, non-fed beef production (also known as commercial beef) is projected to reach 596 million pounds in 2007, up 3.6 per cent from 2006. In terms of total beef production, the decrease in fed beef production was more than offset by the increase in non-fed beef production in 2007.



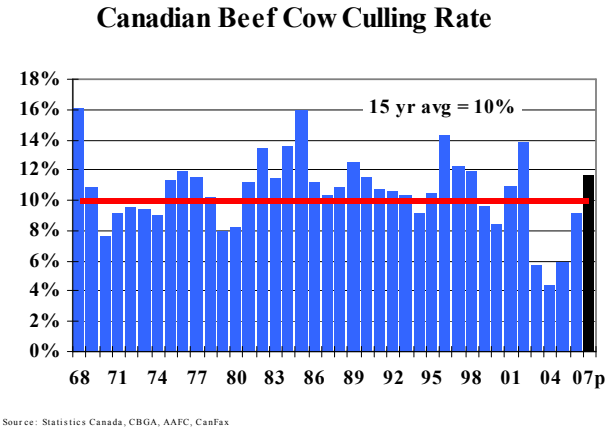
While non-fed production is expected to be record large in 2007, it is important to remember that until the implementation of Rule 2 in the U.S. in November, few countries were accepting Canadian beef produced from over-30-month animals. Consequently very little of our non-fed production was exported in 2007 (estimated to be less than one per cent) and was instead consumed domestically. The domestic commercial beef market consists of all domestically produced non-fed beef, less exports, plus non-NAFTA beef imports. The majority of commercial beef imports come from non-NAFTA countries (New Zealand, Australia, Brazil, and Uruguay) whose product is considered to be similar to Canadian non-fed beef.

In 2007, the Canadian commercial beef market is expected to increase 22,000 tonnes to total 248,000 tonnes (boneless). At the same time, the utilization of domestic non-fed beef production is expected to increase 2.2 per cent to 183,000 tonnes. With continued strength in prices for manufacturing beef, non-NAFTA beef imports have increased 38.5 per cent in 2007 and are projected to reach 65,000 tonnes. While non-NAFTA imports have increased, Canadian non-fed beef production continues to maintain a dominant share of the commercial beef market. In 2002, domestic non-fed beef production made up 25 per cent of commercial beef consumed in Canada, whereas in 2006 domestic market share reached a record high of 79 per cent. Market share for domestic non-fed beef production in 2007 is expected to decline slightly, to total 74 per cent of all commercial beef consumed.



Beef Cow Culling Rates

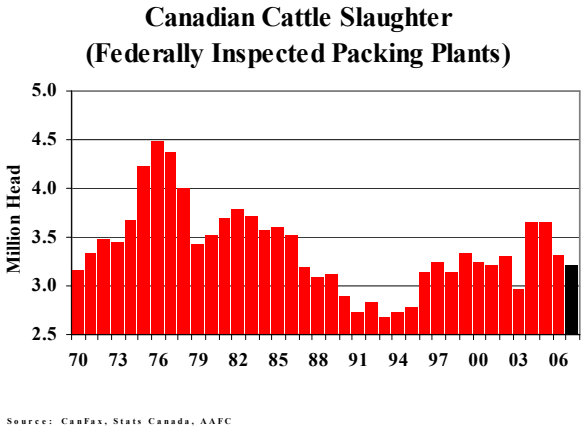
With record large cow slaughter in 2006 and 2007, the beef cow culling rate (percentage of beef cows removed from the herd) returned to more normal levels at 9.1 per cent in 2006 and 11.3 per cent in 2007. With strong slaughter cow prices in 2007 and decreased profitability in the cow-calf sector (due to reduced feeder cattle prices), larger numbers of cows have been moved to slaughter. The 2007 beef cow culling rate is above the 15-year average of 10 per cent which has resulted in



continued reductions in the beef cow herd. Moving into 2008, the liquidation of beef cow inventories is expected to continue due to losses in the cow-calf sector and continued improvement in cow prices with the reopening of the U.S. border to over-30-month cattle and beef which is expected to support current slaughter levels as well as slaughter cow exports.

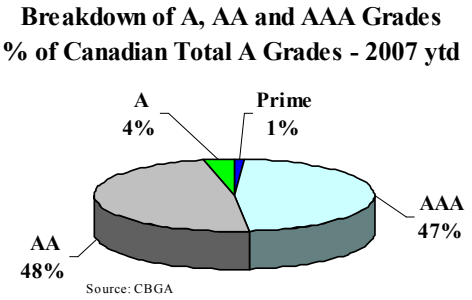
Domestic Slaughter and Grading

Total slaughter (federally and provincially inspected) is estimated to be 3.22 million head in 2007, down three per cent from 2006 when 3.32 million head were slaughtered. Reductions in domestic slaughter in 2007 are a result of three major factors including: 1) the large number of fed and feeder cattle exports moving into the U.S. that are subsequently unavailable for domestic export, 2) higher relative labour and operating costs for Canadian plants due to labour shortages and an appreciating Canadian dollar, and 3) the implementation of enhanced regulations for the removal and disposal of specified risk materials in Canada that has resulted in higher relative costs for Canadian processors.



Steer slaughter is estimated to be three per cent lower in 2007 at 1.57 million head, while heifer slaughter is projected to be down four per cent at 1.09 million head. Meanwhile, cow slaughter in 2007 is estimated to be up three per cent at 774,500 head and bull slaughter is projected to be down eight per cent at 3,000 head. The composition of slaughter for 2007 is estimated to be similar to 2006 when the proportion of total kill made up by non-fed slaughter and fed slaughter was 23 per cent and 77 per cent respectively. Current estimates for 2007 indicate that 46 per cent of the total Canadian slaughter will be steers while heifers will make up 31 per cent. Cow slaughter will make up an estimated 21 per cent of total Canadian slaughter in 2007, while bull slaughter is projected at two per cent of total slaughter.

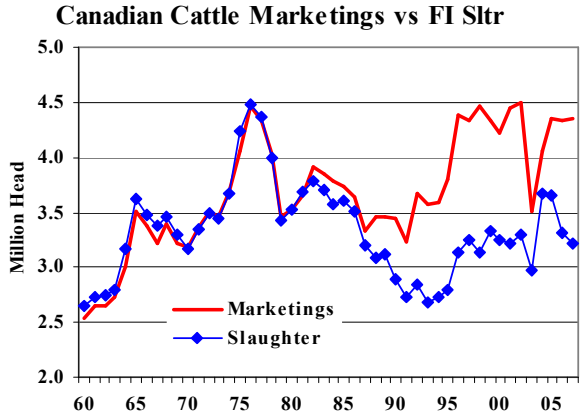
Current estimates indicate that 83 per cent (2.67 million head) of Canadian beef slaughter will be graded. The number of A grade carcasses is projected to be 2.1 million head and will account for 88 per cent of graded carcasses. Of total A grade carcasses, AAA grades will make up 47 per cent, while AA and A grades will total 48 per cent and four per cent respectively.

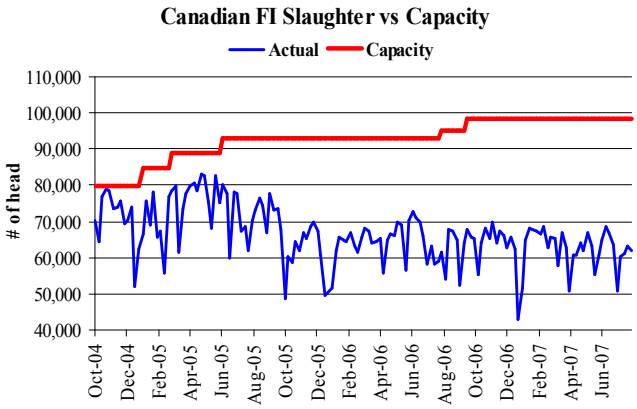


SLAUGHTER CAPACITY & UTILIZATION

The difference between total cattle marketings and federally inspected slaughter narrowed significantly in 2003 and 2004 when live cattle trade was restricted. In 2005, with the resumption of live cattle trade a more normal spread emerged. The 10-year average (1993-2002) for federally inspected slaughter as a percentage of total marketings is 74 per cent. In 2003 and 2004 this

percentage increased to 85 per cent and 90 per cent respectively. The proportion of marketings slaughtered in federally inspected plants dropped to 77 per cent in 2006 and is expected to fall back to the 10-year average of 74 per cent in 2007. The continued reduction in the proportion of marketings slaughtered domestically has implications for the utilization of Canadian slaughter capacity.



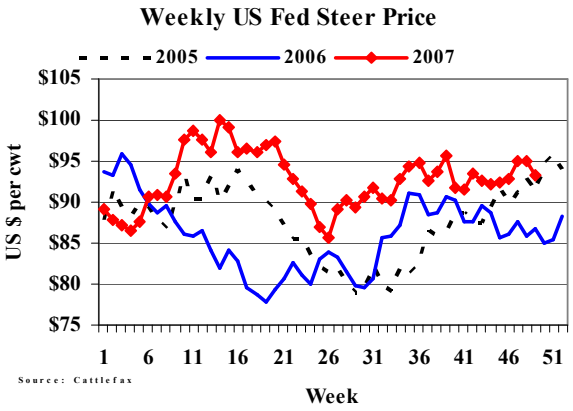


Since 2003 slaughter capacity in Canada has expanded. Total Canadian weekly slaughter capacity increased from 80,000 head in 2004 to 98,200 head the beginning of 2007. While the weekly slaughter capacity has increased, utilization has decreased from 65 per cent in 2006 to an estimated 59 per cent in 2007. Lower utilization rates have a negative impact on the operating costs (per head) of processors and consequently their profitability. Increased costs have resulted in weekly capacity dropping to 94,200 head in the fall of 2007 as some plants have closed or reduced production levels. Slaughter utilization rates are expected to continue to struggle in 2008 as a result of labour shortages in Western Canada and record high feeder cattle exports to the U.S. in the fall of 2007, which led to smaller fed cattle supplies available for domestic slaughter or export in 2008.

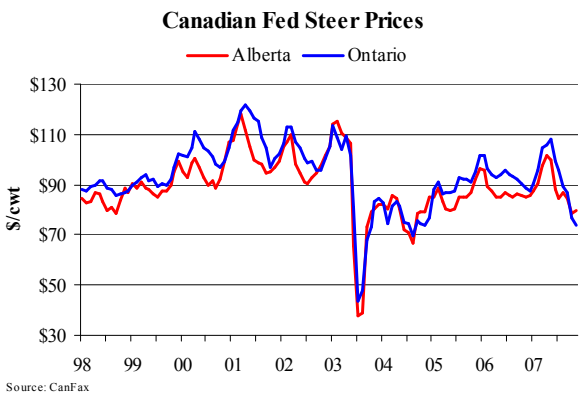
Prices

FED CATTLE

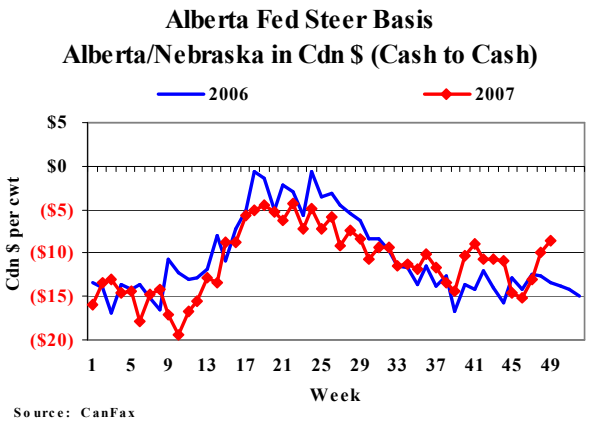
U.S. fed cattle prices rose from $91/cwt at the beginning of July to $100/cwt by the beginning of September 2007. Prices have traded in the $86-100/cwt range since September. U.S. fed cattle prices have been supported by strong packer demand and high by-product values. By-product values reached record highs in 2007 due to demand for animal fats from the biofuels sector. The increase in by-product value in the U.S. is reported to have added $19 per head in 2007, with the increase in by-product value expected to remain over the long-run.



Alberta and Ontario fed cattle prices have averaged $89/cwt and $93/cwt from January to November in 2007. In Alberta, this represents a $3/cwt increase in price when compared to 2006 while Ontario prices have remained steady. Fed steer prices typically rally in the fall, however since September fed prices have declined. After levelling off in July and August in the $83-88/cwt range, prices turned down sharply in September and October to $78/cwt in Alberta due to a rising Canadian dollar and widening basis. Fed prices have not fallen below $80/cwt since November 2004. Before that, prices had not dropped below $80/cwt since September of 1998.



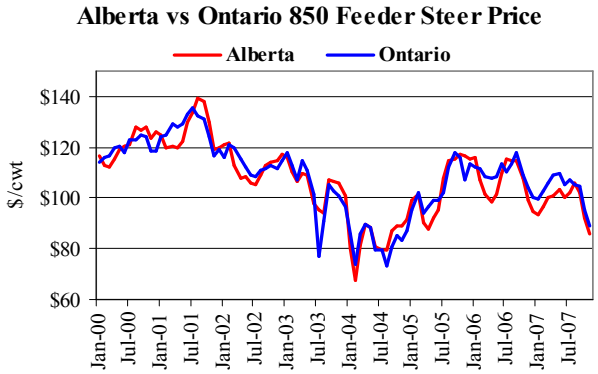
The fed cattle basis, which is the difference between U.S. and Canadian fed cattle prices, has run contra-seasonal to the long-term trend in both 2006 and 2007, narrowing in the summer and then widening in the winter months. With smaller margins in the Canadian cow-calf sector, producers have moved to later calving dates which has created a shortage of fed cattle available in late May and early June. This tightens the basis in late spring and early summer. Similar to 2006, basis levels in 2007 have been wider in the first quarter ($15) than in the summer months ($7). Moving into the fall of 2007, the fed cattle basis has widened again ($11). Overall the basis in 2007 has been slightly wider at $11 year-to-date compared to $10 in 2006.



Higher costs at the packing plant due to implementation of the enhanced regulations for the disposal of specified risk materials and higher labour costs relative to U.S. plants, have contributed to the wider basis in 2007 and consequently lower fed cattle prices in Canada. Combining a wider basis with an appreciated Canadian dollar and increased competition from imported beef has resulted in fed cattle prices in Canada facing significant pressure in the latter part of 2007.

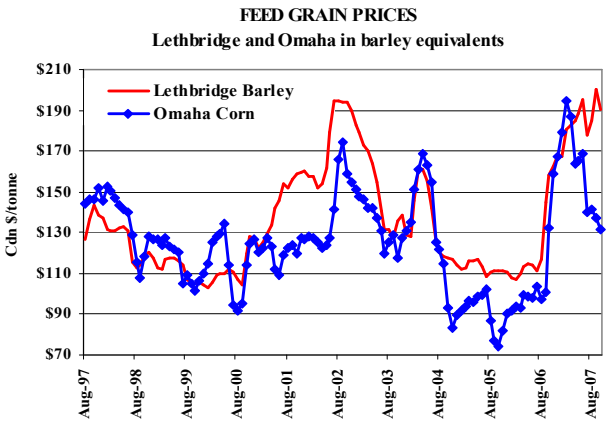
FEEDER CATTLE

Alberta and Ontario 7-800 feeder steer prices averaged $98/cwt and $103/cwt from January to November 2007. This is a decrease of $9/cwt and $7/cwt respectively when compared to 2006 price levels. Feeder cattle prices have seen significant pressure in the latter part of 2007 as a result of higher feed costs and lower fed cattle prices. The high Canadian dollar, a wide cash-to-cash basis (averaging $19/cwt year-to-date), and higher Canadian feed costs relative to the U.S.



have all contributed to increased feeder cattle exports to the U.S. where the cost of gain is lower. Feeder cattle exports are projected to be 18.6 per cent higher in 2007 when compared to 2006. This level of exports has never been seen before outside of a drought year such as 2002. The large volume of feeder cattle exports this fall will have a substantial impact on the supply of fed cattle available within Canada for domestic slaughter or exports as fed cattle in 2008.

While U.S. corn prices have declined from the highs reached earlier in 2007 due to slower than expected ethanol development in the U.S. and record high corn production, barley prices have not seen a similar decline. With strong global demand for feed grains and tight domestic barley supplies due to a limited production response in 2007 (as a result of strong competition for acreage from wheat and other crops), Lethbridge barley prices have remained high. In October, Lethbridge barley prices reached $200/tonne ($4.35/bu). At the end of 2006, Lethbridge barley prices were about $160-165/tonne ($3.50-$3.60/bu) which was a substantial increase from the average price in 2005 of $112/tonne ($2.44/bu). Increased barley prices have of course translated into a higher cost of gain which in turn translates into reduced feeder cattle prices.



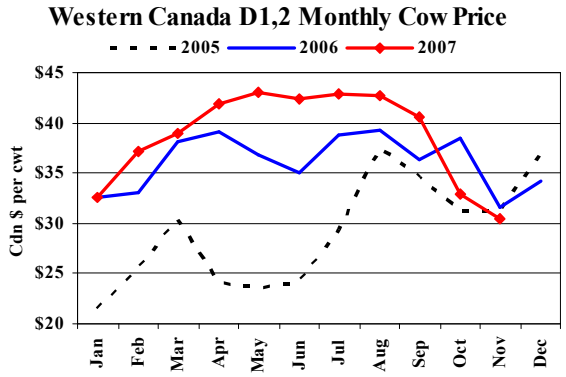
Moving into 2008, the Canadian feeder cattle market is expected to continue to face significant downward pressure. With July 2008 barley futures currently priced at $204.50/tonne ($4.45/bu), there does not appear to be anything in the foreseeable future to change the current cost of gain situation in Canada. At the same time, spring acreage allocations for both barley and corn will play a significant role in feed grain pricing and whether or not the cost of gain in Canada continues to remain offside with what has been seen in the U.S. Other factors that will also have a significant impact on the competitiveness of cattle feeding in Canada in 2008/09, as compared to the U.S., include global feed grain demand and crop conditions throughout the growing season.

Feeder cattle futures for October 2008 are US$111/cwt, which puts the Canadian feeder market at $92/cwt with a par dollar and $19/cwt basis. A wide basis and a lower cost of gain in the U.S. are expected to continue to encourage large numbers of Canadian feeder cattle to be exported to the U.S. in 2008. High feeder cattle exports, combined with a smaller calf crop in 2008 given a projected contraction in the beef cow herd, will decrease the number of cattle on feed in Canada in both 2008 and moving into 2009.

COW PRICES

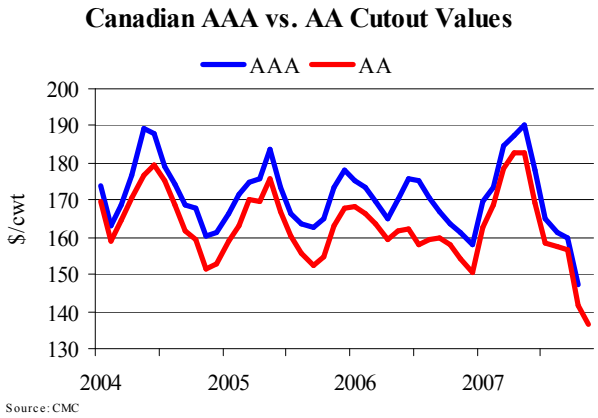
Western Canadian cow prices have averaged $38/cwt from January to November 2007. This is a $2/cwt increase from the 2006 average. Cow prices typically decrease in the fall as calves are weaned and larger volumes of cows move to market. Prices typically then strengthen in December and January. In general, the seasonal trend was followed in 2007 but increased demand for cows saw an overall shift in the price level upwards. Moving into 2008, cow prices are expected to continue to strengthen as result of the implementation of Rule 2 in the U.S. that allows for the export of live cattle and beef from cattle over-30-months of age. While the export age requirement

(animals must be born after March 1, 1999) is expected to limit beef cow exports, the ability to export over-30-month beef will likely support strong demand for cows for domestic slaughter in Canada. This should support Canadian cow prices, with prices increasing more in line with U.S. cow prices. However, Canadian cow prices are not expected to arbitrage with U.S. cow prices given the export and age verification requirements in place.

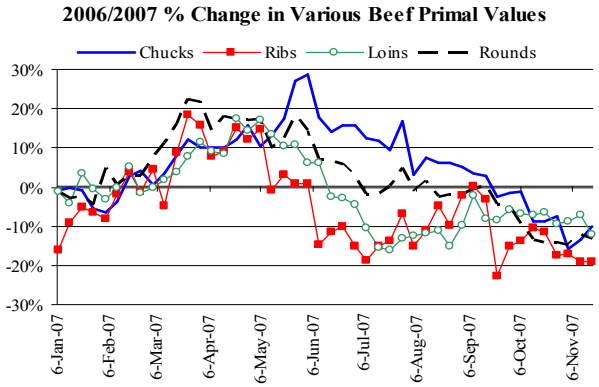


BOXED BEEF CUTOUT VALUES

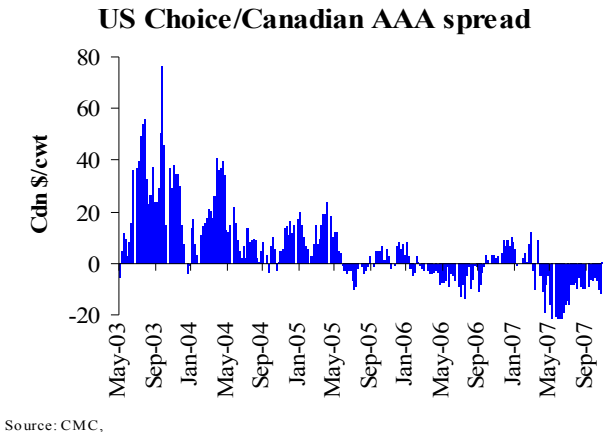
The AAA cutout value has averaged $169/cwt thus far in 2007 which is the same as the 2006 average. The AA cutout value has averaged $163/cwt in 2007, $3/cwt higher than the 2006 average. The AAA and AA cutout values have been steadily declining since early July. October cutouts were $15/cwt below 2006 prices at $148/cwt and $142/cwt for AAA and AA respectively. Beef cutout values at current levels have not been seen since August 2003. The beef cutout has been under pressure as a result of large supplies of competitive meats that are available at relatively low prices. North American pork supplies have been large as a result of increased production, which has depressed prices and made it a relatively cheap protein alternative. Pork supplies are expected to have a strong influence on the meat market moving into 2008. Poultry pricing has remained relatively strong when compared to beef, however high demand continues to support this market and move product.



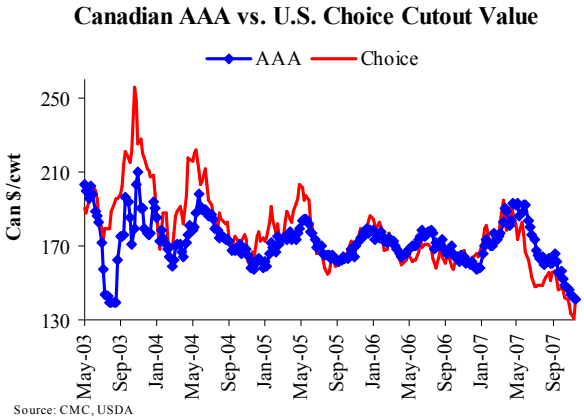
This chart shows the year-over-year percentage changes in the various AAA primal values between 2006 and 2007. Increases in primal values for rounds, ribs and loins supported the boxed beef value in the spring of 2007. Year-to-date primal chuck and round values are higher at $1.13/lb and $1.34/lb compared to $1.08/lb and $1.31/lb in 2006. Rib and loin primal values averaged lower at $2.57/lb and $3.20/lb compared to $2.71/lb and $3.22/lb in 2006. In general, primal values in 2007 traded above 2006 levels through the first half of the year. However, since July primal values have fallen to below 2006 prices, which in turn brought the entire cutout value down. As mentioned previously, the decline in cutout values is due to large supplies of alternative competitively priced proteins, as well as the appreciated Canadian dollar which has resulted in downward pressure being placed on Canadian cutout prices.



In order to allow for comparison between Canadian and U.S. boxed beef markets, the U.S. cutout has been converted to Canadian dollars. A negative value indicates the Canadian cutout is trading at a premium to the U.S. cutout. A significant shift occurred in 2007: with reduced beef supplies and Canadian beef prices struggling to keep up with the rapidly changing dollar, the Canadian cutout has traded at a premium to the U.S. cutout for much of the year. The premium of the Canadian cutout value has encouraged a significant increase in beef imports from the U.S. into Eastern Canada.

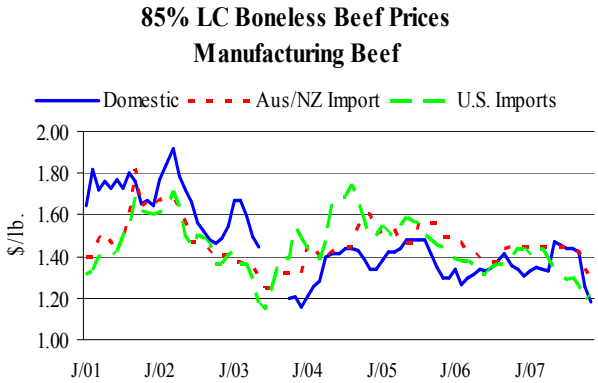


Similar to AAA/Choice values, AA/Select values peaked in the spring and have been moving lower ever since. The AA cutout value has been higher than the Select cutout value since July 2005. This spread narrows in November for the winter months during the holiday season when the Select cutout gains value. In 2007, the AA/Select spread has been wider at $11/cwt compared to $10/cwt in 2006. This is also wider than the AAA/Choice spread of $7/cwt in 2007 and $2/cwt in 2006.



Over-30-Month Beef Values

Over-30-month beef values are difficult to measure as cow cutout prices are not reported in Canada. Consequently, the best proxy measure available at this time is 85 per cent boneless beef prices because a significant portion of commercial cow beef is trim. Domestic 85 per cent boneless beef prices have historically been higher than imported trim product. However, since 2003 domestic prices have been lower than imported prices due to a captive supply of Canadian cows and beef from over-30-month animals in the domestic market. This situation changed in May 2007 when U.S. imported beef prices dropped below domestic trim prices and consequently encouraged increased U.S. beef imports. Australian/New Zealand imported prices have traded at similar levels to domestic prices since May, further increasing competition in the commercial beef market.



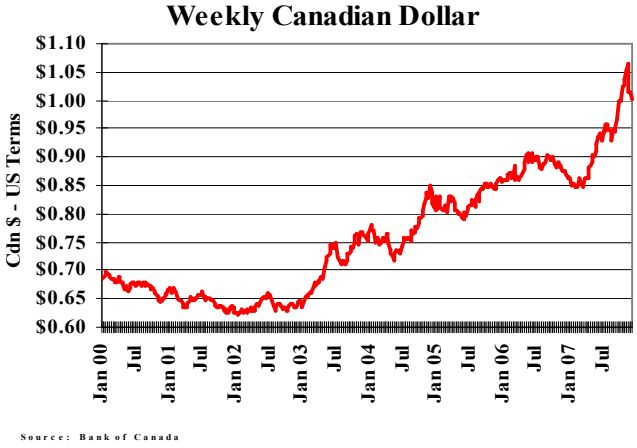
This return to historical price levels (with domestic beef at a premium to imported 85 per cent boneless beef) is expected to continue in 2008. With resumption of over-30-month beef exports to the U.S. in November 2007, a portion of domestic commercial beef production will likely move to the U.S. This will tighten domestic commercial beef supplies and is projected to increase domestic

boneless beef prices. At the same time, cow slaughter in the U.S. and Australia have both been high and are expected to continue to remain high moving into 2008 as a result of drought and uncertainty in the marketplace that has limited herd expansion. This could increase trim supplies available in the global market and place some downward pressure on overall trim prices. Even if global trim prices do see some downward pressure, Canada still has the opportunity to increase the value of over-30-month product with the expansion of market access for this product and resumption of more normal trading trends.

Exchange Rate

Throughout 2006 and 2007 the Canadian dollar has continued to appreciate and reached par with the U.S. dollar on September 20, 2007 for the first time since 1976. The Canadian dollar has also made gains against 14 other major currencies during this time period. Strong commodity prices, a healthy economy, and the weakening U.S. dollar are the main factors supporting the strength of the Canadian dollar. Canada has benefited from rising demand for oil, copper, gold, and wheat from the U.S. and emerging economies such as India and China. The strength in the Canadian dollar can be attributed to Canada's large resource sector and resource exports (with Canada having the largest oil reserves outside of the Middle East), and being the world's largest producer of uranium and the second largest exporter of natural gas. With respect to the U.S., the U.S. current account deficit, which reached $862 billion in 2007, and a burgeoning national debt have resulted in the depreciation of the U.S. dollar relative to most other major currencies.

Currently it is expected that in 2008 there will be continued strength in global oil and resource markets. Consequently, exports from Canada's resource sector will continue to support a high Canadian dollar relative to other major currencies. At the same time, the U.S. economy is expected to continue to weaken moving into 2008 which will limit the U.S.'s ability to increase interest rates to protect the U.S. dollar. While a boost in U.S. interest rates would prop up the weak U.S. dollar, in the near-term interest rates are expected to remain low and possibly see further cuts to support the domestic economy. This will result in a continued depreciation of the U.S. dollar. At time of writing, the majority of financial analysts in Canada are expecting the dollar to remain at parity or slightly above the U.S. dollar for 2008.

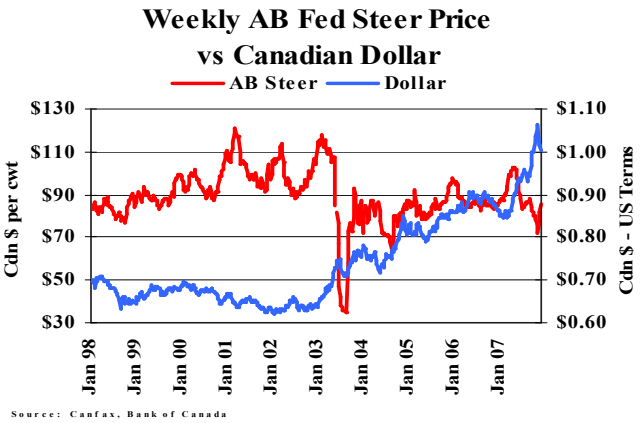


Since January 2007 the Canadian dollar has increased 27 per cent. After reaching a high of US$1.10 in early November, the dollar has declined significantly and is now trading just around par with the U.S. dollar. The beef industry and other export-oriented industries have been significantly challenged by the appreciated dollar. The value of the Canadian dollar relative to the U.S. dollar has always played a direct role in determining the price of Canadian cattle and beef, as Canadian prices are determined by U.S. prices due to the ability to arbitrage in an open North American market. Consequently there exists a highly correlated inverse relationship between the exchange rate and cattle and beef prices. At times, the role of exchange rate has seemed small compared to other market factors that existed.

Presently, due to the increased value and high volatility in the dollar, any change in the dollar is almost immediately felt in the cattle and beef markets.

In the second half of 2007, the volatility of the Canadian dollar has been one of the largest factors influencing fed cattle prices. With generally static fed cattle supplies and domestic plant utilization rates, there is no other market fundamental lately or expected in the near future that influences the market from week to week like the Canadian dollar. Using the Alberta fed cattle price at time of writing of $81.22/cwt, a $0.05 move in either direction of the Canadian dollar would result in a $4-$4.50/cwt change in the fat cattle market in the opposite direction. Feeder cattle and beef prices have also not been immune to moves in the Canadian dollar, seeing similar trends to that discussed for fed cattle. Consequently as we try to predict beef, fed cattle, and feeder cattle prices moving forward, if and to what level the dollar moves will greatly influence local prices and overall industry profitability.

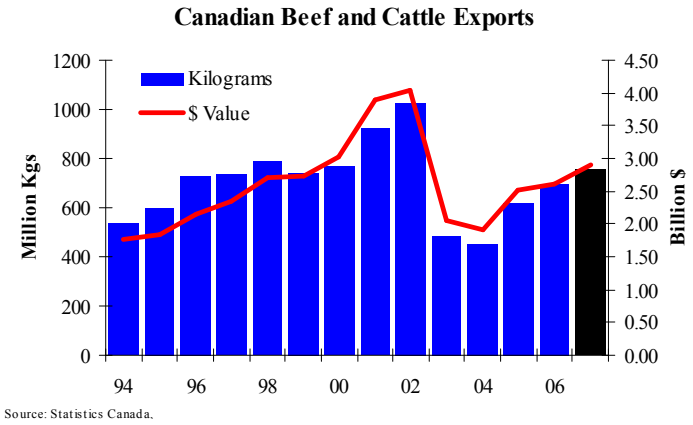
An appreciated Canadian dollar also has a significant impact on the competitiveness of Canadian packers relative to their U.S. counterparts. When U.S. operations evaluate their Canadian plants, the Canadian dollar is converted to U.S. dollars. When comparing packing plant costs at the margin on a U.S. dollar basis, an appreciating Canadian dollar makes Canadian plant costs higher and erodes their competitiveness when compared to U.S. counterparts. The appreciating dollar has meant Canadian packers must more closely align their operating costs to improve their competitive position, which is a challenge in light of current labour shortages that have resulted in higher labour costs.



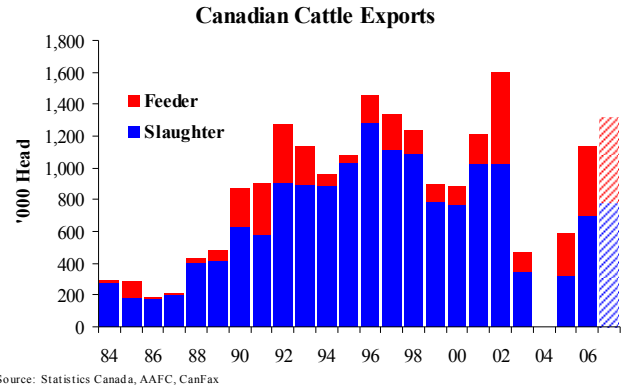
Trade

Canadian Beef and Cattle Exports

In 2007, Canadian exports of beef and live cattle are expected to be up eight per cent from 698,000 tonnes in 2006 to 754,000 tonnes in 2007. The total value of beef and live cattle exports is projected to increase 11 per cent from $2.61 billion to $2.89 billion during the same time period. Both beef exports and live cattle exports are projected to be higher in 2007. While beef exports are expected to increase two per cent to 377,000 tonnes, live cattle exports to the U.S. are projected to be up 16 per cent.

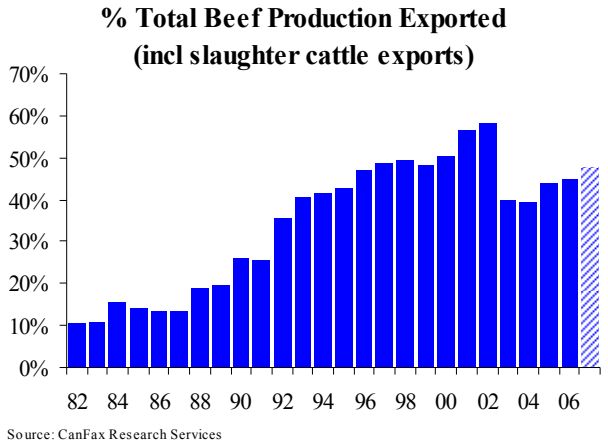


Both slaughter and feeder cattle exports to the U.S. in 2007 have substantially increased. Slaughter cattle exports are expected to be up 15 per cent from 704,000 head in 2006 to 807,000 head in 2007. Several factors have been involved in the continued strength of slaughter cattle exports to the U.S. Struggling utilization rates in domestic slaughter plants caused by high labour costs and labour shortages has meant lower domestic slaughter levels. In addition, the implementation of enhanced regulations for the removal and disposal of specified risk materials in Canada has resulted in higher relative costs for Canadian processors when compared to their U.S. counterparts. Weaker demand by domestic packers and higher operating costs has reduced the ability of domestic packers to bid aggressively for fed cattle, and consequently encouraged fed cattle to move into the U.S. where strong beef demand and packer competition has fuelled increased slaughter and competitive bidding for Canadian cattle.



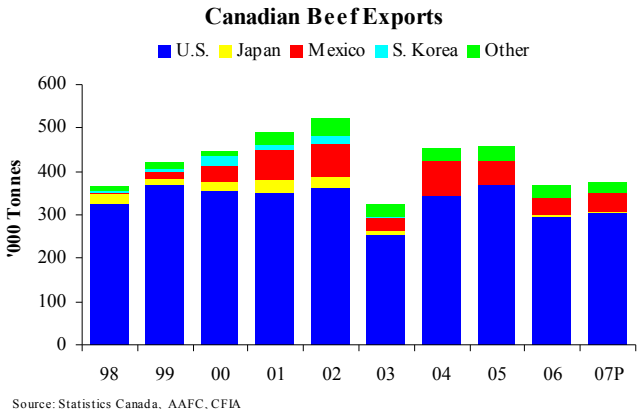
Of more significance to future beef supplies is the large increase in feeder cattle exports that has occurred in 2007. Feeder cattle exports are estimated to be up 18.6 per cent from 2006 levels and total 516,000 head. The last year to see such a large level of feeder cattle exported was in 2002 when 575,000 head were shipped south due to a severe drought in Western Canada. Large feeder cattle exports in 2007 can be attributed to a wider basis and higher costs of gain in Canada relative to the U.S.

To evaluate the proportion of beef production that is exported, total beef exports and slaughter cattle exports are considered against total beef production. In 2007, exports are projected to continue to climb accounting for 48 per cent of total beef production. This is a three per cent increase from 2006 when 45 per cent of total beef production was exported – and is similar to the late-1990s. While continuing to climb, the current proportion of beef production that is exported remains below the five-year pre-BSE average (1998-2002) of 53 per cent.



