Canadian Cattlemen Market Development Council

Marketing Implementation Plan
April 1, 2014 to
March 31, 2015

2014/15

Canadian Beef

Canada Beef™

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

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

CANADIAN BEEF CATTLE CHECKOFF

Government of Alberta

Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Canada

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Executive Summary

The Canadian Beef and Cattle Market Development Fund, also known as the Legacy Fund, was established in 2005 to recover and expand markets around the world for Canadian beef, supporting long-term market development. The Fund at inception totalled $80 million ($50 million invested by the Government of Canada, $30 million by Alberta government), matched by producer check-off dollars. Major fund recipients currently include Canada Beef Inc. and the Canadian Beef Breeds Council (CBBC). The Canadian Cattlemen Market Development Council (CCMDC) was established in 2005 to oversee the allocation of the Fund and ensure a unified global marketing strategy for Canadian beef and cattle genetics.

This Plan presents the marketing programs for Canada Beef and CBBC for the 12-month period April 1, 2014 to March 30, 2015. The programs outlined in the Plan align with the priority goals of CCMDC, including:

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

Canada Beef

The 2014/15 business plan for Canada Beef Inc. completes its inaugural three year Strategic Plan and continues to reflect the vision of the Board of Directors. The plan is aligned to deliver against the priority outcomes as defined in Canada Beef's three year Strategic Plan, as well as the marketing goals outlined by the CCMDC.

Considering the beef supply outlook projections provided by Canfax Research Services, which indicate a reduction in overall beef supply for the third consecutive year, Canada Beef's strategy remains to focus on delivering a return on investment to stakeholders through incremental value increases in global markets and creating value through ongoing differentiated brand position leveraging unique points of differentiation and strong consumer confidence in the Canadian industry. The strategy was developed with input from industry partners and it maintains commitment for ongoing strategic alignment and product prioritization with targeted trade customers in key markets.

Market competitiveness and access related issues have made it necessary for Canada Beef to adjust its approaches or level of investment in some markets that have historically delivered value to the Canadian beef industry. In November 2013, the Korea representative office was closed due mainly to the competitive disadvantage Canada has against U.S. imports due to the U.S./Korea Free Trade Agreement which came into force in March 2012. Access related issues have also virtually shut all beef exports to Russia, and the 2014/15 plan reflects the fact that Canada Beef will not allocate resources to this market until viable access is restored.

With the shift from a market based execution strategy to a more flexible hub based strategy, the ability to reach targeted high valued segments in regional markets without creating additional overhead expenses has been enhanced. The approach has enabled Canada Beef to reach segments of markets

including Singapore, Philippines, Vietnam, Panama, Cuba and the Caribbean. The development of relationships with the Trade Commissioner Service also has provided an opportunity to extend reach and drive the brand awareness of Canadian beef in markets without representation.

The Canada Beef marketing strategy continues to focus on the four priorities or "Pillars" including Brand Differentiation, Market Segmentation and Development, Product and Industry Image, and Stakeholder Connectivity. A main element of the marketing strategy is enhancing loyalty to the Canadian beef brand. Considerable investments have been made in the areas of content development to provide a compelling Canadian Beef Story, which leverages both the functional and emotional attributes of the product and the industry. The strategy allocates significant investment for execution of comprehensive consumer directed marketing campaigns, leveraging brand license holders, and utilizing mainstream print and electronic multi-media applications to the domestic market where consumer perceptions can be most positively impacted.

The total budget of Canada Beef's 2014/15 marketing program is $10.5 million. Projected revenues from industry (national and provincial check-off) and other sources are $4.9 million. In order to successfully implement this plan, Canada Beef is requesting $5.6 million from CCMDC.

Canadian Beef Breeds Council (CBBC)

The emphasis placed on the seedstock (genetics) sector of the livestock industry is higher now than it has been in decades. The Canadian cattle and beef industry markets itself internationally as a supplier of a high quality product and often recognizes the world leading genetics as the basis. In a forthcoming era where the use of pharmaceutical products on cattle will be restricted, not by scientific measures, but by global consumer demand, the importance placed on genetic selection will become increasingly important. While remaining mindful of the end user, it is CBBC's responsibility as the seedstock sector to ensure cattle are selected using the best available tools and management practices. At the same time cattle need to remain functional and farms profitable. This genetic advantage will 'set the stage' for Canada's cattle and beef industry to successfully compete for market share domestically as well as internationally.

CBBC member breed associations exist to provide registered seedstock for the Canadian cattle industry and place a priority on the domestic market. CBBC will be dedicating significant effort in 2014/15 to enhance visibility and promotion of Canadian beef cattle genetics within Canada. Equally, the International market offers an opportunity to capitalize on investment in genetic improvement and increase the profitability of the beef sector through diversification into markets with greater growth potential.

CBBC's members are engaged in projects that fund research and genetic development to address the need to identify economically viable genetic traits. These projects spur innovation, develop partnerships with academia, inform public policy, raise the profile of genomics among industry leaders, create new products tools and processes, and also prove the value of genomic applications in the marketplace. The addition of a new Director of Scientific Advancement to the CBBC staff will specifically coordinate activities between CBBC and its members to better allocate both the funding but also the time commitment to these endeavors.

This 2014/15 plan recognizes that efforts must continue towards maintaining lucrative, traditional and established markets while, in tandem, looking at new markets elsewhere as a strategy for market

diversity, growth and sustainability. The industry is, in part, dependent on particular breed-specific markets that are significant to CBBC members.

The activities identified in the 2014/15 plan were carefully selected by the CBBC Market Development Committee to determine the most effective and focused usage of Legacy funds. Activities were scrutinized on the basis of return on investment through potential sales in priority markets. An example of an innovative activity is a pilot project being considered together with Alberta Agriculture and Rural Development for a beef cattle ranch in Saudi Arabia.

As with previous plans, market development activities of breed associations and associate members consists of inbound and outbound missions, attendance at exhibitions and industry events. Also as in previous years, CBBC seeks support for after sales training and support – ensuring that the genetic stock that are sold in overseas markets are properly expressed through correct feeding, husbandry and breeding practices. The total budget for CBBC programs for 2014/15 is $798,650.

Budget

The tables below highlight the Legacy Fund proposed budget for the period April 1, 2014 to March 31, 2015 and annual financial summary from 2007 to 2014. The total funding requested for 2014/15 for marketing programs and Fund administration is $7.29 million.

Legacy Fund Budget and Annual Financial Summary

	2014/15 [a] Budget	2013/14 [a] Actual	2012/13 [b] Actual	2011/12 [c] Actual	2010/11 [c] Actual	2009/10 [c] Actual	2008/09 [c] Actual	2007/08 [c] Actual
Revenue								
Legacy Fund								
Marketing - Federal	2,395,884	3,930,235	2,228,953	3,023,727	8,209,723	9,458,707	8,084,186	4,845,009
Marketing - Alberta	2,517,766	2,358,141	1,337,372	1,621,303	3,611,388	3,724,919	2,803,481	1,953,755
Admin - Federal	248,547	251,206	195,856	255,322	332,684	414,348	375,037	172,249
Admin - Alberta	149,128	150,723	117,514	153,193	199,610	248,609	225,022	103,350
Alberta only marketing	1,703,210	1,443,277	869,890	1,475,695	144,418	0	0	0
Special projects - Federal	0	0	0	0	774	162,644	153,871	0
Special projects - Alberta	279,509	168,616	0	0	464	97,586	92,323	0
Subtotal Federal	2,644,431	4,181,441	2,424,809	3,279,049	8,543,180	10,035,699	8,613,094	5,017,258
Subtotal Alberta*	4,649,613	4,120,757	2,324,776	3,250,191	3,955,880	4,071,115	3,120,826	2,057,105
Total Legacy Fund	**7,294,044**	**8,302,198**	**4,749,585**	**6,529,240**	**12,499,060**	**14,106,814**	**11,733,920**	**7,074,363**
Expenses								
Legacy Fund								
Administration	397,675	401,929	313,370	408,515	532,294	662,957	600,059	275,599
Special Projects-InfoXchange	279,509	168,616	0	0	1,238	260,230	246,194	0
Commercial Beef	0	0	0	321,555	2,190,743	3,250,508	2,893,335	1,588,750
U.S.	450,000	537,282	263,411	690,366	1,668,015	2,397,298	2,548,043	1,817,823
International	3,665,000	5,062,337	2,662,085	2,840,842	6,122,963	5,387,877	3,496,836	2,392,191
Live & Genetics	798,650	688,758	640,829	792,267	1,839,388	2,147,944	1,949,453	1,000,000
Alberta only marketing	1,703,210	1,443,277	869,890	1,475,695	144,418	0	0	0
Subtotal Federal	2,644,431	4,181,441	2,424,809	3,279,049	8,543,179	10,035,699	8,613,094	5,017,258
Subtotal Alberta*	4,649,613	4,120,757	2,324,776	3,250,191	3,955,880	4,071,115	3,120,826	2,057,105
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[a] 12-months April 1 - March 30

[b] 9-months July1, 2012 - March 30, 2013; includes additional $49,750 funding to CBBC for Organization Review

[c] 12-months July 1 - June 30

* 2014/15 subject to review

Introduction

The Canadian Beef and Cattle Market Development Fund was established in 2005 to support long-term market development for Canadian beef and cattle genetics. The fund of $80 million is comprised of $50 million invested by the Government of Canada and $30 million by the Government of Alberta. These monies, combined with national check-off dollars paid by cattle producers, are expected to provide over $110 million for the 10 year period 2005 – 2015, to recover and expand Canadian beef and cattle genetics markets around the world. The fund, also known as the Legacy Fund, was entrusted to the Canadian Cattlemen's Association (CCA) to administer in a strategic manner. In turn, the Canadian Cattlemen Market Development Council (CCMDC) was established under the CCA to manage the Fund, including fund allocation and development of annual marketing implementation plans.

This Marketing Plan covers the period April 1, 2014 to March 30, 2015, with Canada Beef Inc. and the Canadian Beef Breeds Council being the major Legacy Fund recipients. The Alberta portion of the Legacy Fund, known as the Alberta International Beef Marketing Development Fund (AIBMDF), provides an opportunity for eligible projects managed beyond CBBC and Canada Beef, to receive funding.

This Plan was developed by the CCMDC, incorporating the Canada Beef and CBBC respective annual marketing plans. Each organization collaborated independently of CCMDC with industry and membership in the development of their marketing strategies. Impacting the marketing opportunities of the fund recipients, this Plan includes Beef and Cattle Market Context and Outlook sections as well as environmental scans of the Canadian beef industry and various markets as prepared by Canfax Research Services, a division of the CCA and independent source for cattle market information.

Strategic Direction

Canada Beef and CBBC remain committed to developing marketing programs in support of the CCMDC long-term vision and mission and key priorities as follows:

Vision: *lead the world in profitable, innovative beef solutions – together,*

Mission: *create and achieve the Canadian Beef Advantage – together.*

Key priorities:

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

Canadian Beef Advantage – Industry Support for the Value Proposition

The Canadian Beef Advantage (CBA) remains integral to all programming supported under the Legacy Fund. Developed by the CCMDC, this industry-wide, global brand strategy differentiates Canadian beef and beef products. Based on a value proposition, the CBA describes unique standards and practices

implemented by industry, designed to achieve recognition by the domestic and international marketplace that Canadian beef and cattle provide an advantage over the competition. Supported by a brand mark and various attributes relating to beef production, grading, quality, genetics and nutrition and health, the CBA was established to expand and secure Canada's access into markets for beef cattle and products and clearly define Canadian beef and its advantages. The CBA marketing strategy continues to be prevalent not only across the marketing programs within the domestic and international markets but also across other programs including information exchange, on farm food safety, and beef research.