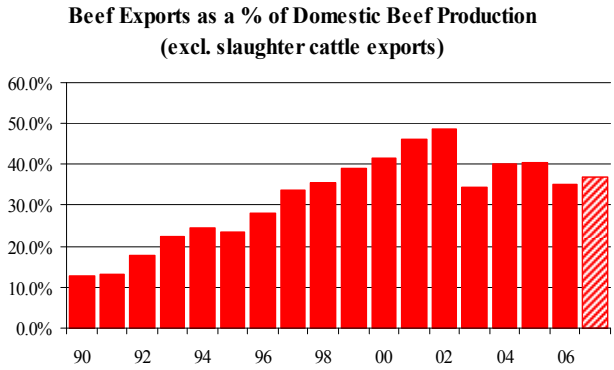
Canadian Volume and Value of Beef Exports

Exports of beef and beef products in 2007 are expected to be up two per cent, from 368,000 tonnes in 2006 to a projected 376,600 tonnes. The value of beef exports is also expected to be up two per cent from $1.33 billion in 2006 to a projected $1.36 billion. Despite reduced available domestic beef supplies, resulting from reduced



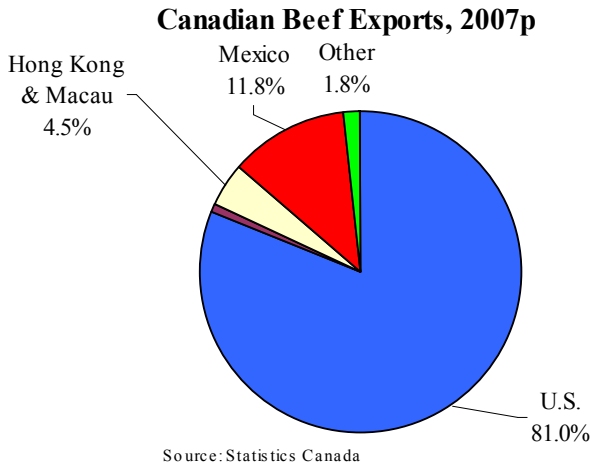
domestic beef slaughter, beef exports have been strong in 2007.

When beef exports are considered as a per cent of domestic beef production (excluding slaughter cattle exports), beef exports as a per cent of production declined from 40 per cent in 2005 to 35 per cent in 2006. With higher beef exports in 2007 and lower domestic beef production, beef exports as a per cent of domestic production are expected to increase to 37 per cent in 2007. This still remains slightly below the five year pre-BSE (1998-2002) average of 42 per cent.



The **United States** continues to be the largest importer of Canadian beef, accounting for 81 per cent of beef exports. The U.S. share of Canadian beef exports has increased considerably since 2002 when only 70 per cent of beef exports were shipped to this market. The shift in market share is partially attributed to continued trade restrictions in other key export markets for Canada. The U.S. market share of Canadian beef exports has been steady at 81 per cent since 2005. In 2007, the U.S. is projected to import 305,000 tonnes of Canadian beef, up two per cent from 2006. The value of beef exports to the U.S. is projected to be $1.1 billion, down one per cent from 2006. From January to November 2007, the majority of U.S. imports from Canada have consisted of trim (44%), boneless cuts (35%), offal (10%), and veal (4%). Bone-in product continues to represent only two per cent.

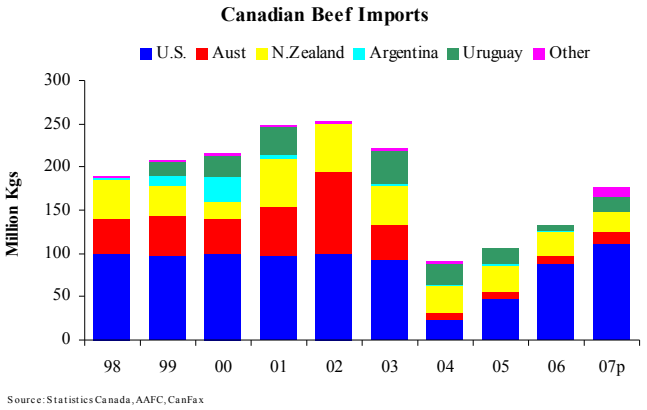
Mexico is the second largest export market for Canadian beef, importing 12 per cent of total Canadian beef volumes in 2007. Mexico is projected to import 44,000 tonnes in 2007. This is up 10 per cent from the previous year when 40,000 tonnes of Canadian beef were imported. The value of beef exports to Mexico is up 17 per cent in 2007 and projected to come in at just under $179 million. From January to November 2007, the majority of Mexican imports from Canada consisted of boneless cuts (78%) and offal (20%).



The third largest market for Canadian beef exports continues to be **Hong Kong and Macau.** In 2007, Hong Kong and Macau is projected to import 17,900 tonnes of Canadian beef, 4.5 per cent of total Canadian beef exports. This is a 17 per cent increase from 2006 when 15,336 tonnes were exported. The value of beef exports to Hong Kong and Macau are also higher, up 14 per cent in 2007 and projected to total $64 million. While Canadian beef exports to **Japan** are growing, a stringent age restriction has limited the amount of product moving into this market. In 2007, beef exports to Japan are projected at 4,000 tonnes – a 70 per cent increase from 2006. However, this is only 16 per cent of what was exported to Japan in 2002 (24,000 tonnes). The value of beef exports to Japan is up an estimated 33 per cent to $21 million in 2007.

CANADIAN BEEF IMPORTS

Beef imports still remain below pre-BSE levels but have continued to climb. In 2007, Canada is expected to import 176,600 tonnes of beef, a 33 per cent increase from 2006. With reduced domestic supplies of beef in Canada and increased beef exports, beef imports have increased to fill Canada's domestic demand. The majority of the increase in beef imports in 2007 was a result of higher U.S. beef shipments into Eastern Canada. Imports from the U.S. are estimated to reach 111,900 tonnes in 2007, an increase of 27 per cent from 2006 levels. If U.S. imports reach 111,000 tonnes, this will be the highest level since 1995 when 113,500 tonnes were imported. Imports from Uruguay are up strongly and projected at 16,000 tonnes in 2007, compared to 7,000 tonnes in 2006. Beef imports from Australia are also projected to reach 12,300 tonnes, an increase of 21 per cent. Beef imports from all other non-NAFTA countries are estimated to be down in 2007.

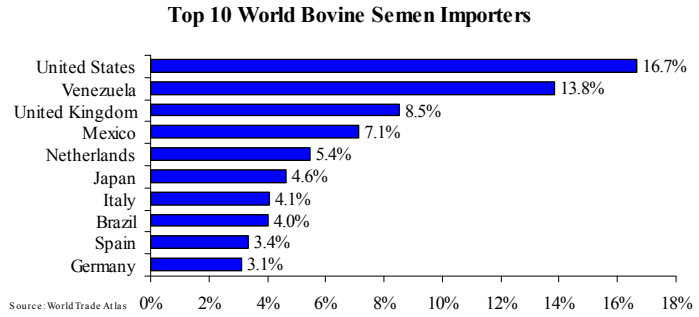


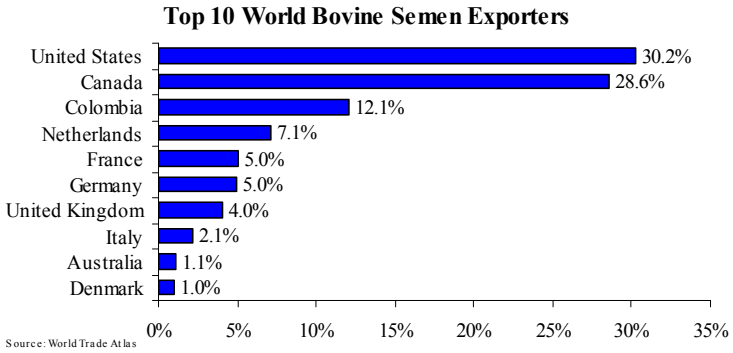
Genetics

Market information and trade data for Canadian beef cattle genetics continues to be developed to improve accuracy and timeliness. The following analysis is based on Statistics Canada data for beef breeding cattle, beef semen (by value only), and bovine embryo exports (beef and dairy). It is recognized that errors while coding live animal exports continue to be an issue as purebred breeding animals are coded as slaughter cattle. However, it is expected that these will slowly be eliminated and are significantly reduced in the 2007 data. Historic year-to-date data is unavailable, limiting year-over-year comparisons. However, as the current data system progresses, more historic data will be available for analysis. **As data is slowly being improved, it is important to focus on overall trends and not individual data points.**

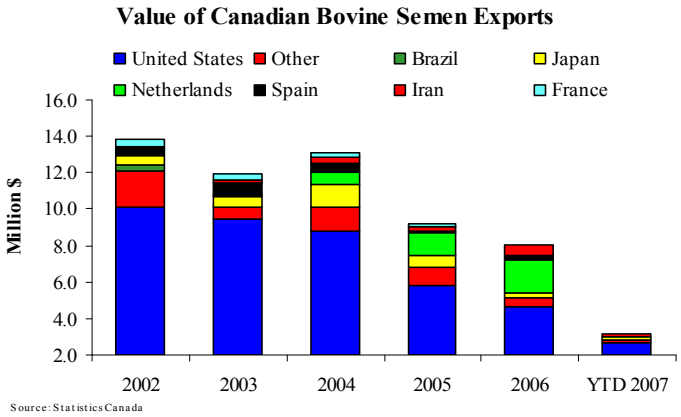
SEMEN

The World Trade Atlas reported world bovine semen trade in 2006 up 28 per cent in value. The largest importer of bovine semen was the United States with a 16 per cent share. This was followed by Venezuela with a 14 per cent share. Venezuela historically has held a very small share but increased bovine semen imports from $147,000 in 2005 to $33.6 million in 2006. This gives an indication of how volatile the world semen market can be from year to year as countries can move quickly from a very small presence in the market to a significant one. The United Kingdom moved from third to second place in 2004, gaining market share over Mexico. The United Kingdom had an 8.5 per cent market share in





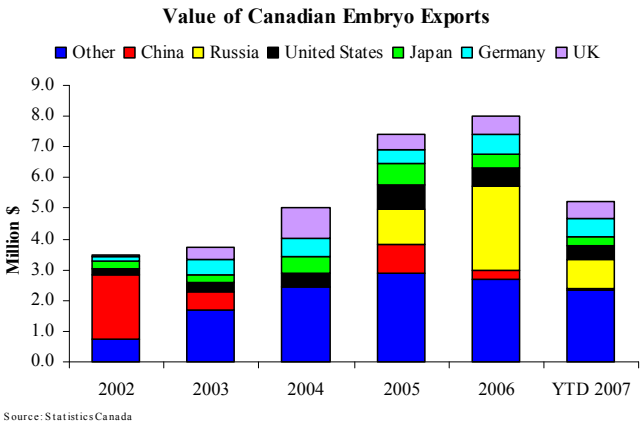
2006. In 2003, Mexico was the second largest importer of bovine semen, accounting for 8.5 per cent of all imports. Since then, Mexico's share of imports has fallen to fourth place (seven per cent). Canada was the second largest exporter of bovine semen with 28.6 per cent market share on a value basis in 2006. This is just behind the U.S. which accounted for 30.2 per cent of semen exports in 2006. After having minimal exports in 2005, Columbia accounted for 12 per cent of global bovine semen exports in 2006.



The Statistics Canada data shows a strong decline in beef semen exports in 2007. However, this is suspected to be partly due to insufficient data reporting. Therefore, while the overall trend for beef semen exports is down it is not expected to have declined to the extent the data has indicated. Beef semen value as reported by Statistics Canada is down 50 per cent for January to August as compared to 2006. Exports to all countries are down with the exception of Japan which is up three per cent compared to the same period in 2006. Most notably there have been no semen exports to the Netherlands or Spain compared to $1.7 million and $198,000 respectively from January to August in 2006. Exports to the United States and Iran are down 21 and 44 per cent in value. The United States is the largest market for beef semen at 84 per cent, followed by Japan and Iran with 5.8 per cent each, and all other countries with less than one per cent year-to-date in 2007.

EMBRYOS

Value of beef and dairy embryo exports are up 19 per cent in 2007 compared to the same period in 2006. Exports to France are up 253 per cent, China up 214 per cent, the United Kingdom is up 49 per cent, Germany is up 65 per cent, and the United States up two per cent. However, exports to Russia are down 24 per cent, Japan is down 18 per cent, Brazil is down 20 per cent, and Hungary is down 100 per cent. On a **value basis** in 2007 year-to-date, Russia has the largest market share with 17 per cent, followed by Germany (12 per cent), France (11 per cent), the United Kingdom (10 per cent), and the United States (nine per cent).



Volumes of beef and dairy embryo exports as reported by Statistics Canada are down 68 per cent in 2007. However, exports to France increased from 226 in 2006 to 2,063 in 2007 January to August, while exports to Germany increased from 303 in 2006 to 1,445 in 2007. On a **volume basis** in 2007 year-to-date, Russia has the largest market share of bovine embryos at 23 per cent, followed by France (16 per cent), Germany (11 per cent), the United States (nine per cent), and the United Kingdom (eight per cent).

BREEDING CATTLE

Exports of breeding beef cattle increased significantly in 2007 with an estimated 1,000 head exported year-to-date reported by Statistics Canada at a value of $3.2 million. Two large exports to Russia contributed to this success. Exports to Russia are continuing as trade relations develop. Russia recognizes that Canada has a unique and successful cattle identification program and that Canada is climatically similar to many regions of Russia. This has resulted in a high level of customer confidence in the quality, standard and suitability of Canadian purebred cattle and genetics. Beef breeding cattle exports are expected to increase in 2008 with the implementation of Rule 2 and increasing market access to the United States, historically Canada's largest market for breeding cattle. Almost all purebred cattle sold to the U.S. in the past were young cattle under eight years of age; therefore the Rule 2 age requirement that animals must be born after March 1, 1999 should not be an obstacle for the purebred industry. Pent-up demand for Canadian genetics is expected to significantly increase live cattle exports to the U.S. in 2008.

GENETICS OUTLOOK

Canadian purebred registration data shows an 11 per cent decrease in 2006 compared to 2002 numbers (source: CBBC). Therefore, there is currently a smaller base of purebred cattle available for export. This reduction can be partially attributed to the limited market access for Canadian purebred live cattle exports which has discouraged some seedstock producers from registering animals. Moving forward, market access for Canadian purebred cattle is expected to improve and result in higher levels of exports. In addition, there is a clear expectation that Mexico will follow the U.S. and resume imports of all Canadian live cattle. This will also provide a boost to the Canadian purebred industry; prior to 2003 Mexico was a significant market for purebred animals.

Semen and embryo exports are highly variable from year to year on both a volume and value basis. Thus, it is difficult to make projections for either semen or embryos. The Netherlands and Iran which were top export destinations in 2006 have been absent from the semen market year-to-date in 2007. At this point, semen and embryo exports in 2008 are expected to maintain 2007 levels but could see a slight increase.

Market Access Situation

The following is the current list of trading partners which have resumed trade in Canadian beef and/or cattle subsequent to the border closures following Canada's first BSE case in 2003:

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*	
◊ China ◊ Colombia ◊ Croatia ◊ Ecuador ◊ Iran ◊ Kazakhstan ◊ Kenya ◊ Libya ◊ Malaysia ◊ Nicaragua ◊ Peru ◊ Saudi Arabia ◊ Serbia ◊ South Africa ◊ South Korea ◊ Sri Lanka ◊ Sudan ◊ Turkey ◊ Ukraine ◊ Uruguay ◊ Paraguay ◊ Venezuela	◊ United States ◊ Russia ◊ Algeria ◊ Cuba ◊ Lebanon ◊ Morocco ◊ Serbia *(UTM)* ◊ South Korea *(bulls only)* ◊ Tunisia ◊ Ukraine ◊ Egypt ◊ Saint-Pierre de Miquelon	◊ Egypt *(& slaughter cattle)* ◊ El Salvador ◊ Guatemala ◊ Honduras ◊ Hong Kong & Macau ◊ Jamaica ◊ Macedonia ◊ Mexico *(& bone-in)* ◊ St. Lucia ◊ St. Kitts & Nevis ◊ Taiwan ◊ Thailand ◊ United Arab Emirate *(& bone-in)* ◊ Vietnam	◊ Antigua & Barbuda *(& bone-in)* ◊ Lebanon ◊ Trinidad & Tobago *(& bone-in)* ◊ Russia	◊ Japan	◊ Cayman Islands ◊ Indonesia *(excluding bone-in UTM)*	◊ United States ◊ Macau ◊ New Zealand ◊ Cuba ◊ EU 27* *(hormone-free beef products only, subject to plant certification)* ◊ Philippines ◊ Bermuda ◊ Barbados ◊ **38 Other Countries**

Increasing level of trade access

Market access for Canadian beef exports continues to expand as new markets open and expanded access is gained in those markets that were already open to a limited list of products. Most recently, the industry has seen the expansion of market access to the U.S. with the re-entry of beef products from cattle over-30-months and all live cattle born after March 1, 1999. This a substantial gain in market access for the Canadian beef and cattle industry as it provides the opportunity to resume the export of beef products from cattle of all ages, live cattle for breeding purposes, and animals over-30-months of age for slaughter. Another significant gain in market access was the reopening of Taiwan for boneless beef from animals under-30-months of age. This is an important market for middle meats and has historically offered the highest value per kilogram of beef exported.

Continued steps towards greater normalization of trade will be critical to the long-term sustainability and success of the Canadian beef industry. With the implementation of Rule 2 by the U.S. to

expand market access for Canadian beef and live cattle, it is expected that other major importers of Canadian beef and live cattle, such as Mexico, will follow and expand their market access for imports of Canadian beef and live cattle. The Canadian government has also been engaged in discussions with South Korea to lift the ban on Canadian beef, with the expectation that re-entry into this market for beef products derived from cattle under-30-months of age will occur in the near-term.

The ultimate success of the Canadian beef industry is dependent on access to all markets for all products. Consequently, the industry remains committed to meeting domestic and international animal health and food safety requirements, with a number of multilayered safeguards in place to ensure animal health and food safety.

Outlook

With record domestic cow slaughter and reduced retention of heifers, Canadian beef cow numbers have continued to decline from the peak levels reached in 2005 when reduced market access and limited marketing opportunities resulted in the retention of animals within the herd. On January 1, 2008 beef cow numbers are projected to be down a further three to five per cent or 250,000 head. The expected reduction in inventories can be attributed to multiple factors including declining calf values, fueled by a record high Canadian dollar and high feed costs. This has encouraged cow-calf producers to continue to aggressively cull animals and retain fewer heifers within the herd. With reduced cow inventories in 2007 and again in 2008, the calf crop has also decreased in size and is expected to continue to decrease. This will have an impact on the number of feeder cattle available to be placed on feed in Canada or to be exported to the U.S. in both 2008 and 2009.

With the implementation of Rule 2 in the U.S., which allows the export of over-30-month beef and live cattle, cull cow marketings are expected to increase in 2008. Domestic cow and bull slaughter is projected to remain steady with 2007 levels, while a small number of cows and bulls are expected to be exported for slaughter in the U.S – which will result in a slight increase of total cow and bull marketings in 2008. An increase in non-fed (cow and bull) marketings will result in total non-fed (commercial beef) production increasing, but with domestic cow and bull slaughter expected to remain unchanged in 2008, domestic non-fed beef production is expected to remain consistent with 2007 production levels.

As a result of increased feed costs in Canada and the Canadian dollar's appreciation against the U.S. dollar, industry has seen low feeder cattle prices and record high feeder cattle exports in 2007. Canadian feeder cattle prices will continue to play an important role in 2008 in determining the level of feeder animals exported to be fed in the U.S. and removed from the Canadian supply situation. Higher feed grain prices and cost of gain in Canada and an appreciated Canadian dollar are expected to continue to put significant downward pressure on feedlot margins and feeder cattle prices in 2008.

Feed costs in 2008 will be highly dependent on spring acreage allocations for barley and corn, crop conditions throughout the growing season, and global feed grain demand. Current expectations are for Canadian feed costs to continue to remain relatively higher than in the U.S., and as a result feeder cattle exports are expected to remain at record high levels in 2008. High feeder cattle exports will be further supported by the continued strength of the Canadian dollar throughout 2008 and strong demand for feeder cattle by U.S. feedlots. Currently, it is estimated that the U.S. cattle

feeding industry has an excess capacity of 20 per cent. While market signals have indicated an expansion in the U.S. beef cattle herd should occur, drought and market uncertainties due to high feed costs and limited trade growth has limited this expansion. Consequently the demand for additional feeder cattle has been fulfilled by imports.

When record high feeder cattle exports in both 2007 and 2008 are combined with an expected reduction in the number of beef calves produced, fed cattle marketings are expected to decline at least three to five per cent in 2008.

Similar to the situation for feeder cattle, Canadian fed cattle prices and the basis will play an important role in 2008 in determining the level of fed cattle slaughtered domestically and the volume exported to the U.S. for slaughter. The fed cattle basis is expected to follow a similar seasonal pattern to that seen in 2007. There is some expectation that lower export verification costs for exporting live cattle into the U.S. could narrow the basis to levels that more closely reflect pre-BSE levels, which would increase Canadian fed cattle prices relative to U.S. prices.

At time of writing, tight fed cattle supplies and strong fed cattle demand by U.S. packers have resulted in strong U.S. fed cattle prices and a robust demand for Canadian fed cattle exports. This is expected to continue into 2008, and should limit any significant downward moves in the fed cattle market and maintain fed cattle exports at current levels. It is important to note that U.S. beef processors have been operating at full capacity despite negative packer margins, with the major processors competing for market share. JBS South America purchased Swift in 2007, with JBS-Swift becoming the largest beef processing company in the world. With the ownership change, JBS-Swift made the business decision to operate its U.S. processing plants at full capacity to optimize utilization despite negative margins. Not wanting to lose market share, other major beef processors have also continued to operate at high utilization levels and accrued significant losses.

The fight for market share in the U.S. beef processing business was a key factor for fed cattle demand and prices in 2007. Whether this competition continues into 2008 will be a key factor for fed cattle prices and the level of demand for Canadian fed cattle by U.S. based processors. Recent announcements have indicated moderate cutbacks in slaughter, but it is uncertain whether this will be a sustained cut or temporary. How long the major processors are willing to accept negative packer margins in their competition for market share is uncertain and will have a key impact on price levels and live cattle trade in 2008. While U.S. packer demand will play a critical role in determining the level of fed cattle exports in 2008, the profitability of Canadian-based processors will also play an important role in determining slaughter capacity utilization levels and consequently domestic demand for fed cattle.

On the revenue side, North American cutout values in 2008 are expected to remain under pressure. This is a result of projected large competitive meat supplies and a weaker U.S. economy, which is expected to result in reduced consumer purchasing power that will negatively impact meat demand in 2008. Cutout values will have limited ability to move upwards with consumer confidence down due to growing financial concerns. Food costs in the U.S. have been appreciating at a faster pace than inflation and fast rising fuel costs have also contributed to a rising consumer price index. The unknown factor for Canadian cutout values in 2008 is the value of the Canadian dollar. If the Canadian dollar continues to trade around par, some downward pressure will be placed on cutout values.

With limited gains expected in Canadian cutout values in 2008 and an expectation that Canadian processors will continue to be challenged by higher relative labour and regulatory costs (as compared to their U.S. counterparts), plant utilization rates are expected to continue to struggle. This will result in continued weakness in domestic demand for fed cattle. When this is combined with the expectation that there will be a reduction in total fed cattle marketings (domestic slaughter and export) and continued strong U.S. demand for Canadian fed cattle, fed cattle marketings for domestic slaughter are estimated to decrease three to five per cent in 2008.

A reduction in domestic fed cattle marketings of three to five per cent is expected to result in a similar reduction in domestic fed beef production in 2008. While increased carcass weights could offset a portion of the reduction in marketings, any increase in carcass weights will be highly dependent on feed costs in 2008. As discussed previously, domestic non-fed commercial beef production is projected to remain at similar levels in 2008 to those seen in 2007. The combination of fed and non-fed production estimates are expected to result in a decline in domestic beef production and consequently beef supplies in 2008.

The outlook for beef trade in 2008 will be dependent on a multitude of factors. While reduced domestic beef supplies could result in reduced exports in 2008, there is an expectation that beef imports into Canada will increase substantially in the coming year. With reduced domestic beef supplies, Canadian cutouts will continue to see some strength when compared to U.S. cutout values which will encourage higher levels of U.S. beef imports into Canada. In addition, with the implementation of Rule 2 there is an expectation that an estimated 30 per cent of non-fed beef production will be exported to the U.S. and potentially Mexico if it follows the U.S. lead and reopens its market to over-30-month beef and cattle from Canada. Reduced manufacturing beef on the domestic market will result in increased demand for non-NAFTA imports in 2008. Increased demand for imports from the U.S. and non-NAFTA countries will be further supported by a strong Canadian dollar.

The expectation for higher beef imports creates the opportunity for Canada to maintain beef exports at existing levels and potentially see a small increase in 2008. An appreciated Canadian dollar, which makes Canadian beef relatively more expensive in other markets, will place downward pressure on the value of Canadian beef exports in order for them to remain competitive in the global marketplace.

Exports to the U.S. are projected to increase slightly in 2008 as a result of the implementation of Rule 2. At time of writing it is estimated that 21 per cent of Canadian non-fed beef production will be exported to the U.S. The level of beef trade to the U.S. will be highly dependent on market response to the implementation of country of origin labelling (COL) in the U.S. in the second half of 2008. At the current time, it is difficult to determine how COL will impact imports of Canadian product as the regulation is still under review and proposed revisions have not been finalized. If COL is implemented with the proposed revisions, the impact on imports of Canadian beef is expected to be minimal over the longer-term, but there could be a widening of the price spread in the short-term as markets adjust.

The level of exports projected to be shipped to Mexico in 2008 is highly dependent on whether market access will be expanded to allow over-30-month cattle and beef. If market access is expanded, exports to Mexico are expected to increase. As well, with Canada having regained market

access to Taiwan and the U.S. heavily focused on the Korean market, there will be a significant opportunity for Canadian packers in Taiwan in 2008.

The Japanese market and its potentially higher value sales have not yet achieved pre-2003 volumes and as long as the limitation is set at under-21-months, Canada's production system will continue to struggle to meet volume requirements for that market on a 12-month basis. Under the current age restriction, the Canadian production system falls short for approximately three months of the year (January-March) and without adequate year-round supplies, Canada has been limited in its ability to establish contracts and aggressively position itself in the market. There is the potential that the Japanese government will increase access to allow for under-30-month beef exports in 2008 which would allow the Canadian beef industry to more aggressively pursue this market, but it is uncertain as to when and if this change will occur.

Recovery of Canada's beef export markets in the aftermath of BSE has been slower than anticipated and continues to be an uncertainty. While significant gains have been made in several major markets such as the U.S. and Taiwan over the last year, continued gains are necessary in order to maximize carcass values and the benefits received by the Canadian beef industry. If Canada is able to gain access into markets currently closed to Canadian beef exports and expand access in existing markets, this will assist in increasing Canadian beef exports on both a volume and value basis. While this is positive, legal and political circumstances will pose difficulties in predicting when market access will be regained.

The Canadian beef industry is facing several significant challenges on both the production and marketing side of the business, which are expected to continue to be present over the near-term. The outlook as presented for 2008 has made predictions using the best information possible regarding a multitude of factors that will impact both the supply and demand situation for Canadian beef. A change in any one or more of the following factors could have a significant impact on the marketing outlook as presented for the coming year and therefore needs to monitored moving forward:

- Appreciated Canadian dollar
- Feed grain supplies, prices, and relative feed costs
- Labour shortages and high labour costs
- Negative beef processing margins
- Enhanced regulations
    - Removal and disposal of specified risk materials
    - Country of origin labelling
- Continued market access restrictions limiting Canadian beef exports

Global Beef Market Trends

A portion of this analysis was drawn from the OECD-FAO Agricultural Outlook 2007-2016, which is produced by the Organization for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations.

The global meat market situation is impacted by a multitude of variables including exchange rate movements, the rates of income and population growth in different regions and countries, the incidence of animal disease outbreaks, changes in disease-related trade barriers, new policy initiatives by governments, and the incidence of drought in major meat-producing regions. Most recently, the implementation of renewable energy policies and the growth in renewable energy production has had a significant impact on global feed prices and consequently the costs of producing beef, pork, and poultry. Global meat trade is expected to continue to expand and given the multitude of variables that influence the global meat market situation, the complexity of trade patterns is expected to continue to increase.

In the near-term the global meat market will be dominated by the expected recovery of both consumption and production following outbreaks of avian influenza, BSE, and Foot and Mouth Disease (FMD) that disrupted trade patterns and caused disarray in the meat sector over the past several years. With the resumption of more normal trading patterns, meat prices are expected to decline from the high levels they have seen which were induced by import bans and subsequent supply shortages. But the degree to which supply shortages dissipate and meat prices lower will depend on the impact of rising feed prices, with increasing biofuel production expected to continue to drive up global feed grain prices.

CONSUMPTION

Income, population growth, and demographic changes will be the key determinants of demand for meat products moving forward. Rising levels of income, more women in the labour force, changing lifestyles, urbanization and other demographic changes have contributed to increased consumption of meat, increased consumption of prepared foods, and increased consumption of food away from home. These trends are especially apparent in North America. Incomes are projected to continue to rise in North America, but even faster growth in incomes in developing countries worldwide will be the key driver for continued growth in demand for meat.

As incomes rise in developing countries, consumers are expected to diversify their diets away from grains and adopt more western diets and consumption practices. More than 80 per cent of the growth in meat consumption over the next decade is expected to occur in developing countries. Meat consumption in developing countries is projected to grow by nearly 1.7 per cent per year, while in developed countries meat consumption is expected to increase by only 0.7 per cent per year. Forty-two per cent of gains in meat consumption will be for pork, followed by 33 per cent for poultry, 21 per cent for beef, and four per cent for sheep meat. Poultry and pork consumption accounts for almost three-quarters of growth in meat consumption as prices for these meats remain low relative to those for beef.

While growth in meat consumption is expected, it is felt that stark regional variations will exist with gains not being spread evenly among different regions of the world. Developing countries in Asia and the Pacific region, benefiting from expectations of stronger economic growth and rising domestic meat supplies, are expected to account for 62 per cent of the total gain in meat

consumption. Within this region China is expected to account for almost three-quarters of the regional gain, with strong economic growth fuelling China's emerging middle class that represents a huge potential market. Latin America and the Caribbean region follow with a 16 per cent increase in consumption, with Brazil accounting for nearly half of the increase. Africa and North America each account for six per cent and four per cent respectively of the growth in consumption. The composition of gains for competing meat proteins are also not expected to be spread evenly across different regions. In the Asia and the Pacific region, pork will record the biggest increase, whereas in Africa beef consumption is projected to increase faster, and for the other selected areas poultry meat gains are the biggest.

In developed countries, while growth in meat consumption is expected to be limited, the types of meat products being demanded by consumers are shifting and expected to continue to shift. Consumers and retailers are requiring a broad diversity and higher quality of meat cuts, more ease in preparation, and enhanced assurances about product safety. Though consumers may not be familiar with production methods, there is also a growing preoccupation among consumers about the ways in which meat is produced. Higher income consumers may choose products on the basis of attributes related to production process – such as natural, organic, "family farm" or "animal-friendly" – associating that process with a measure of product quality.

PRODUCTION AND TRADE

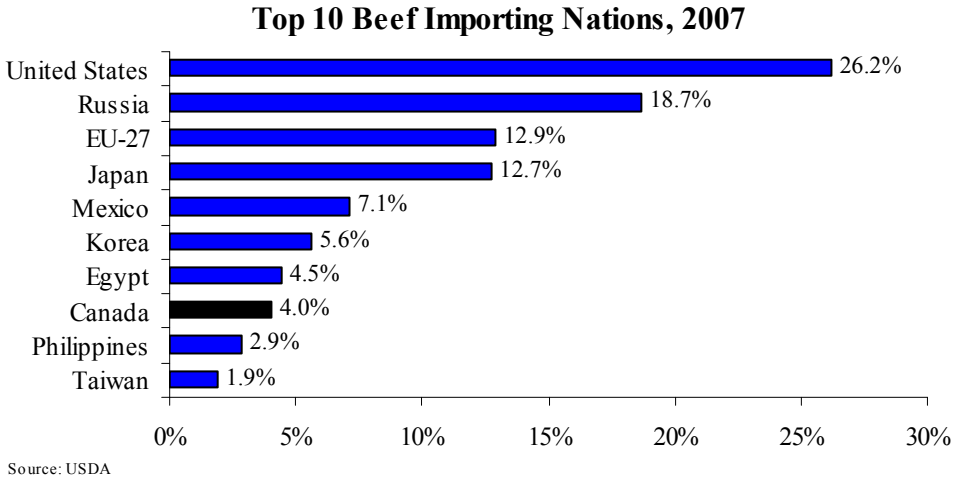
World meat production is projected to grow 1.7 per cent per year over the next 10 years. The increase in meat production is expected to mainly occur in Brazil, China, India and the United States. With large increases in meat production anticipated in developing countries, developed countries' share in world production is expected to decline from 41 per cent in 2006 to 26 per cent in 2016.

On the trade side, meat exports are projected to rise by 30 per cent over the next decade. It is important to note that increases in trade will largely be dependent on the pace at which animal disease-related import bans are lifted and on steady recovery in consumption fueled by rising incomes and population growth. If further disease outbreaks occur and consumers respond negatively, growth in trade could be impacted. Brazil is expected to see the largest growth in global meat exports over the next decade, while Uruguay and India are also expected to have continued increases in exports.

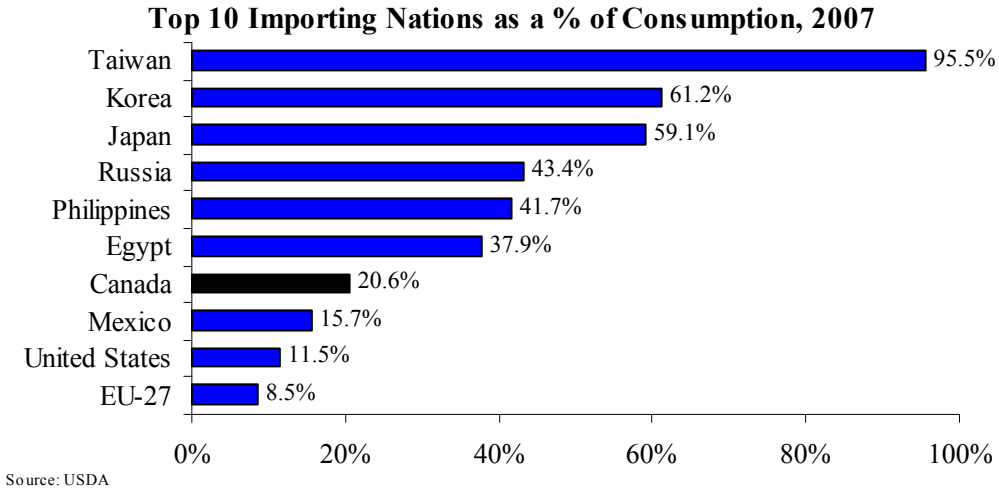
The meat trade deficit status of many of the existing net importing countries is set to increase over the projection period. The U.S., Russia, and Japan are all expected to import increasing levels of meat moving forward. This will consist mostly of beef in the case of the U.S., poultry in the case of Russia, while pork will be the leading meat imported by Japan. Other countries that will see increased meat imports include South Korea, Saudi Arabia, Japan, Mexico, and the Philippines. While developing countries in aggregate are projected to become net meat exporters, when Brazil and Argentina are excluded from this group, the picture changes with meat imports projected to increase substantially as growth in domestic demand exceeds the supply capacity of these countries.

Beef Import Country Profiles

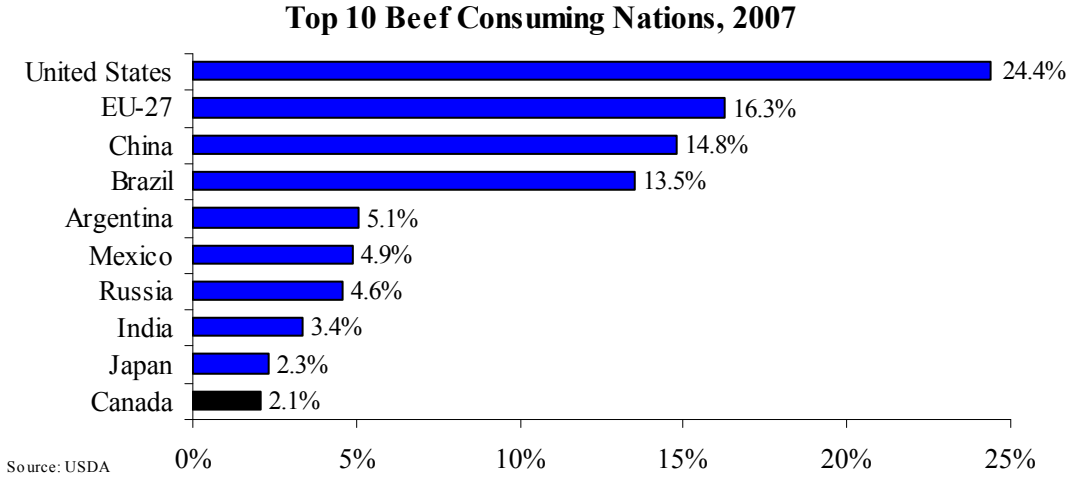
While evaluating and prioritizing target markets it is important to remember that the largest beef consuming nations are not necessarily the largest beef-importing nations. Domestic production in some cases, such as Brazil or China, fulfills a large proportion of domestic demand and consequently they are relatively small importers. At the same time, imports as a percentage of total beef consumption can vary significantly across different markets with some countries such as Taiwan or Japan being relatively small global beef consumers, but being highly dependent on imports to fulfill their beef consumption needs. The following charts illustrate the variance between several target markets in terms of overall consumption, imports, and relative dependence on imports.



The top four importing nations account for 70.5 per cent of the beef traded in the world. While on a volume basis the U.S., Russia, Japan, and EU are the largest importers, not all of these countries are dependent on importers to fulfill their total beef consumption needs. The U.S., while being the top importing and consuming nation, only depends on imports for 11.5 per cent of its total consumption needs. On the other hand, Russia is the second largest importer and depends on imports to fulfill 43 per cent of its total consumption needs. Taiwan is a relatively small importer but depends on imports to supply 95 per cent of all the beef it consumes.



The top four consuming nations account for 69 per cent of global beef consumption. It is important to point out that most of the top beef consuming nations do not depend on imports to meet their beef supply needs. Countries that are highly dependent on beef imports to fulfill their beef consumption needs have historically been high value markets for exporters. For example, Taiwan, Korea, and Japan are all countries that have demonstrated a strong demand and willingness to pay for high quality beef. At the same time, these markets have been susceptible to government policies including import tariffs, quota limits, and other non-tariff trade barriers associated with food safety concerns and to protect their domestic cattle industries. In 2003, 73.4 per cent of South Korea's beef consumption was imported product; with the occurrence of BSE in North America their reliance on imports reached a low of 47 per cent in 2004 and has increased to 61 per cent in 2007. In contrast, 25.7 per cent of Canadian beef consumption was supplied by imports in 2003; this reliance reached a low of 10.5 per cent in 2004 and has increased steadily since to 20.6 per cent in 2007. As global beef trade barriers continue to be removed it is expected that both importing and exporting nations will continue to see a shift to the resumption of more historical importing trends.



The following section is intended to provide brief profiles of several target markets for Canadian beef and cattle exports. Data and information has been compiled from multiple sources including the United States Department of Agriculture, Foreign Agriculture Services, OECD-FAO Agricultural Outlook 2007 and other individual country reports. Data is based on 2007 projections and unless otherwise indicated, volumes are based on carcass weight.

UNITED STATES

	2006	**2007**
Cattle Inventory	96.7 million head	97 million head
Beef Production	12 MMT	12 MMT
Consumption	12.8 MMT	12.8 MMT
Per Capita Consumption	43 kg	43.2 kg
Imports	1.4 MMT	1.47 MMT
Exports	519,000 MT	650,000 MT
Reliance on Imports	11 per cent	11 per cent

- Largest beef consuming nation at 13 MMT or 24 per cent of global beef consumption.

- Largest beef importer at 1.5 MMT or 26.2 per cent of global beef imports, with beef imports up five per cent in 2007.
- Food costs in the U.S. have been rising faster than overall inflation in 2007 due to several factors including the expansion of the biofuel industry that has resulted in a large increase in demand for grains and consequently the price of these grains.
- Beef and veal retail prices have outpaced pork and poultry costs, making beef less attractive and giving pork and poultry a competitive price advantage.
- A weakening U.S. economy is also placing increased pressure on consumers and is expected to result in generally weaker demand for high value beef cuts through both the foodservice and retail sectors.
- Imports make up 11.5 per cent of domestic consumption with the majority of beef imports consisting of manufacturing beef from non-NAFTA countries, while imports from Canada compete directly with domestic grain-fed beef production.
- Beef imports are forecast to increase in 2007 and are expected to continue rising as market access and U.S. exports increase.
- Competition in the U.S. market for manufacturing/commercial beef is likely to become increasingly intense as non-NAFTA countries increase production and the Canadian border is open to over-30-month beef products.
- Market share of U.S. beef imports continues to be dominated by Australia with a 28.1 per cent market share, followed by Canada at 26 per cent, New Zealand at 18.5 per cent, Uruguay at 13.1 per cent, and Brazil at 6.7 per cent.
- Implementation of mandatory country of origin labelling in 2008 could pose considerable challenges for exporters to the U.S. in the future.

MEXICO

	2006	**2007**
Cattle Inventory	26.9 million head	26.3 million head
Beef Production	2.18 MMT	2.2 MMT
Consumption	2.5 MMT	2.55 MMT
Per Capita Consumption	23.4 kg	23.3 kg
Imports	383,000 MT	400,000 MT
Exports	39,000 MT	45,000 MT
Reliance on Imports	15 per cent	16 per cent

- Fifth largest beef importing nation, importing 7.1 per cent of global imports.
- Sixth largest beef consuming nation, totalling 4.9 per cent of global consumption.
- Cattle inventories in 2008 are forecast to remain the same as 2007 and 2006. Rising production costs and low profitability have discouraged expansion.
- Domestic beef production for 2008 is expected to increase two per cent due to improved moisture conditions and lower live cattle exports to the U.S. At the same time, feedlot placements have declined due to higher feed costs with cattle being kept on grass for longer periods of time prior to being placed in feedlots.
- Live cattle exports to the U.S. are forecasted to decrease 8.3 per cent in 2008.
- Total domestic beef consumption is expected to increase by two per cent in 2007 and one per cent in 2008. Generally, growth in beef consumption has lagged behind population and economic growth in Mexico.
- It is expected that consumers will face higher food costs in 2007 and 2008 as a result of increased demand for feed grains for ethanol production in North America. In light of

higher food costs, consumption of red meat in Mexico is expected to struggle as consumers switch to cheaper protein sources.

- Total beef imports are expected to increase 2.5 per cent in 2008. In 2006, the U.S. had the largest market share of imports at 82.7 per cent, with Canada's market share at 12.5 per cent.
- The Mexico government continues to invest in the industry, providing funding to improve herd health and genetics and to improve pastureland. The goal of this funding is to increase the quality and competitiveness of their beef industry.

JAPAN

	2006	2007
Cattle Inventory	4.39 million head	4.39 million head
Beef Production	497,000 MT	500,000 MT
Consumption	1.16 MMT	1.21 MMT
Per Capita Consumption	9.2 kg	9.5 kg
Imports	678,000 MT	715,000 MT
Reliance on Imports	58 per cent	59 per cent

- Fourth largest importer, accounting for 12.7 per cent of global beef imports.
- Ninth largest beef consuming nation, making up 2.3 per cent of global beef consumption.
- Total domestic beef production is expected to decline one per cent in 2008 due to reduced cattle slaughter.
- Japanese beef consumption is forecasted to increase one per cent in 2008.
- Per capita consumption remains relatively low due to traditional preferences, the extent of barriers against imports that raise consumer prices for these products, and the fact that Japanese consumers continue to be responsive to concerns about food safety associated with animal diseases and food contamination.
- Japan's population is expected to decline over the next 10 years and over the long-term this will place some downward pressure on food demand, but Japan will continue to rely heavily on imports to meet domestic beef demand.
- Beef imports now provide 59 per cent of domestic beef requirements. Imports are projected to be up five per cent in 2007 and increase an additional one per cent in 2008.
- It is unclear how market shares will evolve. A modest shift from Australian beef to North American product is expected to occur in 2008, but both Australia and New Zealand are working to maintain their share. At the same time, U.S. and Canadian beef exports to Japan have been and will continue to be constrained by current import restrictions.
- Consumer acceptance of U.S. and Canadian beef has been good, but sales are limited by availability of a consistent supply in the market.
- Drought in Australia has increased cattle slaughter and decreased the number of cattle on feed. Higher Australian beef prices in the first half of 2007 are expected to continue with a smaller supply of grain fed cattle. As a result, imports are projected down three per cent in 2007.
- Market share of imports for chilled and frozen imports in the first six months of 2007 saw Australia with an 84 per cent market share, eight per cent from New Zealand, 5.4 per cent from the U.S. and 1.4 per cent from Mexico. Fifty per cent of prepared and processed beef product imports were from Australia, 23.8 per cent from China, and 12.6 per cent from Brazil.

HONG KONG, MACAU*

	2006	2007
Beef Production	14,000 MT	14,000 MT
Consumption	111,000 MT	114,000 MT
Per Capita Consumption	15.3 kg	15.3 kg
Imports	97,000 MT	100,000 MT
Reliance on Imports	87 per cent	88 per cent

**Data is limited to Hong Kong*

- Hong Kong imported 97,000 MT in 2006 and is projected to import 100,000 MT in 2007.
- Hong Kong is heavily reliant on imports, with 88 per cent of total beef consumption made up of imported beef.
- Beef consumption and imports are expected to increase three per cent in 2007, with domestic production remaining constant.
- Hong Kong is a mature market with stable domestic demand. However, the market share of beef from major beef exporters has continued to shift with the re-entry of Canada and the U.S.
- From January to September 2007 imports from Brazil made up 60 per cent of total beef imports, while Argentina accounted for 12.8 per cent, Mainland China held a 6.6 per cent market share, Australia was at 6.4 per cent, Canada was at 3.9 per cent, and the U.S. held a 3.1 per cent market share.
- Market access for offal (at least from under-30-month animals) into Macau is important as offal is one of the major items for the region. Year-to-date in 2007, 32 per cent of all Macau beef imports is offal.
- Macau imported 891 tonnes of offal from January to September in 2007. Argentina holds the largest market share for offal (35 per cent), followed by Brazil (29 per cent), Australia (11.5 per cent), New Zealand 3.3 (per cent), and Canada 1.8 (per cent).
- Canada is the fifth largest supplier of beef products to Macau, with a five per cent share of total imports. While Brazil currently accounts for 35 per cent of beef imports, Argentina is at 12 per cent, and Mainland China and Australia account for eight and six per cent respectively.

MAINLAND CHINA

	2006	2007
Cattle Inventory	140.4 million head	139.4 million head
Beef Production	7.5 MMT	7.9 MMT
Consumption	7.4 MMT	7.8 MMT
Per Capita Consumption	5.7 kg	5.9 kg
Imports	2,000 MT	5,000 MT
Exports	85,000 MT	99,000 MT
Reliance on Imports	0.03 per cent	0.06 per cent

- China remains a relatively small importer of beef, with domestic production fulfilling the majority of domestic beef demand.
- A series of outbreaks of PRRS (an infectious disease characterized by reproductive disorders, premature delivery, miscarriage and stillbirth) began in May 2006, reducing pork supplies indefinitely.

- Strong domestic demand for beef is expected to continue in 2008, with reduced domestic pork supplies and higher pork prices encouraging consumers to increase their consumption of beef.
- There is a large demand for beef offal such as omasum and tongues, which can be used to replace pork in hotpot and cold dishes.
- China's beef production is forecast to grow three per cent to 8.1 MMT in 2008. Despite expansions in production, the beef industry remains highly fragmented and productivity is low.
- The magnitude of future production capabilities remains unclear and will be influenced by the extent of restructuring of small operations and the effectiveness of both government and commercial activities. Expansions in production will also be challenged by continued reductions in arable land and uncertainty around the capacity of the country's water supplies to cope with the rapid rate of development.
- Rapid urbanization and rising demand for food in China have begun to raise concerns about the scarcity of water and land resources. As growth continues, increasing pressure will be put on the country's land and water resources.
- Beef imports are projected to increase in 2008. The majority of imported product is procured to meet high-end market demands (hotels and restaurants).
- Since the market closure to U.S. and Canadian beef in 2003, Australia has been the major supplier of beef imports with Australia's current market share of imports at 80 per cent.
- China is not expected to be a major competitor in the short to medium-term, with continued production and quality issues projected to limit its beef production to fulfilling the needs of its domestic market.
- Offal as a percentage of total beef consumption is much higher in China compared to other countries. This is not accounted for in the above data, but remains a significant market potential.

TAIWAN

	2006	**2007**
Beef Production	5,000 MT	5,000 MT
Consumption	109,000 MT	110,000 MT
Per Capita Consumption	4.6 kg	4.5 kg
Imports	104,000 MT	105,000 MT
Reliance on Imports	95 per cent	95 per cent

- Taiwan is a relatively small beef consumer, but imports account for 95 per cent of total beef consumption.
- Domestic beef production, mostly from spent dairy cattle, remains consistent at 5,000 MT.
- Beef consumption was 109,000 MT in 2006 and is projected to increase one per cent in 2007 to 110,000 MT.
- High consumer debt, high inflation, and increasing food costs have resulted in consumers shifting to lower priced protein sources and reducing consumption of imported beef.
- Total beef imports are estimated at 105,000 MT in 2007. Imports in 2008 are estimated to be steady with 2007.
- In 2002, Canada supplied 5.5 per cent of total beef imports. In 2006, New Zealand, Australia and the U.S. were the primary suppliers of beef with market shares of 38 per cent, 35 per cent, and 23 per cent respectively. Market share will continue to change with the re-entry of Canada into this market.

SOUTH KOREA

	2006	2007
Cattle Inventory	2.3 million head	2.48 million head
Beef Production	200,000 MT	205,000 MT
Consumption	496,000 MT	515,000 MT
Per Capita Consumption	10 kg	10.2 kg
Imports	290,000 MT	295,000 MT
Reliance on Imports	60 per cent	61 per cent

- Sixth largest beef importer, importing 5.6 per cent of global beef imports.
- Dependent on beef imports to supply 61 per cent of total beef supplies.
- Beef imports from Australia and New Zealand are expected to remain steady through the end of 2007. U.S. beef imports are expected to grow slightly in 2008 due to South Korean demand for high quality and low priced U.S. beef.
- South Korean domestic cattle inventory is forecast to decline in 2009 due to increased competitively priced beef imports from the U.S.
- Domestic beef prices have been high with lower imports.
- South Korean beef is considered high quality, however it is also highly priced making it unavailable to the average consumer.
- U.S. beef is 50 per cent less expensive than South Korean beef and 20 per cent less expensive than Australian beef (Korea Times, July 16, 2007). If U.S. beef imports increase as expected, beef prices will soften from current highs which will encourage greater consumption of beef.
- Country of origin labelling is currently required on restaurant menus that are larger than 300 square feet, and the government is in the process of expanding this program to include restaurants that are larger than 100 square feet.
- In 2002, the U.S. and Australia were the primary beef suppliers with 62.5 and 27.8 per cent market share respectively, while imports from Canada accounted for 4.1 per cent. In 2006, Australia was the primary supplier with 71.7 per cent market share, while New Zealand made up 24.5 per cent of beef imports.
- The South Korean Ministry of Agriculture and Forestry raised the targeted calf stabilization price in response to concerns about the KOR-U.S. FTA. When prices fall below the stabilization price, the government will provide a subsidy of up to 20 per cent of the target price.

EUROPEAN UNION

	2006	2007
Cattle Inventory	89.3 million head	88.3 million head
Beef Production	8.1 MMT	8.0 MMT
Consumption	8.6 MMT	8.6 MMT
Per Capita Consumption	18 kg	18 kg
Imports	717,000MT	725,000 MT
Reliance on Imports	8.4 per cent	8.5 per cent

- Second largest global consumer of beef, with a 16.3 per cent share of global beef consumption.
- Third largest beef importer, importing 12.9 per cent of global beef imports.

- There is a long-standing decline in EU cattle herds due to increased milk productivity and reduction in support programs. Cattle inventories are projected to continue to decline in 2007 and 2008. In the future, livestock production is also expected to be hampered by limitations for nutrient disposal on farmland.
- Cow slaughter in 2006 was larger than normal due to a case of Bluetongue in Western Germany. Slaughter is expected to decline in 2007 and 2008 due to lower inventories. Slaughter is also expected to decrease due to lower profitability in the veal sector that has resulted in reduced veal calf slaughter expectations.
- With reduced inventories and higher feed costs, beef production is projected to decrease in 2008. At the same time, it is expected that live cattle exports will increase in some areas of the EU as farmers abandon pastures with the continued decoupling of subsidies.
- Beef consumption is expected to decrease in 2008, with consumers shifting back to higher amounts of poultry. Consumers shifted away from eating poultry in 2006 as a result of avian influenza, which increased demand for beef and the prices for both beef and live cattle.
- With increased beef imports in 2007 from Brazil and other countries, beef prices in the EU have decreased. Beef imports are expected to increase further in 2008, with the majority of this increase coming from South America.

RUSSIA

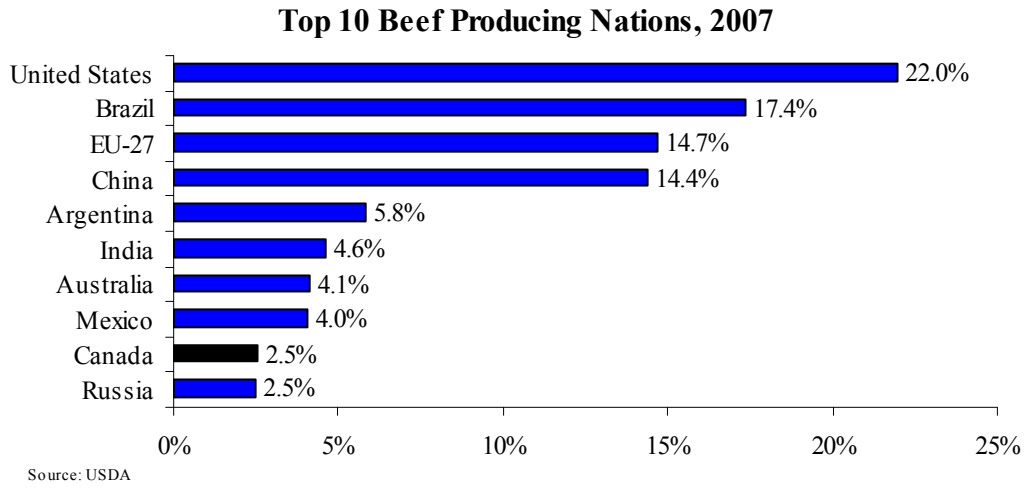
	2006	**2007**
Cattle Inventory	19.9 million head	19.0 million head
Beef Production	1.43 MMT	1.38 MMT
Consumption	2.36 MMT	2.42 MMT
Per Capita Consumption	11.5 kg	11.4 kg
Imports	939,000 MT	1,050,000 MT
Reliance on Imports	40 per cent	43 per cent

- Second largest beef importer, accounting for 18.7 per cent of global beef imports.
- Seventh largest beef consuming nation, making up 4.5 per cent of world beef consumption.
- Russia is heavily reliant on beef imports, with imports fulfilling 43 per cent of their beef consumption needs.
- Cattle numbers are expected to decrease 3.7 per cent in 2008 due to rising feed prices, poor animal husbandry and negative financial returns. This will result in a one per cent decline in beef production.
- Rising feed prices are projected to continue to increase meat prices in 2008; beef prices increased 3.2 per cent in the first half of 2007.
- Growth in consumer demand for beef and pork products has continued to outpace growth in domestic production. Beef consumption in 2008 is expected to remain unchanged from 2007, provided imports can compensate for declining domestic production.
- In response to limited beef availability, the Russian government lifted import bans on major trading partners and reallocated the majority of the EU's tariff rate quota to developing countries like Brazil.
- Beef imports for the first half of 2007 were up 59 per cent compared to the same period in 2006.
- Demand for livestock genetics continues to be strong. Live cattle, semen, and embryos imported under the National Priority project, financed by the government, are imported from Canada and Australia as supplies of live animals in Western Europe are largely exhausted.

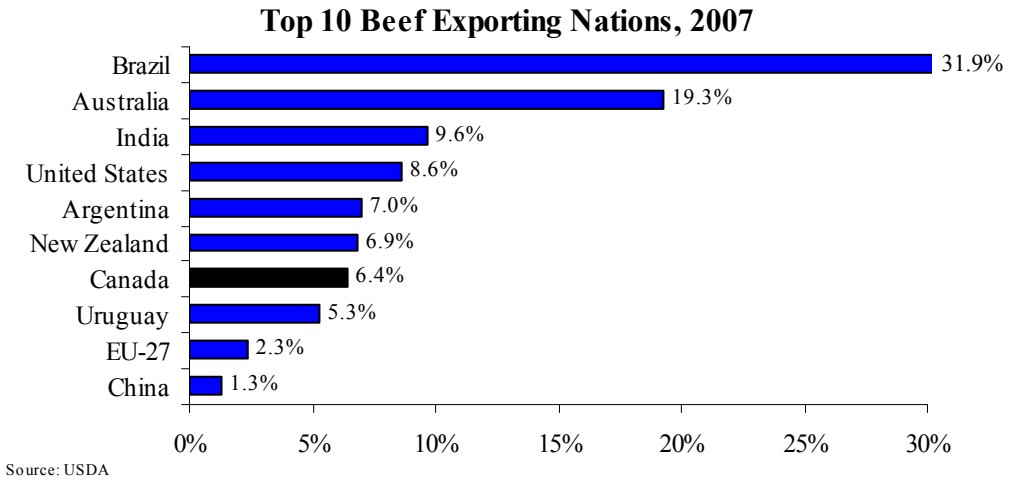
- Beef genetics demand is rooted in the realization that higher dairy yields and improvements in beef production can be achieved through improved genetics and breeding programs.

Competitor Analysis

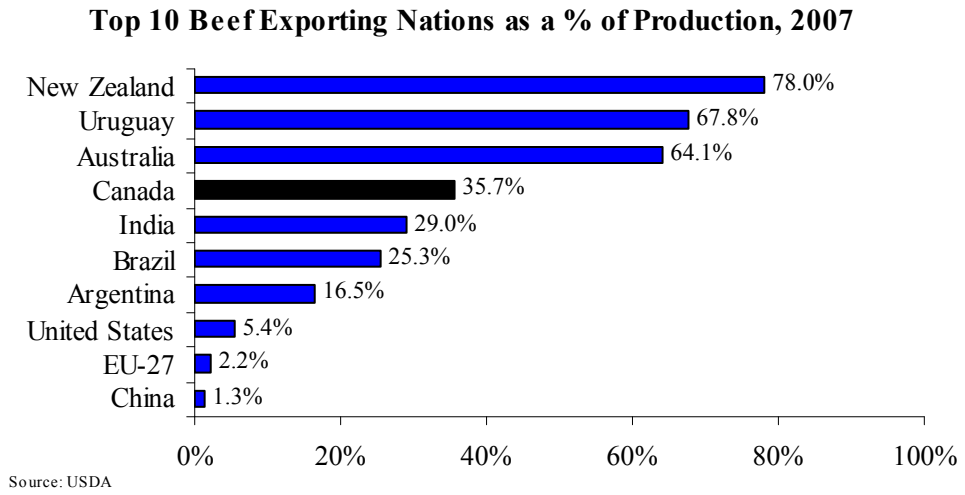
As indicated in the OECD-FAO Agricultural Outlook 2007, world meat production is expected to grow 1.7 per cent annually over the next 10 years. Most of this expansion in production is projected to take place in Brazil, China, and India. Meat consumption in developing countries is expected to increase significantly and represent 80 per cent of world growth, with most of this expansion taking place in Asia and the Pacific region. The majority of meat consumption increase has been attributed to increased pork consumption. The escalating economies and strong income growth in South Korea, Saudi Arabia, Mexico and the Philippines is expected to result in increased meat imports into these countries and consequently elevate their importance as significant markets for beef exporters.



The top four beef producing nations in the world account for 68.5 per cent of global beef production. U.S. beef production as a per cent of global production is expected to decrease by 0.3 per cent in 2007. Meanwhile, Brazil's production has steadily grown in recent years and its share of global production is expected to increase 0.5 per cent in 2007 to 17.4 per cent Canada's share is expected to stay at 2.5 per cent, while world beef production is estimated to increase 2.4 per cent in 2007. It is important to note that the top producing nations are not necessarily the top exporting nations. For example, Australia only produces 4.1 per cent of global beef supplies, but accounts for 19 per cent of global beef exports. At the same time, the U.S. is the largest beef producing nation, but accounts for only 8.6 per cent of global beef exports.



The top four exporting nations account for 69.4 per cent of beef traded in the world. In 2004, Brazil became the top beef exporting nation, surpassing Australia which had historically held this position. Since then, Brazil has steadily increased its exports of beef and consequently the gap between the two countries has increased, with Brazil's export market share at 31.9 per cent and Australia's at 19 per cent in 2007. In 2003, the U.S. was the third largest exporting nation accounting for 18 per cent of world exports, but with the occurrence of BSE in 2004 and subsequent market closures it lost significant market share. With gains made in market access for U.S. beef, the U.S. is projected to climb from the sixth largest beef exporter to fourth in 2007. While the U.S. is regaining market access, other significant beef exporters such as Australia and Brazil will continue to remain strong competitors and compete for market share.



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 all 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 by ongoing uncertainty arising from global animal health and food safety concerns.

CANADA

	2006	2007
Cattle Inventory	16 million head	15.885 million head
Beef Production	1.59 MMT	1.59 MMT
Consumption	970,535 MT (29.8 kg)	
Imports	160,000 MT	210,000 MT
Exports	438,000 MT	448,600 MT
incl slaughter cattle	831,000 MT	897,000 MT
Reliance on Exports	35 per cent	37 per cent
incl slaughter cattle	45 per cent	48 per cent

BRAZIL

	2006	2007
Cattle Inventory	174 million head	180 million head
Beef Production	9.02 MMT	9.47 MMT
Consumption	6.96 MMT	7.1 MMT
Imports	28,000 MT	25,000 MT
Exports	2.08 MMT	2.4 MMT
Reliance on Exports	23 per cent	25 per cent

- Largest beef exporter with 2.4 MMT projected to be exported in 2007, accounting for 32 per cent of global exports.
- Second largest beef producing nation with production expected to exceed 9.4 MMT in 2007.
- Cattle inventories are projected to reach 187 million head by 2008, which would result in Brazil having the largest commercial cattle herd in the world. Continued herd expansion has been supported by strong cattle prices which are up six per cent in 2007.
- Brazilian beef production and exports have continued to expand despite an outbreak of avian influenza in October 2005.
- Driven by domestic and foreign demand growth, as well as tight global supplies and high prices, Brazilian beef production is forecasted to increase four per cent in 2008.
- Brazilian beef exports are forecast to increase 10 per cent in 2008 as several markets fully or partially lift bans imposed because of avian influenza.
- Nearly 60 per cent of Brazil's beef exports are shipped to Russia, the EU, and Egypt. Most recent growth in Brazilian beef exports has resulted in a more diversified product mix being exported and increased sales to non-traditional markets such as the Middle East and North Africa.
- Domestic beef consumption is forecasted to increase nearly two per cent in 2008 as a result of a five per cent increase in the real income of consumers.
- The Brazilian System of Identification and Certification of Bovine and Buffalo Origin was announced in early 2002. This system was recently updated to meet EU requirements but still faces enforcement problems. The Animal Health Department estimates that approximately 30 per cent of Brazil's cattle herd has been registered under this program.

AUSTRALIA

	2006	2007
Cattle Inventory	27.8 million head	28.6 million head
Beef Production	2.18 MMT	2.26 MMT
Consumption	747,000 MT	757,000 MT

Imports	9,000 MT	6,000 MT
Exports	1.43 MMT	1.45 MMT
Reliance on Exports	66 per cent	64 per cent

- Australia is the second largest beef exporter with beef exports projected to reach 1.45 MMT in 2007, making up 19 per cent of world beef trade.
- Australia's cattle inventory is forecast to be slightly lower in 2008 at 28.4 million head.
- Although strong beef exports and high cattle prices have encouraged expansion of the cattle herd, a severe drought resulting in poor crop and pasture conditions and consistently higher feed prices has resulted in increased domestic slaughter and discouraged the retention of animals within the herd.
- Australian beef production reached record levels in 2007, totalling 2.26 MMT. Beef production is forecasted to fall in 2008 as a result of drought conditions.
- The number of cattle on feed is firm at 870,000 head for the first half of 2007; this is down from record levels in 2006 of 940,000 head. Grain and roughage shortages may progressively decrease the number of cattle on feed as some feedlots stop purchasing cattle.
- Domestic consumption in Australia is fairly consistent year-over-year and projected to remain steady to slightly higher in 2008.
- Two-thirds of Australia's production is destined for exports, with 42.9 per cent of shipments going to Japan, 35.2 per cent going to the U.S., 14.6 per cent going to South Korea, and three per cent going to Taiwan in 2006. However, high prices and competition from the U.S. is expected to decrease market share to Japan in 2007/2008. Trade with South Korea has become more attractive as the exchange rate has moved.
- A strong Australian dollar and increased competition from the U.S. in Asian markets are expected to slightly dampen Australia's current stronghold, but will not likely result in a substantial loss in market share over the next couple of years.

UNITED STATES

	2006	**2007**
Cattle Inventory	96.7 million head	97 million head
Beef Production	12 MMT	12 MMT
Consumption	12.8 MMT	12.8 MMT
Imports	1.4 MMT	1.49 MMT
Exports	519,000 MT	650,000 MT
Reliance on Exports	4 per cent	5 per cent

- Largest beef producing nation, with beef production projected at 12 MMT in 2007, steady with 2006 production levels.
- Despite strong economic signals indicating an expansion should occur in the U.S. cattle herd, inventories have remained at 97 million head in 2007. Growth in the herd has been stagnated by severe drought in many cattle producing regions, higher feed costs, uncertainties around the effect the expanding ethanol industry will have on feed costs moving forward, and uncertainties around market access for beef exports.
- January 1, 2008 beef cow numbers are expected to total 32.7 million head, the smallest beef cow herd since 1991. Large cow slaughter throughout the summer and fall of 2007 has resulted in a reduction in inventories and tight cow supplies, which will keep cow prices at record levels. Cow slaughter levels are projected to decline four to five per cent in 2008 barring a significant drought.

- For the 2008/09 marketing year, corn acreage and production are expected to decline, total usage is expected to be record large, and ending stocks relative to total usage will likely decline. The stocks-to-use level for 2008/09 will likely range from eight to 12 per cent, tightening from 2007/08 levels. This could push corn prices above 2007 highs and place further downward pressure on feedlot margins. With continued losses at the feedlot level, feeder cattle prices will see a downturn and reduce profitability within the cow-calf sector which would further discourage any expansion in the U.S. cow herd.
- Steer and heifer slaughter was up one per cent 2007, while average carcass weights were down four pounds in 2007. Estimates are for U.S. beef production to be up nearly one per cent in 2007. Beef production is expected to increase another one per cent in 2008, with the increase in production mainly attributed to heavier carcass weights.
- U.S. beef exports continue to rebound, but it is expected that U.S. beef exports to Asia in 2007 will continue to struggle and remain below historical levels as a result of cumbersome negotiations and inspections, a strong presence by other exporting nations, and diminished consumer confidence in these markets.
- U.S. beef exports are forecast to reach 680,000 tonnes in 2007. In 2003, the U.S. accounted for 18 per cent of global beef exports. After declining to three per cent in 2004, the U.S. is forecast to account for nine per cent in 2007. Beef exports are projected to increase in 2008 as continued gains in market access are made.
- U.S. negotiations with South Korea have been placed on hold until 2008, with resumption of U.S. beef exports into this market not expected until early 2008. At the same time, USDA continues to push for full access to the Japanese market with early indications that access for beef products from under-30-month cattle may be achieved in 2008.
- A depreciated U.S. dollar relative to many other currencies will likely support U.S. beef exports in 2008.
- The U.S. continues to struggle with the implementation of a national cattle identification/traceability system. Current expectations are that a national system will be only implemented on a voluntary basis.
- A challenge the U.S. faces in the beef export world is the "95/5" problem. With only five per cent of production being exported, major focus and market efforts may not focus on export markets as much as more export dependent countries.

URUGUAY

	2006	**2007**
Cattle Inventory	12.3 million head	11.9 million head
Beef Production	640,000 MT	590,000 MT
Consumption	184,000 MT	193,000 MT
Imports	4,000 MT	3,000 MT
Exports	460,000 MT	400,000 MT
Reliance on Exports	72 per cent	68 per cent

- Eighth largest beef exporter, with beef exports projected to decrease to 400,000 MT in 2007 and account for 5.3 per cent of global beef trade.
- After a small decline in cattle inventories in 2007, cattle inventories are forecast to increase in 2008 as a result of larger calf production and continuing investments in improved pastures and herd management techniques.

- Reductions in inventories resulted in beef production in 2007 decreasing to 590,000 MT. In 2008 beef production is expected to increase as inventories expand and slaughter weights increase.
- Uruguay's beef exports are forecast to increase in 2008 as a result of larger slaughter and supply, and strong demand from export markets – specifically NAFTA countries.
- Cattle prices reached record levels in mid-2007 due to recovery of most export markets, strong international demand, and the sanitary condition of the country not shared by its neighbours.
- The U.S. continues to be Uruguay's largest market. In 2006, Uruguay filled its 20,000 MT U.S. beef quota and exported an additional 92,000 MT (PWE) outside of the quota, paying a 26.4 per cent tariff.
- In 2006, 35 per cent of beef exports were shipped to the U.S., 24 per cent went to Russia, 12 per cent went to Mercosur (Chile, Brazil and Argentina), and 10 per cent went to the European Union. Beef exports to Russia and the Mercosur countries have increased significantly in recent years.
- Domestic beef consumption is expected to remain steady.
- Promotional efforts by the Uruguayan beef industry are targeted to highly valued fresh/chilled product with emphasis on Uruguay's natural, grass-fed beef production.
- Because Uruguay's beef industry is so export dependent it is very sensitive to disease outbreaks (FMD).
- In September 2006, Uruguay implemented a mandatory system for ear tags required on all calves before they reach six months of age or are moved from the farm of birth. Two tags are now required for all cattle, one highly visible and one electronic, as well as the paperwork that tracks cattle from birth to slaughter. While the government currently pays for the tags, there are plans that this cost will be transferred to producers.
- The Uruguayan National Meat Institution has recently implemented a monitoring system called "black boxes" in slaughter plants. These black boxes record information facilitating traceability, providing yields to producers and rapid access to information. Around 95 per cent of slaughter is currently being monitored through the use of black boxes.

ARGENTINA

	2006	**2007**
Cattle Inventory	50.2 million head	51.2 million head
Beef Production	3.10 MMT	3.18 MMT
Consumption	2.55 MMT	2.65 MMT
Imports	5,000 MT	5,000 MT
Exports	552,000 MT	525,000 MT
Reliance on Exports	18 per cent	17 per cent

- Fifth largest beef producer, with production projected to reach 3.18 MMT in 2007. Remains a large beef exporter despite current domestic policies aimed at restricting beef exports.
- Argentine beef exports were limited in 2006 and 2007 by government in an effort to control domestic inflation caused by recent economic instability. The current policy limits 2007 beef exports to 70 per cent of 2005 export levels or approximately 500,000 MT.
- Argentina has the highest per capita beef consumption in the world at 141 pounds per person in 2006.
- Beef production is forecast to increase in 2007 as a result of increased domestic slaughter caused by poor pasture conditions and current domestic policy measures.

- 2008 beef production and export levels will be highly dependent on whether export controls remain in place and limit exporters' ability to trade product. It is estimated that Argentina is capable of exporting 800,000 MT if no exports controls were in place.
- Recent reports indicate Argentina producers are moving from beef production to grain farming because of high grain prices and current limitations to beef exports. It is estimated that 7.4 million acres have been converted from grazing to grain – representing a 10 per cent decline in ranchland.
- Argentina beef exporters continue to focus on expanding exports of high-priced premium cuts into the European Union and Russia, which are historically its best customers on a value basis. Most recently, exports to Russia have exceeded shipments to the EU on a volume basis.
- Frozen beef represents approximately 70 per cent of exports.
- Argentina is currently FMD free with vaccination.
- Argentina implemented a mandatory animal identification program in 2007 with all calves now required to carry an official tag. The total herd will be identified in an estimated eight to 10 years.

NEW ZEALAND

	2006	**2007**
Cattle Inventory	9.47 million head	9.61 million head
Beef Production	678,000 MT	660,000 MT
Consumption	157,000 MT	157,000 MT
Imports	9,000 MT	12,000 MT
Exports	530,000 MT	515,000 MT
Reliance on Exports	78 per cent	78 per cent

- Sixth largest beef exporter, with exports projected to reach 660,000 MT in 2007 and account for 84 per cent of New Zealand's total beef production.
- While cattle inventories have been increasing and are projected at 9.61 million head in 2007, most of this increase in inventory is attributed to higher numbers of dairy cows arising from the increased profitability in that sector. Beef cattle numbers are forecast to remain steady to slightly higher, with beef cows increasing 1.6 per cent between 2006 and 2008 while finishing cattle will decrease a corresponding amount.
- Beef production and exports are expected to dip slightly in 2007, but then recover in 2008 and reach 715,000 MT and 600,000 MT respectively. The decline in 2007 production levels can be attributed to an increase in calf slaughter combined with lower fed slaughter. Cow slaughter is expected to increase in 2008 due to liquidation of dairy cows.
- Domestic consumption is expected to remain steady at 157,000 MT, accounting for 23 per cent of total beef production.
- The U.S. continues to be New Zealand's single largest export market accounting for 50 per cent of exports. Northeast Asia has become the second largest destination for beef exports, with New Zealand being able to leverage its disease free status since the exclusion of North American beef and thus grow market share in Japan, Korea, and Taiwan.
- Beef exports to the U.S. are expected to increase in 2008, while exports to South Korea and Japan are expected to decrease slightly as a result of the re-emergence of North American exporters in these markets.

- New Zealand will remain a strong export competitor, but despite continuing improvements in productivity, exports of beef will remain dependent upon the dairy industry for its supply of cattle.

Challenges and Opportunities

Canada remains one of the largest global beef exporters and is currently the largest exporter of grain-fed beef products. Current estimates indicate that 25 per cent of the world's beef production is grain-fed. With rising incomes and a growing middle class in several populous regions such as China, demand for grain-fed beef will remain strong and has the opportunity to increase over the next decade. This provides significant opportunities for the Canadian beef industry.

At the same time, Canada is a relatively small player in the global beef export market when exports to the U.S. are removed from Canada's total beef exports. In addition, the intensity of competition within grain-fed markets has also increased with the growth of Australian feedlot capacity expected to continue after they recover from their current drought and investment in feedlot capacity occurring in both Brazil and Argentina. The global beef market is highly competitive with a large number of aggressive players pursuing major global markets. Several of these players have well-entrenched positions in the large beef markets, built as a result of a strong consumer image and strong industry networks. To further position themselves, several key players have shown great flexibility in adjusting their production strategies and implementing new ones in order to provide the beef products demanded by different markets.

Most long-term projections point toward global demand for beef rising faster than supply, which is a positive for the Canadian beef industry. But cattle health issues will continue to have a significant impact on the competitive dynamics for global beef trade and who the major players are. Furthermore, differentiation of Canadian products will be challenging in this competitive market, particularly given the cost advantage of several major competitors.

Recovery of Canada's beef export markets in the aftermath of BSE has been slower than anticipated and continues to be an uncertainty. While significant gains have been made in several major markets, continued gains in market access are necessary to maximize carcass values and the benefits received by the Canadian industry from beef trade. In conjunction with increased market access for Canadian beef, moving forward it is important that the Canadian beef industry implements a comprehensive marketing strategy that focuses on maximizing the total value realized through optimization of carcass values, genetic product values, and live cattle values.

IV 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.
   These are CCMDC-specific goals for the long-term market development program.

Marketing Targets

The Beef Information Centre, Canada Beef Export Federation, and Canadian Beef Breeds Council in collaboration with CanFax Research Services (CRS) recognized the need to establish a coordinated process whereby volume and value targets for the 2008 year were established based on a clear evaluation of the production and beef supply situation and current market indicators for the domestic and key export markets. This process facilitated the establishment of near-term targets that are ambitious, but also achievable within the current market context.