The **Beef InfoXchange System (BIXS) -** Early in 2013, on the heels of a critical review of the system functionality and acceptance, it became apparent that significant changes to the Beef InfoXchange System (BIXS) were needed. Upon consultation with industry stakeholders the BIXS management team began the process of re-design and re-build of BIXS into a more user-friendly and relevant data exchange system for the entire Canadian beef industry.

The first version of BIXS proved cumbersome to use and somewhat confusing based upon feedback from participants. Import and export functionality was overly complex for the scale of the system and integration with existing software systems proved to be a barrier to uptake. The initial version of BIXS was a relatively quick system to get up and running and carcass data moving across the beef supply chain linked to the CCIA tag ID. However, expanding the system under its original design was going to be very expensive if it could be done to the desired level at all.

After contracting the Calgary-based software development firm Arcurve, work on the re-design began in the summer of 2013. In late December BIXS 2.0 beta was released to producer testers. After a three-stage test period, and upon defect resolution based on tester feedback, BIXS 2.0 will be released to the public. The initial release will be a base model built on a solid core of functions delivering identified benefits. The system then expands and evolves based on demand and resources. The objective is to release successive versions of BIXS 2.0 in relatively rapid sequence adding new and, in many cases, novel functionality with each release.

These near term functions include the Sourcer Utility enabling any registered user of the system to launch a blind database query within BIXS based on very specific animal, health protocol and carcass parameters. ‘Sourcers’ get to see animal data but not the animal owners’ ID information. Subsequently, the ‘Sourcer’ can send blind e-mails to anonymous animal owners in the system. In turn, the owner(s) decide whether to make contact with the Sourcer

BIXS 2.0 is built on a completely different platform. It’s smaller, faster, easier to use yet maintains the power of collecting and exchanging the data users as stakeholders have indicated the industry needs to move across segments. Once fully launched BIXS 2.0 will house superior import-export functionality complete with the Beef Records Universal Translator (BRUT) utility, a tool enabling the integration of existing and evolving industry software systems with BIXS. Essentially, BRUT enables other software to ‘speak BIXS’. In this fashion, BIXS 2.0 is built to more effectively mesh with commercial software service firms and their products.

By re-designing BIXS to be quicker and easier to use with improved import/export functionality and tools to enable cross-segment communication based on individual animal and carcass data and information, the prospects for increased uptake of BIXS by industry improves.

The **Verified Beef Production (VBP)** on-farm food safety program is a key element in enhancing customer and consumer confidence in the practices of this country's beef producers. Growth continues in educating producers, with workshops or the easy-to-do online version continuing to attract producers. Given that an estimated 67% of beef production is from trained operations, the next focus is attracting further participation in an initial validation audit (registration). Estimated coverage by VBP-registered operations is 20% of beef production in Canada, with over 1,005 audits completed.

VBP was approved as the platform to add additional modules for biosecurity, animal care and environmental stewardship. Growing Forward 2 funding has been secured from Agriculture and Agri-Food Canada, for the development and testing of these optional modules over a 5 year period. A systematic, risk assessment approach is planned, to identify key practices, producer education and awareness tools.

The CBA value proposition that Canadian beef is a high quality, safe, responsibly produced product deemed superior over the competitors' by consumers remains a priority to the industry and government in the area of research. The **National Beef Research Strategy,** developed in 2012 by the Beef Cattle Research Council (BCRC) and the national Beef Value Chain Roundtable (BVCRT), includes projects directly supporting the CBA. Research will continue to play a critical role in supporting the CBA and value proposition for Canada to provide high quality beef and be a global leader in animal health and food safety.

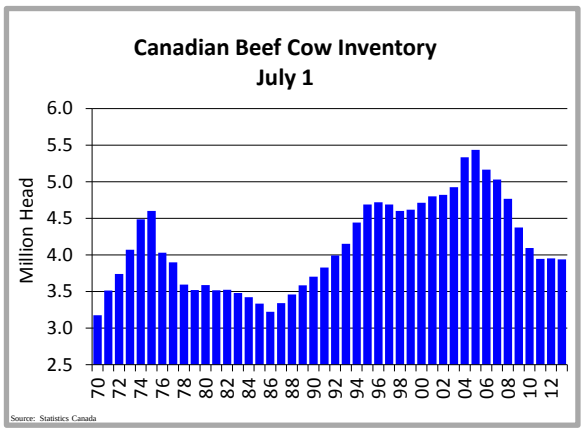
Canadian Cattle and Beef Market Context, 2014 Outlook and Global Beef Situation

2013 Market Context

The following section has been prepared by Canfax Research Services, a source for Canadian cattle market information. The analysis is based on the best information available at time of writing (Updated January 2014).

CATTLE INVENTORIES

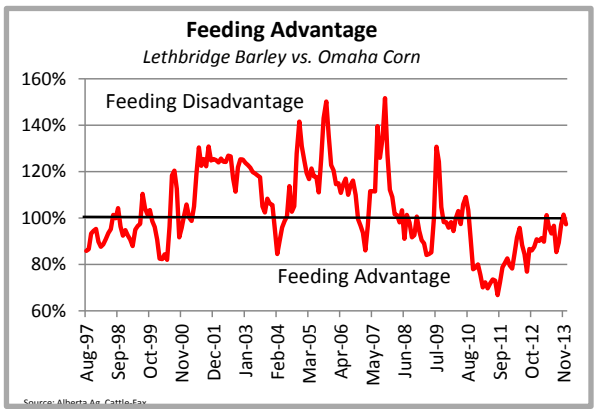
Total cattle inventories on July 1, 2013 were up 0.1 per cent at 13.5 million head. This is the first year-over-year increase since 2005. Larger inventories were driven by a 4.3 per cent increase in steers and 1.1 per cent increase in slaughter heifers. This increased cattle on feed numbers on October 1st eight per cent higher than year ago. Most of these were yearlings placed in August and September. As the fall run progressed the smaller calf crop became evident and by January 1 cattle on feed was only three per cent larger than year ago.



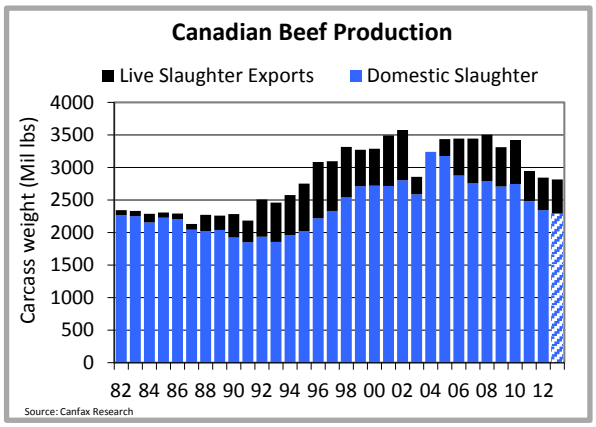
Despite the overall increase, beef cow inventories were down 0.3 per cent to 3.9 million head. Alberta is the only province with larger beef cow numbers (+2.8%) while all other provinces were down 0.8-5.3 per cent. Beef breeding heifers only posted a modest increase of 0.7 per cent to 673,900 head compared to the growth rate of 4.5 per cent in 2012 and 6.6 per cent in 2011. Heifer retention was discouraged by higher feed costs last winter, which resulted in disappointing calf prices in 2012. Overall, the beef breeding herd was down 0.2 percent to 4.6 million head as the decline in beef cows was greater than heifer retention. The 2013 calf crop was down 1.3 per cent to 4.83 million head, following a steady calf crop in 2012.

Larger cow exports have been seen since Levinoff closed in June 2012. Cow marketings are projected to be up 24.6 per cent in 2013, pushing the beef cow culling rate to 14.6 per cent compared to 10.3 per cent in 2012 and the long term average of 11 per cent. ***Just maintaining the national herd in 2014 will be dependent upon larger heifer retention***. With feed prices trending lower since July 2013, cow-calf producers are estimated to be solidly in the black. However, calf prices may not be high enough to encourage heifer retention at levels that will keep the herd stable in the face of the higher cow marketings.

In 2013, a record large corn crop is being harvested in the US and record high barley yields in western Canada have pushed feed prices down. In December, barley prices at $184/tonne are down 34 per cent from a year ago. As Canada will still be in a position to rebuild barley ending stocks, the cost of gain advantage has been shrinking. Record yields have also been seen in wheat, but the quality is not there. There is potential for feed wheat to hit the Canadian market, but this may not happen until summer 2014 when grain producers are emptying bins for a new harvest. This would restore Canada's feeding



advantage. Look for higher calf prices in 2014 to support meaningful heifer retention in 2015.



BEEF PRODUCTION

In 2013, Canadian beef production (domestic plus live slaughter exports) is projected to be down another one per cent to 2.88 billion lbs. Domestic production is projected to end the year down 2.1 per cent at 2.29 billion lbs with larger volumes in the fourth quarter compared to 2012 when the Lakeside plant was closed. Production from live slaughter exports is projected to be up 4.3 per cent to 522.9 million lbs with significantly larger non-fed exports.

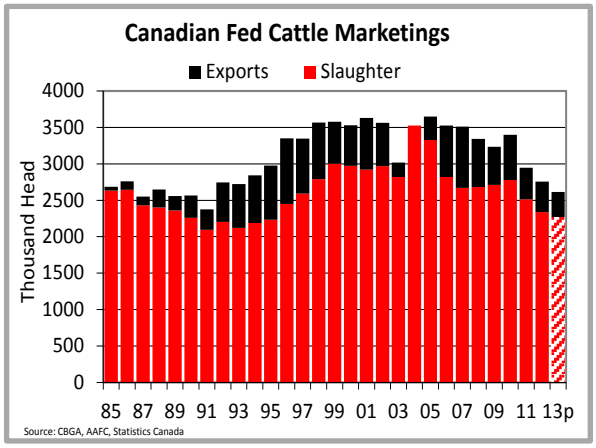
Domestic Slaughter & Utilization

Large exports of feeder and non-fed cattle have reduced supplies for domestic slaughter. Canadian slaughter was down 1.2 per cent in 2013 to 2.8 million head. Overall, domestic slaughter as a percentage of total marketings is expected to decrease slightly to 74 per cent with larger cow exports compared to 75 per cent in 2012.

Since the Levinoff cow plant closed in June 2012, federally inspected slaughter capacity fell to 66,300 head per week. Despite having less slaughter capacity, utilization levels continue to struggle, averaging 76 per cent in 2013 compared to 74 per cent in 2012 and 77 per cent in 2011. Overcapacity will continue to be a challenge as improved moisture conditions in the US encourages non-fed exports.

Fed Production

In 2013, fed marketings are projected to be down 5.1 per cent to 2.6 million head. While the 2012 calf crop was steady, larger feeder exports since October 2012 reduced fed cattle numbers in 2013. A strong US market combined with the diminishing cost of gain advantage in Canada supported feeder exports throughout the first half of 2013, reducing fed marketings in the fourth quarter. Feeder cattle exports are projected to be up 110.5 per cent to 349,000 head in 2013, on top of the 64 per cent increase in 2012.



Fed slaughter from January to November is down 3.7 per cent and is projected to be down 2.9 per cent for the year with larger numbers in the fourth quarter compared to 2012. Steer slaughter is expected to be down one per cent and heifer down six per cent with only modest retention taking place. A larger decline will be seen in fed exports which are projected to be down 17.2 per cent to 345,500 head with reduced volumes in the fourth quarter compared to 2012 when exports increased with the Lakeside plant disruptions. Consequently, the share of fed production that comes from domestic slaughter will increase.

On August 6th Tyson Foods announced they would not be taking any cattle fed Zilmax after September 6th due to animal welfare concerns with reports of lameness and mobility problems. On August 16th Merck Animal Health unexpectedly pulled Zilmax from the North American market pending review of the issues and re-certification of feedlots using the product. While other beta agonist products (e.g.