In order to develop the marketing targets, the marketing organizations and CRS also consulted with the Canadian Cattlemen's Association Global Marketing Advisory Committee to ensure that the targets fully reflect the market context and industry's ability to deliver on its vision and goals as previously stated. 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.

Projecting the supply and disposition of Canadian beef in 2008 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 value of the Canadian dollar, and the response to the implementation of country of origin labelling in the U.S. Utilizing the most current information and data, CRS sought to set beef export targets by country through first establishing an estimate of the 2008 beef supply.

As outlined in the market outlook, fed cattle marketings are projected to decline in 2008 by three per cent to 3.4 million head. This is a result of the large number of feeder cattle that were exported to the U.S. in 2007 and a smaller calf crop. The distribution of fed cattle marketings for domestic slaughter and export is expected to remain consistent with 2007 levels, which will result in a three per cent reduction for both, with domestic fed slaughter projected to decline to 2.59 million head and slaughter cattle exports projected to drop 814,000 head. With the reduction in domestic fed slaughter, fed beef production (excluding slaughter cattle exports) is projected to decrease from 976,000 tonnes in 2007 to 947,000 tonnes in 2008.

Non-fed marketings are projected to increase five per cent in 2008 to 854,000 head as a result of the opening of the U.S. border to over-30-month cattle and beef. Domestic non-fed slaughter is projected to stay consistent with 2007 levels at 816,000 head, while cow and bull exports to the U.S. are projected to total 37,600 head in 2008. While overall non-fed marketings are expected to increase in 2008, with no change in domestic non-fed slaughter levels, non-fed beef production (excluding cow and bull exports) is projected to remain constant at 261,000 tonnes.

In 2008, beef imports are projected to increase 20 per cent to 224,000 tonnes. The large increase in beef imports is expected as a result of the expectation that 30 per cent of non-fed beef production will be exported to the U.S. and Mexico in 2008, which will encourage larger imports of trim into the domestic market. In order to evaluate total beef supplies available in Canada, carry-over stocks and offal production were also included, with estimates based on historical annual averages. Total Canadian beef supplies are projected to increase slightly from 1.462 million tonnes in 2007 to 1.463 million tonnes in 2008, with the decline in domestic beef production being offset by increased beef imports.

	2007p	2008	% change
Marketings (Head)			
Fed	3,509,942	3,404,644	-3%
Non-Fed	816,373	853,971	+5%
Domestic Slaughter (Head)			
Fed	2,665,968	2,585,989	-3%
Non-Fed	816,373	816,373	0%
Net Exports (Head)			
Fed	838,926	813,607	-3%
Non-Fed	0	37,597	
Fed Beef Production	976,105	946,822	-3%
Non-Fed Beef Production	261,325	261,325	0%
Beef Imports	186,882	224,258	+20%
Total Beef Supplies	**1,461,861**	**1,463,111**	
MT, Carcass Weight			

Determining the disposition of total Canadian beef supplies for 2008 includes estimating domestic consumption, beef exports, and carry-over stocks. Domestic beef consumption is projected to remain unchanged at 971,000 tonnes, while the proportion of domestic beef consumption made up by Canadian beef is expected to decrease and be displaced by imported product. With reduced supplies of Canadian beef being placed into the domestic market, the expectation is that beef supplies for export will remain consistent to slightly above 2007 levels at 492,500 tonnes in 2008. While fed beef production for export is estimated to decrease, based on a survey completed by the major packers, it is estimated that 30 per cent of non-fed beef production will be exported with 71 per cent of non-fed beef exports being shipped into the U.S. and 29 per cent to Mexico.

The distribution of Canadian beef exports is projected to shift in 2008 with U.S. market share decreasing from 80 per cent to 78 per cent, while total tonnage increases slightly to 382,700 tonnes. Beef exports to Mexico are projected to increase from 53,000 to 66,000 tonnes with Mexico's market share increasing to 13.4 per cent. With increased access into different Asian markets such as Taiwan, a shift in beef exports is expected between markets. Shipments to Hong Kong and Macau are projected to remain steady to slightly lower at 21,000 tonnes, while shipments to Japan are expected to increase from 4,000 tonnes in 2007 to 5,000 tonnes in 2008. This target assumes that market access for Japan will remain unchanged (access for beef from cattle that are under-21-months). Two key changes assumed for 2008 are the reopening of the South Korean market and the re-entry of Canadian beef into Taiwan in late 2007.

	2007p		2008		% change
Total Beef Supplies	1,461,861		1,463,111		+0.08%
Domestic Consumption	970,535		970,535		0%
Consumption of Canadian Beef	783,653		746,277		-5%
Fed	522,328		563,349		+8%
Non-Fed	261,325		182,927		-30%
Beef Available for Export	491,326		492,576		+0.3%
Non-Fed for Export	0		78,397		
Beef Exports by Country					
U.S.	375,686	80%	382,864	77.7%	
Mexico	53,139	11%	66,224	13.4%	
Hong Kong & Macau	21,736	5%	20,709	4.2%	
Japan	4,000	1%	4,970	1.0%	
South Korea	0		828	0.2%	
Taiwan	0		4,970	1.0%	
ROW	14,418	3%	12,011	2.4%	

MT, Carcass Weight

The targets set are highly dependent on several factors, with the understanding that significant change in any one factor could impact the level of beef supplies available and the level of beef exports to a particular market. The number of fed cattle available for domestic slaughter, as a result of high fed cattle and feeder cattle exports, is uncertain and could be reduced from current projections which would reduce total beef supplies. The value of the Canadian dollar will also have a significant impact on the outcome. If the Canadian dollar remains at par with the U.S. dollar or appreciates further in value, Canadian beef will be relatively more expensive to purchase on the global market which may dampen export levels. For beef export levels to remain constant with an appreciated Canadian dollar, downward pressure would be placed on the value of Canadian beef exports in order to remain competitive. Other factors that could have a negative impact on beef export levels include the implementation of country of origin labelling in the U.S., which could result in reduced shipments in the short-term, and the level of non-fed beef production that will be exported which remains uncertain.

LONG-TERM MARKETING TARGETS

As mentioned previously, 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.

	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.		
Exports (MT)	n/a	n/a

	2010 Target	2015 Target
Mexico		
Exports (MT)	121,400	138,000
Japan		
Exports (MT)	33,500	52,500
Korea		
Exports (MT)	28,500	38,000
Taiwan		
Exports (MT)	9,500	12,000
Hong Kong/Macau		
Exports (MT)	18,000	24,000
China		
Exports (MT)	19,000	26,000
Cattle Genetics		
Volume (units)		
Embryos	25,000	50,000
Semen	400,000	500,000
Live Breeding Cattle	30,000	50,000
Value ($ 000s)		
Embryos	12,500	25,000
Semen	10,000	12,500
Live Breeding Cattle	90,000	175,000
TOTAL	112,500	212,500

VALUE-BASED TARGETS

The CCMDC's primary goal is to maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of carcass values, genetics products' values, and live cattle values. With the implementation of a comprehensive target setting process for beef supplies, the intent moving forward is to establish value-based targets to be measured on an ongoing basis in conjunction with volume targets. In the upcoming year, both short-term and long-term value-based targets will be established. The following value measures have been proposed to establish value-based targets moving forward:

1) **Overarching Beef Value Measure:** CRS publishes the Canadian boxed beef report on a weekly basis, which reports the prices of individual cuts, primals, and cutout values based on domestic and export beef sales. It is proposed that AAA and AA cutout values are used as a measure of overarching performance for Canadian beef.

Overarching Value Measure	2006	2007p
AAA Cutout	168.75	169.05
AA/A Cutout	163.24	160.08
Unit: $/cwt		

2) **Domestic Canadian Beef Value Measure:** The value of domestic beef sales is not reported on an ongoing basis, with the only measure currently available being the average retail beef price as reported through Statistics Canada. While this does not allow for an evaluation of the value of beef sold through foodservice channels, it does provide a standard measure of value. Two value-based measures are proposed including the annual retail beef

price and total beef expenditures on a deflated basis, which will allow for an assessment of the change in value once inflation has been removed.

Domestic Beef Value	2006	2007p
Retail Price ($/kg)	11.58	12.03
Deflated Beef Expenditures (Bill $)	6.31	6.41

3) **Commercial Beef Value Measure:** The value of commercial non-fed beef is difficult to measure as a cow cutout model is not published in Canada. Therefore a proxy measure is used, which monitors the 85 per cent boneless beef trim price. This measure is proposed given that the majority of commercial non-fed beef is trim product.

Commercial Beef Value	2006	2007p
85% Boneless Beef Trim Price		
Canada	1.374	1.365
U.S.	1.374	1.324
Australia/New Zealand	1.425	1.423
Unit: $/lb		

4) **Beef Exports by Country Value Measure:** The value of beef exports is reported by destination country and consequently can be used to measure value on a country-by-country basis.

Beef Exports by Country	2006	2007p
U.S.	$1,091	$1,089
Mexico	$153	$179
Japan	$15	$20
Korea	$0	$0
Taiwan	$0	$0
Hong Kong/Macau	$56	$63
China	$0	$0
Other	$16	$6
Total	**$1,332**	**$1,358**
Unit: Million $'s		

5) **Genetic Export Value Measure:** The value of genetic exports is reported for live cattle, semen, and embryos. The accuracy and timeliness of this data is an issue which continues to be addressed. Due to the limitations of current data it is important to focus on overall trends when setting targets and not the value of individual data points.

Genetic Export Value	2006	2007p
Purebred cattle	$0.965	$10.00
Semen	$8.03	$4.02
Embryos	$0.425	$0.553
Total	**$9.42**	**$14.57**
Unit: Million $'s		

Market Positioning – The Value Proposition

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

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

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

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

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

Through these industry and market driven changes, the Canadian industry will not only be securing access to markets through demonstrable beef safety, but will also be creating a competitive advantage relative to competing beef products in an area that is becoming increasingly important to customers and consumers of beef. Currently, Canadian beef products are able to leverage a range of very specific attributes with appeal to selected market segments. These attributes include, among other things, higher yield than competing products, a more precise grading system improving consistency, high levels of service in terms of conformance to specifications, and high tenderness (as a result of an exclusively Bos Taurus herd). In addition, the Canadian beef industry benefits from the Canadian image of integrity, fairness and a pristine environment.

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

Increasing Industry Support for the Value Proposition

Positioning the industry as a world leader in animal production, health and beef safety requires a coordinated approach across the value chain. With the approval of the Strategic Marketing Plan in 2006, the industry now has a responsibility to focus on implementing demonstrable animal production, health and beef safety enhancements and systems. The leadership at the Canadian Cattlemen's Association (CCA) has committed to further implementing the value proposition across

the industry and this will continue to be of utmost priority in coming years. With the current challenges facing the industry brought about by the convergence of escalating production costs, an unfavourable exchange rate relative to the U.S. dollar, continuing market access limitations, and the erosion of equity for a number of value chain sectors – the need to move forward with long-term positioning of the industry is even more apparent. The CCMDC and CCA have put forward a proposal to facilitate discussion about what the industry must do to help raise value and returns for its products. A more collaborative approach with each value chain sector is necessary. The proposal illustrates how each sector can provide information to the rest of the value chain, thereby demonstrating cooperation to achieve the desired industry positioning. With this collaborative approach between sectors the industry is moving forward with the desired positioning, making the *Canadian Beef Advantage* a reality.

The cornerstone of this plan is the current Canadian Cattle Identification Program. The industry and government response to BSE events have been among the best in the world in terms of speed, integrity, transparency and comprehensiveness – and demonstrated how this has been an invaluable investment for the Canadian industry. In addition, the program provides the mechanism to facilitate the necessary exchange of information. Participation in the *Canadian Beef Advantage* system will include:

- All Canadian beef cattle production units enrolling and participating in the Verified Beef Production Program to demonstrate the industry's commitment to the highest food safety standards.
- All Canadian cattle are age verified through the CCIA database to improve access to key export markets.
- All feedlots report the arrival of animals to the database and submit specified performance data (non-proprietary) on close-out.
- All packers and abattoirs submit specified carcass information linked to the individual animal through the CCIA database to improve the production decisions of producers and thereby improving the quality of our product.
- Industry achieves full live animal traceability by January 2009.
- Packers implement pricing mechanisms which recognize the value of the cattle participating in the *Canadian Beef Advantage* system.

In order to increase industry support and buy-in for this proposal, it is critical to first ensure that producers understand what it means to be a leader in animal health and food safety, how that will provide a more sustainable market position in our export markets, and what the implications and benefits are to producers. This requires a coordinated communications effort in order to raise awareness of the value proposition and to demonstrate how the industry will gain value from the participation in the *Canadian Beef Advantage* system.

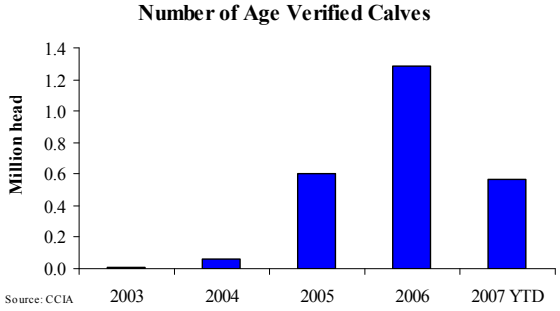
ENHANCING TRACEABILITY

A key component of a more integrated approach to animal production, health and food safety is to enhance the ability to track animals as they move through the sectors, and subsequently to source verify and track information on the production and performance of these animals. The industry has established a set of key principles for full animal movement reporting to ensure that the industry moves forward in a manner that does not impede commerce and is built upon the current infrastructure. The CCIA has outlined a transition approach to the implementation of animal movement within Canada following these key principles. The reporting of animal movement data

according to the proposed approach would include the 'move-in' information upon receipt of an animal at a designated premise. Feedlots submitting data on the movement of animals into the feedlot in exchange for access to age verification will accelerate the implementation of the beef cattle traceability plan and demonstrate a key strength of our animal health system.

Rapid and thorough investigation capabilities are critical components of global leadership in animal health and food safety. By establishing the means to track animal movement from ranch/farm to feedlot and feedlot to packer with existing technology, the industry will immediately enhance the integrity of its traceability system. When technology is then available to include auction markets and assembly points, these will be added to further enhance the capability with minimal cost. With the proper infrastructure in place and the location of all producers and industry partners uniquely identified, full animal movement and tracking could be possible by January 1, 2009.

AGE VERIFICATION



As Canada continues to regain and expand market access, the industry can expect requirements for specified age products to remain. Encouraging producers to age verify their animals continues to be a challenge for industry in spite of the numerous benefits relative to the minimal costs. From January to November 15, 2007 the Canadian Cattle Identification Agency recorded 569,091 age verification records. This represents 11 per cent of the 5.3 million calves on-farm, as reported by Statistics Canada on July 1, 2007. This is down 66 per cent compared to the same period in 2006. In 2006, 98 per cent of all age verification records were submitted to the CCIA by November. If this trend is followed in 2007, it is likely that 2007 age verification records will remain well below the 1.3 million records submitted in 2006.

There are a number of reasons to explain the decrease in the numbers of age records submitted in 2007. Likely, the most significant reason is that premiums paid to suppliers of age verified slaughter cattle have been inconsistent and it is perceived that they have not benefited the cow-calf producer who must initiate the age verification process. Clearly the benefit of age verification must not be seen simply as a means to achieve a premium, but as a long-term investment. To create value, age verification is the cow-calf producer's currency for the exchange of information from other sectors.

The Japanese market and its potentially higher value sales have not yet achieved pre-2003 volumes. As long as the limitation is set at under-21-months, our production system with the predominant spring calving season will continue to struggle to meet volume requirements for that market on a year-round basis. With the age restriction, Canada's production system falls short for approximately three months of the year (January-March). The ability to identify those animals that would fill this gap is critical to provide adequate supplies of desired product throughout the entire year. Industry can also expect that even as countries move toward following OIE guidelines, exporting cows and bulls to the U.S. will require a long-term commitment to age verification in order to verify that they are born after March 1, 1999.

In addition to the long-term benefit to industry in providing a consistent, year-round supply to our customers, it is becoming even more important to age verify all Canadian cattle in order to limit the

negative pricing impact on all live cattle transactions. With the implementation of the enhanced feed ban and the additional regulatory regime for removing, handling, and disposal of SRM (specified risk material), there is very little margin for incidental slippage of over-30-month animals during the run of under-30-month animals in a packing plant. In the absence of a critical mass of age verified animals, the use of dentition will continue to be the standard used and the costs of incidental SRM contamination will continue to be passed down the market chain to primary producers.

The CCA will continue to encourage producers to age verify their calves through current communication channels. However, it will be critical for primary producers to recognize that submitting age records is part of their contribution to the *Canadian Beef Advantage* and to the long-term success of the industry. The value must be realized by the total industry and result in higher values and lower costs to the entire value chain which will equate to higher returns for all sectors of the chain. At the same time, to see this value the industry needs a critical mass of age records to gain any significant level of market access and remove the need for dentition for SRM removal and disposal.

QUALITY STARTS HERE✓® – VERIFIED BEEF PRODUCTION PROGRAM

The original Quality Starts Here✓® program developed in 1994 has expanded in recent years to host the beef industry's on-farm food safety program – Verified Beef Production (VBP). As on-farm food safety moved towards a HACCP-based approach, the food safety components of Quality Starts Here✓® were used to develop a set of Standard Operating Procedures. This auditable program is designed to complement food safety programs underway at processing plants and retail. An industry-led program, VBP is a key element in providing verified assurance of good on-farm food safety practices to our customers and contributes to the positioning of the Canadian beef cattle industry as a leader in animal health and food safety.

Since November 2004 the Quality Starts Here✓®program has been developing the capacity to deliver in regions across Canada, including funding arrangements, training coordinators and auditors, and a producer workshop program. Recent efforts have focused on enhancing communication to producers in major cattle producing regions of Canada, and further adapting tools to make it easier for producers to participate in the Verified Beef Production program. A major milestone achieved in the past year was the adjustment of on-farm requirements through the development of a simpler and more concise producer manual. This resulted in reduced paperwork for producers, simplicity in delivery, and more consistent audit procedures. Some level of recordkeeping is still required in order for producers to demonstrate what is done on the farm. However, many producers are now able to use the recordkeeping systems they already have in place.

With the revisions made to the program, the audit sequence has also been adjusted. The program has continued to work with the CFIA Label Claims Division to qualify several Verified Beef Production on-farm auditors to audit rearing claims developed by companies or associations. These auditors are qualified to undertake program audits such as those approved for natural beef programs or regional products. This decreases producers' costs to participate in these types of marketing alliances.

The CCA and the Quality Starts Here✓® Verified Beef Production program are focused on continuing to make enhancements on an ongoing basis in an effort to keep the program practical

and credible and encourage greater producer uptake and participation. Producer participation in this program is another key component to the *Canadian Beef Advantage*, as it provides an auditable system to demonstrate the on-farm food safety protocols in place.

ASSEMBLING THE SYSTEM

The industry has a comprehensive traceability system which is in the process of enhancement. As well, the industry has established good production practices to address animal health and food safety management which are all in support of the proposed *Canadian Beef Advantage* information exchange system. The CCA, working with other industry stakeholders, is developing a pilot project with packers, auction markets, feedlots, and cow-calf producers to demonstrate how this system will work. Cow-calf producers, at a minimum, must be willing to age verify their animals, register premises, provide basic animal health information, and agree to share that information with other sectors participating in the program. In return, these producers will receive basic feedlot performance and carcass information. Linking the genetic, production and carcass data together enables the industry to measure the performance of the national herd and offers producers the value of benchmarking their own performance. The successful completion of this pilot should provide the necessary incentive to demonstrate how, with each sector contributing, the industry can create a marketable product based on the value proposition, increase genetic and beef sales value and improve the industry's competitiveness.

V MARKETING STRATEGY AND PROGRAMS

Marketing Strategy

The underpinning of this marketing implementation plan is to build on the value proposition by developing an industry-wide description of the *Canadian Beef Advantage* including proof points for each claim or attribute, and creating an overarching brand identity for Canadian beef that will be launched and promoted in target markets. Market development programs and tactics incorporate public relations as a major thrust to communicate the *Canadian Beef Advantage* to the meat trade and consumers. A key consideration is to closely integrate this strategy with value chain partners to ensure their buy-in, leverage resources and maximize market development opportunities.

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.

An overarching brand identity to communicate the *Canadian Beef Advantage* is being created that involves a visual mark or logo, supported by a positioning slogan. Canada's competitors such as Australia and New Zealand have already developed unique logos and positioning slogans for their beef products. Their visual marks are distinct from the logos of the (check-off) organizations and have specifically been developed to identify their beef to consumers. The visual characteristics of the Canadian beef logo will be retained across all markets with customization of the positioning statement or slogan for each market as required. As part of the brand development process, logo options will be tested with consumers in selected markets. Feedback will also be solicited from industry and government stakeholders and value chain partners.

The Beef Information Centre, Canadian Beef Breeds Council and Canada Beef Export Federation are working together to develop the industry-wide description of the *Canadian Beef Advantage* and the overarching unique identity for Canadian beef. The brand identity will then be launched in target markets through a coordinated strategy. The goal is that over time, the new brand identity will become a recognizable Canadian beef symbol identifiable anywhere in the world, promoting the safety and high quality of Canadian beef and cattle products. Synergies with initiatives such as Brand Canada[1] are part of the brand development process underway.

In the brand strategy process underway, the Beef Information Centre, Canadian Beef Breeds Council and Canada Beef Export Federation have conducted extensive market research and employed external brand development expertise during the past year. At time of writing, logo options have been selected for market testing. Brand strategy elements and deliverables include: creative brief, usage and standards, licence agreements, compliance standards, trademark search, consistency with Brand Canada, testing, and positioning by specific markets. The brand promise, character, guiding direction, and execution considerations are also part of the brand strategy development process.

[1] Brand Canada is a federal-provincial initiative led and funded by Agriculture and Agri-Food Canada designed to build a strong brand for Canada's food and agriculture sector in international markets. It is based on buyer and consumer research in Canada's key export markets and supported by a set of marketing tools.

The Beef Information Centre, Canadian Beef Breeds Council and Canada Beef Export Federation are committed to working closely together on the development and launch of the global branding strategy for Canadian beef and cattle genetics. In addition to the brand strategy, collaboration and coordinated tactical implementation between the beef marketing organizations will continue to occur in a number of ways including:

- Information and resource sharing
- Co-development of marketing materials such as brochures, quality and food safety materials, etc.
- Partner Market Development Programs that are consistent between markets (CBEF and BIC)
- Joint promotions and trade missions (CBBC and CBEF)
- Research initiatives

Marketing Programs

Marketing programs follow and are presented on a market-by-market basis, followed by Export Preparedness and Alberta-Based Supplementary Market Development Initiatives (relating to the Alberta government portion of the Fund). Marketing program sections include 2008 marketing targets, environment scan, objectives, goals and tactics.

- Genetics
- Domestic (Canada)
- Commercial Beef
- United States
- Mexico
- China (including Hong Kong, Macau, Mainland China)
- Japan
- Taiwan
- South Korea
- Export Preparedness for Mexico, Asia & Emerging Markets
- Alberta-Based Supplementary Market Development Initiatives

Genetics Marketing Program

2008 Marketing Target

The 2008 global marketing plan targets for Genetics are:

VOLUME (UNITS)	
Semen	2 million units
Embryos	1,000 units
Live Breeding Cattle	U.S. 15,750 head Mexico 500 head
VALUE ($ 000)	
Semen	5,000
Embryos	600
Live Breeding Cattle	30,000

Environment Scan

The careful management of the world's agricultural biodiversity is becoming an ever greater challenge for the international community. The livestock sector in particular is undergoing dramatic changes with large-scale production expansion in response to surging demand for meat, milk and eggs. A wide portfolio of animal genetic resources is crucial to adapting and developing our agricultural production systems. Currently, genetic diversity is under great risk due to unrecorded genetic resources and breed extinctions. Increased efforts to understand, prioritize, and protect the world's animal genetic resources for food and agriculture are required. Sustainable patterns of utilization must be established. Broader access to genetic resources must be ensured and managed for these resources to remain viable. Recently, the first global assessment of the status and trends of animal genetic resources, and of the state of institutional and technological capacity to manage these resources, was addressed at the State of the World's Animal Genetic Resources for Food and Agriculture Summit in Interlaken, Switzerland. The Canadian Beef Breeds Council was a participant at this summit and is utilizing the intelligence gleaned to underscore its global marketing strategy for 2008/09.

As discussed in the *Market Context* section earlier in this document, according to the Food and Agriculture Organization (FAO) world beef production is expected to rise 1.4 per cent over 2006 to 67.1 million tonnes. In North America, beef production is forecast to decline nearly one per cent, totalling 13.2 million tonnes. According to the FAO, in the U.S., the expected decline would result from the retention of heifers for herd rebuilding and lower slaughter weights due to a combination of poor pasture conditions and reduced grain feeding. Beef production in Brazil, which is expected to total nine million tonnes, is growing at a slower pace than previous because of reduced inventories. Uruguay also faces shortages of replacement cattle and is projected to see a decline in beef production of 7.5 per cent. As well, Australia's beef production is expected to decrease two per cent due to continuing drought. These global situations need to be evaluated and strategies refocused in terms of potential opportunities for Canadian purebred genetics.

The production or value chain of the Canadian beef cattle industry can be described as a gene flow pyramid with the genetics/breeding industry as the peak of the pyramid and layers expanding to the base encompassing elite purebred breeders, multiplying breeders, production (cow-calf, feeder), processing and wholesale/retail). Information ideally flows up and down the pyramid.

The total Canadian beef cattle population on January 2, 2007 was approximately 14.1 million head of cattle, total beef cows exceeding five million head, and total purebred beef cattle cows of about 500,000 head. In terms of capacity, the national purebred herd represents more than adequate supply to meet the Canadian Beef Breeds Council long-term marketing strategy targets to international destinations for breeding stock.

There are 33 breeds of Bos taurus 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 base of the national herd is built on traditional breeds of British origin (primarily Angus, Hereford, Shorthorn, Galloway, and others). Through the 1950s, '60s and '70s breeds of Continental European origin were introduced to improve growth rates, efficiency, dressing percentage and cutability (e.g. Charolais, Simmental, Limousin, Gelbvieh, Salers, Maine Anjou, etc.). Canada has also developed its own breeds using other breeds in combination. Examples of this are Hays Converter and Speckle Park.

There are approximately 10,000 breeders of registered cattle of all breeds in Canada. In 2006 these producers registered about 138,000 head of cattle which was a nine per cent increase year-over-year compared to 2005. This increase of registrations is a result of the *Sustaining Genetic Quality of Ruminants Program* administered by Agriculture and Agri-Food Canada in collaboration with the national beef breed associations. The main products of the genetics sector promoted and marketed by participating exporters are purebred breeding cattle, semen and embryos. A market for percentage/cross-bred cattle of known source, pedigree and performance also exists and will be pursued.

In May 2003 nearly all export markets closed their borders to Canadian bovine products as a result of BSE. To date 14 markets have reopened to Canadian breeding cattle. These are: Algeria, Egypt, Kazakhstan, Korea, Morocco, Russia, Serbia, Ukraine, Cuba, Tunisia, Lebanon, St. Pierre, and Miquelon – and finally, the United States effective November 19, 2007. Markets for semen have been restored in 104 countries and for embryos, 73 countries.

The Canadian Beef Breeds Council marketing strategy prioritizes specific country destinations for genetics products within the context of regional groupings: North America, Latin America, Asia, Oceania, Africa, and Europe (EU, Eastern Europe). Major competitors in nearly all target destinations include the United States, Australia, New Zealand, countries in European Union, as well as local stocks.

The CBBC is continuing with its risk analysis of the purebred beef cattle sector, and is currently in the development of risk mitigation tools phase. Critical elements of the analysis included surveying of commercial cattle producers and purebred breeders, as well as facilitated focus groups of industry stakeholders held across Canada. The results form a baseline of understanding of the purebred industry in Canada. The analysis validates the identification of a number of risks including the seven risk categories that have been prioritized. These include: value proposition, enhanced communication, data collection and information flow, price discovery, sharing of resources,

education and training, and international market development. Value-added products including financial instruments will be tested in 2008/2009.

Other innovations include support of the *Canadian Beef Advantage* and the global branding strategy where possible and appropriate, and further development of specific brands that support the growth of purebred beef cattle and international sales (example Angus Beef). Collaboration is underway with respect to a global consumer trademark for beef and beef genetics (in both domestic and international markets), and is being developed based on market research obtained by the Beef Information Centre and Canada Beef Export Federation.

The basis of the CBBC's international market development strategy is a value proposition. Through known genetics, the purebred sector promotes consistency, performance, predictability and profitability to add value to the Canadian commercial cattle industry. This is based on a number of measurable factors that include a systems-approach to genetic improvement, climate, regulatory systems, and the skill of producers. It is fostered by the view held by the international community and supported by research, that Canadians are trusted and have a high degree of integrity.

Internationally, access for breeding cattle to all markets needs to be achieved. In addition, trade irritants such as zootechnical impediments must be reduced. While harmonization in areas is desirable, points of differentiation will be probed, identified, and addressed. The marketing strategy focuses on achieving sustainable increases in the volume and value of exported Canadian genetics products. This will be accomplished through market access and market development.

Genetics Marketing Goals and Objectives

The mid to long-term objective of the strategy is to regain and recapture pre-BSE share of world markets. Export markets targeted in the short-term are the U.S. and Mexico which represent the best opportunities for gains in volume and value.

EXPORT GOALS FOR 2008/09:

1. Regain market share to the U.S. for breeding cattle to pre-BSE levels of 15,750 head.
2. Regain access to Mexico for breeding cattle to pre-BSE levels of 500 head.
3. Regain market share to pre-BSE volume and value for semen and embryos.
   Projections for semen: Volume increase of 16 per cent to two million units
   Value increase of 24 per cent to $5 million
   Projections for embryos: Volume increase of 22 per cent to 1,000 units
   Value increase of 18 per cent to $600,000

LONG-TERM OBJECTIVES:

1. Reopen and re-access markets within a diversified global market portfolio outside of the U.S., thereby distributing potential for managing both opportunity and risk for exports and reinvestment in this sector.
2. Establish niche markets as determined by breed strengths and characteristics.
3. Achieve the long-term goal of five per cent of international agricultural market share by 2010 as defined by Canadian Agri-Food Marketing Council.

Genetics Marketing Strategy and Program for 2008/09

The viability of these different targets in the context of the sector's potential for export growth and/or resolving market access issues is difficult to define and measure. These targets are solely dependent upon the ability of Canadian and foreign governments to negotiate protocols for accepting Canadian genetics. The viability of these activities is highly speculative and subject to sudden change.

The genetics marketing strategy focuses on the need to rebuild Canada's reputation as a leader in providing high quality, safe, innovative agriculture and food products produced in an environmentally friendly manner. It also addresses the need to restore the confidence that Canada held as a world leader in high quality genetics prior to May 2003 through a multitude of avenues for re-establishing contacts and presence within the purebred world context.

Various stakeholders are involved in the strategy at a range of levels. Consultations are ongoing at the international, federal, provincial and industry levels to engage policy makers and utilize opportunities to proclaim the message of continued quality of purebred genetics. The strategy will continue to improve the ability of association members to operate in international markets by providing a common focus on the need for restoration of markets and an avenue for united efforts on behalf of the purebred sector. This includes activities that involve participation by CBBC members with incoming missions of potential buyers of Canadian genetics at livestock shows such as Farmfair, Edmonton; Canadian Western Agribition, Regina; Royal Agricultural Winter Fair, Toronto; North American Beef Congress, London; and the Calgary Stampede, Calgary.

The strategy maximizes product value for Canada by coordinating efforts with government to regain access to markets and aims to regain the market value of the Canadian genetics being promoted. The prioritized key markets for Canadian beef genetics are summarized in the following table. Markets are identified by region, country, status and term. The table also includes a primary competitors' designation.

PRIORITY MARKETS/STATUS					
	Near-term (Current)	*Status*	*Short-term (Emerging)*	*Long-term*	*Competitors*
Africa	South Africa	Growing	Tanzania Tunisia	Namibia Botswana	Brazil U.S. Domestic
Asia	China	Potential for exponential growth	Mongolia UAE Indonesia	Vietnam Pakistan Thailand	U.S. Australia New Zealand
Oceania	Australia New Zealand	Stable room for growth			U.S. Australia Domestic
Western Europe	EU 25	Semen & embryos only	Ireland Denmark Norway	Austria Spain Finland	Australia Domestic
Eastern Europe	Russia Ukraine	Large potential	Kazakhstan	Bulgaria Hungary Romania	Brazil Domestic

	Near-term (Current)	*Status*	*Short-term (Emerging)*	*Long-term*	*Competitors*
North America	United States Mexico	Pent-up demand Exponential potential			Uruguay Brazil Domestic
South America	Brazil	Growing Exponential potential	Argentina Uruguay Venezuela	Paraguay Columbia	Brazil Argentina Australia
Central America	Cuba Costa Rica	Growing	Panama		Brazil U.S. Mexico

Africa – The primary focus for the beef 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.

Asia – Prioritized countries in this region focus on China, Vietnam and Thailand. These countries are open to semen and embryos, thus providing for the development of projects that incorporate genetic transfer through these methods. Private and public initiatives to and from this region continue to validate the opportunities that exist.

Europe (Eastern Europe) – Priority countries in this region include Russia, Ukraine and Kazakhstan. Russia leads in the demonstration of interest with sales of beef embryos forming the single 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, Kazakhstan, Serbia and Ukraine. To date, shipments of purebred beef cattle to Russia have exceeded 2,000 head and further negotiations are pending.

Europe (European Union) – Countries such as those in the United Kingdom, as well as Scandinavian countries, Germany, Poland and Czech Republic form the focus for activities.

Oceania – The countries of Australia and New Zealand have formed a natural trading relationship for some time. While drought continues to be a deterrent in Australia, relationships form and re-form a network that has ongoing opportunity.

Latin America, South America, Central America, Other – Major focuses include Costa Rica in Central America and the countries of Brazil, Argentina, Chile, Colombia, Uruguay, and Venezuela. Cuba, where collaborations between beef marketing organizations in Canada have pointed to success and challenges, continues to present opportunity.

North America including United States and Mexico – The inextricable link between the U.S. and Mexico, reinforced by the frustrations experienced with the BSE crisis and continued market closures to Canadian breeding cattle, represent the largest single (and combined) opportunity for Canadian exporters of breeding cattle. The evolution of a trade rule environment that supported access of breeding cattle to the U.S. will lead to relatively speedy access to Mexico.

The strategy will be implemented through market development, market promotion, and market access initiatives. Activities include advocacy, reputation-building, promotion, study tours, seminars, training and conferences, research for market identification, incoming and outgoing missions, and collateral support (literature, video, destination advertising). Collaborative efforts include participation in Agriculture and Agri-food Canada trade missions, hosting of international delegates in response to requests from inquiries through the Canadian Livestock Genetics Association, Canada Beef Export Federation, Alberta Beef Producers, and Alberta Agriculture and Food.

A key activity involving participation of the majority of Canadian breeds will be the 2008 Beef Improvement Federation conference, being held in Calgary in July 2008. The Beef Improvement Federation (BIF) annual conference is the pre-eminent beef industry knowledge-disseminating event typically attracting 500 beef cattle producers, researchers, product and service-providers, and other industry stakeholders. This forum shares and discusses the most current genetic improvement research and innovation that contributes to ongoing advancements in beef production.

Increasingly, new technologies (including DNA, molecular mapping, and phenotypic data) will lead to expanded genetic information being available – which when utilized, has the potential to significantly enhance beef production. Leading scientists note that today, Canada faces a myriad of local and global challenges to the long-term strength of its animal-based industries. Canada needs to be a leader in developing and implementing technology and approaches to secure a healthy and sustainable animal-based food supply for Canada and the world. A key goal of this theme is to harness the power of genomics to ensure efficiency and health of Canada's animal resources. (Source: draft position paper to Genome Canada *Opportunities in Aquatic and Terrestrial Animal Genomics*.)

Typically held in the U.S., this is the third time the BIF annual research symposium and meeting will be held in Canada. The Canadian Beef Breeds Council first hosted it in 1998. The CBBC, a current board participant with BIF and long-standing associate, represents the Canadian purebred cattle industry. CBBC members include national breed associations that in turn represent more than 10,000 producers of breeding stock. Associate CBBC members are exporters and service providers. The mandate of the CBBC includes: animal health policy, trade access and market development, genetic improvement, research and development, education and extension.

The theme 'Beef Beyond Borders' was developed with the goal of pursuing increased access to global markets, in particular the United States. This event will showcase Canada's leading edge in innovation and scientific advancements. The CBBC anticipates that the majority of attendees will be from the United States, but have had inquiries from countries such as Spain and the United Kingdom as well.

Key messages in all of the international marketing activities will include:

- Genetic Diversity/Variety – 33 breeds of Bos taurus specialized beef cattle, combined in prescribed matings to capitalize on heterosis (hybrid vigor); opportunity for outcross in local stocks of purebred cattle, increased performance on crosses with other generic indigenous stocks
- Performance Characteristics – growth rate, feed efficiency, dressing percentage, cutability, carcass traits
- Maternal Performance – milking ability, mothering ability

- Consumer Satisfaction – tenderness, taste, consistency

In its implementation, the genetics marketing strategy will promote significant and demonstrable animal production, animal/human health, and beef safety – and seek 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 high quality. A return to a stable, predictable and therefore more certain marketplace is required for the long-term sustainability and growth of the Canadian genetics, cattle and beef industries.

Domestic (Canada) Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for the Domestic Market is:

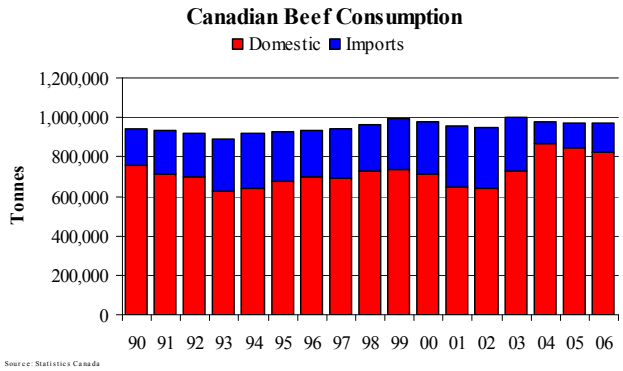
Domestic Consumption of Beef (MT)	970,535

(volume in carcass weight)

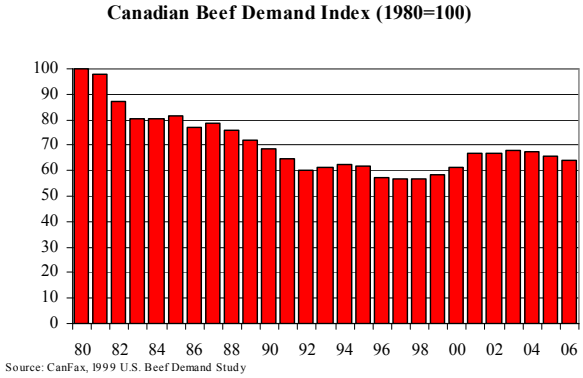
Environment Scan

The domestic market continues to be the largest and most stable market for Canadian beef. In 2006, 64 per cent of Canadian beef was consumed domestically while 29 per cent was exported to the U.S., accounting for 93 per cent of total Canadian beef disposition.

Canadian beef consumption has been stable over the last decade. Since 2000, per capita beef consumption has ranged between 21 and 23 kilograms, despite the 2003 incidence of BSE in a domestic animal and the diagnosis of 10 subsequent cases. In 2006, beef consumption totalled 970,535 tonnes (carcass weight). On a per capita basis, consumption was 21.7 kilograms in 2006, down 1.4 per cent from 22 kilograms in 2005.[2]



In addition to measuring changes in beef consumption, it is important to consider the dynamics between consumption and retail beef prices. The Beef Demand Index (which is calculated using Statistics Canada per capita beef consumption data and retail beef prices adjusted for inflation) measures the change in demand for beef. Beef demand was down three per cent in 2006.[3]



Beef prices were consistent in 2005 and 2006 averaging $11.58 per kilogram, and are up to $12 per kilogram for the first eight months of 2007.[4]

Disappearance of Canadian beef was 823,000 tonnes in 2006, down 2.6 per cent from 845,000 tonnes in 2005. The proportion of consumption that was produced in Canada in 2006 was 85 per cent (down two per cent from 2005), while 15 per cent of all beef consumed was imported.[5]
External factors continue to impact BIC and the Canadian beef industry. Technology trends on the horizon include food enhancements such as CLA (conjugated linoleic acid), Omega 3, and potential

[2] CanFax Research Services, December 2007.
[3] CanFax Research Services, December 2007.
[4] CanFax Research Services, December 2007.
[5] CanFax Research Services, December 2007.

irradiation of ground beef in Canada. The BIC will continue to be actively engaged in ongoing health and policy issues such as E.coli and the World Cancer Research Fund Report to mitigate policy and regulatory impact on Canadian beef consumption.

Macro Trends

Economics – Canada is in a strong position with a robust economy and solid employment levels. Unemployment is at a 33-year record low rate of six per cent (Aug 2007).[6] Consumer debt levels have grown steadily over the past 20 years, resulting in reduced savings; consumers continue to invest in housing in response to low interest rates. Disposable income has been declining since 2000 as Canadians increase debt which could affect discretionary spending if interest rates are increased. Ending June 2007, Canadian GDP was 2.7 per cent, a measure of the size/growth of the economy.[7]

Demographic Trends – Canada's population is 31.6 million with 12.4 million households.[8] Population is expected to grow over the next 25 years mainly through immigration which has exceeded natural population growth. People of Asian descent are the largest immigrant population coming to Canada in the past decade and are expected to continue being the largest growth segment. Historically Asians have been light consumers of beef.

Currently, less than three per cent of the population is non-beef eaters due to religious/cultural affiliations but this group is growing with immigration. Over the next 20 years, the 50-plus segment is expected to increase by 40 per cent, making 65-plus the single largest population group in Canada.[9] Obesity rates continue to increase not only among adults but also among children. At the same time, there is more consumer interest in health and nutrition.

Market and Competitive Trends

Total Fresh Meat – The total fresh retail meat market is valued at $5.4 billion up one per cent versus year ago, with tonnage volume at 719.6 million kilograms down one per cent versus year ago.[10] Beef continues to hold the number one fresh meat position at retail for both dollar (39.2 per cent) and tonnage share (33.3 per cent). Retail beef sales were worth $2.1 billion during the past 12 months, up two per cent versus year ago. Retail beef volume totalled 239.8 million kilograms during the past 12 months, down two per cent versus year-ago.[11]

Chicken is number two for dollar (28.3 per cent) and tonnage share (29.9 per cent) at retail. The decline in the overall fresh meat volume was in all meats other than pork which experienced a four per cent volume increase due to lower retail pricing. There was inflationary price growth for both beef and chicken, reversing price declines from the previous year. [12]

Beef Cuts – During the past year, all beef cuts realized dollar growth except for roasts. Volume was down except for the small value-added segment which grew one per cent. The overall decline in beef volume is occurring across each of the beef types including steaks (-2%), grinds (-2%), roasts (-3%) and the 'all other' segment (-3%). Quick roasts are a very small portion of total beef ($2 million at retail) but continue to realize strong growth with dollar volume up 60 per cent during the past year. Beef medallions, also a small segment of total beef valued at $10.9 million at retail, were

[6] Statistics Canada.
[7] Statistics Canada.
[8] Statistics Canada.
[9] Statistics Canada.
[10] Nielsen MarketTrack, July 2007.
[11] Nielsen MarketTrack, July 2007.
[12] Nielsen Market Track, July 2007.

up three per cent in dollar volume growth with Ontario and Alberta driving the increase. There are opportunities to expand distribution in both medallions and quick roasts.[13]

Overall Market Share of Beef, Chicken and Pork (all sources) – Beef market share in 2006 was 34.5 per cent, down 0.5 per cent from 35 per cent in 2005. Chicken market share was 38.5 per cent in 2006, up 0.3 per cent from 38.2 per cent in 2005. Pork market share was 27 per cent in 2006, up 0.2 per cent from 26.8 per cent in 2005.[14]

Consumer Trends

General – Most meals are prepared and eaten at home (68%).[15] The incidence of restaurant dinner eating is historically consistent at 10 per cent, while home-meal-replacements from grocery stores continue to gain ground. Home-meal-replacements are fully prepared food items that are ready to eat and require no additional preparation.

Beef continues to be the number one protein for dinner, with at-home beef meals increasing by 13 per cent over 2006. More people added beef to their weekly menu, and had slightly more beef meals. The majority of this sales lift is coming from ground beef. Nutrition, taste and convenience remain as key factors in consumer food-purchase decisions. Health and nutrition perceptions continue to drive growth in niche products with a small segment of consumers. During the past year, 1.8 per cent of consumers have eaten a product labelled organic at least once in an average one-week period.[16]

Beef Safety – Beef safety ratings have returned to pre-BSE levels and have been fairly steady since 2003. Seventy-seven per cent of consumers are not concerned about the safety of beef purchased. Ground beef (38%) and processed beef (29%) rank lower, but are on par with pre-BSE era. However, since September 2006 beef safety is trending slightly downwards.[17]

Light Beef-Eaters – During the past year, one per cent of light beef-eaters have moved to medium users. Steaks and roasts accounted for most of the growth in this consumer segment. Light users have been identified as the largest opportunity to increase consumption in the domestic market. This segment represents 65 per cent of total beef eaters. An initial volumetric model indicates that increasing consumption among 10 per cent of light beef users by two times per month has the potential to increase overall beef consumption by an incremental 35,000 tonnes annually. Regionally, 63 per cent of light beef users (9.3 million people) live in Ontario and Quebec. In terms of competition, light beef-eaters eat chicken an average of twice a week versus beef at an average of 1.4 times.[18]

Canadian Brand Project

The objective of the Canadian brand project is to develop a meaningful, sustainable and differentiated brand position for Canadian beef with the Canadian consumer. The expertise of a branding agency has guided the BIC through this strategic process. Extensive quantitative and qualitative consumer research has been an integral part of the Canadian brand project, providing critical insights that have helped develop the foundation of the branding strategy. The research indicates that the light beef eater, those consumers who eats beef one to two times per week, is a key

[13] Nielsen MarketTrack, July 2007.
[14] CanFax Research Services, December 2007.
[15] NPD, National Eating Trends, March 2007.
[16] NPD, National Eating Trends, March 2007.
[17] NPD, National Eating Trends, March 2007.
[18] NPD, National Eating Trends, 2006.

opportunity. The research confirms there are many perceived positives about beef and that the good taste of beef is established. However, particularly for light beef-eaters, there is a vague sense of unease about increasing beef usage based on concerns mainly about the nutrition and healthfulness of beef. 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. There is an opportunity to provide health communication messaging to increase beef usage among light users and this messaging is also appropriate to the medium and heavy beef-eater. The Canadian brand research also revealed that the primary competitor for beef in the domestic market is chicken.[19]

A Canadian beef brand strategy is being pursued for the domestic market that will position Canadian beef as healthful and nutritious to most effectively increase sales in the long-term. This brand strategy is aligned with the Canadian beef industry's global marketing strategy to clearly differentiate and brand Canadian beef based on a well-defined value proposition. The BIC will be launching a consumer multimedia communication plan as a regional test market in the spring of 2008.

Domestic Marketing Objectives

Long-term action objectives have been identified to guide BIC's actions in addressing market drivers over the next 10 years and are outlined below.

Product Perception	1) Encourage consumers to choose Canadian beef more often versus competing products, by improving attitudes towards health, nutrition, safety, convenience and taste.
	2) Continue to develop and communicate a brand identity for Canadian beef.
	3) In conjunction with the Canadian Cattlemen's Association, maintain preparedness on current and emerging issues, with a capability to respond effectively to a range of potential crisis situations.
	4) To strengthen understanding of the needs of customers and consumers of Canadian beef products.
Quality and Consistency	5) Strive for 100 per cent consumer satisfaction with Canadian beef palatability through improvements in product consistency and tenderness.
Convenience	6) Increase consumer recognition that Canadian beef is a convenient meal option.
Food Safety	7) Build consumer confidence in the safety of Canadian beef products and contribute to reducing the risk of food-borne illness related to beef consumption.

Domestic Marketing Goals for 2008/09

1. Optimize in-market price differential of Canadian beef versus U.S. to maximize Canadian cutout values.
2. To maximize demand for 800,000 tonnes *(carcass weight)* of Canadian beef.[20]
3. Maintain Canadian real beef expenditures at a value of $6.41B *(deflated)*.[21]

[19] BIC Branding Study, 2007.
[20] CanFax Research Services 2008p for domestic consumption of Canadian beef is 746,000 tonnes.

4. Protect beef market share versus other proteins at 34.5 per cent.[22]
5. Build meaningful customer and consumer equity in the Canadian beef brand identity.

Domestic Marketing Strategies for 2008/09

1. Build awareness of the Canadian beef brand identity and leverage the brand position, beef as lean and nutritious and part of a healthy eating plan, with a focus on light beef users.
2. Build awareness and comprehension of the Canadian brand identity and *Canadian Beef Advantage* with trade partners by leveraging Canada's status as a world leader in meat quality, animal health and food safety systems.
3. Leverage the Canadian beef brand identity through initiatives that utilize 100 per cent Canadian content.
4. With national partners, maintain a state of issues preparedness to mitigate and address potential impacts on beef consumption due to a decline in consumer confidence or trust.
5. Actively engage government and other policy-setting bodies on policy and regulatory issues that can impact beef demand.
6. Collaborate with food industry partners to enhance consumer confidence in the safety of Canadian beef.

Domestic Marketing Tactics for 2008/09

BRAND MANAGEMENT AND RESEARCH

Multimedia Marketing Campaign

The BIC will implement a focused, integrated consumer-directed advertising and communication campaign which maximizes the reach and frequency of the Canadian beef brand identity against the key target audience, light beef eaters. The BIC will maintain the efforts of the initial regional brand launch which includes a combination of media providing the greatest market impact and most effective and efficient communication of the Canadian beef brand identity. All initiatives will be integrated with other BIC program areas to maximize reach and frequency.

Consumer Market Research

Qualitative and quantitative research will be conducted to investigate and monitor consumer image, usage, attitudes and behaviour towards Canadian beef. Primary research for trade customers will be conducted as required. Outsourced market data will also be purchased including Nielsen retail data, CREST foodservice data, NPD data monitoring light beef usage and Eating Patterns in Canada, and CanFax. This data helps provide direction in developing the annual business review and environmental scan, and aids other BIC departments in program planning and supports market indicators.

Performance Measures

Consumer and customer surveys will be conducted to measure the effectiveness of BIC's strategies and the effectiveness of their implementation. These include measurement of consumer awareness of the new brand identity and key image attributes, industry awareness, comprehension of BIC programs and value of services provided, and a producer satisfaction survey. Development of a strategic project selection and evaluation process for the BIC will be investigated to support organizational business planning.

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[21] 2006 real beef expenditures equalled $6.31B. In 2006, there was a two per cent decline over 2005. Measures deflated retail beef price x total disappearance. Source: CanFax, Statistics Canada. Note: This value will be updated to reflect 2008p domestic beef consumption.
[22] In 2006, beef had 34.5 per cent market share. Source: Statistics Canada. Metric based on domestic disappearance, tonnes carcass wt.

NUTRITION PROGRAM

Nutrition Communications

The BIC will reach health professionals and consumers on a regular basis with nutrition information to ensure a continual flow of positive and credible messages on Canadian beef. This strategy includes developing and executing innovative print, electronic and web-based nutrition communications. The budget includes reprinting of existing client nutritional education resources and development of a new consumer resource to communicate the importance of Canadian beef as a naturally nutrient rich food. Relationships with health associations and networks will be strengthened to leverage the BIC's credibility in the nutrition field. The BIC will continue to explore and attain partnership with other commodity groups to develop and build the naturally nutrient rich initiative. The BIC will renew its Health Check™ licence with the Heart and Stroke Foundation of Canada for eight lean cuts of Canadian beef.

Nutrition Policy

This tactic involves presenting BIC's position to government on Canadian beef's role in a healthy diet and to maintain knowledge based on current and potential issues relevant to Canadian beef, nutrition and health. This includes: i) presenting BIC's position to government on beef's role in the diet; ii) BIC's participation in regulatory consultation and liaison with industry and health associations regarding health, nutrition and labelling issues; iii) participation and involvement with national and international nutritional initiatives; iv) membership in the Canadian Council on Food and Nutrition; v) consulting with experts to prepare evidence-based responses and/or strategies to address pertinent issues; and vi) gathering and maintaining knowledge on current and potential issues by attending key conferences, academic meetings and through journal subscriptions.

Nutrition Research

The BIC will award research grants on topics relating to Canadian beef's role in health and disease, based on established long-term priority areas. The BIC will strive to secure match funding to leverage other research funding opportunities. Nutrition research builds the foundation for evidence-based positive messages.

TECHNICAL AND FOOD SAFETY SERVICES

Canadian Beef Advantage Technical Marketing Resources

The *Canadian Beef Advantage* technical marketing resources communicate key attributes which support the value proposition to trade partners in the domestic market. Technical marketing resources will be developed and existing resources enhanced to increase understanding of the safety, quality, and value of Canadian beef from a systems perspective. Resources will include printed brochures outlining the Canadian beef safety system, Canadian beef grading system, Canadian Cattle Identification Program, Canadian beef production system, and a brochure dedicated to Canadian commercial beef. A *Canadian Beef Advantage* presentation folder and CD-R will also be developed. All technical marketing resources will communicate the Canadian beef brand identity and visual elements of the brand including logos and tag lines. To support the development of materials, a *Canadian Beef Advantage* perceptions survey will be conducted among meat professionals in retail, foodservice and processing sectors in Canada. Technical marketing resources will be developed in French and English.

Canadian Beef Advantage E-Guide

The BIC will develop a readily accessible database for trade partners that contains key attributes, supporting claims and companion visual elements to support the consistent and effective communication of the *Canadian Beef Advantage* across all markets. This Internet version of the *Guide to Communicating the Canadian Beef Advantage* (GCCBA) will serve as a marketing tool kit for trade partners and BIC teams. The relational database structure will enable the user to quickly identify key CBA attributes and their relevance to different sectors and markets. The Internet version of the GCCBA will also offer convenient access to companion elements for approved CBA claims including charts, diagrams, photographs, etc.

Food Safety Policy

To encourage practices and policies which support the safety of Canadian beef, the BIC will: i) maintain membership and relationships with the Canadian Partnership of Consumer Food Safety Education in an effort to influence consumer-directed beef food safety messaging; ii) continue to develop relationships with the Canadian Food Inspection Agency and Health Canada to monitor and provide input into Canadian policies and guidelines on food safety regulations and issues surrounding human health; iii) consult with experts to prepare evidence-based policy responses and/or strategies to address pertinent issues; iv) provide direction and representation on an as-needed basis to industry partners, committees and associations; v) cost-effectively disseminate current food safety information to external industry partners when required; and vi) maintain BIC's knowledge base through attendance at key conferences, meetings with academics and through journal subscriptions.

CONSUMER CULINARY MARKETING

Canadian Beef Consumer Resources

The BIC will execute a seasonal consumer-directed promotion program for fresh beef incorporating the Canadian beef brand identity and positioning with a focus on light beef users. The program will leverage and support the multimedia campaign and retail marketing merchandising program. The BIC will create and distribute print and electronic consumer education resources integrating the Canadian beef brand identity and positioning while encouraging the preparation of fresh Canadian beef in-home. Partnered branded grocery products will be used when possible to leverage reach, investment dollars and purchase motivation. These seasonal pieces will be the platform for the BIC retail marketing seasonal merchandising program and integrate with the multimedia campaign. The electronic program element builds a BIC/consumer relationship to further BIC consumer marketing initiatives.

RETAIL MARKETING

Communicating the Canadian Beef Advantage

The BIC will communicate the trade positioning of the Canadian beef brand identity through technical seminars and trade shows. The trade positioning of the Canadian beef brand identity will be communicated to all retail partners to leverage overall effectiveness of the new brand strategy. The quality and safety attributes of the Canadian brand will be leveraged with the emotional attributes that research suggests inspire Canadians to choose Canadian beef versus imports. The brand positioning will be highlighted in all trade-related events and communications. Logos and consumer-directed positioning statements will be made available for retailers to utilize in weekly flyers to encourage buy-in from industry partners and fully leverage the brand identity.

Leveraging the Canadian Brand
This tactic will maximize use of Canadian beef content as well as expedite delivery of the Canadian beef brand identity and *Canadian Beef Advantage*. Working under Partner Program guidelines, BIC retail will facilitate (in cooperation with BIC marketing, product development, and communication teams) a diversified business plan portfolio targeting at least four major Canadian retailers. The integration of this cross-organizational initiative will provide tighter internal executable focus while improving leveraged alignment with select external marketing agencies and consumer packaged goods. Partnerships will focus on the development and repositioning of Canadian content branded beef programs and development of seasonal cross-promotional opportunities with respected grocery brands that will aid in delivering the Canadian beef brand identity.

Food Safety
The BIC's retail team will continue to work with all retail industry partners to distribute and implement the Good Retail Practices Program. The BIC will provide all interested retail industry partners with the BIC/HACCP model and prerequisite program components to enhance and facilitate continued development of HACCP-based food safety programs in the retail sector. The retail team will take every opportunity to ensure the retail industry is aware of all existing BIC consumer safe handling resources, as well as aid in the ongoing development and refinement of this critical component in the preservation of positive consumer attitudes.

FOODSERVICE MARKETING

Communicating the Canadian Beef Advantage
The BIC will educate the foodservice trade through focused seminars, trade shows, and editorials. The BIC will work directly with national foodservice distributors and chain restaurants to build awareness of the *Canadian Beef Advantage*, highlighting Canada's status as a world leader in meat quality, animal health and food safety systems.

Leveraging the Canadian Brand
The BIC will build awareness and comprehension around the brand positioning with the trade while leveraging Canadian beef brand attributes. Under the Partner Program, the BIC will promote sustainable beef activity that leverages Canadian beef brand attributes and builds on the equity of the Canadian beef brand identity with two to three key national chains where there is specific focus on underutilized cuts, heavy cuts, quality-based branded programs, or value-added products. The BIC will assist in supply chain alignment where required. Where opportunities exist, the consumer positioning will be leveraged.

Independent Trade Resources
The BIC will maintain beef's market share versus other proteins amongst the independent restaurant trade. The BIC will develop new resources and replenish existing resources available on the website that are relevant to maintaining beef's share of protein sales. These resources will be of a technical, educational or promotional nature and will incorporate the Canadian brand identity. Awareness will be built by leveraging distributors' communication vehicles.

PROCESSING DEVELOPMENT

Communicating the Canadian Beef Advantage

The positioning of the Canadian beef brand identity will be communicated to all processing partners to leverage the effectiveness of the brand strategy. The quality and safety attributes that the Canadian brand value proposition represents will be leveraged with the emotional attributes that research suggests inspire Canadians to choose Canadian beef versus imports. The brand positioning will be highlighted in all trade-related events and communications. Logos and positioning statements will be made available for processors to utilize in promotional activities and marketing campaigns to encourage buy-in from industry partners and fully leverage the new brand identity.

Value-Added Product Development and Commercialization

Working under Partner Program guidelines, the BIC will continue to facilitate and provide cost-sharing opportunities for value-added product development for new convenience-based products, as well as marketing support for existing value-added convenient products to expand market penetration and reach. Through leveraging the relationships of BIC retail and foodservice teams, the processing development team will drive potential product development opportunities from end-users back to the processing sectors. The BIC will explore and communicate to industry on emerging processing technologies and new product concepts through participation in trade and consumer shows and relationships with packers, processors, ingredient and equipment suppliers, and food technology centers.

TRADE COMMUNICATIONS

The BIC will communicate regularly with channel development stakeholders, with a focus on building awareness for the Canadian brand identity and communicating the *Canadian Beef Advantage*. The BIC will develop and execute a regularly scheduled newsletter *Beef Up Your Business*. The newsletter (produced in English and French) will be delivered to members of the retail and foodservice trade through insertion in national publications, direct mail and electronically to key stakeholders. The newsletter will be distributed twice a year and content will focus on delivering information on the Canadian brand identity and the *Canadian Beef Advantage*. In addition to the newsletter program, a media release program will be undertaken with trade publications to generate editorial in these publications to communicate with industry.

COMMUNICATIONS AND PUBLIC AFFAIRS

Consumer Public Relations

The BIC will increase consumer awareness of beef's healthful attributes, convenience and quality. The BIC will increase consumer awareness of Canadian cattle producers' contribution to the environment, economy, and animal welfare. The BIC will target print, electronic broadcast and social media with relevant messaging including but not limited to: news releases, special events and partnerships, media campaigns and building and maintaining relationships with key media though association memberships, seminars and serving as a credible source of information and resources. Activities will be spaced throughout the year in coordination with marketing and channel development team initiatives to ensure a continual media presence for beef's positive messaging.

Issues Preparedness

This tactic will ensure the BIC is aware of and prepared for external issues that have the potential to significantly impact Canadian beef consumption. The BIC will maintain issues preparedness; monitor existing and emerging trends, issues and events; review current science; understand consumer attitudes; and prepare and distribute appropriate messaging for BIC staff, stakeholders and when appropriate, BIC value chain partners and consumers. This activity is ongoing through media monitoring, and by liaising with government and industry and the academic community. The BIC will also continue to work on a crisis protocol for the organization in conjunction with the Canadian Cattlemen's Association.

CUSTOMER SERVICE CENTRE

Website Development, Hosting, Email and Maintenance

The BIC will utilize consumer and trade websites as a communication vehicle to support and build awareness of the Canadian beef brand identity. The BIC will continue to utilize the websites to promote the new brand positioning. BIC websites will support various programs and initiatives in alignment with its business plan. Monthly and ad hoc web reports will be developed and distributed as a measurement tool. Ongoing maintenance of the image library is required as well as response to email inquiries.

Direct Response Centre

The BIC will continue working with vendor Dare Marketing to operate the direct response centre responsible for bilingual 1-888 toll free lines and resource distribution to support BIC marketing and business initiatives across North America. This includes resource inventory storage, receiving and distribution.

Resource Systems Management

The BIC will utilize ResQ as the inventory management system to support business and marketing initiatives. The BIC will continue to improve internal systems for managing resources including: images, print, database management, and all resources. This includes ongoing development of reporting capabilities to support and report on business initiatives. ResQ will also be used as a tool to build mailing lists to support communication plans. ResQ will continue to be customized to support customer information/details.

STAKEHOLDER COMMUNICATIONS

This tactic involves informing cattle producers and stakeholders of BIC activities through a newsletter. Other activities include attending annual general meetings, writing annual reports, supporting the BIC committee on provincial initiatives, providing BIC updates to stakeholders, pitching articles and circulating news releases to gain agricultural media coverage for BIC activities, supporting the ambassador program, and communicating to BIC staff through an internal newsletter. As well, quarterly reports to stakeholders and CCMDC results report content will be produced.

Commercial Beef Marketing Program

2008 Marketing Target

The 2008 global marketing plan targets for Commercial Beef are:

Domestic Consumption of Non-Fed Beef (MT)	182,927
Non-Fed Beef for Export (MT)	78,397

(volumes in carcass weight)

Environment Scan

Commercial Beef Market Overview

Commercial beef is a segment of the domestic market that utilizes non-fed beef (products from cull cows and bulls) primarily for further processing application. This market involves manufacturers, foodservice and retail distributors who market products such as ground beef, hamburger patties, precooked deli meats, and heat and serve entrées.

Commercial beef has been a marketing focus for the BIC since BSE in 2003 when export trade in these products was halted and the value of mature cattle declined the most of any class, resulting in a backlog of these classes of cattle. The industry faced the challenge of creating a large enough commercial beef market in Canada to absorb products from cows and bulls, and also ensure future market for domestic non-fed beef production. A commercial beef utilization marketing strategy was developed which involved working with the manufacturing, foodservice and retail sectors to expand the size of the commercial beef market, and increase Canada's share of the market over imports. The strategy included short, medium and long-term activities to facilitate, develop and market further-processed and value-added commercial beef products.

The commercial beef utilization strategy has been very successful in expanding the size of the commercial beef market, and in increasing the domestic share of this market. Since 2002, the total commercial beef market has grown from 203,000 tonnes (boneless) to 226,000 tonnes in 2006 – and is projected to total 248,000 tonnes in 2007p.[23] Domestic over-30-month beef production was consistent at just over 181,000 tonnes in 2006 and is projected to increase to 185,000 tonnes in 2007.

Canada's share of the commercial beef market over imports was 74 per cent in 2007p compared to 79.3 per cent in 2006.[24] This is a dramatic increase from 2002 pre-BSE when domestic share was only 25 per cent of the commercial beef market. However, imports have been increasing mainly due to pricing issues. Domestic trim prices traded close to imported beef values in 2007 after being lower since 2003, thus making cheaper offshore product more attractive to importers. Beef imports are up 33 per cent in 2007p at time of writing and are expected to total 176,600 tonnes by year-end.[25] U.S. imports account for most of the increase, and are up 27 per cent in 2007p for a record high 112,000 tonnes. Canada's global Tariff Rate Quota allows for 76,409 tonnes of non-NAFTA imported product to enter the country tariff-free. Supplementary import permits are available upon application to the federal government. Uruguay is leading non-NAFTA imports, up 129 per cent

[23] CanFax Research Services, December 2007. Volumes in boneless weight.
[24] CanFax Research Services, December 2007.
[25] CanFax Research Services, December 2007.

from 2006, followed by Australia which is running 21 per cent higher. With the resumption of access to the United States for over-30-month cattle and beef products, commercial beef values are expected to continue increasing which will encourage greater imports. CanFax Research Services estimates that domestic cow slaughter will stay steady to lower in 2008. Implementation of Rule 2 and current market conditions are expected to encourage more cull cows to move to market. In 2008, 30 per cent of non-fed production is expected to be exported. The overall size of the commercial beef market in Canada is projected to remain the same in the coming year but will see a shift in domestic production versus imports.

Industry Feedback – The BIC conducted a *Commercial Beef Industry Assessment* during the past year which confirmed that commercial beef customers in Canada have been able to substitute Canadian product for offshore imports. Pricing and supply consistency of domestic commercial beef continue to be 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. While significant gains have been made in working with processors to increase commercial beef product offerings and sales in some products, Canada is facing stiff competition. New Zealand, Uruguay, and Australia do an excellent job servicing domestic customers. They achieve high levels of order fill accuracy, consistently meet specifications, and forward price product for future delivery.

Commercial Beef Product and Foodservice Trends

Ground Beef – Ground beef accounts for 49 per cent of retail beef volume in Canada.[26] Ground beef sales were worth $714 million during the past year and totalled 116 million kilograms. Over 50 per cent of Canadians eat ground beef at least once a week. Beef gained more eating-occasions versus year-ago mainly due to more consumers (one per cent) coming back to ground beef. Volume growth in ground beef sales is coming from the leaner segment, with lean up one per cent, extra lean up six per cent, and chuck/sirloin up 17 per cent. Regular and medium (which combined represent just under 31 per cent of ground beef sales), were down 13 and 11 per cent respectively.[27]

Meal Solutions Category (formerly Heat and Serve) – Beef's strong growth previously realized in the meal solutions category slowed during the past year but was still up two per cent in volume growth, and six per cent in dollar growth.[28] Beef represents the largest meal solutions share at 41 per cent. Beef meal solutions sales were worth $54 million during the past year and totalled 3.3 million kilograms. While chicken products are only 11 per cent of meal solutions-volume, sales are significantly growing over beef and are up 21 per cent. New chicken entrée products are available and selling well. The greatest growth potential for beef meal solutions is in Ontario; however, market research indicates growth opportunities in other regions.

Foodservice Trends – Beef is the only protein with gains in foodservice sales during the past year, with volume rebounding to 2003 levels.[29] Beef's foodservice growth (+4%) was in the quick service restaurant segment (+8%) with burgers up five per cent. Since 2003 (five year cumulative) beef is up 0.4 per cent in total foodservice market volume compared to poultry up four per cent, seafood up

[26] Nielsen MarketTrack, July 2007.
[27] Nielsen MarketTrack, July 2007.
[28] Nielsen MarketTrack, July 2007.
[29] CREST Data, February 2007.

28 per cent, and pork up over eight per cent. Beef and poultry have slowly lost share of eating occasions while pork and seafood have increased.

Given commercial beef supply and pricing issues faced by the domestic industry, an industry-wide concerted effort will continue to be required to ensure market for products from Canadian cull cattle. Consumer and customer perception issues around over-30-month beef product will be an ongoing focus to support increased demand, particularly for ground beef. Animal health and product safety issues must also continue to be properly managed. Since commercial beef became a BIC marketing focus, program goals and objectives have been exceeded. An aggressive strategy is again being proposed, including a major commercial beef component for the Canadian beef brand campaign.

Commercial Beef Marketing Objectives

1. To add value to commercial beef products through new product innovation and differentiation.
2. To maximize demand of Canadian commercial beef in the domestic market.
3. Build meaningful customer and consumer equity in the Canadian beef brand identity.

Commercial Beef Marketing Goals for 2008/09

1. To maximize Canadian prices by optimizing carcass value.
2. To maximize demand for 185,000 tonnes *(carcass weight)* of Canadian commercial beef in the domestic market.[30]
3. To maximize demand for ground beef trimmings.

Commercial Beef Marketing Strategies for 2008/09

1. Collaborate with industry to identify opportunities to increase carcass value by facilitating the development and commercialization of new beef products.
2. Increase awareness and comprehension of the Canadian brand identity by leveraging the brand identity with consumers and the *Canadian Beef Advantage* with trade.
3. Expand market share of source ground beef by increasing market penetration and enhancing consumer attitudes towards these products.
4. Improve consumer attitudes towards ground beef by enhancing its image as a wholesome and nutritious choice, especially amongst light beef users.
5. Protect ground beef's leading position as the number one protein sold in quick service restaurants.
6. Maintain strategic alliances with quick service restaurant operators to leverage the Canadian brand and to ensure commitment to 100 per cent Canadian supply.

[30] CanFax Research Services target for 2008p is 183,000 tonnes carcass weight. Based on assumption that 70 per cent of non-fed production will remain in Canada.

Commercial Beef Marketing Tactics for 2008/09

BRAND MANAGEMENT & RESEARCH

Multimedia Marketing Campaign

The BIC will implement a focused, integrated consumer-directed advertising and communication campaign which maximizes the reach and frequency of the Canadian beef brand identity against the key target audience, light beef eaters. With a strong focus on ground beef, the BIC will maintain the efforts of the initial regional brand launch which includes a combination of media providing the greatest market impact and most effective and efficient communication of the Canadian beef brand identity. All initiatives will be integrated with other BIC program areas to maximize reach and frequency and to complement the multimedia campaign in the domestic market.

Consumer Market Research

All quantitative, qualitative and secondary market research data pertaining to commercial beef is included in this tactic. The BIC will purchase the necessary outsourced market data relevant to commercial beef such as Nielsen retail data on ground beef, meal solutions, and CREST quick service restaurant data. Regular monitoring of consumer attitudes towards the safety of beef will be conducted. Consumer testing on advertising creative and advertising awareness tracking related to ground beef is included in this tactic.

Performance Measures

Consumer and customer surveys will be conducted to measure the effectiveness of the BIC's strategies and effectiveness of their implementation. These include measurement of consumer awareness of the new brand identity and key image attributes, industry awareness, comprehension of BIC programs and value of services provided, and producer satisfaction. Development of a strategic project selection and evaluation process for the BIC will be investigated to support organizational business planning.

NUTRITION PROGRAM

Nutrition Communications

The BIC will reach health professionals and consumers on a regular basis with nutrition information to ensure a continual flow of positive messages on Canadian beef. This strategy includes developing and executing innovative print, electronic and web-based nutrition communications. The budget includes reprinting of existing client nutritional education resources and development of a new consumer resource to communicate the importance of Canadian beef as a naturally nutrient rich food. Relationships with health associations and networks will be strengthened to leverage the BIC's credibility in the nutrition field. The BIC will continue to explore and attain partnerships with other commodity groups to develop and build the naturally nutrient rich initiative. The BIC will renew its Health Check™ licence with the Heart and Stroke Foundation of Canada for lean and extra lean ground beef and qualifying source grinds.

Nutrition Policy

This tactic involves presenting BIC's position to government on Canadian beef's role in a healthy diet and to maintain knowledge based on current and potential issues relevant to Canadian beef, nutrition and health. This includes: i) presenting BIC's position to government on beef's role in

the diet; ii) BIC's participation in regulatory consultation and liaison with industry and health associations regarding health, nutrition and labelling issues; iii) participation and involvement with national and international nutritional initiatives; iv) membership in the Canadian Council on Food and Nutrition; v) consulting with experts to prepare evidence-based responses and/or strategies to address pertinent issues; and vi) gathering and maintaining knowledge on current and potential issues by attending key conferences, academic meetings and through journal subscriptions.

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The BIC will award research grants on topics relating to Canadian beef's role in health and disease, based on established long-term priority areas. The BIC will strive to secure match funding to leverage other research funding opportunities. Nutrition research builds the foundation for evidence-based positive messages.

TECHNICAL & FOOD SAFETY SERVICES

Canadian Beef Advantage Technical Marketing Resources

The *Canadian Beef Advantage* technical marketing resources communicate key attributes which support the value proposition to trade partners in the domestic market. Technical marketing resources will be developed and existing resources enhanced to increase understanding of the safety, quality, and value of Canadian beef from a systems perspective. Resources will include printed brochures outlining the Canadian beef safety system, Canadian beef grading system, Canadian Cattle Identification Program, Canadian beef production system, and a brochure dedicated to Canadian commercial beef. A *Canadian Beef Advantage* presentation folder and CD-R will also be developed. All technical marketing resources will communicate the Canadian beef brand identity and visual elements of the brand including logos and tag lines. To support the development of the materials, a *Canadian Beef Advantage* perceptions survey will be conducted among meat professionals in retail, foodservice and processing sectors in Canada. Technical resources will be developed in French and English.

Canadian Beef Advantage E-Guide

The BIC will develop a readily accessible database for trade partners that contains key attributes supporting claims for the *Canadian Beef Advantage* and companion visual elements to support consistent and effective communication across all markets. This Internet version of the *Guide to Communicating the Canadian Beef Advantage* (GCCBA) will serve as a marketing tool kit for trade partners and BIC teams. The relational database structure will enable the user to quickly identify key CBA attributes and their relevance to different sectors and markets. The Internet version of the GCCBA will also offer convenient access to companion elements for approved CBA claims including charts, diagrams, photographs, etc.

Food Safety Policy

To encourage practices and policies which support the safety of Canadian beef, the BIC will: i) maintain membership and relationships with the Canadian Partnership of Consumer Food Safety Education in an effort to influence consumer-directed beef food safety messaging; ii) continue to develop relationships with the Canadian Food Inspection Agency and Health Canada to monitor and provide input into Canadian policies and guidelines on food safety regulations and issues surrounding human health; iii) consult with experts to prepare evidence-based policy responses and/or strategies to address pertinent issues; iv) provide direction and representation on an as-

needed basis to industry partners, committees and associations; v) cost-effectively disseminate current food safety information to external industry partners when required; and vi) maintain BIC's knowledge base through attendance at key conferences, meetings with academics and through journal subscriptions.

CONSUMER CULINARY MARKETING

Consumer Ground Beef Education Resources

The BIC will execute a consumer-directed promotion program for fresh lean and extra lean ground beef cuts that carry Health Check™ licencing, incorporating the Canadian beef brand identity and positioning with a focus on light beef users. The program will leverage and support the multimedia campaign and retail marketing merchandising program. The program goal is to communicate that ground beef is a wholesome and nutritious choice, focusing on value-added grinds (source grinds), versatility and broad appeal as motivators to purchase. The BIC will create and distribute print and electronic consumer education resources integrating the Canadian beef brand identity and positioning specific to ground beef, with a focus on source grinds as lean using the Health Check™ program while encouraging the preparation of fresh Canadian beef in-home. Partnered branded grocery products will be used as necessary to leverage investment dollars and purchase motivation.

RETAIL MARKETING

Communicating the Canadian Beef Advantage

The BIC will communicate the trade positioning of the Canadian beef brand identity through technical seminars and trade shows. The trade positioning of the Canadian beef brand identity will be communicated to all retail partners to leverage overall effectiveness of the new brand strategy. The quality and safety attributes of the Canadian brand will be leveraged with the emotional attributes that research suggests, inspire Canadians to choose Canadian beef versus imports. The brand positioning will be highlighted in all trade-related events and communications. Logos and consumer-directed positioning statements will be made available for retailers to utilize in weekly flyers to encourage buy-in from industry partners and fully leverage the brand identity.