Optaflexx) are still available to industry, there are performance differences. US analysts estimate that gains on Optaxflexx are 6-8 lb lower than Zilmax. Fourth quarter beef production is expected to be down slightly from previous projections as feedlots are able to keep cattle on feed longer with cheaper feed. However, improved prices and tight supplies will make feedlots willing sellers even at lower weights. In Canada, carcass weights were expected to be lower in the fourth quarter than last year and the impact on 2013 production is expected to be minimal.

In 2013, the entire decline in fed marketings will be reflected in production as steer carcass weights are projected to be down 0.3 per cent at 875 lbs and heifers down 0.7 per cent at 813 lbs. When both reduced marketings and lighter carcass weights are taken into consideration, ***fed beef production is estimated to be down 5.5 per cent to 2.2 billion lbs***.

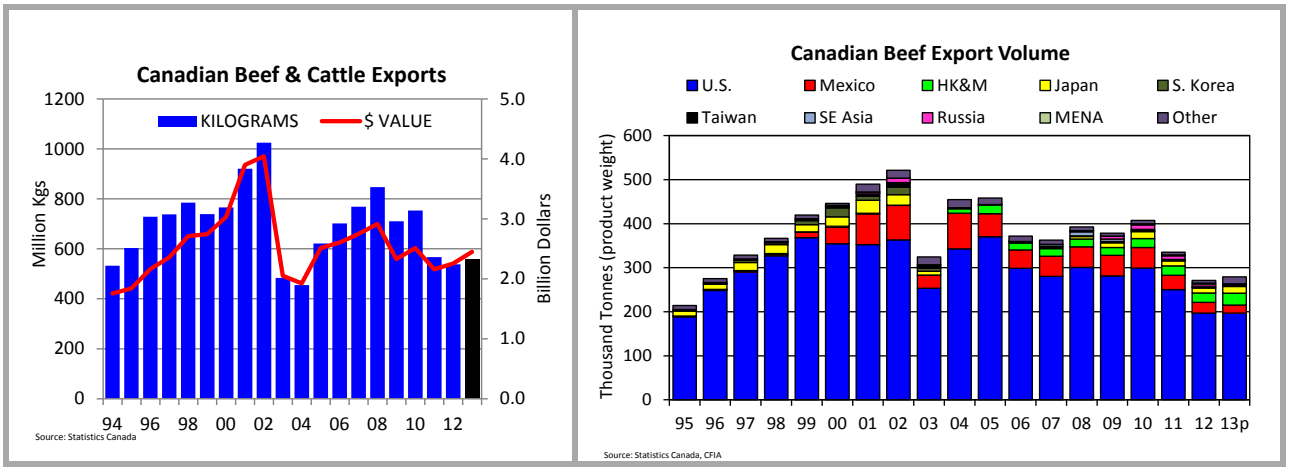
Non-Fed Production

Non-fed cattle marketings are expected to be up 22.1 per cent to 845,000 head with larger exports. Cow exports are projected to be up 60 per cent for the year as volumes are more similar to last year in the second half. Bull exports are projected to be up 53 per cent with a dramatic reduction in domestic slaughter following the sale of Lakeside to JBS in January 2013. Overall non-fed exports are projected to be up 59 per cent to 321,000 head and are likely to stay strong moving into 2014.

In contrast to exports, non-fed slaughter is projected to be up only 6.8 per cent with cow slaughter up 11 per cent and bull slaughter down a significant 48 per cent. Overall, ***non-fed beef production is projected to increase 20.4 per cent to 588 million lbs***. The distribution between domestic slaughter and exports has shifted, with exports increasing from 29 per cent of marketings in 2012 to 38 per cent in 2013.

TRADE

In 2013, Beef and Cattle exports are projected to be up 3.5 per cent in volume to 556,000 tonnes (product weight) and up nine per cent in value to $2.45 billion with larger beef and live cattle exports. Beef and slaughter cattle exports are projected to represent 43.7 per cent of production, up from 41.8 per cent in 2012.

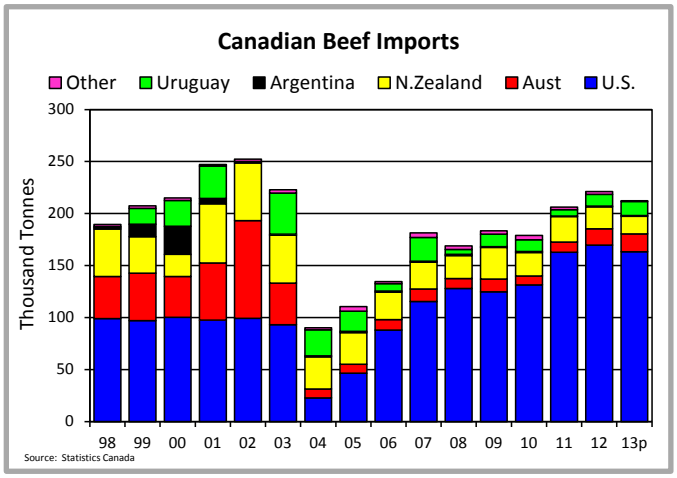


In 2012, beef exports were down a dramatic 19.2 per cent in volume to 271,049 tonnes and down 9.1 per cent in value to $1.21 billion as a result of smaller production and plant interruptions. Exports are now below 2003 levels with a significantly reduced cow herd. While domestic production continues to decline in 2013, ***beef exports are projected to be up three per cent in volume and nine per cent in value from 2012*** with larger volumes in the fourth quarter compared to 2012 when the *E.coli* outbreak

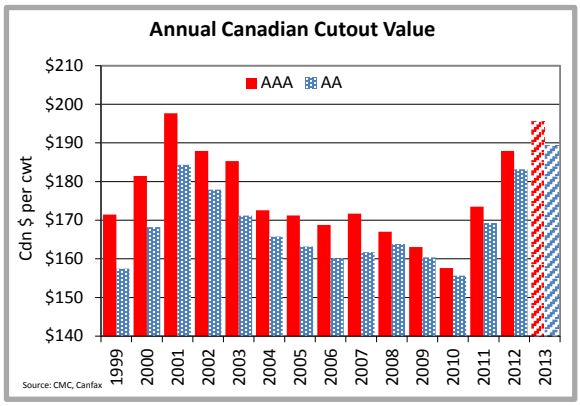
resulted in the Lakeside plant losing market access to a number of countries. Beef exports are expected to account for 32.3 per cent of domestic beef production (excluding slaughter cattle exports), up from 30.7 per cent last year.

While the US remains the major export destination taking 71 per cent of total exports in 2013, its share continues to shrink from 73 per cent in 2012 and 75 per cent in 2011. Beef exports are expected to be steady to the US and down 25 per cent to Mexico. In contrast, exports to non-NAFTA countries are projected to be up 21.2 per cent with significant growth expected for Hong Kong and Macau (+27 per cent), Japan (+35 per cent), Taiwan (+28 per cent) and MENA (+44 per cent).

Beef imports are projected to be down four per cent at 212,258 tonnes (product weight) in 2013. Imports from the US are projected to be down 3.7 per cent to 163,500 tonnes accounting for 77 per cent of the total. Non-NAFTA imports are expected to be down 4.9 per cent to 48,800 tonnes (product weight), still well below the annual quota of 76,409 tonnes. Lean grinding beef is the major product imported from non-NAFTA countries. Large domestic supplies of non-fed beef discouraged imports in 2013. In 2014, reduced domestic supplies may increase interest in imports. And reduced cow slaughter in the US will have importers looking off shore for product. In addition, A&W Canada has announced that all of its burgers will be made with beef raised without any growth hormones or steroids. Beef processors may need to look outside of Canada or even North America to meet the demand for such products. However, global supplies are tight, and demand by competing importers is expected to limit growth of non-NAFTA imports.



CUTOUT COMPARISON



Cutout prices have been increasing since making a low in 2010 with reduced beef production and prices continue to gain ground. In 2013, the AAA cutout averaged $195.16/cwt, up 4.1 per cent or $7.65 from last year. The AA cutout averaged $188.88/cwt up 3.1 per cent or $5.66. The AAA/AA spread trended wider to $6.28 from $4.29 last year, but is still narrower than pre-2008 levels. This is also narrower than the Choice/Select spread at $10.11.

The Canadian AAA cutout has historically traded at a discount to the US Choice. The AAA/Choice spread widened to -$5.80/cwt in 2013 compared to -$3.20/cwt in 2012. Contributing to this was an abnormally wide spread this spring ($7.00-12.00 wider than 2012) when the Canadian cutout values failed to adjust for the drop in the Canadian dollar (from PAR to $0.96 in early March) or the jump US cutouts took in March. The AA cutout traded at a premium to US Select from April 2012 to March 2013 and since then has been at a discount. The AA/Select spread averaged -$2.00 in 2013 compared to +2.40/cwt last year.

Zilmax was thought to reduce quality grading however AAA grading has been barely steady with 2012 throughout the second half of 2013. With extremely current feedlots in Canada pulling cattle forward carcass weights were lower, negatively impacting quality grading. In contrast, lower corn prices, longer days on feed and heavier carcasses all contributed to higher Choice production in the US. Larger Choice supplies have been met with solid demand in the past, as retailers add Choice programs. As Select supplies tighten the Choice/Select spread has been narrower, particularly in the fourth quarter.

Middle meats only represent 32 per cent of the volume on a carcass, but they contribute 47 per cent of the value. AAA Rib primals have been discounted to Choice Ribs in most of 2013. Exceptions include periods from January to February and from mid-July to mid-August. The average discount for 2013 is wider at -$13.80/cwt compared to -$8.70/cwt in 2012. The Bone-in Lipon Ribeye 17 up, which accounts for most of the sale volumes of rib items, averaged $42.30/cwt lower than its US equivalent and is wider than the $34.70/cwt discount in 2012. Other rib items generally traded at PAR to premium with US equivalents. The AAA Loin primal historically traded at a premium to the US before mid-2010, but the advantage has been diminishing with discounts typically occurring in the second half of the year. In 2013, AAA Loins were discounted from April to May and from October to November with a premium in the rest of the year. In 2013 the AAA Loin primal averaged $7.30/cwt over Choice Loins compared to a $6.00/cwt premium in 2012.

Round items have moved from a premium position in 2011/12 to a $3.70/cwt discount in 2013. The premium on Inside Rounds fell to $6.30/cwt from $11.10/cwt in 2012. The AA Chuck primal continues to trade at a discount but the spread narrowed to -$7.00/cwt from -$9.00/cwt in 2012.

With increased exports to emerging markets, thin meat prices have seen significant gains on both sides of the border. However, the growth in Canada has been slower than the US which has resulted in larger discount on a numbers of items including Ball Tips (-$20/cwt vs. -$18 in 2012), Flapmeats (-18/cwt vs. -$15 in 2012), bone-in shortrib (-$21/cwt vs. -$3 in 2012), Tri tips (-$73/cwt vs. -$58 in 2012).

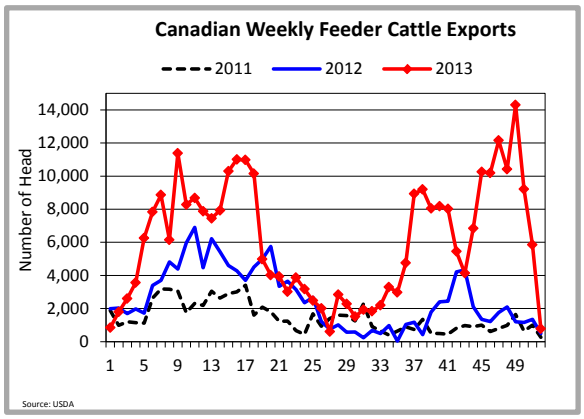
Canadian Cattle and Beef Outlook 2014

Looking forward into 2014, Canadian beef production will be impacted by the COOL amendment as it influences how many fed and feeder cattle are exported. The final COOL rule in 2009 allowed for co-mingling of cattle and downgrading of labels (from A to B to C).