Leveraging the Canadian Brand

This tactic will maximize use of Canadian beef content as well as expedite the delivery of the Canadian beef brand identity and *Canadian Beef Advantage*. Working under Partner Program guidelines, BIC retail will facilitate (in cooperation with BIC marketing, product development, and communication teams) a diversified business plan portfolio targeting at least four major Canadian retailers. The integration of this cross-organizational initiative will provide tighter internal executable focus while improving leveraged alignment with select external marketing agencies and consumer packaged goods. Partnerships will focus on the development and repositioning of Canadian content branded beef programs and development of seasonal cross-promotional opportunities with respected grocery brands that will aid in delivering the Canadian beef brand identity.

Food Safety

BIC's retail team will continue to work with all retail industry partners to distribute and implement the Good Retail Practices Program. The BIC will provide all interested retail industry partners with the BIC/HACCP model and prerequisite program components to enhance and

facilitate continued development of HACCP-based food safety programs in the retail sector. The retail team will take every opportunity to ensure the retail industry is aware of all existing BIC consumer safe handling resources, as well as aid in the ongoing development and refinement of this critical component in the preservation of positive consumer attitudes.

Source Ground Beef

The BIC will expand market share of source ground beef product. Working under Partner Program guidelines, the BIC will identify opportunities for branding private label source grind programs and partner with the vendor community on cross-promotional programs.

Retail Merchandising of Commercial Beef Products

The BIC will demonstrate the viability and substitutability of domestic over-30-month beef by incorporating convenience-based, value-added products into the existing market. Working under Partner Program guidelines, the BIC will work directly with traditional and non-traditional retail markets with more emphasis on four key retail stakeholders. Pre-marinated fresh and frozen boxed steaks featuring middle meat cuts and fresh or frozen pre-marinated roasts will be a priority.

FOODSERVICE MARKETING

Communicating the Canadian Beef Advantage

The BIC will educate the foodservice trade through focused seminars, trade shows, and editorials. The BIC will work directly with national foodservice distributors and chain restaurants to build awareness of the *Canadian Beef Advantage*, highlighting Canada's status as a world leader in meat quality, animal health and food safety systems.

Leveraging the Canadian Brand

The BIC will build awareness and comprehension around the brand positioning with the trade while leveraging the Canadian beef brand attributes. Under the Partner Program, the BIC will promote sustainable beef activity that leverages the Canadian beef brand attributes and builds on the equity of the Canadian beef brand identity with two to three key national chains where there is specific focus on underutilized cuts, heavy cuts, quality-based branded programs, or value-added products. The BIC will assist in supply chain alignment where required. Where opportunities exist, the consumer positioning will be leveraged.

Independent Trade Resources

The BIC will maintain beef's market share versus other proteins amongst the independent restaurant trade. This includes developing new resources and replenishing existing resources available on the website that are relevant to maintaining beef's share of protein sales. These resources will be of a technical, educational or promotional nature and will incorporate the Canadian brand identity. Awareness will be built by leveraging distributors' communication vehicles.

Quick Service Restaurant Brand Alliance

The BIC will strategically align with Canada's top users of commercial ground beef to protect the share of Canadian content being utilized. Agreement between BIC and Canada's top users of commercial ground beef (burgers) will be executed that allows for a degree of influence regarding purchasing practices, promotional activity and Canadian beef positioning. This agreement will

also allow for an increase in the equity of the Canadian brand identity by mass distribution of related point-of-purchase and advertising.

Mainstream Integration of Over-30-Month Beef

The BIC will integrate value-added whole muscle commercial beef options for mainstream integration in foodservice chains. Working under Partner Program guidelines, the BIC will develop menu activity utilizing 100 per cent Canadian commercial beef with national chains that have a specific focus on whole muscle, value-added products and where substantial volume is achieved as a result. Substitutability will be demonstrated through research and development and financial analysis.

PROCESSING DEVELOPMENT

Value-Added Product Development

Working under Partner Program guidelines, the BIC will continue to facilitate and provide cost-sharing opportunities for value-added commercial beef product development for convenience-based products as well as marketing support for existing products to expand market penetration and reach. The BIC will target national and regional processors to produce value-added products that appeal to health, value and convenience trends. The BIC will continue to leverage the applicable key attributes of the *Canadian Beef Advantage* to inspire customers to choose Canadian beef versus imports and leverage the Canadian brand identity to substitute or reformulate using Canadian commercial beef. In cooperation with retail and foodservice sectors, the BIC will drive potential opportunities from end-users back to the processing sector. The BIC will identify potential product, packaging, ingredient and processing opportunities and conduct required technology transfer to the industry through technical resource development and distribution, as well as utilizing the website as a communication tool to drive awareness and innovative concepts.

Communicating the Canadian Beef Advantage

The BIC will build on key learnings from the industry *Needs Assessment* to leverage the applicable attributes of the *Canadian Beef Advantage* and key points of differentiation to inspire customers to choose Canadian beef versus imports. The BIC will leverage the Canadian brand identity to substitute or reformulate existing products using Canadian commercial beef.

TRADE COMMUNICATIONS

Trade Communication

The BIC will communicate regularly with channel development stakeholders, with a commercial beef focus on building awareness for the Canadian brand identity and communicating the *Canadian Beef Advantage*. The BIC will develop and execute regularly scheduled newsletters *Beef Up Your Business*. The newsletters (produced in English and French) will be delivered to members of the retail, processing and foodservice trade through insertion in national publications, direct mail and electronically to key stakeholders. The newsletters will be distributed twice a year and content will focus on delivering information on commercial beef, product development, the Canadian brand identity and the *Canadian Beef Advantage*. In addition, an e-newsletter *Beef Up Your Business Product Development and Innovation* will be produced and distributed to key processing industry stakeholders. This tactic also includes an ongoing email program to trade partners for crisis and industry news communication.

CONSUMER COMMUNICATIONS

Consumer Public Relations

The BIC will increase consumer demand for and awareness of Canadian commercial beef products in both retail and foodservice. This tactic will increase consumer awareness of beef's healthful attributes, convenience and quality. The intention is to also increase consumer awareness of Canadian cattle producers' contribution to the environment, economy, and animal welfare. The BIC will target print, electronic broadcast and social media with relevant messaging including but not limited to: news releases, special events and partnerships, media campaigns, building and maintaining relationships with key media though association memberships, seminars, and serving as a credible source of information and resources. Activities will be spaced throughout the year in coordination with marketing and channel development team initiatives to ensure a continual media presence for beef's positive messaging.

Issues Preparedness

This tactic will ensure the BIC is aware of and prepared for external issues, in particular those that relate to commercial beef that have the potential to significantly impact Canadian beef consumption. The BIC will monitor existing and emerging trends, issues and events; review current science; understand consumer attitudes; and prepare and distribute appropriate messaging for BIC staff, stakeholders and when appropriate, BIC value chain partners and consumers. This activity is ongoing through media monitoring, and by liaising with government and industry and the academic community.

CUSTOMER SERVICE CENTRE

Customer Service Support

The BIC will utilize technology, distribution and its 800-line to support and build awareness of the Canadian beef brand identity. The BIC will continue to utilize the website to promote the new brand positioning. BIC websites will support commercial beef programs and initiatives in alignment with its business plan. Monthly and ad hoc web reports will be developed and distributed as a measurement tool. The BIC will continue working with vendor Dare Marketing to operate the direct response centre responsible for support of bilingual 1-888 toll free lines and resource distribution to support BIC marketing and business initiatives across North America. This includes commercial beef resource inventory storage, receiving and distribution. The BIC will continue to improve internal systems for managing resources including: images, print, database management, and all resources and continued development of reporting capabilities to support and report on business initiatives.

STAKEHOLDER COMMUNICATIONS

Stakeholder Communications

The BIC will inform producers and stakeholders of activities through the BIC newsletter. Other activities include: attending annual general meetings, writing annual reports and supporting the BIC Committee on provincial initiatives, providing BIC updates to stakeholders, pitching articles and circulating news releases to gain agricultural media coverage for BIC activities, supporting the ambassador program, and communicating to staff through an internal newsletter. As well, quarterly reports to stakeholders and CCMDC results report content will be produced.

United States Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for the United States is:

Exports (MT)	382,864

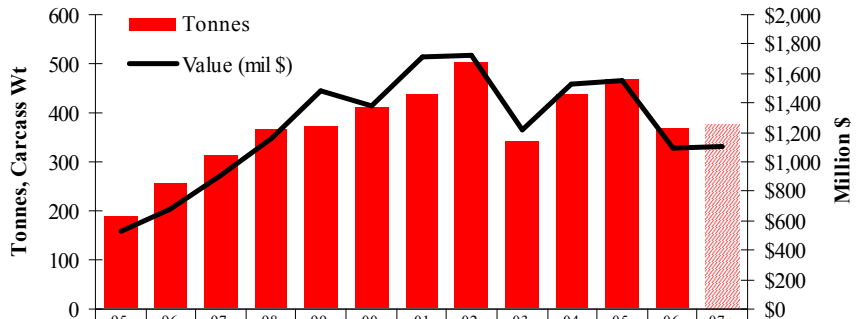
(volume in carcass weight)

Environment Scan

Canada and the United States have one of the most comprehensive trading relationships globally. Canada is in direct and close proximity to the largest and wealthiest market in the world, nine times bigger in terms of population at 300 million versus Canada at 32 million. Since free trade began in the late-1980s, the United States and Canada have become each other's largest trading partners in agricultural products. In this process, the live cattle and beef supply chain complex has become highly integrated and acts very much like a single market.

The United States is the largest export market for Canadian beef. In 2006, Canada exported 369,935 tonnes on a carcass weight basis to the United States, accounting for 28.7 per cent of Canada's production. In 2007, beef exports to the United States are projected to increase slightly by one per cent versus 2006 to 373,864 tonnes. Total volume projections for 2008 are estimated to increase 1.9 per cent to 382,864 tonnes (carcass weight).[31] This increase is expected with the expanded market access to the United States for beef over-30-months of age. Fed beef exports are projected to decrease due to the strong Canadian dollar discouraging exports, increased live cattle exports, and competitive pressures from Australia, Uruguay, and New Zealand.

Canadian Beef Exports to the U.S.



	95	96	97	98	99	00	01	02	03	04	05	06	07p
Tonnes	189,62	253,87	313,421	365,61	371,441	410,64	437,95	503,08	340,69	436,97	469,54	369,93	375,68
Value (mil $)	529	677	905	1,166	1,481	1,382	1,715	1,723	1,222	1,532	1,552	1,092	1102.09

Source: CanFax

Size of U.S. Market

While Canadian beef exports to the United States comprise approximately three per cent of total U.S. supply, with the exception of 2006, there has been an increase over the past few years. Canadian beef market share grew from 2.7 per cent in 2003 to 3.9 per cent in 2005, before dropping back to three per cent in 2006. The United States is the largest market for high quality grain-fed

[31] CanFax Research Services, December 2007.

beef in the world. In 2007, it is projected that the United States will represent 22 per cent of the world's beef production compared to Canada at 2.5 per cent. The United States is also the world's largest beef importing nation with 2007 projections forecasted to account for 26.2 per cent of global imports. Canadian beef accounts for the second largest market share for imports into the United States at 26 per cent. Australia, recently surpassing Canada, has the largest market share for U.S beef imports at 28.5 per cent projected for 2007.[32]

In 2006, Canada exported almost $1.1 billion worth of beef and $1.2 billion worth of live cattle to the United States. Beef export values to the U.S. are projected to be steady in 2007 while live cattle export values are expected to increase 25 per cent due to large exports.[33] Overall, export values to the U.S. are expected to struggle under previously mentioned economic conditions. The Canadian beef industry cannot afford to take its largest export market and the world's largest import market for granted. Our dependence on trade with approximately 50 per cent of Canadian beef production and live cattle being exported makes it vitally important that secure access to the U.S. market is maintained. The complete loss of access to this market in May 2003 as a result of BSE created tremendous difficulty for the Canadian beef industry. With the partial reopening in August 2003 to certain beef products under-30-months of age, followed by the rule in July of 2005 permitting the export of live cattle, trade patterns began to normalize.

Regulatory and Policy

Rule 2 began on November 19, 2007 which allows for the expansion of previously closed cattle and beef products. This rule opens the U.S border to Canadian cattle born on or after March 1, 1999 and beef products from cattle of any age. However, U.S. trade protectionist groups continue to file complaints against this ruling. Despite ongoing market access challenges and threats, Canadian beef sales to the U.S. market for under-30-month product have completely rebounded to pre-BSE levels. Sales have been re-established in all product categories for allowable products. Working closely with supply chain partners, the BIC will continue to deliver a highly targeted market development program focusing on trade customers. The BIC focuses on medium to smaller customers that Canadian packers can supply and adequately service.

The Canadian beef industry has continued to closely monitor developments concerning mandatory country of origin labelling (COL) in the United States legislated in the 2002 Farm Bill. That law requires meat to be labelled with the country where the livestock were born, raised and processed. It was initially to come into effect September 2004 but has been delayed until September 2008. Efforts are continuing by the American Meat Institute and others to permanently replace the COL provision with a voluntary program.

Consumer issues such as E.coli that associate beef with health and safety will likely increase in consumer importance given recent product recalls in the United States and Canada. New technology such as irradiated beef may help to provide solutions to this issue.

Supply Chain

A key success factor to utilizing existing packing plant capacity and reducing live cattle exports will be the ability to maximize carcass value out of Canadian plants. While packing plants struggle in the

[32] CanFax Research Services, December 2007.
[33] CanFax Research Services, December 2007.

current economic situation, a major objective of the BIC's marketing strategy is to increase export volumes to the United States for all eligible beef products at the highest possible value relative to USDA Choice and Select grades.

The BIC will continue to integrate strategies with exporters of Canadian beef. As well, the BIC will continue to leverage both the staff and financial resources of supply chain partners to impact U.S. retail and foodservice purchasers in preparation for access to over-30-month beef products and separately, country of origin labelling legislation. As part of its strategic plan, the BIC has strengthened its commitment to the U.S. market. The U.S. market has an across-organizational focus for all BIC staff, which brings considerable expertise to the program as required.

Market Opportunities

The BIC will continue to target the largest ethnic group in the United States, the Hispanic market, representing a significant 14.8 per cent of the population.[34] This ethnic segment is expected to grow to 17 per cent of the population by 2020. 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). Traditional Hispanic states include California, New Mexico, Nevada, Washington, Texas, Arizona and Colorado. Other states where this segment is growing significantly are New York, New Jersey, Kansas, Florida and Connecticut.[35]

The BIC's experience to date in introducing the *Canadian Beef Advantage* as a competitive advantage with identifiable attributes has been very positive with the U.S. trade. The intention has not been to promote a Canadian beef image to the U.S. consumer. The BIC's approach has been to determine consumer attitudes and purchase drivers, as they relate to quality, linking those drivers to the quality attributes, points of differentiation and the value proposition of Canadian beef back to the trade. The BIC sees tremendous potential to continue educating distributors and sellers of Canadian beef about the product, and to build a stronger brand identity for Canadian beef with both the trade and potentially with consumers.

Canadian Brand Project

The objective of the Canadian brand identity project is to develop a meaningful, sustainable and differentiated brand positioning for Canadian beef with the U.S. consumer. The expertise of a branding agency has guided the BIC through this strategic process. The medium to heavy beef eater has been identified as the target group for the U.S. market as these consumers are already predisposed to eating beef frequently. The Hispanic market provides a secondary opportunity for Canadian beef. Quantitative and qualitative research concludes that Americans have little to no awareness of Canadian beef. U.S consumers are loyal to U.S. beef, partly reflecting their patriotism, but also their belief in the high safety standards of USDA. 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 also indicates that U.S. consumers believe the environment plays a key role in the quality of food eaten. All of the positive stereotypes about Canada come to the aid of Canadian beef. Americans believe Canada's

[34] NCBA Website 2007, Selig Centre for Economic Growth.
[35] U.S. Census Bureau, 2006.

cleaner 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.[36]

U.S. Market Development Objectives

1. Increase export volumes to the United States for all eligible beef products at as high a value as possible relative to USDA Choice and Select grades, as well as equivalent commercial grades.
2. Reduce vulnerability to potential trade impairment.
3. Build meaningful customer and consumer equity in the Canadian beef brand identity.

U.S. Market Development Goals for 2008/09

1. Build awareness and comprehension of the Canadian brand identity and the *Canadian Beef Advantage,* both fed and non-fed, by leveraging Canada's status as a world leader in meat quality, animal health and food safety systems.
2. To maximize demand for 380,000 tonnes *(carcass weight)* of Canadian fed and non-fed beef.[37]
3. Collaborate with partners to build consumer awareness of the Canadian beef brand in key target markets.
4. Mitigate the potential impact or maximize opportunity of country of origin labelling, expected to be enacted by fall 2008.

U.S. Market Development Strategies for 2008/09

1. Align with Canadian packers and U.S. distributor partners to communicate Canada's key points of differentiation, provide educational resources and market development support that leverage the *Canadian Beef Advantage*.
2. Focus on the foodservice sector to provide enhanced returns for Canadian beef middle meats through communication of the *Canadian Beef Advantage*.
3. Develop branded programs, with a focus on premium positioning, at retail and foodservice that leverage the key points of differentiation for Canadian beef and the new Canadian brand identity.
4. Identify and maximize the opportunities to build equity in the Canadian brand identity in targeted ethnic markets.
5. Facilitate linkages within the supply chain to maximize use of Canadian commercial beef within the U.S. processing sector.

U.S. Market Development Tactics for 2008/09

Consumer Market Research

Consumer and trade research will be conducted to investigate attitudes towards Canadian beef and the value proposition of the *Canadian Beef Advantage*. Relevant market data will be purchased in market-specific regions. Research will assist in defining consumer preferences and market opportunities for Canadian branded programs and identify product and market opportunities for Canadian beef with a particular focus on the ethnic markets.

COL consumer research will be conducted to fully leverage the understanding of the retail trade around the consumer understanding and purchase/taste preferences of Canadian beef. The BIC will commission consumer sampling sessions in key retail markets (California and U.S. Northeast) that

[36] BIC U.S. Branding Studies, 2007.
[37] CanFax Research Services 2008p for fed and non-fed exports to the U.S. Represents approximately 77 per cent of Canadian beef exports.

will be geared to determine and document taste preferences comparing USDA and Canadian equivalent grades. The tactic will work in conjunction with BIC retail partners in key markets to establish the 'willingness to purchase' and determine taste preference via in-store sampling. Consumer research will also be conducted to determine consumer reaction to labelled products within a post COL environment. The results will be communicated back to industry and supply chain partners in order to provide strong support to the Canadian brand efforts at retail. Research will solidify positioning in key markets and ethnic sub-markets.

Food Safety Policy

This tactics will encourage practices and policies which support the safety of Canadian beef. The BIC will: i) maintain membership and relationships with the Canadian Partnership of Consumer Food Safety Education in an effort to influence consumer-directed beef food safety messaging; ii) continue to develop relationships with the Canadian Food Inspection Agency and Health Canada to monitor and provide input into Canadian policies and guidelines on food safety regulations and issues surrounding human health; iii) consult with experts to prepare evidence-based policy responses and/or strategies to address pertinent issues; iv) provide direction and representation on an as-needed basis to industry partners, committees and associations; v) cost-effectively disseminate current food safety information to external industry partners when required; and vi) maintain BIC's knowledge base through attendance at key conferences, meetings with academics and through journal subscriptions.

Over 30-Month Market Development

Linkages will be created within the U.S. processing sector and Canadian packers to facilitate volume opportunities for Canadian commercial beef. The components of the *Canadian Beef Advantage* will be utilized to position Canadian commercial beef as a superior product versus frozen offshore imports.

Canadian Beef Advantage E-Guide

The BIC will develop a readily accessible database for trade partners that contains key attributes, supporting claims and companion visual elements to support the consistent and effective communication of the *Canadian Beef Advantage* across all markets. The Internet version of the *Guide to Communicating the Canadian Beef Advantage* (GCCBA) will serve as a marketing tool kit for trade partners and BIC teams. The relational database structure will enable the user to quickly identify key CBA attributes and their relevance to different sectors and markets. The Internet version of the GCCBA also offers convenient access to companion elements for approved CBA claims including charts, diagrams, photographs, etc.

Communicating the Canadian Beef Advantage

The BIC will develop a strong integrated communications platform to leverage resources that communicate the key points of differentiation that define the Canadian beef brand, and leverage the BIC market development services that add value to U.S. trade partners. Tools to communicate the CBA will be provided to trade partners in an effective and sustainable format. This integrated platform will include development and execution of a trade advertising campaign focusing on specific CBA attributes, and a trade show strategy targeting specific client groups that shows potential for market development opportunities. A trade mission for qualified candidates will also be used to expand the understanding of the CBA and link potential buyers with Canadian supply partners.

COL Communication/Mitigation
The implementation of COL within the retail trade provides the Canadian beef industry with the opportunity to effectively position itself but only if the communication around the CBA can be heard and accepted by the U.S. trade effectively. Communication efforts dedicated specifically to the retail trade will work to communicate the limitations that surround the COL legislation for retailers, as well as outline opportunities to grow beef volumes through the establishment of COL-compliant programs that incorporate Canadian beef. The net outcomes of this tactic are to build an understanding throughout the retail trade around viable Canadian beef options to COL and also to build a strong understanding that COL is a limiting factor to the trade. The communication of the message around COL and viable options to it will need to be specifically targeted at small to mid-sized chain operations. The tactic will involve a number of specific communication efforts including direct mail campaigns, trade advertising, and a series of specific retail presentations (six) in key markets and with the assistance of specific packer partners.

Ethnic Market Development
Working with ethnic clients focusing on Hispanic and Asian retail and foodservice clients in key markets, the BIC will work to develop strong branded programs leveraging the Canadian brand identity and creating strong market uptake with BIC market development programs. This will create strong pull-through for Canadian beef and secure long-term business based on CBA attributes, and assist in mitigating effects of pending country of origin labelling. The tactic will focus on the identification of market development opportunities via supply partners' sales networks and work with these to help create understanding of the CBA and supply availability of Canadian beef. The BIC will work to identify a solutions-based approach to helping the client meet their sales growth goals through innovative merchandising and brand development activities.

Foodservice Market Development
The BIC will work with trade partners and the Canadian supply chain to establish and grow foodservice market development opportunities. These efforts will focus on middle meat products with efforts designed to build and enhance the Canadian content with foodservice distributors, foodservice portioners, and processors. These efforts will work to mitigate negative price and volume effects brought on by COL at the retail level. Work with both existing clients (increasing volumes and values) and in development of new projects will be primarily focused on steak cutting, distribution and large end-user (chain) clients. The BIC will focus efforts around communication of specific CBA advantages relative to the client's needs, as well as developing solutions-based approaches around creating growth opportunities via the Partner Program and ultimately creating long-term product pull for Canadian beef.

Retail Market Development
The BIC will work with specific retail clients (mid-sized independent chains) in key markets to develop strong branded programs leveraging the Canadian brand identity and creating strong market uptake with BIC market development programs. This will create strong pull-through for Canadian product and secure long-term business based on CBA attributes, and assists in mitigating effects of pending country of origin labelling. The tactic will focus on the identification of market development opportunities via supply partners' sales networks, and work with sales staff to help create client understanding of the advantages and supply availability of Canadian beef. The BIC will work to identify a solutions-based approach to helping clients meet their sales growth goals through innovative merchandising and brand development activities.

Trade Communications
The BIC will communicate the Canadian beef advantage to U.S. foodservice, retail and ethnic (focus on Hispanic) trade. Activities include building awareness and comprehension of the *Canadian Beef Advantage* through print advertising in key trade journals including publications directed at the Hispanic trade. As well, the BIC will build a media release program directed at trade publications to generate editorial for Canadian beef. In addition to print advertising and media contact, the BIC will create and distribute an electronic newsletter to key packers, distributor partners and U.S. stakeholders to communicate and leverage the *Canadian Beef Advantage*.

Issues Preparedness
The BIC will maintain issues preparedness for those issues impacting Canadian beef in the U.S. market. The BIC will monitor existing and emerging trends, issues and events; review current science; understand consumer attitudes; and prepare and distribute appropriate messaging for BIC staff, stakeholders and when appropriate, BIC value chain partners and consumers. This activity is ongoing through media monitoring, and by liaising with government and industry and the academic community.

Stakeholder Communications
The BIC will inform producers and stakeholders of activities through the BIC newsletter. Other activities include: attending annual general meetings, writing annual reports and supporting the BIC committee on provincial initiatives, providing BIC updates to stakeholders, pitching articles and circulating news releases to gain agricultural media coverage for BIC activities, supporting the ambassador program, and communicating to staff through an internal newsletter. As well, quarterly reports to stakeholders and the CCMDC results report content will be produced.

Customer Service Support
The BIC will utilize technology, distribution and 800-line to support and build awareness of the Canadian beef brand identity. The BIC will continue to utilize the website to continue to promote the new brand positioning. Monthly and ad hoc web reports will be developed and distributed as a measurement tool. The BIC will continue working with vendor Dare Marketing to distribute resources to support BIC marketing and business initiatives to the U.S. This includes resource inventory storage, receiving and distribution. The BIC will continue to improve internal systems for managing resources including: images, print, database management, and all resources and continued development of reporting capabilities to support and report on business initiatives.

Performance Measures
Consumer and customer surveys will be conducted to measure the effectiveness of BIC's strategies and the effectiveness of their implementation. These include consumer awareness of the new brand identity and key image attributes – and measurement of industry awareness, comprehension of BIC programs and value of services provided. Development of a strategic project selection and evaluation process will be investigated and pilot tested.

Mexico Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for Mexico is:

Exports (MT)	66,224

(volume in carcass weight)

Environment Scan

Mexico is the third largest market for Canadian beef after the domestic (Canada) and U.S. markets, accounting for approximately four per cent of Canadian beef disposition in 2006. Canadian beef exports to Mexico are projected to reach 44,000 tonnes in 2007, representing a 10 per cent increase from 2006. Mexico is not self-sufficient in beef supply and thus depends on the import market to fill demand. Canada remains as Mexico's second largest beef supplier after the United States – despite higher freight costs associated with getting the product to the market, and growing competition from South America and Australia. Demand for beef in Mexico continues to increase and is being fuelled by steady population growth, a growing economy, and a stable exchange rate.

Mexico has a free market economy that recently entered the trillion dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent government administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the U.S. Income distribution remains highly unequal. Trade with the U.S. and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan – putting more than 90 per cent of trade under free trade agreements. The current government took office in December 2006 and faces many of the same challenges including the need to upgrade infrastructure, modernize the tax system and labour laws, and allow private investment in the energy sector.

Mexico's GDP growth in 2007 is expected to come in at 2.7 per cent. Long-term GDP growth is estimated at three or more per cent annually. This can improve but only with reforms needed to promote competitiveness and productivity. The Mexican peso was not as strong the past year against other international currencies, particularly the Canadian dollar. This will unfortunately have some negative effect on exports from Canada to Mexico, making Canadian products more expensive for Mexican consumers.

The Mexican meat market continues to expand, particularly imports and the construction of new processing facilities. The resumption of bone-in beef imports from North America has motivated Mexican importers to bring in larger volumes of some specific bone-in cuts such as front shanks. CBEF Mexico is actively working on increasing interest of importers and further processors in purchasing primal cuts such as bone-in hips and chucks which could be deboned in Mexican facilities at lower labour costs compared to Canadian plants. This activity, if successful, could be very beneficial as Mexican processing facilities are not running at full capacity (70 to 75 per capacity on average) and the cost of Canadian bone-in products would be reduced.

National retail chains such as Wal-Mart, Soriana and Commercial Mexicana continue their aggressive growth strategy. Wal-Mart recently announced the opening of its 500th store in Mexico. However, smaller retail companies face difficulty in getting direct credit lines and competitive pricing from packers in Canada and the U.S. (not being large volume customers). Small foodservice outlets face the same challenges, whereas large chains such as Chili's, Applebee's, VIPS, Sanborns, etc., continue to expand beef import sales. Beef prices were somewhat impacted this past year due to climatic catastrophes, particularly in the southeast region (Tabasco) where a significant percentage of the Mexican cattle herd is raised. Beef prices in southern Mexico increased almost 10 per cent but remained steady in central and northern Mexico.

As of the end of July 2007, Canada and the U.S. together have a 96 per cent share of the total **value** of the import beef market in Mexico. Canada's share is 12 per cent while the U.S. accounts for 84 per cent. Canada and the U.S. together represent 94 per cent total **volume** of the import beef market in Mexico. Canada's share is 12 per cent and the U.S. accounts for 12 per cent import volume. In terms of import competitors, Mexico is one of the most important beef markets for the United States. U.S. beef promotion is at a lower level than previous years with the U.S. Meat Export Federation currently focusing approximately 80 per cent of its Mexico activities on pork.

Australia is the third largest beef exporter to Mexico and remains an important import beef supply option. While very price competitive against Canadian or U.S. product, Australian beef is still perceived to be of lower quality even compared to domestic product. However, Australian beef exports to Mexico have continued to increase, growing 16.5 per cent in volume and 12.7 per cent in value during the first seven months of 2007. The best clients for Australia are in southern Mexico and represent supermarkets and distributors who are extremely price-oriented. New Zealand exports significantly declined in 2007, dropping almost 50 per cent in volume and 48 per cent in value. South American beef sales from Uruguay and Chile were also down in 2007. It's interesting to note that the value of Uruguayan exports on a per kilogram basis was dramatically higher compared to Australian and New Zealand product.

For 2008/09, the Canada Beef Export Federation will strongly communicate the advantages of Canadian beef through seminars, e-letters, retail and foodservice promotions, and additional marketing efforts targeting every consumer sector. Communication and public relations activities will particularly highlight Canada's food safety and traceability systems as being among the best in the world. Mexico continues to be a popular tourist destination and is also attracting more foreign residents, particularly in locations such as Puerto Vallarta, Los Cabos, Puerto Peñasco and Cancún. The Federation strategy will also focus on opportunities to expand Canadian beef sales in the most popular tourist spots.

Mexico Market Development Goal

The goal of the Canada Beef Export Federation is to capture a 16 per cent share of Mexico's 743,000 tonne imported beef market by the year 2015. This will amount to an estimated 116,000 tonnes ($440 million) of beef products, which is equivalent to 406,000 head of Canadian grain-fed cattle. CBEF-estimated 2005 exports were 52,000 tonnes ($208 million). Exports in 2006 reached 40,243 tonnes. Export members have forecast their 2008 exports to reach 54,120 tonnes.
(Volumes in this paragraph are in product weight.)

Mexico Market Development Program for 2008/09

Market Representation

The Federation has contractually engaged three full-time individuals and one part-time individual to represent the Federation and its members in Mexico. The contract includes all non-promotion operating costs of the representative, including administrative assistance and office facilities. The representative-office is providing a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in Mexico and other countries in Central America. These individuals also monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products. This office is expected to proactively identify new potential clients for Canadian beef on behalf of CBEF members. It continually monitors existing and emerging constraints (i.e. distribution channels) and opportunities (i.e. new retail developments) facing Canadian beef exporters in Mexico, and will recommend industry-wide and company-specific responses to address them. The office takes primary responsibility for the Federation's core market development program in Mexico.

VIP Beef Awareness Missions

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 Mexican meat importers, distributors, retail and foodservice companies. Past experience indicates that many former VIP mission members have become pro-Canada and started purchasing Canadian beef products soon after returning home. These missions also create the opportunity for Federation staff to establish strong relationships with the buyers during the course of the missions. The Federation asks export members to nominate prospective mission members. CBEF will organize and conduct two incoming missions, including a total of six Mexican meat industry executives for each mission in 2008. An extra **manufacturing beef** mission will be organized if the market opens.

CANADA BEEF Seminars

The Federation will create demand and differentiation of Canadian beef through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand. The Canadian beef industry will be positioned as a leader in animal health, beef safety and quality control systems that will provide demonstrable marketing solutions for customers and their end-users. To accomplish this, the Federation will implement a series of educational forums and technical seminars focusing on Canada's value proposition and highlighting Canada's competitive advantage to the Mexican meat trade. Federation 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 client group requirements. All technical seminars will be closely coordinated with the Federation's retail/foodservice promotion strategies and advertising programs. CBEF is planning a number of Differentiation and Demand building seminars as well as culinary cooking demonstrations.

Retail and Foodservice Promotions

The Federation's promotion strategy for Latin America is to 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 Canada Beef Export Federation 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 to differentiate Canada from the competition. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in Mexico. CBEF will undertake a channel-specific focus on demonstrating and promoting the marketable value of Canadian beef in the functional terms of yield, quality and profit advantages that are not always fully considered in the commodity beef buying scenarios in Latin America. Canadian beef promotions will drive initial sales volumes resulting in increased carcass utilization and expanded product mix opportunities if advantages can be realized, documented and effectively communicated back to promotion and supply chain partners. To accomplish this, functional performance analysis by CBEF during promotional events will demonstrate value through increased distribution and profitability. Short-term sales lift provides the opportunity to measure Canadian beef performance against other competitive protein choices.

The Federation's Monterrey-based contractors will 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 the Latin American consumer. 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 cooperating companies who do not presently purchase Canadian beef and veal products.

Multimedia advertising, product demonstrators, and point-of-sale materials will be supplied to cooperating clients in exchange, where possible, for guaranteed purchase quantities of Canadian beef and veal. In all cases, companies will be selected after they have indicated a strong willingness to continue carrying Canadian beef and veal, subject to consumer acceptance of the product. The Federation will develop promotional materials specifically designed for the Latin American retail and foodservice sectors that will effectively communicate the Canadian beef value proposition and support the Canadian beef branding strategy.

Food Shows

Trade show participation is an important opportunity to support export members and distribute information about the Canadian beef value proposition and to strengthen existing relationships with trading partners. Trade show participation provides an opportunity for Mexican end-users to be introduced to Canadian beef and the Federation team while also being exposed to other Canadian agri-food products such as pork, seafood, and spirits. The Federation plans on participating in the following major food shows in 2008/09: ANTAD in Guadalajara, ABASTUR in Mexico City, and ExpoCarne in Monterrey. The Federation also plans on participating in other smaller trade shows organized by customers.

Promotional Materials

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

Trade Marketing Resources – The Federation will continue to develop and utilize custom or generic promotional materials to support CBEF members and their clients delivering the *Canadian Beef Advantage* message to their clients and to build equity in the Canadian beef branding strategy.

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

Market Research

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

The Federation will complete focus group research on market penetration of over-30-month beef cuts should the Mexican market open to these products.

Advertising and Public Relations

The Federation will develop and implement creative joint advertising opportunities 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 Latin America. Advertising and public relations initiatives will be focused on trade communications and selected niche marketing opportunities tied closely with approved retail and foodservice feature activity and through the Spanish-language trade website. Specific local and regional advertising will be completed to support the Canadian beef value proposition and build equity in the Canada beef branding strategy.

The Federation will also work with the Calgary team to successfully integrate the proposed consumer-oriented web strategy for the Mexican market. The proposed approach will result in the development of a consumer-oriented website in each key market. The site development will utilize a template approach combined with 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 upon the defining attributes of the Canadian beef branding strategy. 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 and up and coming events of interest being conducted by the Federation or its retail and foodservice partners.

China Marketing Program *including Hong Kong, Macau, Mainland China*

2008 Marketing Target

The 2008 global marketing plan target for China (Hong Kong and Macau) is:

Hong Kong/Macau Exports (MT)	20,709

(volume in carcass weight)

Environment Scan

China Customs registered a total of 7,965 tonnes of imported beef and offal in the first nine months of 2007, representing a year-on-year increase of 95 per cent. As of 1 November 1 2007, China registered 35 Australian beef establishments, 23 New Zealand beef establishments and 13 Uruguay beef establishments for selling beef into Mainland China. The ban on high quality grain-fed beef from Canada and the U.S. has resulted in a significant volume of beef being missed in the import trade. However, high quality grain-fed beef is indirectly transported into different regions of China through a number of informal trading channels to fulfill the continuous demands for high quality beef in the fast-developing foodservice sector.

For Hong Kong, in the first nine months of 2007, beef imports increased by over 20 per cent to 184,468 tonnes. Australia is the largest chilled beef supplier while Brazil is the largest frozen beef and offal supplier to Hong Kong. U.S. beef is strong in Prime grade chilled beef, mainly due to their lower costs, better supply availability, and established image. Frozen beef from the U.S. into Hong Kong increased in 2007. Japanese beef is back to Hong Kong since July 2007 and has been successfully regaining a high level of attention in the marketplace.

Registered imports of Canadian beef products into Hong Kong continued to decrease in 2007. This is due to the continuous short supply of offal products, which usually is a major part in volume calculations. Macau offers unrestricted access to Canadian beef, and hence bone-in beef product imports are shifted directly there by Hong Kong importers. Canadian beef is very visible in major retail chains in Hong Kong and is being adopted by major fast food chains and middle-price-level foodservice, while low-price-level foodservice is still filled by grass-fed beef products. Canadian premium grain-fed beef is continuously penetrating the high-price-level steak houses, but the dominant position of U.S. beef is supported by a long history of international image and good supplies of Prime grade beef. The worldwide branding mission of Canadian beef across different consumption sectors is gaining a platform.

China's GDP growth remained over 10 per cent in 2007 and is expected to continue this growth, showing promising and continuous economic growth with surges in foreign investments, continuous industrial development, and a booming stock market. Maintaining sustainable and substantial GDP growth is a policy of China's Central Government. Through the deepening of economic cooperation with Mainland China, Hong Kong and Macau are capitalizing on gains in financial and casino economies respectively. Both are having impacts in the areas of higher property and labour costs. Higher food costs are inevitably next. Strong local currencies and local economies are enabling the continuous per capita disposable income growth in China, Hong Kong and Macau, and hence an increased capability to consume high quality food.

Hong Kong's traders continue their role (financial and logistics) in the beef trading business into Mainland China, as recognized by active CBEF export members. Leading importers are progressively strengthening sales operations or partnerships with local companies in Mainland China to secure market position. The retail sector in Mainland China is dominated by various local beef brands, while the formal high-end foodservice sector is focusing on Australian beef. Many beef operators are urging the return of Canadian beef into Mainland China so they can fully utilize the capacity of formal distribution channels. Mainland China unilaterally announced access late June 2006 for U.S. under-30-month boneless beef; however, the U.S. has been insisting on full market access. Details of implementation are yet to be finalized and there are still no official shipments going to Mainland China according to major importers.

The return of U.S. beef (2006) and Japanese beef (2007) in Hong Kong has intensified competition at the high-end level of retail and foodservice. With these old famous country-brands back in the market, media is giving more attention to these traditional brands of high-end beef. Importers are being urged to take on such products to make their product offers look complete. This in turn will add more pressure on supply availability and price competitiveness of Canadian beef.

Hong Kong Customs registered a total of 5,677 tonnes (337 tonnes of chilled boneless beef, 4,241 tonnes of frozen boneless beef and 1,099 tonnes of offal) of U.S. beef in the first nine months of 2007. The U.S. was the fourth largest chilled beef supplier to Hong Kong with a share of 10.65 per cent. Overall market share of U.S. beef was 3.1 per cent. The U.S. offers lower prices on both commodity and USDA Prime beef, compared with prices offered by Canadian beef suppliers. With increasing volume back to Hong Kong, especially frozen boneless beef, escalated promotional activities from the USMEF are evident in retail and fast food sectors.

In the first nine months of 2007, China Customs registered a total of 3,120 tonnes of beef and offal from Australia, representing a share of 39.2 per cent. Australia is the largest chilled beef supplier to Mainland China, with a market share of 99.2 per cent. Hong Kong's imports of Australian beef in the first nine months of 2007 were about the same as the previous year, with a market share of 6.4 per cent. Offal represented 84 per cent of total Australian beef imports into Hong Kong. Australia is the largest supplier of chilled beef to Hong Kong with a market share of 38.8 per cent. Australian grain-fed beef is being pushed into both the retail and foodservice sectors. Hong Kong's imports of New Zealand beef in the first nine months of 2007 were about the same as the previous year, with a market share of 2.15 per cent. Offal represented 51 per cent of total New Zealand beef imports into Hong Kong. New Zealand is the third largest chilled beef supplier to Hong Kong with a market share of 14.7 per cent. New Zealand beef prices continue to increase and some Macau clients have introduced cow beef from Canada to replace New Zealand beef. New Zealand beef is riding on the country image for promotion. Chilled beef promotions are being held at major retail chains through the cooperation between suppliers and importers in Hong Kong.

In addition to Canada, the U.S., Australia and New Zealand – Hong Kong importers had transactions with another 30-plus beef supplying countries in 2007. Brazil continues to be the largest beef supplier to Hong Kong with import volume increasing 20 per cent year-on-year to 111,631 tonnes in the first nine months of 2007. Brazil's market share was 60.5 per cent. Offal represented 77 per cent of total Brazilian beef imports into Hong Kong. Brazil is the second largest chilled beef supplier to Hong Kong with a market share of 26 per cent. Major frozen beef cuts from South America are knuckle, strip loin and rib eye. South America has become the top beef supplier

to Hong Kong as a result of low prices, and improved trimming and packaging. However, prices on Brazilian beef significantly increased in 2007 thus minimizing its price attractiveness.

To maintain Canadian beef exposure to consumers, the Canada Beef Export Federation will continue sales promotions and advertising Canadian grain-fed beef quality attributes. Intensified and wider scale advertising is also expected by Canadian beef importer-clients to strengthen the attention of end-users amongst escalating competition. Dedicated Canadian beef advertisements are being launched in Macau and Hong Kong on reefer truck-fleets to present Canadian beef quality messages. Other activities will continue such as food shows and joint sales promotions.

China Market Development Goal

The goal of the Canada Beef Export Federation is to capture an 11 per cent share of China's (including Hong Kong) 387,000 tonne imported beef market by the year 2015. The Chinese market of Macau opened to Canadian beef in February 2004 and the Chinese market of Hong Kong re-established trade in Canadian beef on November 30, 2004. Canada has not exported beef to Mainland China since its market closed in May 2003. In 2005 exports reached 20,368 tonnes ($76.4 million), up substantially from all previous years. Exports in 2006 declined to 15,336 tonnes. Export members have forecast their 2008 Hong Kong exports to reach 17,700 tonnes. *(Volumes in this paragraph are in product weight.)*

China Market Development Program for 2008/09

The following program is based on the Hong Kong/Macau market being open and the Mainland China market remaining closed to Canadian beef during 2008/09. Program contingencies are noted should trade be re-established in Mainland China.

Market Representation

The Federation has contractually engaged three full-time individuals to represent the Federation and its members in China (including Hong Kong). The Federation is looking to contract two marketing managers in the China offices. The contract includes all non-promotion operating costs of the representative, including administrative assistance, transportation, hosting/entertainment, and office facilities. The representative-office provides a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in China. These individuals also monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products. The offices are expected to actively identify new potential clients for Canadian beef and veal on behalf of CBEF members. The offices will continue to monitor existing and emerging constraints and opportunities facing Canadian beef exporters in China, and recommend industry-wide and company-specific responses to address them. The offices also take primary responsibility for the Federation's core market development programs in China.

VIP Beef Awareness Missions

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 Chinese meat importers, retail and foodservice companies. Past experience indicates that many former VIP mission members have become pro-Canada and started purchasing Canadian beef products soon after returning home. These missions also create the opportunity for Federation staff to establish strong relationships with the buyers

during the course of the missions. The Federation asks export members to nominate prospective mission members. The Federation will organize and conduct one incoming mission originating from Hong Kong/Macau and one originating from mainland China.

CANADA BEEF Seminars

The Federation will create demand and differentiation of Canadian beef through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand. The Canadian beef industry will be positioned as a leader in animal health, beef safety and quality control systems that will provide demonstrable marketing solutions for customers and their end-users. To accomplish this, the Federation will implement a series of educational forums and technical seminars focusing on Canada's value proposition and highlighting Canada's competitive advantage to the Chinese meat trade. Federation members are invited to attend these events to display their products and meet with buyers. Additional technical components (i.e. cutting, merchandising, cooking) will be included based on specific client group requirements. All technical seminars will be closely coordinated with the Federation's retail/foodservice promotion strategies and advertising programs. CBEF is planning a number of Differentiation and Demand building seminars for retail/foodservice clients.

Retail and Foodservice Promotions

The Federation's promotion strategy for China 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. The Federation 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 Canada Beef Export Federation 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 to differentiate ourselves from competitors. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in China. CBEF will undertake a channel-specific focus on demonstrating and promoting the marketable value of Canadian beef in the functional terms of yield, quality and profit advantages that are not always fully considered in the commodity beef buying scenarios in Asia. Canadian beef promotions will drive initial sales volumes resulting in increased carcass utilization and expanded product mix opportunities if advantages can be realized, documented and effectively communicated back to promotion partners. To accomplish this, functional performance analysis by CBEF during promotional events will demonstrate value through increased distribution and profitability. Short-term sales lift provides the opportunity to measure Canadian beef performance against other competitive protein choices.

The Federation's China-based contractors will 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 the Chinese consumer. 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 cooperating companies which do not presently purchase Canadian beef and veal products. Multimedia advertising, product demonstrators, and point-of-sale materials will be supplied to cooperating clients in exchange, where possible, for guaranteed purchase quantities of Canadian beef and veal. In all cases, companies will

be selected after they have indicated a strong willingness in carrying Canadian beef and veal, subject to consumer acceptance of the product. The Federation's series of promotional materials will be specifically designed for the Chinese retail and foodservice sectors to be used in approved promotions.

Food Shows

Trade show participation is an important opportunity to support export members and distribute information about the Canadian beef value proposition and to strengthen existing relationships with trading partners and end-user clients. Trade show participation provides an opportunity for Chinese end-users to be introduced to Canadian beef and the Federation team while also being exposed to other Canadian agri-food products such as pork, seafood, and spirits. The Federation plans on participating in one major food show this year – Food & Hotel China in Shanghai. Several smaller consumer and specialty food trade shows will be conducted in Hong Kong and Macau. Jointly held food shows with distributors will be held in Mainland China if access is granted.

Promotional Materials

Technical Marketing Resources – The development and distribution of standardized science-based technical marketing materials in China 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 distribution channels, trade associations and government.

Trade Marketing Resources – The Federation will continue to develop and utilize custom or generic promotional materials to support CBEF members and their clients delivering the Canadian beef message to their clients and to build equity in the Canadian beef branding strategy.

Consumer Marketing Resources – The development and distribution of standardized consumer marketing materials in China is essential for the effective communication and support of the Canadian beef value proposition and to build equity in the Canadian beef branding strategy for Chinese consumers.

Market Research

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

Advertising and Public Relations

Advertising and public relations initiatives will be focused on trade communications and selected niche marketing opportunities tied closely with retail and foodservice promotion activity. All local and regional advertising will support the Canadian beef value proposition and build equity in the Canada beef branding strategy. The Federation will develop and implement creative joint advertising opportunities 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 China.

The Federation will also work with the Calgary team to successfully integrate the proposed consumer-oriented web strategy for the Chinese market. The proposed approach will result in the development of a consumer-oriented website in each market. The site development will utilize a template approach combined with 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 upon the defining attributes of the Canadian beef branding strategy. 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 and up and coming events of interest being conducted by the Federation or its partners at retail or foodservice operations.

Japan Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for Japan is:

Exports (MT)	4,970

(volume in carcass weight)

Environment Scan

Canadian beef exports to Japan resumed in 2006 for all products from cattle under-21-months. However, stringent exporting rules and a requirement to age verify cattle has limited the amount of product moving into that market. Year-to-date as of September 2007, Canada had exported 2,449 tonnes to Japan. Prior to BSE, Canadian beef imports peaked in 2001 at 30,771 tonnes. Exports are projected to reach 4,000 tonnes in 2007, a 70 per cent increase from 2006. The availability of age verified cattle will continue to be a major factor impacting Canadian beef sales to Japan in the coming year.

The Japanese economy is enjoying its longest boom since the end of World War II. Home appliance makers, automakers, marine transporters and trading houses are all performing well. Japan's unemployment rate has settled at around 3.8 per cent and supermarkets, convenience stores and foodservice are dealing with labour shortage. The yen has been strong against the U.S. dollar, leading exporters to worry about declining performance. The rise in oil prices has had a significant negative effect on household spending, pushing up prices on all consumer goods, foods, fuels and materials. Despite very positive corporate performance, pay increases have been rather moderate keeping growth in individual consumption modest. Reflecting the consumer trend, foodservice sales are up by three to four per cent year-on-year, with fast food restaurants doing particularly well. The meat sector accounted for 6.8 per cent of total supermarket sales, down 1.3 per cent compared to the previous year.

Prices for both domestic and imported beef in Japan remain high and stable. From March to September 2007, consumption of domestic beef increased 2.7 per cent, and seven per cent for imported beef. The potential for increased beef demand in Japan remains high. Wagyu beef produced in Japan has been trading about the same price compared to the previous year. The price of imported beef, particularly Australian product, has increased and is currently seven per cent higher than year-ago. CBEF Japan attributes this mainly to unstable supplies of North American beef. Chronically high prices for imported beef are limiting the business of import distributors. Leading supermarkets are discouraged about promoting beef because of its low profitability and are giving more floor space to pork, processed meats, and other products. Where beef is concerned, retail-focus is on sales of domestic beef.

About 60 per cent of imported beef in Japan goes to foodservice which is showing year-over-year growth in meat purchased. However, foodservice menus using beef have not been expanded because they typically use various meats. Japan's leading beef import-user, the Yoshinoya beef-bowl chain (which serves beef bowls from 11 a.m. to midnight) has been buying less than half the volume of short plates it was buying before the import ban, mainly due to higher beef import prices. Year-to-date as of September 2007, 355,829 tonnes of imported beef had cleared Japanese Customs, an

increase of 5.5 per cent compared to the previous year. Canada accounted for 2,449 tonnes, compared to U.S. imports totalling 24,347 tonnes. During the same period, Australian imports fell by half a per cent to 294,939 tonnes as a result of increased price, aggressive purchasing of Australian beef by other Asian countries, and a limited supply due to drought. New Zealand shipped 27,482 tonnes (again, year-to-date as of September 2007), down 15 per cent year-on-year. Other nations exported 6,612 tonnes of beef to Japan, up 16 per cent year-on-year. Mexico leads the 'other' group, with 4,180 tonnes as of September 2007. Chile, Panama and Costa Rica contributed as well. In 2008, a free trade agreement will place a flat 30.8 per cent tariff and annual quota of 3,000 tonnes on Mexican beef.

Aggressive marketing is evident in Japan by major competitors including a caravan campaign for U.S. beef, visiting over 750 supermarkets nationwide offering free samples. This program included heavy newspaper presence advertising "We Care" and staged events using a former major league baseball player. Australia conducted supermarket displays, a campaign in partnership with a cooking personality, and also launched an Aussie-beef gift campaign that involved overseas trips, cash, and cooking classes with famous restaurants. In April 2007, New Zealand launched a new logo for promoting New Zealand beef to Japanese consumers emphasizing grass feeding. The logo was chosen by consumers via the Internet (mainly housewives aged 30 to 60).

Since the Japanese market reopened, there has been no problem importing Canadian beef. Strict compliance with Japanese rules has made customs clearance smooth for Canadian beef exporters. From daily contacts with customers, CBEF Japan reports that expectations are rising for Canadian beef in the Japanese beef industry. In 2008/09, the Canada Beef Export Federation is planning one VIP mission, three seminars, 36 retail and foodservice promotions, three food shows, 13 new promotional tools, a newsletter, and 33 advertising campaigns. The number of beef sampling retail and foodservice campaigns has doubled during the past year and will continue. The Federation is also expanding promotional tools, such as a new Asian Merchandising Guidebook and a renewed Handbook. A Demand Building and Differentiation Seminar will be held within the coming year. CBEF will participate in Foodex Japan 2008 in March. The Federation is regularly promoting Canadian beef in close concert with four industry papers and a magazine. As promotional goods, CBEF has created logo golf ball markers and plastic shopping bags. Original 2008 calendars will be distributed to leading customers.

Even with the unstable supply of Canadian beef in Japan, there are still loyal customers for Canadian beef: two trading houses, six large distributors, and two direct retail importers. The Federation will put priority on relationships with these firms, which all have a deep understanding of Canadian beef. As the supply becomes more stable, CBEF will undertake sales promotions to retailers and foodservice users.

Japan Market Development Goal

The goal of the Canada Beef Export Federation is to capture a seven per cent share of Japan's 624,000 tonne imported beef market by the year 2015. This will amount to an estimated 44,000 tonnes ($333 million) of beef products, which is equivalent to 154,000 head of Canadian grain-fed cattle. Japan re-established restricted trade in Canadian beef in December 2005, exempting beef derived from cattle verified to be less than 21 months of age from the mandatory BSE testing regime it has long advocated. Exports in 2006 reached 2,117 tonnes. Export members have

forecast their 2008 exports to reach 6,060 tonnes although market access conditions remain restrictive and make near-term forecasts difficult. *(Volumes in this paragraph are in product weight.)*

Japan Market Development Program for 2008/09

Market Representation

The Federation has contractually engaged three full-time individuals and one part-time individual in Tokyo to represent the Federation and its members in Japan. The Federation also has direct funding responsibility for all non-promotion operating costs of the office, including transportation, hosting/entertainment, and office facilities. The representative-office provides a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in Japan. These individuals also monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products. This office actively identifies new potential clients for Canadian beef on behalf of CBEF members. It continually monitors existing and emerging constraints and opportunities facing Canadian beef exporters in Japan, and recommends industry-wide and company-specific responses to address them. The office also takes primary responsibility for delivering the Federation's core market development program in Japan.

VIP Beef Awareness Mission

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 Japanese meat importers, distribution, retail and foodservice companies. Past experience indicates that many former VIP mission members have become pro-Canada and started purchasing Canadian beef products soon after returning to Japan. These missions also create the opportunity for Federation staff to establish strong relationships with the buyers during the course of the missions. The Federation asks export members to nominate prospective mission members. CBEF will organize and conduct one incoming mission, including a total of six Japanese meat industry executives in 2008.

CANADA BEEF Seminars

The Federation will create demand and differentiation of Canadian beef through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand. The Canadian beef industry will be positioned as a leader in animal health, beef safety and quality control systems that will provide demonstrable marketing solutions for customers and their end-users. To accomplish this, the Federation will implement a series of educational forums and technical seminars focusing on Canada's value proposition and highlighting Canada's competitive advantage to the Japanese meat trade. Federation 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 client group requirements. All technical seminars will be closely coordinated with the Federation's retail/foodservice promotion strategies and advertising programs. CBEF is planning a number of Differentiation and Demand building seminars as well as consumer cooking demonstrations.

Retail and Foodservice Promotions

The Federation's promotion strategy for Japan is to 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 Canada Beef Export Federation 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 to differentiate ourselves from competitors. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in Japan. CBEF will undertake a channel-specific focus on demonstrating and promoting the marketable value of Canadian beef in the functional terms of yield, quality and profit advantages that are not always fully considered in the commodity beef buying scenarios in Asia. Canadian beef promotions will drive initial sales volumes resulting in increased carcass utilization and expanded product mix opportunities if advantages can be realized, documented and effectively communicated back to promotion partners. To accomplish this, functional performance analysis by CBEF during promotional events will demonstrate value through increased distribution and profitability. Short-term sales lift provides the opportunity to measure Canadian beef performance against other competitive protein choices.

The Federation's Tokyo-based contractors will 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 the Japanese consumer. 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 cooperating companies who do not presently purchase Canadian beef and veal products.

Multimedia advertising, product demonstrators, and point-of-sale materials will be supplied to cooperating clients in exchange, where possible, for guaranteed purchase quantities of Canadian beef and veal. In all cases, companies will be selected after they have indicated a strong willingness to continue carrying Canadian beef and veal, subject to consumer acceptance of the product. The Federation's series of promotional materials specifically designed for the Japanese retail and foodservice sectors will be used in these promotions.

Food Shows

Trade show participation is an important opportunity to support export members, distribute information about the Canadian beef value proposition and to strengthen existing relationships with trading partners. Trade show participation provides an opportunity for Japanese end-users to be introduced to Canadian beef and the Federation team while also being exposed to other Canadian agri-food products such as pork, seafood, and spirits. The Federation plans on participating in one major food show in 2008, FOODEX in Tokyo. The Federation also plans on participating in other smaller trade shows organized by customers.

Promotional Materials

Technical Marketing Resources – The development and distribution of standardized science-based technical marketing materials in Japan 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 distribution channels, trade associations and government.

Trade Marketing Resources – The Federation will continue to develop and utilize custom or generic promotional materials to support CBEF members and their clients delivering the Canadian beef message to their clients and to build equity in the Canadian beef branding strategy.

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

Newsletter

The newsletter is a valuable communication tool to maintain ongoing contact with key international clients. The newsletter provides the means for 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 Japan, and the programs and services that the Federation brings to the table to create demand for Canadian beef.

Market Research

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

Advertising and Public Relations

The Federation will develop and implement creative joint advertising opportunities 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 Japan. Advertising and public relations initiatives will be focused on trade communications and selected niche marketing opportunities tied closely with approved retail and foodservice feature activity and the Japanese-language trade website. Specific local and regional advertising will be completed to support the Canadian beef value proposition and build equity in the Canada beef branding strategy.

The Federation will also work with the Calgary team to successfully integrate the proposed consumer-oriented web strategy for the Japanese market. The site development will utilize a template approach combined with 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 upon the defining attributes of the Canadian beef branding strategy. 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 and up and coming events of interest being conducted by the Federation or its retail and foodservice partners.

Taiwan Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for Taiwan is:

Exports (MT)	4,970

(volume in carcass weight)

Environment Scan

After four years of market closure, on June 23, 2007 Taiwan announced that it was re-establishing trade in Canadian beef. Access has been granted for Canadian boneless beef derived from cattle under-30-months of age.

Taiwan represents a sizable market for beef exports. In 2006, Taiwan imported approximately 100,000 tonnes of beef products, with Australia, the U.S. and New Zealand being the dominant suppliers. Export volumes of Canadian beef to Taiwan reached their highest level in 2002, with 8,000 tonnes shipped for a value of $42 million. Prior to BSE which prompted market closure, Taiwan was Canada's fifth largest destination for beef exports. Taiwan has historically offered the second highest value per kilogram for beef exports next to Japan, with an average value for Canadian product of $249/cwt between 2000 and 2002. With new market access, local market leaders believe sales volumes of Canadian beef will match and surpass previous volumes.

The latest 2008 GDP growth forecast for Taiwan is 4.39 per cent which would be a marginal decrease from the 2007 forecast of 4.41 per cent. The decrease is partly attributed to an increase in imports of goods and services in 2008. Import growth is expected to again outpace exports and is projected to grow another 10 per cent in 2008. Inflation is only seeing modest increases at the present time but high oil prices are putting pressure on Taiwan's economy.

While per capita GDP growth has remained steady, the Consumer Price Index has increased over per capita GDP growth. Thus, real income has decreased and CBEF Taiwan believes that beef consumption will be affected with decreased demand for high quality beef and increasing consumption of lower priced beef. In the foodservice sector, restaurants and hotels are starting to use lower priced A/AA chuck short ribs rather than more expensive AAA short ribs to control prices. It should be noted though that as Taiwan's consumers continue to become more health conscious, higher priced Australian and U.S. beef is the preferred choice by health conscious consumers looking for high quality product.

Since joining the World Trade Organization, more agricultural products are flowing into the Taiwan market, thus providing consumers with increased product offerings. Beef imports from Central and South America have started moving into Taiwan and are expected to increase in the coming year. Beef from Panama, Nicaragua, Uruguay, Costa Rica, Paraguay, Argentina and Brazil is being shipped to Taiwan, and is considerably cheaper and mainly being purchased for food processing.

Looking at other countries, U.S. beef prices kept rising during the past year prompting some end-users to substitute Australian product for higher priced U.S. beef. CBEF Taiwan is projecting the import volume of U.S. beef to be less in 2008. The U.S. is actively promoting new beef items in

Taiwan including outside skirt, hanging tender, tongue, mountain chain tripe, honeycomb tripe, omasum, and abomasum. Specific U.S. promotion activities include retail cooking demonstrations by a well-known chef and a Nebraska beef promotion with a bank (Cosmos Bank) during the Chinese Moon Festival. The latter involved 20 restaurants and during this period, consumers ordering U.S. beef dishes paying with a Cosmos Bank credit card received a special discount.

Australia exported 25,856 tonnes of beef to Taiwan from January to October 2007 and levels are expected to remain steady in the coming year. New Zealand shipped 19,870 tonnes during the same period. Many foodservice outlets in Taiwan tend to use New Zealand product over higher priced North American beef. While Australia seems to be reducing promotional activity in Taiwan, New Zealand is increasing its marketing program in North Asian markets and recently announced plans to increase its beef levy to fund activities to protect their beef export interests in key markets. During the past three years, New Zealand grass-fed beef exports to Japan, Korea and Taiwan have increased in value by 86 per cent, gaining significant penetration in both the retail and foodservice sectors. A key promotional activity has been cooking courses for hospitality students involving a well-known Taiwanese chef to demonstrate cuisine using New Zealand beef.

CBEF Taiwan reports that it is very good timing for Canadian beef to return to the market. Key promotion points will be health, safety and quality. CBEF Taiwan will target high-end supermarkets like City Super and high-end five star hotel restaurants, and is also planning a Canadian beef culinary competition in 2008 involving well-known chefs. CBEF will use this opportunity to reintroduce Canadian beef to the Taiwan market and raise its image.

Short rib, chuck short rib, and short plate were the strong trading items in Taiwan's beef import market in the past. These items are now mainstream in the Taiwan beef market and will be an opportunity for Canadian beef exporters. CBEF Taiwan will be promoting rib, loin, and chuck products – and will continue promoting eye of round, top sirloin butt, sirloin tip and tri tip which have the potential for sales growth. The most popular offal items include honeycomb tripe, tendons and omasum. The flap, flank, skirts and boneless clod are new interest items in the Taiwan beef market, and CBEF Taiwan will also try to develop sales of these products.

Taiwan Market Development Goal

The goal of the Canada Beef Export Federation is to capture an 11 per cent share of Taiwan's 88,000 tonne imported beef market by the year 2015. This will amount to an estimated 10,000 tonnes ($52 million) of beef products, which is equivalent to 35,000 head of Canadian grain-fed cattle. Canada resumed trade with Taiwan in June 2007. *(Volumes in this paragraph are in product weight.)*

Taiwan Market Development Program for 2008/09

Market Representation

The Federation has contractually engaged two full-time individuals in Taipei to represent the Federation and its members in Taiwan. The contract includes all non-promotion operating costs of the representative, including administrative assistance, transportation, hosting/entertainment, and office facilities. The representative-office provides a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in Taiwan. These individuals also monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products. This office actively identifies new potential clients for Canadian beef on behalf of CBEF members. It continually monitors existing and emerging

constraints and opportunities facing Canadian beef exporters in Taiwan, and recommends industry-wide and company-specific responses to address them. The office also takes primary responsibility for the Federation's core market development program in Taiwan.

VIP Beef Awareness Mission

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 Taiwanese meat importers, retail and foodservice companies. Past experience indicates that many former VIP mission members have become pro-Canada and started purchasing Canadian beef products soon after returning home. These missions also create the opportunity for Federation staff to establish strong relationships with the buyers during the course of the missions. The Federation asks export members to nominate prospective mission members. The Federation will organize and conduct one incoming mission, consisting of Taiwanese meat industry executives in 2008.

CANADA BEEF Seminars

The Federation will create demand and differentiation of Canadian beef through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand. The Canadian beef industry will be positioned as leaders in animal health, beef safety and quality control systems that will provide demonstrable marketing solutions for customers and their end-users. To accomplish this, the Federation will implement a series of educational forums and technical seminars focusing on Canada's value proposition and highlighting Canada's competitive advantage to the Taiwanese meat trade. Federation 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 client group requirements. All technical seminars will be closely coordinated with the Federation's retail/foodservice promotion strategies and advertising programs. The Federation is planning a limited number of Differentiation and Demand building seminars for retail/foodservice clients and culinary students.

Retail and Foodservice Promotions

The Federation's promotion strategy for Taiwan will be to 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 Canada Beef Export Federation 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 to differentiate ourselves from competitors. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in Taiwan. CBEF will undertake a channel-specific focus on demonstrating and promoting the marketable value of Canadian beef in the functional terms of yield, quality and profit advantages that are not always fully considered in the commodity beef buying scenarios in Asia. Canadian beef promotions will drive initial sales volumes resulting in increased carcass utilization and expanded product mix opportunities if advantages can be realized,

documented and effectively communicated back to promotion partners. To accomplish this, functional performance analysis by CBEF during promotional events will demonstrate value through increased distribution and profitability. Short-term sales lift provides the opportunity to measure Canadian beef performance against other competitive protein choices.

The Federation's Taipei-based contractors will 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 the Taiwanese consumer. 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 cooperating companies who do not presently purchase Canadian beef and veal products.

Multimedia advertising, product demonstrators, and point-of-sale materials are supplied to cooperating clients in exchange, where possible, for guaranteed purchase quantities of Canadian beef and veal. In all cases, companies are selected after they have indicated a strong willingness to reintroduce and continue carrying Canadian beef and veal, subject to consumer acceptance of the product. The Federation's series of promotional materials will be specifically designed for the Taiwanese retail and foodservice sectors to be used in approved promotions.

Food Shows

Trade show participation is an important opportunity to support export members and distribute information about the Canadian beef value proposition and to strengthen existing relationships with trading partners and end-user clients. Trade show participation provides an opportunity for Taiwanese end-users to be introduced to Canadian beef and the Federation team while also being exposed to other Canadian agri-food products such as pork, seafood, and spirits. The Federation plans on participating in one major food show this year, the Food & Hotel International Food Show in Taipei.

Promotional Materials

Technical Marketing Resources – The development and distribution of standardized science-based technical marketing materials in Taiwan 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 distribution channels, trade associations and government.

Trade Marketing Resources – The Federation will continue to develop and utilize custom or generic promotional materials to support CBEF members and their clients delivering the Canadian beef message to their clients and to build equity in the Canadian beef branding strategy.

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

Newsletter

The newsletter is a valuable communication tool to maintain ongoing contact with key international clients. The newsletter provides the means for 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 Taiwan and the programs and services that the Federation brings to the table to create demand for Canadian beef. The Taiwanese CBEF newsletter will be published and distributed six times a year.

Market Research

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

Advertising and Public Relations

Advertising and public relations initiatives will be focused on trade communications and selected niche marketing opportunities tied closely with retail and foodservice distribution and trade communication opportunities and the Chinese-language trade website. All local and regional advertising will support the Canadian beef value proposition and build equity in the Canada beef branding strategy. The Federation will develop and implement creative joint advertising opportunities 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 Taiwan.

The Federation will also work with the Calgary team to successfully integrate the proposed consumer-oriented web strategy for the Taiwanese market. The proposed approach will result in the development of a consumer-oriented website in each key market. The site development will utilize a template approach combined with 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 upon the defining attributes of the Canadian beef branding strategy. 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 and up and coming events of interest being conducted by the Federation or its partners at retail or foodservice operations.

The Federation will also conduct a national culinary competition. This competition will serve to increase the Federation's awareness in the general population and drive market success in the high-end foodservice sector.

South Korea Marketing Program

2008 Marketing Target

The 2008 global marketing plan target for South Korea is:

Exports (MT)	828

(volume in carcass weight)

Environment Scan

South Korea imported no Canadian beef and beef offal products in 2007 due to their continuing ban on Canadian beef. The vacuum created by the absence of North American beef has been filled mainly by Australian and New Zealand beef and partly by Mexican beef. South Korea announced limited market access to the U.S. in March 2006 for boneless beef under-30-months of age. U.S. beef trade was suspended in October 2007 due to shipments that failed to clear inspection requirements and efforts are underway to re-establish access.

While the South Korean government has differentiated Canada from the U.S. in its market access policy, the Canada Beef Export Federation believes the end is in sight and that Canada will regain access to South Korea by spring of 2008. Canada and South Korea completed the first round of health protocol negotiation towards resuming beef trade. CBEF South Korea reports that the return of North American beef and increasing domestic beef supply is causing concern in the market about potential oversupply and a wholesale price collapse. South Korea's beef cattle inventory reached 2.48 million head on January 1, 2007 which is an eight per cent increase from 2006. In 2008 the inventory is expected to reach 2.7 million head.

South Korea's economic growth rate is projected to reach five per cent in 2008; however, skyrocketing oil prices, U.S. subprime woes, and an uncertain economic outlook cloud this economic forecast. South Korean beef consumption and imports are projected to increase in 2008, due partly to the re-emergence of North American beef in the market. Recent trade agreement negotiations with the U.S. and Canada resulted in a new tariff arrangement that will enhance the competitiveness of North American beef.

From May to September 2007, 10,519 tonnes of U.S. beef cleared South Korean inspection, capturing six per cent import beef market share. Total fresh/chilled beef sales account for about 15 per cent of U.S. beef exports to South Korea. There has been increasing demand for higher quality U.S. grain-fed beef from retailers and high-end restaurants. The major U.S. beef products supplied to this market include: boneless short rib, boneless chuck short rib, chuck flap tail, and chuck (eye). After market access was initially regained, the U.S. Meat Export Federation conducted in-store beef sales promotions at big box outlets such as E-mart and Lotte Mart, distributed a significant volume of point-of-purchase materials to a number of retail outlets, and conducted seminars in conjunction with the re-entry of U.S. beef.

Australian beef exports to South Korea are expected to reach 172,000 tonnes in 2007, similar to their 2006 volume. Australia is projected to capture 71 per cent of South Korea's import beef market share in 2007. Due to limited availability of short ribs and other bone-in rib products from Australia, South Korea's dependence on short rib imports has decreased to about 25 per cent, which

used to be more than 50 per cent pre-BSE in North America. When it comes to grain-fed products, short rib, chuck short rib, chuck flap tail, and intercostal are major items but overall, short rib, chuck roll, shoulder clod, shank, and brisket are the primary Australian products moving into the market. Australia's share of South Korea's import chilled beef market has been approximately 95 per cent during the past three years. Total fresh/chilled beef sales represent about 18 per cent of Australia's overall beef exports to Korea, with grain-fed product accounting for most of this product. CBEF South Korea is projecting that chilled beef will represent almost 30 per cent of Australia's overall exports to South Korea in a few years. In 2007, Australia aggressively conducted 'Clean and Safe Australian Beef' promotions (especially for their grain-fed chilled beef) in more than 500 retail outlets. Other activities included special events such as a chef culinary competition and consumer draws.

New Zealand beef exports to South Korea are expected to total 500,000 tonnes in 2007, down about seven per cent from 2006. New Zealand's market share will stay the same at 21 per cent compared to the previous year. Grass-fed short rib, shoulder clod, chuck roll, brisket, and hip are the five major products imported from New Zealand. New Zealand suppliers have greatly benefited from the absence of North American beef in South Korea. Foodservice, catering, and the military sector have been their major market. New Zealand beef suppliers are supplying limited volume of chilled and grain-fed beef to South Korea; chilled beef exports account for 3.2 per cent of New Zealand's sales to this market. This also is a reflection of New Zealand's limited sales to South Korea's retail sector. New Zealand promotional activity has been more active since border closure to North American beef. In addition to client receptions and culinary seminars, a public relations agency has been hired to generate media exposure for New Zealand beef. Because of their weakness in chilled beef supply, most of New Zealand's public relations effort has been focused on the advantages of grass-fed beef.

Mexican beef exports to South Korea are expected to reach about 5,300 tonnes by the end of 2007, a decrease of approximately 25 per cent versus year-ago. This volume represents two per cent share of South Korea's import beef market. Mexico started exporting beef products to South Korea in early 2004 and chilled beef in early 2005. Grain-fed beef accounts for almost 50 per cent of Mexico's beef shipments to South Korea. Mexican suppliers have developed some value-added cutting with the use of their cheaper but skilled labour as part of their differentiation effort and niche marketing. South Korean beef importers had increased trade with Mexico to find replacement product for grain-fed beef in the absence of U.S. and Canadian product. While Mexico's grain-fed beef supply is seen as a positive factor, the taste of their beef has not been as positively received as Australian grain-fed beef.

The absence of Canadian beef in the market has reminded South Korean clients of the importance of Canadian beef in terms of availability, quality, and negotiation power. It is important that Canadian beef suppliers maintain relationships with major clients in the supply chain. Close relationships built between suppliers, importers, and end-users will help re-establish sales once market access is regained. The CBEF office in Korea also believes that efforts to differentiate and brand Canadian beef should continue as the marketing platform for future sales. Since January 2007, it has been mandatory for over 300 square metre-sized restaurants to indicate country of origin labelling for dishes served in restaurants. The Canada Beef Export Federation is trying to turn this negative regulatory environment into promotional opportunities based on strong relationships with some specific South Korean clients who perceive that there is a Canadian beef advantage.

South Korea Market Development Goal

The goal of the Canada Beef Export Federation is to capture a seven per cent share of South Korea's 432,000 tonne imported beef market by the year 2015. This will amount to an estimated 32,000 tonnes ($148 million) of beef products, which is equivalent to 112,000 head of Canadian grain-fed cattle. Canada has not exported beef to South Korea since its market closed in May 2003. *(Volumes in this paragraph are in product weight.)*

South Korea Market Development Program for 2008/09

This program is based on the Korean market remaining closed to Canadian beef during the 2008/09 fiscal year. Program and budget contingencies are planned should trade be re-established.

Market Representation

The Federation has contractually engaged two full-time individuals in Seoul to represent the Federation and its members in South Korea. The Federation also has direct funding responsibility for all non-promotion operating costs of the office, including transportation, hosting/entertainment, and office facilities. The representative-office provides a primary and vital link between Canadian beef exporters, and new and existing Canadian beef clients in South Korea. These individuals also monitor, report, and represent the Federation and its members regarding all regulatory market access matters affecting Canadian beef and veal products. This office actively identifies new potential clients for Canadian beef on behalf of CBEF members. It continually monitors existing and emerging constraints and opportunities facing Canadian beef exporters in South Korea, and recommends industry-wide and company-specific responses to address them. The office also takes primary responsibility for delivering the Federation's core market development program in South Korea.

VIP Beef Awareness Mission

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 meat importers and distribution, retail and foodservice companies. Past experience indicates that many former VIP mission members have become pro-Canada and started purchasing Canadian beef products soon after returning home. These missions also create the opportunity for Federation staff to establish strong relationships with the buyers during the course of the missions. The Federation asks export members to nominate prospective mission members.

CANADA BEEF Seminars

The Federation will create demand and differentiation of Canadian beef through an integrated market positioning strategy based on building consumer brand equity in the Canadian beef brand. The Canadian beef industry will be positioned as a leader in animal health, beef safety and quality control systems that will provide demonstrable marketing solutions for customers and their end-users. To accomplish this, the Federation will implement a series of educational forums and technical seminars focusing on Canada's value proposition and highlighting Canada's competitive advantage to the South Korean meat trade. Federation 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 client group requirements. All technical seminars will be closely coordinated with the Federation's

retail/foodservice promotion strategies and advertising programs. The Federation is planning a number of Differentiation and Demand building seminars for clients and students.

Retail and Foodservice Promotions

The Federation's promotion strategy for South Korea when the market opens will be to 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 Canada Beef Export Federation 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 to differentiate ourselves from competitors. Price, quality, craftsmanship, confidence and reputation are important purchase-decision drivers in South Korea. CBEF will undertake a channel-specific focus on demonstrating and promoting the marketable value of Canadian beef in the functional terms of yield, quality and profit advantages that are not always fully considered in the commodity beef buying scenarios in Asia. Canadian beef promotions will drive initial sales volumes resulting in increased carcass utilization and expanded product mix opportunities if advantages can be realized, documented and effectively communicated back to promotion partners. To accomplish this, functional performance analysis by CBEF during promotional events will demonstrate value through increased distribution and profitability. Short-term sales lift provides the opportunity to measure Canadian beef performance against other competitive protein choices.

The Federation's contractors will 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 the South Korean consumer. 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 cooperating companies who do not presently purchase Canadian beef and veal products.

Multimedia advertising, product demonstrators, and point-of-sale materials will be supplied to cooperating clients in exchange, where possible, for guaranteed purchase 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. The Federation's series of promotional materials specifically designed for the retail and foodservice sectors will be used in these promotions.