COOL Amendment

On May 23, 2013 an amendment to the mandatory Country of Origin Labeling (COOL) regulation was published in the US Federal Register. While not enforced until November 23, 2013 the COOL amendment requires that all meat be labeled according to the country of each production step. For example, B cattle will be labeled "Born in Canada, Raised and Slaughtered in the US" and C cattle will be labeled "Born and raised in Canada, Slaughtered in the US". Due to the six month education period this amendment initially had little effect on the market. However, in early September when a joint initiative to get a preliminary injunction through the US district court failed US packers were forced to make plans for when the amendment will come into effect.

Due to additional segregation costs, US packers will choose to buy Canadian slaughter cattle or Canadian feeders fed in the US. This will reduce the number of bidders on Canadian fed cattle raising concerns about potential market power issues and price discovery. The question remains about how many fed or feeder cattle will flow south, and at what type of a discount as a result of the COOL amendment. As the COOL amendment doesn't apply to ground beef, non-fed exports will not be affected.



Two US plants have indicated they will take 'B' cattle. Hence, US feedlots will be competing for Canadian feeders. Feeder export volumes will be determined by relative cost of gain and what a feedlot can lock in for prices on either side of the border. In August and September, Alberta 850 lb steers were $11/cwt and $12/cwt below the US market. Alberta 550 lb steers were $21.50/cwt and $18 below the US price. At $93.00-118.00/head, this more than offsets a $50 discount on B cattle from US packers. The packers taking 'B' cattle will have the flexibility to take as many or as few per week as the season demands; with the challenge being having enough available to fill a complete shift. Following the US district court's decision on September 11th that denied the preliminary injunction to block the implementation of the COOL amendment, feeder exports for week ending September 14th jumped to 8,933 head from 4,756 head the week before. This jump was significantly larger than the volumes when the Lakeside plant was closed in October 2012. In the second half of the year feeder exports are typically small, with the bulk of exports being backgrounded calves going in the first quarter. Due to lower corn prices feeder exports increased significantly in the fourth quarter of 2013.

The Canadian calf crop on July 1st 2013 was down 1.3 per cent or 57,300 head. Significantly larger feeder exports in the second half of 2013 will reduce fed marketings in 2014. In addition, for the Canadian herd to remain stable with larger cow marketings an additional 27,000 heifers will need to be retained. However, calf prices at $165/cwt last fall were not high enough to encourage widespread heifer retention in 2014. ***Overall fed marketings in 2014 are forecast to be down 5.4 per cent to 2.48 million head.*** Fed cattle exports in 2014 are forecast to be down 25.1 per cent to 258,650 head with reduced US packers bidding on Canadian cattle. Despite carcass weights forecast to be down 0.5 per

cent, with proportionately more fed cattle slaughtered in Canada domestic fed production is projected to be down only 2.8 per cent.

After seeing a 24.6 per cent increase in 2013, cow marketings are forecast to be down eight per cent in 2014 to 722,000 head as they slowly move back to a more historical range from the low made in 2012. The increase in marketings will be divided between the domestic market as packing plants support utilization levels and the export market. As pasture and feed conditions have improved US cow slaughter has dropped below year ago levels. From January to November, total US cow slaughter was down 2.3%. Cow exports will be supported by a strong US cow prices which will continue to see a premium to the Canadian market.

Domestic beef production is forecast to be down 3.2 per cent at 1 million tonnes with a 2.8 per cent decline in fed production and 5.3 per cent decrease in non-fed production. Beef imports are forecast to be up three per cent in 2014, with reduced cow slaughter in the US decreasing supplies from our largest import supplier. In addition, as global supplies tighten non-NAFTA product has more attractive markets elsewhere. Beef consumption in Canada is projected to be down approximately two per cent in 2013 and steady in 2014. Consequently, beef exports are forecast to be down in 2014 with smaller production. However, as international prices increase and with a lower exchange rate there will be strong incentives to move product to other countries. (*see Global Beef Outlook Section for more details*).

The exchange rate plays an important role in determining the price of Canadian cattle and beef. A weaker Canadian dollar typically translates into higher cattle and beef prices and supports exports. As the US dollar gained strength in 2013, the Canadian dollar has been trending steadily weaker from PAR at the beginning of the year to US$0.94 in December. The partial US government shutdown and the looming debt ceiling debate have led to some fluctuations in exchange rates in the second half of 2013. Analysts forecast that Canadian economic growth will fall behind the US in 2014, leading to a continued downtrend of Canadian dollar, potentially falling to US$0.92-$0.93 before stabilizing. A lower exchange rate will encourage beef exports in 2014.

Summary Table	2012	2013p	2014f	14f/13p
Domestic Production	1,095,895	1,073,074	1,039,148	-3.2%
Fed	907,349	877,411	852,475	-2.8%
Non-Fed	155,454	162,570	153,910	-5.3%
Offal	33,092	33,093	32,763	-1.0%
Live Export Prod.	227,499	237,203	192,276	-18.9%
Total Production	1,323,394	1,310,277	1,231,424	-6.0%
Imports	260,564	250,141	257,646	+3.0%
Consumption	954,740	935,645	935,645	0.0%
Beef Exports*	368,626	354,477	328,386	-7.4%
*Units: Tonnes (carcass weight); *carry-over volumes not included in calculations*				

Risk Factors to Watch:

1. **Feeder exports** to the US in Q1 2014 are a serious potential with lower corn prices and at least two US packers taking 'B' label cattle. Any substantial increase in feeder exports will impact fed marketings in 2014 as fewer cattle are fed in Canadian feedlots and consequently fewer cattle are available to Canadian packing plants. Currently assumed steady with 2013.

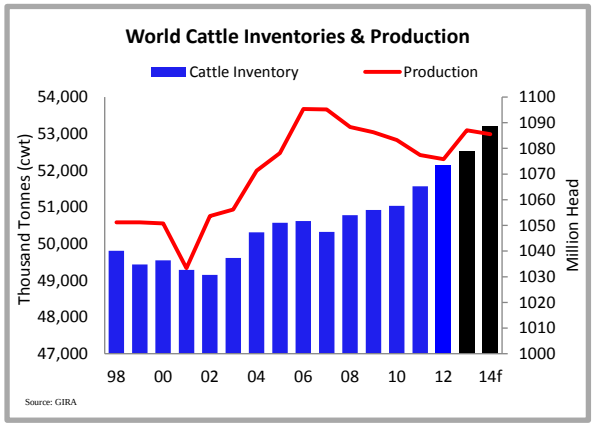
2. **Heifer Retention** will need to increase to keep the herd stable as cow marketings increase back to historic levels. This will remove potentially 27,000 head from fed marketings in 2014, even without any price signal for expansion this fall.
3. **Cow marketings** are on the uptrend, the question is how many will go south and how many will be slaughtered at home. In 2013, 36 per cent were exported up from 28 per cent in 2012. Cow exports will be supported in 2014 as long as US cow slaughter remains low and lean trim prices are strong. Domestic packers will need to be aggressive to keep these cows in Canada. Larger cow exports have occurred in both the east (+87%) and west (+46%) in 2013 (January to November).
4. **Bull marketings** have seen a significant shift in 2013 with 70 per cent being exported compared to a historic average of 55 per cent. In the first part of 2013, no Canadian packer was taking bulls. While youthful bulls are now being accepted in some locations, mature bulls are all being exported.
5. Canada currently has idyll **capacity** at Calgary, Balzac, Levinoff, and Moose Jaw and under-utilized plants which could increase production if more animals stayed in Canada. Federally Inspected slaughter has been 78 per cent of capacity this summer (July to September 2013). An additional 15,000 head could be slaughtered domestically every week. In 2012, fed and feeder exports averaged ~11,200 head per week. The capacity is currently available to slaughter everything domestically (excluding cows), although there would be seasonal variations which may require exports. Smaller North American supplies, both in the southern US and NW could result in the closure of a US plant over the next 12 months. If domestic packers make a concerted effort to keep cattle in Canada, utilization rates could be supported with a combination of larger non-fed marketings and fewer fed exports.

Global Beef Outlook

The following section has been prepared by Canfax Research Services and is based on information from: FAO 2013-23 Outlook, Rabobank 2014 Outlook, USDA GAIN Reports, GIRA Meat Club, MLA Mid-Year Review and the Daily Livestock Report.

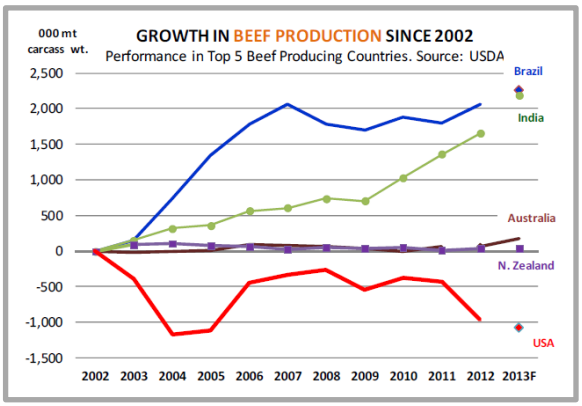
In 2008 before the global financial crisis, growing demand from emerging markets with larger disposable incomes and populations combined with tighter food supplies created a strong market for proteins with trade shifting to new markets. This all came to a grinding halt in September as financial markets crashed, and demand slowed. Five years later we are starting to see the same shifting in trade flows as exporters move to supply new markets. A major difference between now and then is that global protein production is in a much different situation.

Global cattle inventories in 2014 are up 2.4 per cent from 2008, with all growth coming from the Indian dairy herd, as other countries have contracted or stabilized. Global beef production is projected to be steady in 2013, with reductions in the US and growth in Brazil. The medium term outlook is for grain prices to be lower over the next 3-5 years with replenished ending stocks. Meanwhile, strong demand will continue to support for beef prices. This should encourage beef production from all countries barring weather challenges. Despite a late spring, improved pasture and feed supplies in Europe and North America will discourage further cow marketings after last year's drought forced producers to reduce the herd. As feed prices come down look for increased heifer retention as producers stabilize the herd. The US is anticipated to have smaller production (-6%) with reduced marketings and subsequently lower exports (-8%) in 2014.



Brazil is set to be the world's largest protein producer, with slaughter up in 2013. A lower exchange rate has encouraged exports in 2013 and supported domestic prices. Any herd expansion is dependent upon improvements in pasture productivity as land is being converted to corn and soybeans. Gains in carcass weights from feeding will vary with feed costs but has the potential of increasing beef production without herd expansion. Production grew faster than domestic consumption in 2013, with larger slaughter as the herd was liquidated. Exports were up five per cent, and are projected to increase another six per cent in 2014. Hong Kong emerged as a major market in 2013, with Brazil competing directly with North American product.

Australia is an exception to the trend with exceptionally dry conditions in the northern part of the continent forcing producers to sell. Despite larger slaughter numbers, lower carcass weights are expected to reduce production by 1.7 per cent in 2013 and another 2.3 per cent in 2014. Australia is focusing on grass-fed opportunities as they experience more competition from North America with renewed market access in many countries. Major markets in 2013 were China and the Middle East, taking advantage of Brazil's absence following their 2012 BSE case. Moving



forward, strong demand from the rapidly growing Asian market could attract production that would have historically been exported to the US. This will potentially change international trade dynamics.

Forced liquidation due to drought in Australia and New Zealand supported larger production and exports in 2013. Weather permitting, production and exports will be lower in 2014. Moisture conditions have improved in New Zealand after a challenging drought this spring. Domestic prices were supported by a devaluation of the New Zealand dollar against the USD. New Zealand and India have dairy driven production and provide lean manufacturing beef. New Zealand markets include North America and China - now New Zealand's second largest export market after the US. While India supplies Southeast Asia and Middle East North Africa (MENA), competing with Brazilian product as they are locked out of some markets due to FMD.

In Argentina, beef production is up ten per cent in 2013 with more cows and no indication that rebuilding is occurring. A combination of export taxes and an uncompetitive exchange rate has limited further growth. The majority of product (92-94%) serves the domestic market. Larger production will probably go to the export market – EU, Chile, Israel and China.