Food Shows

Trade show participation is an important opportunity to support export members and distribute information about the Canadian beef value proposition and to strengthen existing relationships with trading partners and end-user clients. Trade show participation provides an opportunity for South Korean end-users to be introduced to Canadian beef and the Federation team while also being exposed to other Canadian agri-food products such as pork, seafood, and spirits. The Federation plans on participating in one major food show this year, Food & Hotel Korea in Seoul.

If the market opens, the Federation will plan on participating in the International Food Show in Busan, the Korea Restaurant Association Food Show, and other smaller trade shows organized by customers to reintroduce Canadian beef into the marketplace.

Promotional Materials

Technical Marketing Resources – The development and distribution of standardized science-based technical marketing materials in South Korea 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 distribution channels, trade associations and government.

Trade Marketing Resources – The Federation will continue to develop and utilize custom or generic promotional materials to support CBEF members and their clients delivering the Canadian beef message to their clients and to build equity in the Canadian beef branding strategy.

Consumer Marketing Resources (contingent on an open market) – The development and distribution of standardized consumer marketing materials in South Korea is essential for the effective communication and support of the Canadian beef value proposition and building equity in the Canadian beef branding strategy for South Korean consumers.

Newsletter

The newsletter is a valuable communication tool to maintain ongoing contact with key international clients. The newsletter provides the means for 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 South Korea and the programs and services that the Federation brings to the table to create demand for Canadian beef. The South Korean CBEF newsletter will be published and distributed four times a year.

Market Research

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

Advertising and Public Relations

Advertising and public relations initiatives will be focused on trade communications and selected niche marketing opportunities tied closely with retail and foodservice distribution, trade communication opportunities and the Korean-language trade website. All local and regional advertising will support the Canadian beef value proposition and build equity in the Canada beef branding strategy.

Should the market reopen, the Federation will develop and implement creative joint advertising opportunities 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 South Korea. The Federation will also work with the Calgary team to successfully integrate the proposed consumer-oriented web strategy for the Japanese market. The proposed approach will result in the development of a consumer-oriented website in each key market. The site development will utilize a template approach combined with 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 upon the defining attributes of the Canadian beef branding strategy. 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 and up and coming events of interest being conducted by the Federation or its retail or foodservice partners.

Export Preparedness Program *for Mexico, Asia & Emerging Markets*

The Canada Beef Export Federation program includes export preparedness initiatives that are managed from its Calgary office (listed under "Canada Market Development Programs" in CBEF's budget).

Overview

The Canadian beef industry recognizes that exporting to international markets requires an increasingly sophisticated approach. The needs of the customer must now be considered in the context of regional regulatory requirements in the post-BSE era. In most markets Canadian beef has been excluded for an extended period and there is a need and an opportunity to re-establish product volume. Global competitors have benefited from the absence of Canadian beef products and want to retain their market share. It is certain that Canadian beef export business success depends on effective communication of the value proposition and continued advocacy to address trade barriers.

For 2008/09, the Canada Beef Export Federation is committed to developing resources and support programs to build equity in the Canadian beef brand with customers and consumers. The development of a global branding strategy for Canadian beef, combined with dedicated consumer websites and supporting collateral development will provide the Canadian industry with a high impact message and a vehicle to drive global demand.

The Federation will also be increasing emphasis on support services for CBEF member companies through enhanced technical services. The development of promotional materials which target international buyers and end-users will continue to be a central focus with the launch of the *Canadian Beef Asian Merchandising Guide* developed in 2007 and the creation of the new *Canadian Beef Merchandising Guide* for Latin American countries in 2008.

Export Preparedness Program for 2008/09

Technical Marketing Materials

A wide range of technical materials will be developed as the *Canadian Beef Advantage* continues to evolve. Materials in 2008/09 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.

Consumer Marketing – International Website Strategy

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 our competitors who are utilizing consumer-focused websites 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 upon the defining attributes of the Canadian beef mark (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.

Emerging Markets

The Canada Beef Export Federation 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 hosting incoming missions of foreign market regulators and industry leaders. In addition to market access projects, the Federation will continue to participate in the International Meat Secretariat (regional conferences and World Meat Congress) and actively contribute to the WTO negotiation process. CBEF will also undertake specific promotions in emerging markets that demonstrate value and opportunity to the industry.

Market Research

GIRA's Group-Client Worldwide Annual Meat Study – The Canada Beef Export Federation 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.

CBEF-Canada Performance Survey – A survey will be performed to measure current levels of satisfaction with Federation programs, services and resources with the 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.

Partner Market Development Program

The Partner Market Development Program is designed to allow CBEF export members to contribute funds and resources to the Canada Beef Export Federation for projects of interest to their companies and the entire industry. This program will be utilized to ensure maximum exposure of the Canada Beef Export Federation as an association, Canadian beef as a brand name, and finally to highlight each individual members' products and brands. The generic export development component supports incoming and outgoing missions related to: exploring new market segments; developing new products or specifications, and; participation in Federation-led international

promotional events. 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. Projects may include development of company-specific promotional materials, advertising, trade shows (when CBEF is not attending), and retail and foodservice promotions.

International Marketing Seminar

The Federation will conduct one major international marketing seminar in conjunction with its annual general meeting. High value international speakers will be invited to inform, educate and motivate the Federation'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.

Member Information and Liaison

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

The *Federation Membership Directory*, providing information about the Federation and its services, continues to serve as a source of contact information for CBEF members, as well as a high quality information resource about their capabilities and services. The directory will continue to be updated annually to reflect current CBEF membership.

In the summer of 2005, a copy of the *Beefing Up Exports* newsletter was inserted into provincial cattle producer organization publications with the aim of informing Canadian producers about beef export activities funded by their national check-off dollars and the importance of Federation activities to developing export markets to assure the future prosperity of the Canadian cattle industry. This initiative was well-received and will be repeated in 2008/09.

Alberta-Based Supplementary Marketing 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 exports markets for Canadian beef and cattle genetics and/or facilitate the export of Alberta value-added beef products. In the 2008/09 business year, applications will be considered that align with CCMDC's identified priorities, as set out in the CCMDC Strategic Marketing Plan.

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. In 2008/09, the CCMDC will 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 to which the call for proposals will be sent on a quarterly basis. Project proposals must be received in 2008 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 two 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. 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 value-added beef products, the CCMDC intends to continue working with both Alberta Agriculture's processed foods division and the Alberta Livestock Industry Development Fund. The intent is to coordinate with staff in Alberta Agriculture processed foods division who liaise with processors in order to more directly identify opportunities for the funding of innovative market development projects. Similarly, the CCMDC will work with the Alberta Livestock Industry Development Fund which solicits applications in the areas of product and trade development. The intent of working with the Alberta Livestock Industry Development Fund is to facilitate coordination of projects, minimize duplication, and identify opportunities to leverage funding, given the different funding priorities and eligibility/funding conditions of the CCMDC and the Alberta Livestock Industry Development Fund.

Applications received for Alberta-based valued-added marketing initiatives will 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 beef and beef cattle industry.

VI BUDGET AND FUNDING

2008/09 Consolidated Marketing Budget (marketing and operations)

Projected Revenues:	**2008 - 2009**			*(February 14, 2008)*
	BIC	CBEF	CBBC	TOTAL
1 Check-off Funds				
Domestic	4,157,205	-	-	4,157,205
U.S.	289,185	-	-	289,185
Asia, Mexico, ROW	-	1,946,005	-	1,946,005
	4,446,390	1,946,005	-	6,392,395
2 Membership Fees		100,000	100,000	200,000
3 Other Member Contributions				
Partner Market Development Program and Member Contributions	-	125,000	1,471,760	1,596,760
Executive Committee (Per Diems)	-	8,000	-	8,000
	-	133,000	1,471,760	1,604,760
4 Canadian Cattlemen Market Development Council				
U.S.*	3,658,810	-	-	3,658,810
Commercial Beef*	3,146,895	-	-	3,146,895
Asia, Mexico, ROW*	-	2,723,442	-	2,723,442
Beef Cattle Genetics*	-	-	1,050,000	1,050,000
	6,805,705	2,723,442	1,050,000	10,579,147
5 Provincial Governments				
AIIAR	-	500,000	-	500,000
ALIDF	450,000			450,000
Saskatchewan Agriculture	-	10,000	-	10,000
	450,000	510,000	-	960,000
6 Federal Government				
Risk Management Program			200,000	200,000
Canadian Ag. & Food Int'l Program*	-	1,500,000	750,000	2,250,000
	-	1,500,000	950,000	2,450,000
7 Other Revenue				
Interest/other	200,000	74,553	10,000	284,553
BIF Sponsorship/registrations	-	-	110,000	110,000
Pfizer Partnership*	100,000	-	-	100,000
ABP Recovery*	-	-	-	-
	300,000	74,553	120,000	494,553
TOTAL PROJECTED REVENUES	**12,002,095**	**6,987,000**	**3,691,760**	**22,680,855**

* Uncommitted Funds

Summary of Funding by Source

Producer/Members/Other	8,691,708	38.3%
Government	13,989,147	61.7%
	22,680,855	100%

Projected Expenditures: 2008 - 2009 *(February 14, 2008)*

	BIC	CBEF	CBBC		TOTAL
1 Administration and Operations	477,106	1,173,000	450,000		2,100,106
2 Market Development					
U.S.	4,037,308	-	315,780		4,353,088
Canada	-	1,005,000	310,000	*	1,315,000
Japan	-	1,415,000			1,415,000
South Korea	-	630,000			630,000
Taiwan	-	697,000			697,000
China (PRC)		1,005,000	533,580		1,538,580
Mexico	-	1,444,000	233,920		1,677,920
Russia/EU25	-	-	1,017,440		1,017,440
Other Markets/Research	-	-	896,540		896,540
	4,037,308	6,196,000	3,307,260		13,540,568
3 Brand Management & Research	652,000				652,000
4 Nutrition and Food Safety	377,258				377,258
5 Consumer Culinary Services	558,958				558,958
6 Technical and Food Safety Service	229,713				229,713
7 Retail Marketing	598,112				598,112
8 Foodservice Marketing	521,140				521,140
9 Processing Development	101,601				101,601
10 Trade Communications	193,041		274,500		467,541
11 Commercial Beef	3,932,470				3,932,470
12 Communications & Public Affairs	1,103,675				1,103,675
13 Risk Management Program			200,000		200,000
TOTAL PROJECTED EXPENDITURES	**12,782,382**	**7,369,000**	**4,231,760**		**24,383,142**
TOTAL PROJECTED REVENUES	**12,002,095**	**6,987,000**	**3,691,760**		**22,680,855**
PROJECTED SURPLUS/DEFICIT	**(780,287)**	**(382,000)**	**(540,000)**		**(1,702,287)**

* Beef Industry Forum

Legacy Fund 2008/09 Budget

2009 Revenue

Legacy Fund – Federal	8,088,927
Legacy Fund – Alberta	3,215,220
Total Revenue	**11,304,147**

2009 Expenses

Administration	475,000
Commercial Beef	3,146,895
U.S.	3,658,810
International	2,723,442
Live & Genetics	1,050,000
Alberta – Other	250,000
Total Expenses	**11,304,147**
Excess (deficiency) of revenue over expenditure	**-**

VII REPORTING AND COMMUNICATION

The Business Plan for the Canadian Beef and Cattle Market Development Fund (June 21, 2006) states that a report of fund activities is to be provided to Fund signatories within four months of the end of each fiscal year. This marketing implementation plan follows the Canadian Cattlemen's Association fiscal period, which for 2008/09 will be July 1, 2008 to June 30, 2009. Therefore, an annual report in follow up to this plan will be provided **by October 31, 2009.**

The annual report will be a consolidated report summarizing completed activities in target markets, achievements, quantifiable results, and an audited financial statement.

In addition to the annual report, the beef marketing organizations implementing this plan (Beef Information Centre, Canadian Beef Breeds Council, Canada Beef Export Federation) will provide quarterly updates to the Canadian Cattlemen Market Development Council. The schedule for these quarterly updates is as follows:

Quarterly Report Timeline

October 30, 2008	(for the three months July 1 to September 30, 2008)
January 31, 2009	(for the three months October 1 to December 31, 2008)
April 30, 2009	(for the three months January 1 to March 31, 2009)
July 31, 2009	(for the three months April 1 to June 30, 2009)

The quarterly reports will be a summary update from each of the organizations describing activities conducted within the quarter. Quarterly financial reports will be provided by the Canadian Cattlemen's Association as the Fund trustee.

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. Following the first annual report (*Results Report*, October 2007), a four-page summary was developed for broad distribution. Content from CCMDC annual and quarterly reports will continue to be sourced for the development of communication tools such as news releases, fact sheets, articles, presentations, etc. Web content is also being developed as part of the CCA's new website.

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.

VIII IMPACT OF MARKETING STRATEGY

The Canadian beef industry's global marketing strategy is being measured through an evaluation framework being applied across all markets that includes standardized market indicators and performance measures. Marketing targets are also included in the yearly marketing implementation plan, along with the long-term marketing targets.

The evaluation framework and long-term marketing targets were established by the Canadian Cattlemen Market Development Council through a strategic planning process in 2006 that involved industry, government, and representatives from every aspect of the beef value chain. Copies of the CCMDC Strategic Marketing Plan 2006 are available from the Canadian Cattlemen's Association office in Calgary.

The CCMDC evaluation framework includes two categories of indicators:

MARKET INDICATORS

These are broad measures of the 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
6. In-market price differential between Canadian and competing (U.S. and Australian) beef products (for each target market)
7. Basis and prices for live Canadian cattle
8. Domestic slaughter rate (fed and non-fed)
9. Exports of live cattle

PERFORMANCE INDICATORS

These are specific measures that will be used to directly gauge the impact of CCMDC efforts and investments, and the status and success of CCMDC-funded initiatives. These measures are closely related to the CCMDC's activities and are more directly impacted by the CCMDC.

Measures of CCMDC Impact

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

Funded Initiatives Status and Success

6. Level of completion of funded initiatives
7. Objective and benefit realization
8. Efficiency of CCMDC investments (incremental sales revenue per dollar invested in promotion)

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

In addition to the indicators that measure impact and performance, the CCMDC will periodically be conducting reviews of the 10-year strategic marketing plan. These reviews will involve the gathering of relevant market information to support strategic marketing plan decision-making. The type of information gathered for these reviews will include:

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

CanFax Research Services, in collaboration with the marketing organizations (Beef Information Centre, Canadian Beef Breeds Council, Canada Beef Export Federation), will continue to investigate opportunities to expand the evaluation framework by adding enhanced genetics data as it becomes available, an internal stakeholder performance survey, and potentially a return on investment calculation.

APPENDICES

Canadian Beef and Cattle Market Development Fund
- Backgrounder -

In mid-March 2005, the Government of Alberta announced that their Treasury Board had approved an allocation of $30 million from the 2004/05 fiscal year for the creation of an Alberta International Beef Market Development Fund. The Government of Canada also announced a contribution of $50 million to be used towards a long-term market development fund, referred to as the "Legacy Fund". The combined contributions comprise the Canadian Beef and Cattle Market Development Fund.

These funds are entrusted to the Canadian Cattlemen's Association (CCA) to administer the government contributions (combined with industry funds) in a strategic manner. The Canadian Cattlemen Market Development Council (CCMDC) reporting to the CCA Executive and Board is an industry-based governance structure that oversees the approval of marketing plans and allocation of the Canadian Beef and Cattle Market Development Fund.

The **vision** of the CCMDC is:

This fund will be managed to facilitate bold and innovative approaches to recovering and expanding markets for Canadian beef and beef cattle 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.

The **mission** is:

The Canadian beef cattle industry, represented by the Canadian Cattlemen's Association, will utilize the Fund to:

- *Maintain consumer confidence for all markets as a high priority*
- *Build on Canada's comparative advantage to implement innovative market strategies*
- *Increase sales in existing markets (domestic, U.S., and Mexico)*
- *Secure markets for beef from animals over-30-months*
- *Intensify programs for re-entry into markets such as Japan and South Korea*
- *Develop new markets such as Russia, EU, Philippines, Indonesia and Singapore*

To ensure efficient and effective control of decision-making processes, the CCA Executive has reprised the successful model of the Beef Industry Development Fund (1994-1999) to guide the establishment of a governance and advisory process. The CCA Executive, in consultation with appropriate provincial organizations, appoints producer representatives and external marketing expertise as required to the CCMDC. Members of the CCMDC together with the non-voting representatives of government (federal and provincial) oversee the allocation of funds from the Canadian Beef and Cattle Market Development Fund, strategically leveraged by industry funds for beef and beef cattle genetics marketing initiatives.

The Global Marketing Advisory Committee (GMAC) has been expanded to include representation from a wider range of sectors of the beef supply chain, including the beef cattle genetics sector. This enables the GMAC to provide the CCMDC with input and analysis on the strategic approach to global marketing of cattle and beef products consistent with the funding agreements. The GMAC is responsible for input in the development of the strategic beef cattle market development plan (10-year) and is a component in the process of evaluating specific marketing proposals as required. Analytical resources from the CCA and other institutions are being utilized to ensure the Council is well-informed on the merits and effectiveness of marketing proposals.

As is required by the federal contribution agreement, the long and intermediate strategic marketing plans and the yearly implementation plans will be presented in a timely manner to the Beef Value Chain Roundtable for consideration prior to submission to the federal agriculture minister for approval.

DRAFT - BIC 2008/2009 Budget Feb 14 2008

Net Assets, beginning of year		**4,770,058**
Projected excess (deficiency) of revenue over expenditure		**(1,489,772)**
Projected Net Assets, June 30, 2008		**3,280,286**

2008 Revenue

National Checkoff - Domestic	
B.C. C.I.D.C.	121,523
Alberta Beef Producers	2,579,496
Saskatchewan Check-off Fund	621,810
Manitoba Cattle Prod. Assoc.	286,912
Ontario Cattlemen's Assoc.	528,852
P.E.I. Cattlemen's Assoc. 3	5,640
N.B. Cattle Producers	9,212
N.S. Cattlemen's Assoc.3	3,760
Imports	-
Subtotal	4,157,205
National Checkoff - U.S.	
National Check Off - US	289,185
Subtotal	289,185
Government and Development Funds	
NBIDF	-
CBCMDF1 - U.S. 2	3,658,810
CBCMDF 1 -Commercial Beef 2	3,146,895
AAFC/ACAAF	-
ALIDF 2	450,000
Subtotal	7,255,705
Additional Contributions & Income	
ABP Recovery 2	-
Pfizer Partnership 2	100,000
Interest	200,000
Other	-
Subtotal	300,000
Total Revenue	**12,002,095**

2008 Expenses

Market Development	
Marketing Team	
Brand Mgmt & Research	652,000
Nutrition and Food Safety	377,258
Technical & Food Safety Services	229,713
Consumer Culinary Services	558,958
Channel Development	
Retail Marketing	598,112
Foodservice Marketing	521,140
Processing Development	101,601
Trade Communications	193,041
Commercial Beef	3,932,470
U.S. Market Development	4,037,308
Communications & Public Affairs	
Consumer Communications	476,769
Customer Service Centre	413,457
Stakeholder Communications	213,449
Subtotal - Market Development	12,305,275
Administration & Operations	
Administration	
BIC Committee	37,584
BIC Corporate Planning	135,253
Operations	
Calgary Office	133,678
Mississauga Office	170,592
Subtotal - Adminstration & Operations	477,106
Total Expenses	**12,782,381**
Excess (deficiency) of revenue over expenditure	**(780,286)**

Projected Net Assets, June 30, 2009* **	**2,500,000**

1 Canadian Beef & Cattle Market Development Fund
2 Uncommitted
***Excludes expenses for commercial beef and U.S.

CBBC AND MEMBERS BUDGET SUMMARY AND MARKET DEVELOPMENT ACTIVITIES

April 1, 2008 to March 31, 2009

	Jan - Dec 07
Income	
Membership Revenues	
Breed Associations	80,000
Associates	20,000
Total Membership Revenues	100,000
Program Funding	
PBRA	200,000
Member Development Activity	1,471,760
CCMDC - Market Development	750,000
CAFI Program Receipts	750,000
CCMDC - Admin	300,000
BIF Conference	110,000
Total Program Funding	3,581,760
Interest Income	10,000
Total Income	3,691,760
Expense	
Administration	450,000
Trade Promotions	274,500
BIF Conference	310,000
PBRA	200,000
Market Development	
Africa	67,000
China	533,580
Other Asia	106,400
E. Europe	500,040
EU	517,400
Latin America	28,500
Mexico	233,920
USA	315,780
Oceania	277,740
South America	416,900
Total Market Development Expenses	2,997,260
Total Expense	4,231,760
Net Income	**- 540,000**

Region	Target Market/Country	Activity Focus	Activity Date	Activity	Total Cost
Africa	S Africa	Outbound	tbd	Promote Canadian genetics	$ 20,000
Africa	Tanzania	Outbound	tbd	Promote awareness of Cdn s/e	16,000
Africa	Tunisia	Outbound	tbd	Promote awareness of Cdn s/e	16,000
Africa	S Africa	Outbound	Jun-08	Promote Canadian genetics	15,000
					$ 67,000
Asia	China	Inbound	Apr-08	Beef embryo production training	$ 49,200
Asia	China	Inbound	Sep-08	Technician training	40,000
Asia	China	Inbound	Nov-08	Embryo production technician	51,300
Asia	China	Inbound	May-08	Embryo implantation training	28,100
Asia	China	Inbound	May-08	Training in Cdn technology	30,000
Asia	China	Outbound	Apr-08	Attend Ag Exposition-Beijing	16,500
Asia	China	Outbound	May-08	Market identification/development	14,000
Asia	China	Outbound	Aug-08	Livestock specialist training	14,000
Asia	China	Outbound	Sep-08	Market identification/development	14,000
Asia	China	Outbound	Feb-09	Market identification/development	14,000
Asia	China	Outbound	tbd	Maintain contacts to pursue sales	30,000
Asia	China	Outbound	Jun-08	Promote Canadian genetics	7,500
Asia	China	Outbound	tbd	Exploration of new markets	15,000
Asia	China	Promo		BCCP Program-Beijing	30,000
Asia	China/Mongolia	Inbound	Jun-08	Introduction to Canadian genetics	51,900
Asia	China/Mongolia	Inbound	Oct-08	Study tours	51,900
Asia	China/Mongolia	Inbound	Mar-09	Study tours	51,900
Asia	China/Mongolia	Outbound	Apr-08	Exploring opportunities for exports	6,820
Asia	China/Mongolia	Outbound	Sep-08	Exploring opportunities for exports	5,820
Asia	China/Mongolia	Outbound	Nov-08	Exploring opportunities for exports	5,820
Asia	China/Mongolia	Outbound	Feb-09	Exploring opportunities for exports	5,820
					$ 533,580
Asia	Indonesia	Outbound	tbd	Promote awareness of Cdn s/e	$ 20,000
Asia	Iran	Outbound	tbd	Promote awareness of Cdn s/e	10,000
Asia	Iraq	Outbound	tbd	Promote awareness of Cdn s/e	10,000
Asia	Jordan	Outbound	Apr-08	Explore market opportunities	5,000
Asia	Syria	Outbound	Apr-08	Meet with contacts to promote	5,000
Asia	Turkey	Outbound	tbd	Potential for market development	20,000
Asia	U.A.E.	Outbound	tbd	Promote awareness of Cdn s/e	24,000
Asia	Vietnam	Outbound	Apr-08	Market identification/development	12,400
					$ 106,400
E Europe	Hungary	Outbound	Nov-08	Attend World Charolais Congress	$ 75,000
E Europe	Kazakhstan	Outbound	tbd	Follow up with existing contacts	10,000
E Europe	Poland	Outbound	tbd	Project development	10,000
E Europe	Russia	Outbound	tbd	Support for export of livestock	8,000
E Europe	Russia	Outbound	tbd	Follow-up visit re cattle exports	9,640
E Europe	Russia	Outbound	tbd	Research market opportunities	10,000
E Europe	Russia	Outbound	tbd	Exploration of new markets	15,000
E Europe	Kazakhstan	Outbound	Feb-09	Information tour	77,100
E Europe	Poland	Inbound	tbd	Promote Canadian genetics	5,000
E Europe	Russia	Inbound	Jun-08	Tours of breeding enterprises	29,500
E Europe	Russia	Inbound	May-08	Training in embryo transfer	29,600
E Europe	Russia	Inbound	Nov-08	Attend Agribition & ranch tours	32,500
E Europe	Russia	Inbound	Jun-08	Intensive embryo transfer course	25,000
E Europe	Russia	Outbound	Apr-08	Tours of breeding enterprises	19,900
E Europe	Russia	Outbound	May-08	After sales training mission	28,700
E Europe	Russia	Outbound	Jun-08	Embryo Transfer Technology	28,700
E Europe	Russia	Outbound	Jul-08	Recipient management training	28,700
E Europe	Russia	Outbound	Aug-08	Embryo transfer technology	28,700
E Europe	Russia	Outbound	Jun-08	Follow-up mission	14,500
E Europe	Russia	Outbound	Mar-09	Follow-up mission re embryos	14,500
					$ 500,040
EU	Denmark	Inbound	Nov-08	Attend CWA	$ 11,640
EU	Denmark	Inbound	Nov-08	Attend CWA	3,500
EU	Denmark	Outbound	Jun-08	Attend World Hereford Conference	15,280
EU	France	Outbound	tbd	Market identification/development	10,000
EU	Germany	Outbound	May-08	Attend Bundes Galloway Schau	6,000
EU	Germany	Outbound	Aug-08	Attend German National Show	6,000
EU	Ireland	Inbound	Aug-08	Incoming Bull Club delegation	15,000
EU	Ireland	Inbound	Nov-08	Attending CWA	10,000
EU	Ireland	Inbound	tbd	Delegates presenting seminar	15,000
EU	Ireland	Outbound	tbd	Judging cattle show	6,000
EU	Ireland	Outbound	tbd	Attend Mullingar/Tullamore shows	14,100

EU	Italy	Outbound	tbd	Attend International Congress	15,000
EU	Russia	Outbound	tbd	Market identification/development	10,000
EU	Russia	Outbound	tbd	Participate in promotional tour	20,000
EU	Russia/Ukraine	Inbound	May-08	Study tours	51,900
EU	Russia/Ukraine	Inbound	Nov-08	Study tours, Agribition	51,900
EU	Russia/Ukraine	Outbound	Apr-08	Meetings with gov & industry	5,820
EU	Russia/Ukraine	Outbound	Aug-08	Exploring opportunities for exports	5,820
EU	Russia/Ukraine	Outbound	Feb-09	Exploring opportunities for exports	5,820
EU	Scandinavia	Inbound	Jul-08	Industry reps - farm tours	12,000
EU	Scotland	Inbound	Nov-08	Attend RAWF	4,000
EU	Scotland	Outbound	Jun-08	Attend Royal Highland Show	3,000
EU	Scotland	Outbound	Oct-08	Attend Castle Douglas Show	3,000
EU	Scotland	Outbound	tbd	Attend Royal Highland Show	7,600
EU	Scotland	Outbound	Jun-08	Attend Royal Highland Show	9,500
EU	Slovakia	Outbound		Attend World Pinzgauer Congress	25,000
EU	Sweden	Outbound	Jun-08	Training in basic ET technology	7,000
EU	Switzerland	Outbound	Sep-08	Follow-up meetings re sales	5,000
EU	U.K.	Inbound	tbd	Attend BIF, Farmfair, CWA	6,200
EU	U.K.	Inbound	Nov-08	Attend CWA	12,000
EU	U.K.	Inbound	Nov-08	Attending CWA	10,000
EU	U.K.	Inbound	Nov-08	Study tours, Agribition	51,900
EU	U.K.	Outbound	Jun-08	Attend Royal Show	14,000
EU	U.K.	Outbound	tbd	Promote purebred genetics	6,000
EU	U.K.	Outbound	tbd	Judging cattle show	6,000
EU	U.K.	Outbound	Jun-08	Attend World Simmental Congress	20,000
EU	U.K.	Outbound	tbd	Attend International Congress	8,000
EU	U.K.	Outbound	Jul-08	Royal UK	2,600
EU	U.K.	Outbound	Jul-08	Meeting renewed requests	5,820
EU	U.K.	Outbound	tbd	Market development	20,000
					$ 517,400
L America	Costa Rica	Outbound	tbd	Promote Canadian genetics	$ 20,000
L America	Panama	Outbound	tbd	Training in basic ET technology	3,500
L America	Cuba	Outbound	Jan-08	Promote Canadian genetics	5,000
					$ 28,500
N America	Mexico	Inbound	Jul-08	Attend BIF and farm tours	$ 30,600
N America	Mexico	Inbound	Nov-08	Attend CWA	5,520
N America	Mexico	Inbound	Jul-08	Attend Calgary Stampede/tours	19,500
N America	Mexico	Inbound	Nov-08	Attend Agribition	17,200
N America	Mexico	Outbound	Jul-08	Attend cattle shows	5,000
N America	Mexico	Outbound	tbd	Meetings with cattlemen/govt	72,000
N America	Mexico	Outbound	Oct-08	Attend Expogan	7,640
N America	Mexico	Outbound	tbd	Attendance at major show	5,000
N America	Mexico	Outbound	tbd	Training in basic ET technology	3,500
N America	Mexico	Outbound	tbd	Promote Canadian genetics	20,000
N America	Mexico	Outbound	tbd	Attend show in Chihuahua	10,000
N America	Mexico	Outbound	May-08	Attend livestock show	9,300
N America	Mexico	Outbound	Oct-08	Attend Guadalajara show	11,850
N America	Mexico	Outbound	Dec-08	Attend livestock show	7,410
N America	Mexico	Outbound	Sep-08	Re-establish relations	4,400
N America	Mexico	Outbound	Dec-08	Promote Canadian genetics	5,000
					$ 233,920
N America	U.S.	Inbound	Jan-09	Promote Pinzgauer genetics	$ 25,000
N America	U.S.	Inbound	tbd	Hold export readiness seminar	3,000
N America	U.S.	Outbound	Jan-09	Attend National Western Stock	8,240
N America	U.S.	Outbound	Mar-08	Attend Houston Livestock Show	3,400
N America	U.S.	Outbound	Aug-08	Conferences and tours	13,100
N America	U.S.	Outbound	Nov-08	Attend NAILE	2,760
N America	U.S.	Outbound	Mar-08	Attend BIF	3,180
N America	U.S.	Outbound	Jul-08	Charolais Youth Association visits	13,000
N America	U.S.	Outbound	Jan-09	Attend National Western show	6,000
N America	U.S.	Outbound	Oct-08	Attend Nile, Billings	2,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	2,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	44,100
N America	U.S.	Outbound	Jan-09	Attend National Western Show	2,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	30,000
N America	U.S.	Outbound	tbd	Attend breed meetings	4,000
N America	U.S.	Outbound	Jun-08	American Pinzgauer Field Days	15,000
N America	U.S.	Outbound	tbd	Attend meetings	15,000
N America	U.S.	Outbound	tbd	Work on NA genetic evaluations	20,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	6,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	2,000

N America	U.S.	Outbound	tbd	Attend various livestock shows	15,000
N America	U.S.	Outbound	Jan-09	Attend National Western Show	4,500
N America	U.S.	Outbound	Mar-09	Attend Houston Livestock Show	4,500
N America	U.S.	Outbound	Oct-08	Attend NILE	4,500
N America	U.S.	Outbound	tbd	Attend various livestock shows	40,000
N America	U.S.	Outbound	Jan-09	National Western Stock Show	10,000
N America	U.S.	Outbound	Mar-09	Houston Livestock Show	10,000
N America	U.S.	Outbound	Jan-09	National Western Stock Show	2,500
N America	U.S.	Outbound	May-08	Texas breeders	2,500
N America	U.S.	Outbound	Oct-08	Market Canadian genetics	2,500
					$ 315,780
Oceania	Australia	Inbound	Nov-08	Attend CWA	$ 14,340
Oceania	Australia	Inbound	Nov-08	Attend CWA	17,500
Oceania	Australia	Inbound	tbd	Farm tours	10,000
Oceania	Australia	Outbound	Apr-08	Attend Sydney Royal Easter Show	10,300
Oceania	Australia	Outbound	Sep-08	Promote World Angus Forum	10,300
Oceania	Australia	Outbound	Apr-08	Attend Beef Expo/Sydney Royal	60,000
Oceania	Australia	Outbound	May-08	Attend Hereford national shows	24,560
Oceania	Australia	Outbound	Jun-08	Attend first showing of breed	17,500
Oceania	Australia	Outbound	Apr-08	Re-establish trade semen/embryos	8,000
Oceania	Australia	Outbound	Jun-08	Market Canadian genetics	3,600
Oceania	Australia	Outbound	Sep-08	Market Canadian genetics	46,000
Oceania	Australia	Outbound	Apr-08	Attend Sydney Royal Easter Show	22,000
Oceania	Australia	Outbound	tbd	Potential for market development	20,000
Oceania	New Zealand	Inbound	Nov-08	Attend CWA	13,640
					$ 277,740
S America	Argentina	Inbound	Nov-08	Attend CWA	$ 6,120
S America	Argentina	Outbound	Aug-08	Attend Palermo Show	18,000
S America	Argentina	Outbound	tbd	Meet breeders seeking genetics	12,000
S America	Argentina	Outbound	Oct-08	Promote Canadian genetics	10,000
S America	Argentina	Outbound	Aug-08	Attend La Rural	7,500
S America	Brazil	Outbound	tbd	Judging cattle show	6,000
S America	Brazil	Outbound	tbd	Promote development of breed	10,000
S America	Brazil	Outbound	Aug-08	Attend Expointer Livestock Show	10,000
S America	Brazil	Outbound	tbd	Training in basic ET technology	4,000
S America	Brazil	Outbound	tbd	Attend Feicorte, Palermo, Prago	60,000
S America	Brazil	Outbound	Jun-08	Attend Feicorte Livestock Show	10,000
S America	Brazil	Outbound	Aug-08	Attend Expointer Livestock Show	10,000
S America	Brazil et al	Outbound	tbd	Develop videotape	15,000
S America	Colombia	Inbound	Jul-08	Vets & producers buying mission	28,000
S America	Colombia	Outbound	Nov-08	Agro Expo	5,000
S America	Colombia	Outbound	tbd	Training in basic ET technology	4,000
S America	Uruguay	Inbound	Nov-08	Attend CWA	27,980
S America	Uruguay	Inbound	Nov-08	Attending CWA	7,500
S America	Uruguay	Outbound	Sep-08	Attend Prado Expo	15,300
S America	Uruguay	Outbound	tbd	Judging cattle show	6,000
S. America	Columbia	Inbound	Jul-08	Attend Calgary Stampede/tours	14,000
S. America	Columbia	Inbound	Nov-08	Attend Agribition	14,000
S. America	Columbia	Outbound	Jul-08	Attend AgroExpo, Bogota	16,500
Various		Inbound	tbd		100,000
					$ 416,900
		Promo		Brochure devel/translation	$ 5,000
		Promo		Develop new brochures	4,000
		Promo		Place ads in U.S. magazines	7,500
		Promo		Translation of brochures	10,000
		Promo		Directory	5,000
		Promo		New brochure development	15,000
		Promo		Canadian promotion seminar	25,000
		Promo		Update website re international	3,000
		Promo		Develop CD and video	50,000
		Promo		Advertising in livestock pubs	50,000
		Promo		Beef Improvement Conference	100,000
					$ 274,500
				TOTAL	**$ 3,271,760**

CANADA BEEF EXPORT FEDERATION 2008/09 BUDGET

PROJECTED REVENUE

Cattle Producer Associations		
National Check-off		1,946,005
Membership Fees		100,000
Other Member Contributions		
Partner Development Program	125,000	
Executive Committee (Per Diems)	8,000	
		133,000
Provincial Governments		
Alberta International, Intergovernmental and Aboriginal Relations	500,000	
Saskatchewan Agriculture	10,000	
		510,000
Federal Government		
Canadian Agriculture and Food International Program (CAFI)		1,500,000
Canadian Beef and Cattle Market Development Fund		2,723,442
Other Income (Interest)		74,553
TOTAL PROJECTED REVENUE		**6,987,000**

PROJECTED EXPENSES

Market Development		
Mexico Market Development Program		
Market Representation	417,000	
VIP Beef Awareness Missions	85,000	
CANADA BEEF Seminars	115,000	
Retail and Foodservice Promotions	450,000	
Food Shows	140,000	
Promotional Materials	100,000	
Market Research	12,000	
Advertising and Public Relations	125,000	
Total Mexico Program		1,444,000
China Market Development Program		
Market Representation	472,000	
VIP Beef Awareness Missions	66,000	
CANADA BEEF Seminars	80,000	
Retail and Foodservice Promotions	175,000	
Food Shows	45,000	
Promotional Materials	70,000	
Newsletter	12,000	
Market Research	20,000	
Advertising and Public Relations	65,000	
Total China Program		1,005,000
Japan Market Development Program		
Market Representation	429,000	
VIP Beef Awareness Mission	95,000	

CANADA BEEF Seminars	190,000	
Retail and Foodservice Promotions	175,000	
Food Shows	135,000	
Promotional Materials	150,000	
Newsletter	70,000	
Market Research	20,000	
Advertising and Public Relations	151,000	
Total Japan Program		1,415,000
Taiwan Market Development Program		
Market Representation	182,000	
VIP Beef Awareness Mission	80,000	
CANADA BEEF Seminars	50,000	
Retail and Foodservice Promotions	160,000	
Food Shows	50,000	
Promotional Materials	60,000	
Newsletter	12,000	
Market Research	8,000	
Advertising and Public Relations	95,000	
Total Taiwan Program		697,000
South Korea Market Development Program		
Market Representation	210,000	
VIP Beef Awareness Mission	80,000	
CANADA BEEF Seminars	140,000	
Retail and Foodservice Promotions	0	
Food Shows	40,000	
Promotional Materials	100,000	
Newsletter	15,000	
Market Research	20,000	
Advertising and Public Relations	25,000	
Total South Korea Program		630,000
Canada Market Development Program *(export preparedness)*		
Technical Marketing Materials	200,000	
Consumer Marketing – International Website Strategy	75,000	
Emerging Markets	100,000	
Market Research	45,000	
Partner Market Development Program	500,000	
International Marketing Seminar	25,000	
Member Information and Liaison	60,000	
Total Canada Program		1,005,000
Total Market Development Budget		6,196,000
Operations		1,173,000
TOTAL PROJECTED EXPENSES		**7,369,000**
TOTAL PROJECTED REVENUE		**6,987,000**
TOTAL PROJECTED SURPLUS/(DEFICIT)		**(382,000)**