Trade flows are very sensitive to exchange rates with a lower Brazilian real providing an advantage in the EU, while a strong Australian dollar has limited volumes to North America with New Zealand gaining market share. The lower Canadian dollar as the US economy gains strength will potentially provide an advantage to Canada in 2014.

In 2013, the headline story on **Beta Agonist** use came to North America. A number of North American restaurants have started advertising campaigns highlighting the use of hormone-free beef. This issue continues to affect trade with South Korea rejecting any product with zilpaterol (Zilmax); China and Russia have a ban on ractopamine (Optaflexx); and the EU does not accept any product with hormones. Moving forward market access discussions will increasingly focus on these types of non-tariff trade barriers.

Demand

Canada has the advantage of being next door to the US, a major market that pays well for quality product. Canada is a niche supplier with product representing only two per cent of total consumption. However, reliance on the US market has been decreasing over the last couple of years as demand strengthens in Asia and the US economy remains soft.

Chinese beef imports have grown at an astonishing rate in 2013, supporting global prices. Chinese beef consumption is projected to increase 6.4 per cent in 2013 and another 3.1 per cent in 2014. Retail beef prices in China were up 31 per cent in August 2013 with declining domestic production. As production costs increase and supplies tighten, imports will increase. High prices are already pressuring beef consumption. The value of the Chinese market is expected to increase by more than ten per cent annually over the next three years. Chinese beef imports have surged and are projected to be up 254 per cent in 2013 and up another 20 per cent in 2014. Australia remains the major supplier, but Uruguay is rapidly catching up. As exporters shift to supply this market they are opportunities for other exporters. In 2008, Canadian exports to other countries increased; that is expected to occur again in 2013.

Moving forward Asian demand will remain strong, with the global economy slowly recovering and growing incomes. Larger beef supplies in **Japan** are reducing prices, supporting consumption. With domestic production stable, imports are up. North American volumes to Japan are expected to see continued growth in 2014, gaining market share from Australia. However, a weaker Yen has made imports less competitive. **Hong Kong and Macau** have increased US market access to include bone-in

product from U30M cattle and offal from all ages. This will increase competition in 2014. **South Korea** is increasingly a US dominated market with a tariff advantage over other countries.

Consumption in **Mexico** continues to struggle with higher prices and ample supplies of competing meats. Per capita beef consumption is projected to decline in 2013 and 2014. Better pasture conditions and feed prices in Mexico after several years of drought will support heifer retention and herd rebuilding in 2014, reducing domestic production. After Russia banned Mexican beef due to the use of Ractopamine, export volumes have struggled leaving domestic supplies large and discouraging imports. However, growth in Japan, the EU and Vietnam are slowly being realized.

Russia takes similar product as China and Saudi Arabia but at lower prices. Major suppliers include Brazil and Paraguay, which don't have access to as many markets as other major exporting countries. Lacking access to other markets, these countries are largely price takers in the Russian market. When going to Russia product must compete with lower priced South American product. **MENA** is primarily supplied by India and Brazil, competing for product that also goes to Russia and the EU.

Canada and the **EU** came to an agreement in principle on CETA – expectations are for signing of the agreement in early 2014 and implementation before the next federal election in October 2015. The agreement provides tariff-free access for 64,950 tonnes across three new categories (fresh/chilled, frozen, and high-quality), as well as tariff-free entry for live cattle, genetics and byproducts such as offal, tallow and hides. While this large market presents great opportunities, additional costs will have to be carefully examined before a move to hormone-free production is made. At which point the lag in production to when that product is available to the market may be two years. Imports into EU are expected to be up one per cent in 2013 and steady in 2014 with Australia and Uruguay gaining market share.

COMPETING MEATS

While beef production is expected to be lower in 2013, pork and poultry producers are responding quickly to lower feed costs and stronger global demand. As supplies of competing meats increase it will be more difficult to increase beef prices.

On July 1, 2013 Canadian hog inventories were up 0.6 per cent at 12.9 million head, with the breeding herd basically flat with a year ago. Alberta hog prices at $74/cwt are up $5/cwt from 2012 and up $12/cwt from the ten year average – supporting the signal to expand. Hog inventories in the US also saw a slight increase in September. However, uncertainty remains about the impact of the Porcine Epidemic Diarrhea virus (PEDv) earlier this year on pig crop and pork supplies in the coming months. This disease erodes the intestine resulting in vomiting and diarrhea, and the pig dies from lack of nutrition. PEDv has not entered Canada yet, but producers are watchful as cold weather may bring PEDv north. Trailers are being cleaned and dried before entering Canadian operations to prevent contamination. US Pork production is anticipated to increase 0.2 per cent in 2013. The approval of Shuanghui's acquisition of Smithfield, shows China's recognition that they will need to increase protein imports and their interest in having ties to these imports. China's import demand for pork has had a growing impact on prices in recent years.

US broiler production is expected to be up two per cent in 2013. Producers are taking advantage of the softer grain market while strong prices through much of 2013 are sending signal for expansion. McDonald's announced that it would add chicken wings to their national menu for a limited time, which will add further fuel to poultry prices

Canada Beef Inc. Marketing Strategy

Executive Summary

The 2014/15 annual business plan will complete the inaugural Canada Beef three year Strategic Plan and continues to reflect the vision of the Board of Directors.

The plan is aligned to deliver against the priority outcomes as defined in the three year Strategic Plan, as well as the marketing goals outlined in the Canadian Cattlemen Market Development Council's Market Implementation Plan.

- Build awareness for a Canadian beef identity/brand and the Canadian Beef Advantage
- Achieve growth in traditional, existing, new and emerging markets
- Maximize the total value realized by the Canadian beef industry

The total budget of the 2014/15 marketing implementation plan is $10,504,000. Revenues from industry (national and provincial check-off) and other sources are $4,904,000. In order to successfully implement this plan, Canada Beef Inc. requests $5,600,000 from the Canadian Cattle Market Development Council.

Supply outlook projections provided by Canfax Research Services indicate the calf crop coming forward was steady in 2012 and down 1.3% in 2013. Larger feeder exports in the second half of 2013 and the first quarter of 2014 will reduce fed marketings. In 2014 fed marketings are projected to be down 5.4%, with a smaller decline in domestic fed production - down 2.8% from 2013. Cow marketings are projected to trend lower (-8%) in 2014 after seeing the significant increase (+25%) in 2013. Consequently, domestic non-fed slaughter is projected to be down 5.3% from the elevated 2013 levels. Overall domestic beef production is projected to be down 3% in 2014. (Global beef production is projected to be down 1.4%). The big question is will cow marketings decline from current liquidation levels and will heifer retention increase enough to stabilize the national herd.

Considering the reduction in overall supply for the third consecutive year, the 2014/15 strategy remains to focus on delivering a return on investment to stakeholders through incremental value increases in global markets and creating value through our ongoing differentiated brand position leveraging our unique points of differentiation and strong consumer confidence in the Canadian industry.

Industry Alignment

As part of our ongoing alignment with industry, the strategy has been developed with input from industry partners. It maintains our commitment for ongoing strategic alignment and product prioritization with targeted trade customers in key markets.

Strategic Objectives

The strategy is designed to deliver measureable results against these four Strategic Objectives:

1. Canadian Beef is RECOGNIZED for its premium quality, safety and value in priority markets
2. Priority markets DRIVE incremental product values
3. Enhanced Canadian Beef brand LOYALTY with consumers
4. Align industry stakeholders to foster collaborative, sustainable Canadian beef SOLUTIONS

The Performance Measures Framework will provide indicators for short, medium and long term measurements against these objectives.

Key Learnings
Some market competitiveness and access related issues have made it necessary to adjust our approaches or level of investment in some markets that have historically delivered value to the Canadian beef industry.

In November 2013, Canada Beef made the strategic decision to close our representative office in Korea due mainly to the competitive disadvantage Canada has against U.S. imports due to the U.S./Korea Free Trade Agreement which came into force in March 2012. Access related issues have also virtually shut all beef exports to Russia, and the 2014/15 marketing plan reflects the fact that Canada Beef will not allocate resources to the market until viable access is restored.

With the shift from a market based execution strategy to a more flexible hub based strategy, we have enhanced our ability to reach targeted high valued segments in regional markets without creating additional overhead expenses. The approach has enabled Canada Beef to reach segments of markets including Singapore, Philippines, Vietnam, Panama, Cuba and the Caribbean. The development of relationships with the Trade Commissioner Service also has provided an opportunity to extend our reach and drive the brand awareness of Canadian beef in markets without representation.

Marketing Strategy
The marketing strategy will continue to focus on the four priorities or "Pillars" as they are now referenced in the plan, which will guide the tactical development and execution.

Brand Differentiation: The strategy will focus on the ongoing development and communicating a differentiated brand position for Canadian beef, leveraging the attributes of the Canadian Beef Advantage (CBA).

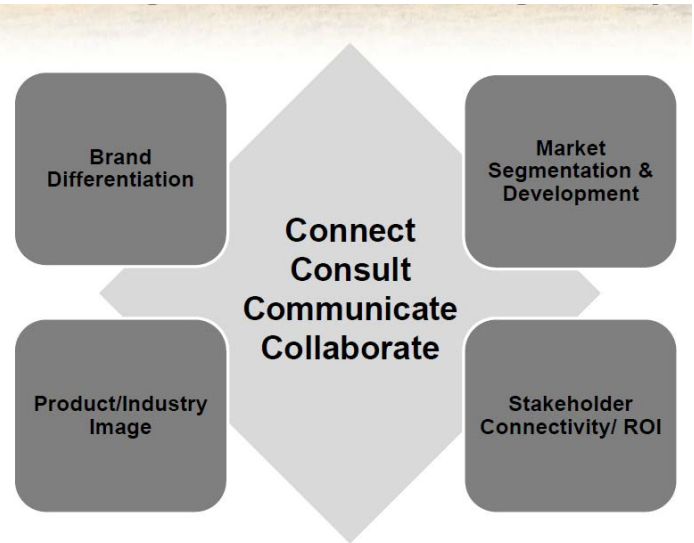
Market Segmentation and Development: The strategy will ensure that resources are directed to markets and segments that represent opportunities for incremental value and return on marketing investments and efforts.

Product and Industry Image: The strategy will enhance the overall consumer perceptions of Canadian beef from a product and industry perspective. Strategies include leveraging trade partners, direct to consumer marketing, and public relations and social media programs with consumers and key influencers.

Stakeholder Connectivity: The strategy will ensure Canada Beef Inc. takes a leadership position in a collaborative effort to enhance the industry's ability to respond to challenges, communicate a consistent Canadian beef brand message and transparently measure and communicate the benefits delivered through national check-off investment in Canada Beef Inc.

A main element of the marketing strategy continues to focus on enhancing loyalty to the Canadian beef brand. Considerable investments have been made in the past two marketing plans in the areas of content development to provide a compelling Canadian Beef Story, which leverages both the functional and emotional attributes of the product and the industry. The plan allocates significant investment for execution of comprehensive consumer directed marketing campaigns, leveraging brand license holders, and utilizing mainstream print and electronic multi-media applications to the domestic market where consumer perceptions can be most positively impacted.

Execution Strategy
Our interactions with consumers, channel and trade partners will be guided by the principles of Connect, Consult, Communicate, and Collaborate.



Export Market Prioritization
Beef exports were up 1.3% in volume and 8% in value from January to November 2013. They are expected to end the year up 3%, with larger domestic production in the fourth quarter versus 2012 and strong international demand.

Export markets are critical to driving incremental value for Canadian production and providing higher value markets for niche programs. However, it is critical to ensure the marketing strategy is focussed on allocating resources to markets that deliver the highest possible returns on Canada Beef Inc. marketing efforts.

In order to identify the proper allocation of resources for export markets, exporters were engaged and asked to participate in our annual market assessment to assist in identifying priority export markets. Exporters consisting of large Canadian beef packers (representing over 90% of Canada's federally inspected beef slaughter) Canadian veal packers, smaller specialized Canadian exporters and vertically integrated value chain Canadian branded beef programs provided feedback on market priorities and products that are targeted for each market.

When compared to resource allocations from the current year, allocations were increased in Japan as well as China and the emerging markets of Middle East/Europe for the second straight year. Allocations were stable in Southeast Asia (with an eye to emerging Asian markets) and decreases in the United States, Latin America and Hong Kong, due to the relative maturity of the markets. Although Korea no longer has representation, resources are allocated to maintain brand loyalty with the existing customer base in collaboration with the embassy and Trade Commissioner Service, and potential of closing of the tariff gap through a long awaited trade agreement. No resources are allocated to Russia until access conditions dictate the market can be commercially viable for exports.

Maintaining Momentum in a Transitional Period for the Industry

As an organization, not due to funding constraints but based on value and efficiencies, Canada Beef has right-sized the organization, strategically aligned with packers and our funders in order to facilitate efficiency and greater, more sustainable return-on-investment conversion.

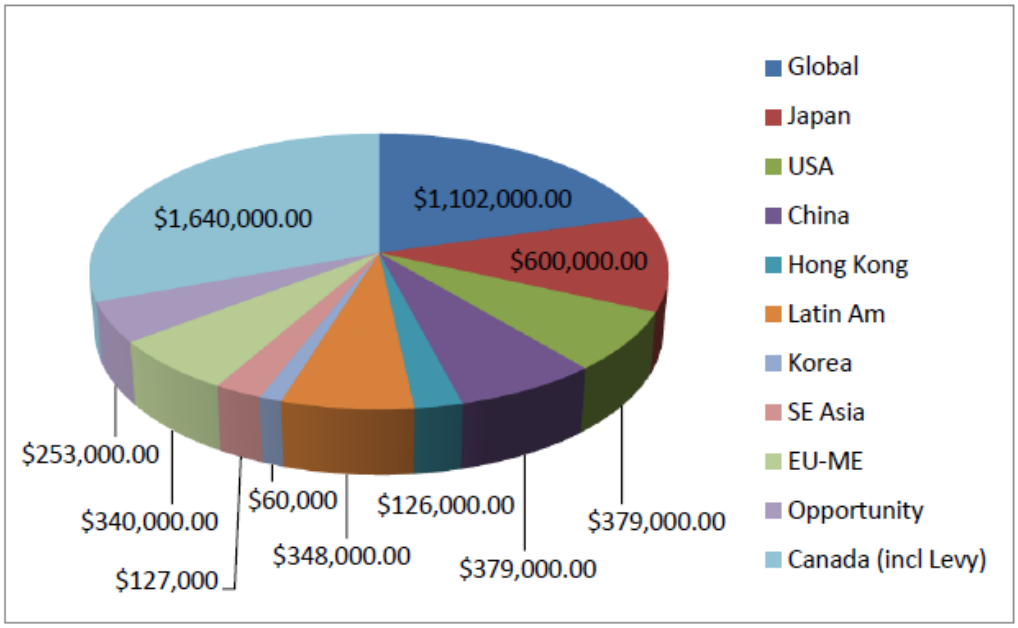
To this end, packers and industry and governments are on a global trade mission and as Canada Beef in taking a brand leadership and value based approach, we have identified and honed in on select markets and segments within where we can sustain value and capture growth resulting in carcass value and confidence for the industry. Our operations and strategic intent are specifically targeted with this in mind and corresponding investment by industry, government, collaboration with trade commissioners/ embassies and packer/market partners is required, not optional.

Global competition reveals that as a Canadian industry, our overall brand – Canada first – is our strongest attribute of trust and resulting loyalty. The CBA is well positioned as the very DNA to the brand, both technically and emotionally. To erode or even dial back investment in the Canadian beef industry at this time will not only send the wrong signals to producers, but more importantly our valued markets/partners of choice both at home and abroad, who have a plethora of viable alternative options in beef supply.

Canada Beef is committed to the collaborative development of a sustainable long term industry strategy and funding model. The fiscal year 2014/15 provides the industry with sufficient time to develop such strategy.

The 2014/15 plan leverages investments made in the past two fiscal years of Canada Beef, as well as the prior marketing organizations where possible. The financial commitment required to execute the plan is dependent on a sustained maximum commitment to maintain the positive momentum of the past investment until that process is complete.

Program budget allocation by market



2014/15 Pillars and Objectives:

The business plan is based on four marketing pillars:

- Brand Differentiation
- Market Segmentation and Development
- Product and Industry Image
- Stakeholder Connectivity and Return on Investment

The marketing objectives which will align with the performance measurement framework are:

- Canadian Beef is RECOGNIZED for its premium quality, safety and value in priority markets
- Priority markets DRIVE incremental product values
- Enhanced Canadian Beef brand LOYALTY with consumers
- Align industry stakeholders to foster collaborative, sustainable Canadian beef SOLUTIONS

Performance Measurement:

The plan will be measured using a Performance Measurement Framework utilizing both short and longer term indicators developed in year one of the three year plan. The measures include qualitative and quantitative measures. Canfax Research Services will provide interpretive results for all qualitative results.

Global Markets Summary

The Global marketing plan and budget reflect activities that have application across all Canada Beef markets. The activities outlined will be executed in Canada for delivery in all markets.

Market Implementation Plan: Global Markets

Total Budget Global Programs: $1,102,000

Pillar: Canadian Beef Brand Differentiation

Strategies:

1.1 Enhancement and development of Canadian Beef Story key messages and resources

	Tactics
1	Asset development around Canadian Beef Story on cattle/beef production, quality and safety working with industry to shape and define.
2	Revise and update E-learn content and delivery systems providing a comprehensive training platform on the CBA.
3	Ongoing development of CBA technical resource tools utilizing print and electronic formats.
4	Merchandising technical resource development and replenishment.
5	Media Outreach/Press Releases.
6	CBA Advertising template development.
7	Competitive benchmarking analysis on set of cuts identified as priority, includes a resource summary to communicate findings.
	Budget $305,000

1.2 Collect, disseminate and communicate market intelligence

	Tactics
1	Utilize market representation to execute the Global Market Intelligence Report in global markets to provide insights to industry partners to support management and investment decisions.
2	Purchase market data in key markets to identify product opportunities to increase carcass cutout values.
	Budget $35,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Development and implement a digital CBI Asset Library that will act as a central repository for resources used in to assist in market development activities as well as development of web-based content.

2	Ongoing development of Canada Beef web platforms providing the ability to effectively update and create content.
3	Shift primary resource distribution to Calgary office.
4	Placement of strategic advertising for targeted trade segments in priority markets.
	Budget $125,000

Pillar: Product and Industry Image

Strategies:

3.1 Improve consumer preference for Canadian Beef

	Tactic
1	Global social media support for all Canada Beef led and partnered activities (Canada, Mexico, U.S., and Asia).
	Budget $75,000

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Develop material for advertising and promotion that offer fresh and engaging platforms, command call to action and enhance the CBA key messages.
	Budget $10,000

3.4 Enhance the image of the Canadian beef industry

	Tactics
1	Active participation in the Canadian Roundtable for Sustainable Beef.
2	Production and launch of consumer directed print/downloadable resource featuring factual insights around Canada's beef production systems and standards that convey transparency and confidence to global consumers.
3	Development of broad based Canadian beef industry promotional video, to include all phases of cattle/beef production.
	Budget $35,000

Pillar: Stakeholder Connectivity and Return on Investment

Strategies:

4.1 Utilize comprehensive communications programs to ensure industry and stakeholder awareness

	Tactics
1	Produce seasonal kit for stakeholders (provincial associations) to use for seasonal promotions/key consumer events to empower stakeholders. Coaching/training on development of promotional assets for stakeholders.

2	The Brand – Quarterly print and eight monthly emails – 12 issues total. This publication tells the corporate and board stories- what is the strategic direction and what is the board working on. Communications highlights.
3	Provincial Engagement Session - annual one-day meeting with provincial managers and communication staff - in conjunction with CCA semi-annual meeting.
4	Ad and editorial placement/agriculture media. Corporate and stakeholder messaging, includes distribution and design subscriptions.
5	Media monitoring.
	Budget $165,000

4.2 Develop industry-wide leadership program to improve and ensure industry leaders are informed, prepared to communicate consistent key messaging

	Tactics
1	Issues management – cost-share for third party, issues management staffer with CCA.
2	Beef Advocacy Program – online web program will be launched late 2013/14 fiscal and tier two to be developed/launched 2014/15.
3	Maintain strong strategic relationships with all Canadian beef packing and processing associations (CMC, etc.).
	Budget $130,000

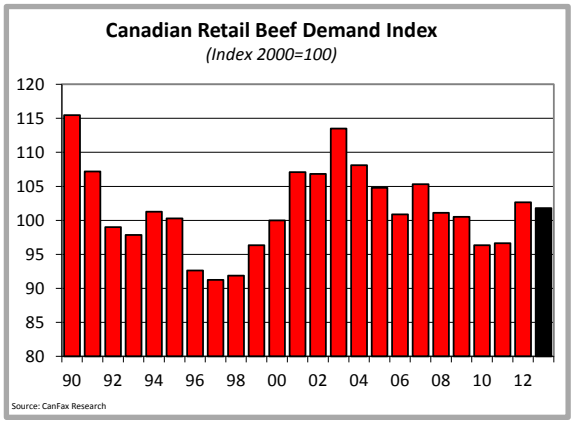
4.3 Provide accurate and transparent activity reporting and performance measurements

	Tactics
1	Annual Forum is the one key opportunity each year to bring together board, staff, delegates, funders, government and other stakeholders to discuss the industry from the marketing and promotions perspective.
2	Annual Report – this document should provide a clear overview of the organization to anyone who is interested.
3	Stakeholder Brand Promise launch – to introduce the Promise (and expectations of this sector).
4	Brand guidebook will provide clear brand guidelines for all staff, board members – how we communicate a consistent brand - logos, signature lines, word usage, colours, website properties, etc.
5	Monthly webinar communications to industry stakeholders.
6	Canfax Research Services data package.
7	Performance surveys.
8	AC Nielsen Market data package.
9	Consumer attitudinal tracking.
	Budget $222,000

Canada

Market Summary

The domestic market is the largest and the most stable market for Canadian beef, representing 68 per cent of domestic production or 685,500 tonnes. Despite the largest beef recall in Canadian history occurring in September 2012, the Beef Demand Index, which is an indicator of consumer willingness to pay, was up 6.2 per cent. Retail beef prices soared 6.7 per cent to average $14.37/kg in 2012 with higher prices throughout the summer months.



Per capital consumption stayed strong in 2012, up 1.1 per cent to 20 kg (retail weight). Per capita consumption of pork was up four per cent to 16.8 kg and poultry consumption was up 1.2 per cent to 37.4 kg making 2012 the first increase in total protein consumed since 2007. The wholesale beef index which monitors cutout values relative to domestic consumption (including both retail and foodservice) increased 7.8 per cent from 78.3 to 84.5 (Index 2003 = 100).

In 2013, the Canadian economy saw monthly real GDP growth average 0.3 per cent in the first ten months. Employment growth averaged 8,500 per month down from 25,900 in 2012. While the economy is considered to be sluggish, improvements in household disposable income, up four per cent in the third quarter versus 2012, will support protein consumption.

In the first eleven months of 2013, beef and poultry prices continued to be record high. Beef retail prices were up 2.3 per cent at $14.69/kg and poultry up 1.8 per cent at $7.12/kg. In contrast, pork prices were down 2.4 per cent to $10.00/kg. The beef/pork ratio averaged 1.47 up 4.8 per cent from 2012, while the beef/poultry ratio averaged 2.06 up 0.6 per cent. The higher ratios indicate that beef is more expensive compared to competing meats, pressuring beef consumption. In 2012, beef lost 0.3 per cent of its market share while chicken lost 0.2 per cent and pork gained 0.6 per cent. As feed prices dropped significantly in the second half of 2013, the shorter production cycle of pork and chicken enabled these sectors to respond more quickly with higher production and lower prices. This will further challenge beef's market share.

It is very difficult to project domestic beef consumption. However, with domestic production projected to be down 2.1 per cent, imports will need to increase to maintain consumption. However, beef imports are expected to be down four per cent. This would result in smaller domestic consumption with an adjustment from the high seen in 2012 as consumers supported the industry through the *E.coli* recall. This is similar to what happened in 2003, when consumption increased following BSE but dropped in 2004. Moving into 2014, beef imports will need to increase to offset declines in domestic production (-3.2%).

The US continues to be the top beef supplier to Canada. Its share is expected to be steady in 2013 at 77 per cent. Lean grinding beef is the major product imported from Non-NAFTA countries, but demand from competing importers is expected to limit growth in 2014 imports.

Implementation Plan

Total Budget Canada Programs $1,640,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production of CBA resources.
2	Support communication of beef's premium quality by development of culinary and nutrition related messaging and resources for inclusion in marketing campaigns.
	Budget $65,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Participate in strategically aligned retail and foodservice trade events.
2	Support trade partners educational programs with training and information resources.
3	Sponsorship of up to three influential industry events.
4	Strategic pasture-to-plate missions with key clients.
	Budget $60,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of CBA advertising in key trade media.
2	Distribution of technical and promotional resources to targeted audiences.
	Budget $35,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactics
1	Development of overarching national program with targeted customers focused on specific beef products that drive incremental product value.
2	Act as a catalyst for and facilitate the development, launch and marketing of innovative value-added beef products which contribute to enhancing cutout values.
	Budget $200,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Execute two comprehensive consumer directed brand campaigns through multiple channels including brand licence partners, social and print media, interactive web content and consumer packaged goods partners which leverage consistent brand messaging and reinforce the brand promise to consumers.
2	Partner with national organization to create high visibility and frequency of brand mark with targeted consumer segments.
	Budget $350,000

Pillar: Product and Industry Image

Strategies:

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Leverage the Canadian beef brand mark with strategic trade partners' marketing efforts direct to the consumer.
	Budget $225,000

3.3 Positively impact key consumer influencers with positive messages on (Canadian) beef consumption

	Tactics
1	Collaborate with trade partners' initiatives to extend Canadian beef messaging.
2	Make it Beef.ca platform database management, growth and support.
3	Strategic partnerships and networking with food, media and nutrition influencers on the benefits of beef consumption.
4	Nutrition communications promoting beef's nutrients to key demographics.
5	Communicate beef's premium quality and safety by engaging targeted health professionals via trade events/conferences/seminars.
6	Nutrition communications to key health professionals including doctors and other health professionals focused on heart health and diabetes.
7	Disseminate latest science about beef/health (via Health link, web, journal reprints, and conference materials, other tools for health and nutrition communications).
8	Participate in strategic partnerships and networking opportunities to positively influence attitudes regarding beef's role in a healthy, sustainable diet.
9	Strategic partnerships and networking with food, media and nutrition influencers.
10	Professional translation services that will allow effective communication of key messages and consumer information in a key domestic market (Quebec).
	Budget $485,000

3.4 Enhance the image of the Canadian beef industry (further development of the Canadian beef story, sustainability etc.)

	Tactics
1	Lead development of industry consumer campaigns focused on delivering the Canadian beef story, executed in collaboration with provincial stakeholders.
2	Influence and support partners in efforts of consumer food safety education.
	Budget $170,000

3.5 Conduct consumer purchase drivers/tracking research

	Tactics
1	Consumer attitudes study.
2	Consumer advisory panel.
3	Quantitative consumer research to identify recent consumption and purchase trends.
	Budget $45,000

Pillar: Stakeholder Connectivity and Return on Investment

Strategies:

4.1 Utilize comprehensive communications programs to ensure industry and stakeholder awareness

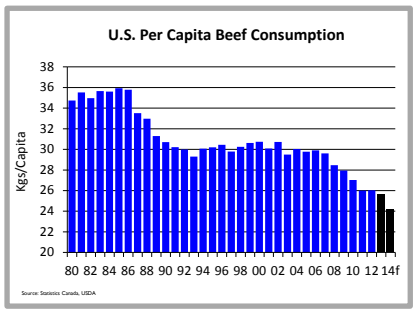
	Tactic
1	Participate and align with key industry networks (such as IMS, Nutrient Rich Alliance, ALMA, etc.) in order to connect and collaborate on key health and nutrition issues that impact beef.
	Budget $5,000

United States

Market Summary

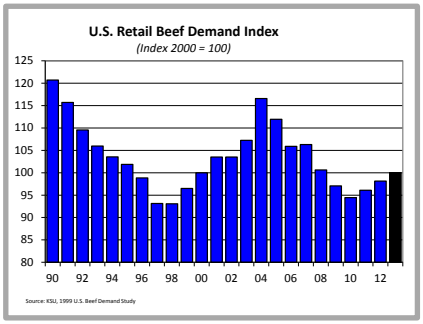
Canada is in an advantageous position located next door to the world's largest beef importer. In 2012, Canadian exported 197,145 tonnes (product weight) of beef to the US accounting for 23 per cent of Canada's domestic production and 73 per cent of beef exports. Accounting for only two per cent of US beef consumption it is difficult to establish market presence. However, there are regional markets where this can be done. These markets are important to the Canadian industry as they typically take cuts that are undervalued in Canada. In 2013, exports to the US are projected to be steady at 197,000 tonnes (product weight) and up 2.6 per cent in value to $897 million, accounting for 23 per cent of Canadian domestic beef production.

Following the severe drought in 2012, US cattle inventories on January 1, 2013 at 89.4 million head were at the lowest level since 1952. Significant improvements in moisture conditions in 2013 improved feed availability, keeping more cattle on pasture and cow slaughter fell sharply in August and September. Beef production in 2013 is projected to be down 0.9 per cent to 25.7 billion lbs. But the US is expected to remain the world's largest beef producer accounting for 19.8 per cent of global production. In 2014, beef production is forecast to be down 5.7 per cent to 24.2 billion lbs.

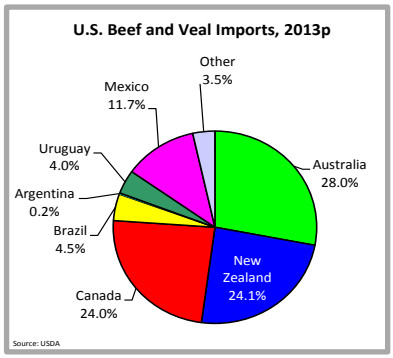


The US real GDP grew by 1.0 to 4.1 per cent in the first three quarters of 2013 with improved employment, increased deposable incomes and rising consumer spending. However, the economy has been weighed down by a number of uncertainties including the fiscal cliff, government budget cuts and the looming debt crisis. The partial government shutdown in October has limited government employee spending and raised uncertainty.

The US is also the world largest beef consumer accounting for 20 per cent of global beef consumption. US beef consumption was steady in 2012 but is expected to be down 0.9 per cent in 2013 to 11.64 million tonnes (carcass weight). Per capita consumption is expected to be down 1.6 per cent to 25.6 kgs (retail weight) in 2013, after being steady at 26 kgs in 2012. This is down 15 per cent from the 94-05 average of 30 kgs. For 2014, per capita consumption is forecast to be down 5.7 per cent to 24.2 kgs (retail weight). The Retail Beef Demand Index was up 1.9 per cent in 2013 continuing its climb since bottoming in 2010. However, this remains lower than the ten year average of 103.4 (2000=100).



Total beef imports are expected to increase one per cent in 2013. Canada's share of the US import market has been shrinking since 2010 and is expected to be 24.0 per cent in 2013. This will make Canada the third largest supplier to the US after Australia (28%) and New Zealand (24%). Significantly larger volumes were imported from New Zealand in 2013 with a favourable exchange rate and larger production as drought in the first half of 2013 increased slaughter numbers. In 2014 USDA forecasts beef imports will be down six per cent.



Total Program Budget U.S. Programs: $379,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactic
1	Production of CBA resources.
	Budget $15,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Engage targeted customers in priority markets/segments via priority trade events (national, regional, distributor, conferences) **events include** – NRA; Unified Grocers Sales Shows; Atlanta Foodservice Expo; Reinhart Show(s); NGA Meat EXPO'14; NAMA Outlook and Management Conferences; AMI Annual Meat Conference**.**
2	Lead two to three effective inbound trade missions for client targets from priority markets in conjunction with packer designates as co-hosts.
3	Maintain and enhance industry association (i.e. AMI; NAMA; MIHOF; California Grocers Association, etc.) relationships via committees and board positions.
	Budget $105,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactic
1	Distribution of technical and promotional resources to targeted audiences.
	Budget $14,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactics
1	Solidify packer alignment and collaboration toward common objectives by engaging sales management and pricing managers. Establish accountability models with packer's sales management that meets their objectives for improved value of Canadian beef priority cuts.
2	Host two packer sales missions for key sales and marketing staff on a cost-shared basis and with precise accountabilities defined in advance.
	Budget $25,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	In market outreach and targeted client development in markets where supply alignment has been established. Prequalification of clients and the development of a calendar schedule of packer/distributor activities will be prerequisite to a large degree while recognizing that opportunities will arise and be pursued.
2	Collaborate with industry and channel partners to add value through innovative marketing and merchandising programs, internal and external CBA training. Initiate Market Development Programs (MDP) with both licensed and non-licensed clients.
	Budget $100,000

Pillar: Product and Industry Image

Strategies:

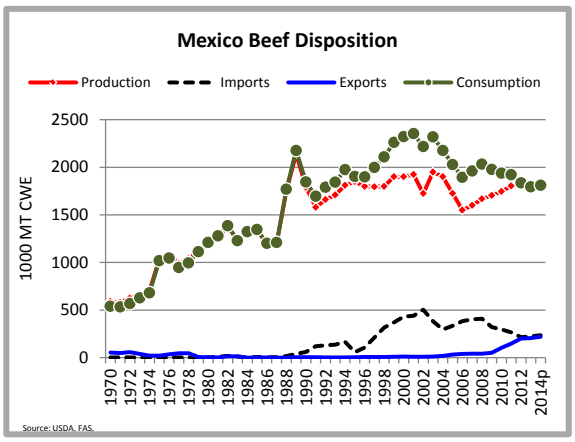
3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Initiate innovative, qualified strategic Market Development Programs (MDP) with both licensed and non-licensed clients.
	Budget $120,000

Latin America *(Mexico, Cuba, Colombia, Panama, Puerto Rico)*

Market Summary

In 2012, **Mexico** was the second largest export market for Canadian beef accounting for nine per cent of the Canadian exports at 24,346 tonnes (product weight). In 2013, Mexico is expected to be surpassed by Hong Kong to be the third largest export market of Canadian beef accounting for only 6.5 percent of exports.



Mexico's GDP is forecast to grow 1.2 per cent in 2013, due to low government spending, decreases in construction and the stagnant US demand for Mexican exports. The inflation rate at 3.92 per cent rebounded in August 2013 after trending lower from May to July. Higher inflation is expected to lowered real incomes and limit consumption.

Drought combined with strong beef prices in 2012 reduced the Mexican cattle herd. Liquidation has slowed in 2013 with improved pasture conditions and lower grain prices. Domestic beef production is projected to be down 2.5 per cent to 1.80 million tonnes in 2013. The industry is focused on improving genetics and management practices to increase productivity and the quality of Mexican beef.

Beef prices have been strong in 2013 with wholesale prices up eight per cent and retail prices up six per cent in the first half of the year. Meanwhile, pork and poultry prices trended lower. Relatively higher beef prices are discouraging consumption. Domestic beef consumption in 2013 is projected to be down 2.2 per cent at 1.8 million tonnes, while the 2014 forecast is up 0.8 per cent. With population growth per capita consumption is projected to trend lower in 2013 and 2014 to range between 15 and 16 kg/person.

Smaller production have decreased supplies by more than the drop in consumption and reduced exports to Russia due to the ractopamine ban. Consequently, beef imports are expected to be up 4.7 per cent to 225,000 tonnes in 2013 and up 4.4 per cent in 2014. With reduced Canadian exports to Mexico market share has dropped from 15% in 2012 to 10% in 2013. However, Canada is expected to remain the second largest beef supplier to Mexico following the US. Exports from Canada are expected to stabilize in 2014 after trending down since 2010.

In 2012, exports to **Cuba** totaled 437 tonnes valued at $3.5 million. In the first 11 months of 2013, exports were up 82 per cent in volume and 24 per cent in value. In 2012, exports to **Colombia** totaled 508 tonnes valued at $1 million. In the first 11 months of 2013, exports are down 27 per cent in volume and 56 per cent in value.

Total Budget Latin America Programs: $348,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactic
1	Reprinting and production of CBA resources including translation services.
	Budget $10,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Engage targeted customers in priority markets/segments via participation at leading trade events in Latin America: Expo Carnes, Antad, Abastur.
2	Lead two to three effective inbound Trade Missions for client targets from priority markets in conjunction with packer designates as co-hosts.
	Budget $110,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactic
1	Distribution of technical and promotional resources to targeted audiences.
	Budget $10,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactic
1	Engage on strategic planning, outreach and collaboration with Canadian Beef exporters, distributors, and government agencies within priority Latin American and Caribbean markets.
	Budget $18,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Ongoing collaboration with Air Canada Vacations/Karisma resorts to drive value and profile of Canadian beef brand at five star resort segments in Mayan Riviera.
2	Further development of existing or new value-added Canadian beef products through retail and foodservice.
	Budget $70,000

Pillar: Product and Industry Image

Strategies:

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Collaborate with brand licensed partners and develop new brand license partnerships to drive Canadian beef programs in retail, foodservice and/or processing segments.
	Budget $100,000

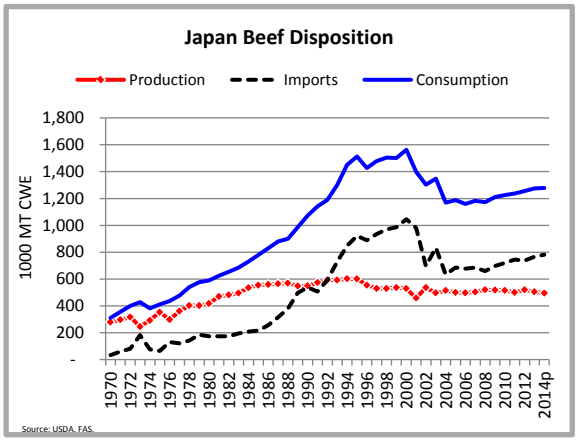
3.3 Positively impact key consumer influencers with positive messages on Canadian beef consumption

	Tactic
1	Engage influential Latin personalities as brand ambassadors to enhance perception and confidence of Canadian beef through trade/educational events or marketing co-investments that can be leveraged via Canada Beef's communication platforms.
	Budget $30,000

Japan

Market Summary

Japan is the world's third largest importing nation with 11 per cent of global trade. Japan also has a high reliance on imports with 60 per cent of beef being imported.



With domestic beef production projected to be down three per cent in 2013 and another two per cent in 2014, demand for imported beef is being driven by the economy, currency fluctuations and supply conditions in the various exporting countries. Japanese consumers are spending more on meat as the economy continues to improve. Beef expenditures were up eight per cent with household consumption up 3.4 per cent in 2013. Consumers are also spending more eating out.

The Japanese economy has been growing under economic reforms. However, concerns loom as Prime Minister Abe announced that his government will raise the consumption tax from the current five per cent to eight per cent in April 2014. This move will address the soaring public debt which is double the annual GDP. But it is a move that may increase the burden on households and slow private consumption. Economists are forecasting that economic growth could slow to one per cent in 2014/15, less than half the pace projected for 2013/14 (+2.8%).

Japanese beef imports in July hit their highest monthly volume in 13 years. Imports from January to August were up 5.2 per cent from 2012 and are the highest since 2003. ***Imports are expected to finish the year up four per cent in 2013 and increase another two per cent in 2014.*** Japan increased market access for Canadian and US beef product in February 2013 easing the age restriction from under-21-month (U21M) to under-30-month (U30M) product. The change in age restriction has not only increased the amount of product eligible for Japan, but significantly increased the amount of AAA and prime beef which is preferred in that market. Since February, imports from North America have significantly increased with the US gaining market share from Australia. Japanese importers have been careful to avoid triggering the tariff-increasing safeguard system for frozen beef. The safeguard is a mechanism agreed upon with Japan in the 1994 WTO Uruguay Round. It gives Japan the option to increase the beef tariff from 38.5 per cent to 50 per cent, for the remainder of the Japanese fiscal year, once the trigger level is exceeded. The Japanese fiscal year runs from April to March, with trigger levels calculated to be 17 per cent higher than imports for the same period in the previous year, calculated on a cumulative quarterly basis and separately for chilled and frozen beef. Trigger levels and imports are calculated on a customs cleared basis.

Imports from North America are forecast to increase in 2014 with solid, albeit slower, economic performance and lower beef prices supporting consumption.

Total Budget Japan Programs: $600,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production and translation of CBA resources.
2	Development and production of meat case promotional resources that support premium positioning and leverage the imagery of Canada.
	Budget $45,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Engage with customers via participation at leading trade events including Foodex.
2	Lead three to four effective trade missions to Canada for client targets from priority markets in conjunction with packer representatives.
3	Execute educational seminars in key market segments with targeted customers.
	Budget $160,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of strategic advertising for targeted trade segments in priority markets.
2	Content enhancement, development and translation for Japan's web and social media platform and communications strategy.
3	Execute a monthly newsletter to industry and media audiences.
	Budget $50,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactics
1	Participate in strategic alignment sessions with Canadian packers and primary importers to identify targeted customers.

2	Host two packer sales missions to Canada for key sales and marketing staff on a cost-shared basis and with precise accountabilities defined in advance.
	Budget $30,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Execute innovative brand marketing initiatives with targeted customers in retail and foodservice segments.
2	Align with Trade Commissioners to maximize impact of broader based Canadian promotional initiatives.
	Budget $195,000

Pillar: Product and Industry Image

Strategies:

3.1 Improve domestic consumer preference for Canadian Beef

	Tactic
1	Utilize Canadian beef mascots in Kid's Academy to generate consumer awareness around quality and safety of Canadian beef.
	Budget $25,000

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Leverage the Market Development Program to enhance the brand with licensed brand partners.
	Budget $75,000

3.3 Positively impact key consumer influencers with positive messages on Canadian beef consumption

	Tactic
1	Execute a media directed public relations campaign with influential media in collaboration with retail partners around the quality and safety of Canadian beef.
	Budget $20,000

Mainland China

Market Summary

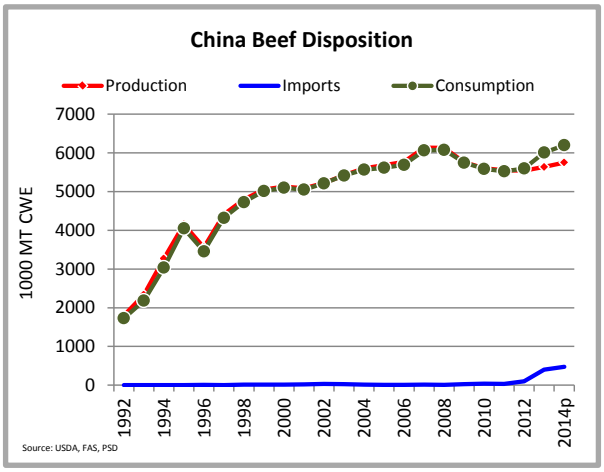
Mainland China has the second largest beef cow herd and is the world's fourth largest beef producing country. Despite this, beef production in China has been trending down from 2007 to 2011 (-10%). Backyard growers leave the industry because of poor margins from high operation costs associated with transportation, labor and feed. The younger generation does not want to continue working in the livestock industry given the high investment and slower return nature of the industry.

Beef consumption is estimated to increase by 25% over the next 10 years providing a strong demand signal. Consequently, government support for genetic improvement and expansion of larger sized commercial farms is expected to support beef production moving forward. In 2013, beef production is projected to be up a modest 1.8 per cent to be 5.6 million tonnes. But this is not enough to fill the growing demand. With larger incomes, consumers in Mainland China have increased protein consumption despite higher prices. In 2013, beef consumption is projected to increase 7.3 per cent to 6.0 million tonnes on top of the 1.3 per cent growth in 2012. This is mainly driven by the middle class. In 2014, consumption is projected to increase 3.2 per cent to 6.2 million tonnes.

Pork continues to be the major protein consumed in China. An outbreak of bird flu dampened poultry demand in the first half of 2013 but it is expected to recover and regain market share in 2014.

Retail beef prices skyrocketed in August 2013 up a dramatic 31 per cent reaching US$9.50/kg. Beef is currently three times more expensive than pork. Urban residences eat six times more beef than rural residence. Eating out has increased 12 per cent annually, with one third of beef consumed away from home, with more fast food options becoming available. Household consumption prefers fresh meat, while imports are mostly supported by banquet demand in large cities. While imports only account for a small portion of beef consumption, they have grown at an astonishing rate in 2013. In the first seven months, imports of frozen beef surged ten-fold compared with the same period in 2012 (the majority of beef imports are frozen). Volumes are expected to remain strong in the fourth quarter as demand from the Chinese New Year kicks in. Sharply higher volumes have been purchased from Australia, Uruguay and New Zealand. However, the export ban on chilled product from Australia in September 2013 will slow their total volumes for the year. New Zealand with a FTA has a tariff advantage at 4% versus everyone else at 12% however most of their product is manufacturing beef.

Major beef suppliers to China are Australia (48%) and Uruguay (25%) as beta agonists are banned. China is now buying almost the same amount of product as the US from Australia. They are the largest market for Uruguay and the second largest market for New Zealand after the US. ***China became the fifth largest beef importing country with imports up 304 per cent in 2013 at 400,000 tonnes, and is projected to be up another 19 per cent in 2014 at 475,000 tonnes.*** Several exporters have shifted to supply this market (Australia, New Zealand, Uruguay) leaving opportunities in other markets.



Total Budget Chinese Programs: $379,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production and translation of CBA resources.
2	Development and production of promotional marketing resources that support premium positioning and leverage the imagery of Canada.
	Budget $55,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Engage with customers to enhance Canadian Beef brand position via participation at the FHC.
2	Conduct effective inbound / outbound trade missions for targeted customers from priority markets in conjunction with packer representatives.
3	Execute educational seminars in key market segments with targeted customers.
	Budget $115,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of strategic advertising for targeted trade segments in priority markets.
2	Content enhancement, development and translation for China's web and social media platform and communications strategy.
3	Execute a monthly newsletter to industry and media audiences.
	Budget $50,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactics
1	Participate in strategic alignment sessions with Canadian packers and primary importers to identify targeted customers.

2	Host packer sales missions to Canada for key sales and marketing staff on a cost-shared basis and with precise accountabilities defined in advance.
	Budget $29,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Execute innovative brand marketing initiatives with targeted customers in retail and foodservice segments.
2	Align with Trade Commissioners to maximize impact of broader based Canadian promotional initiatives.
	Budget $50,000

Pillar: Product and Industry Image

Strategies:

3.1 Improve consumer preference for Canadian Beef

	Tactic
1	Conduct educational events to instill brand loyalty utilizing culinary experts.
	Budget $20,000

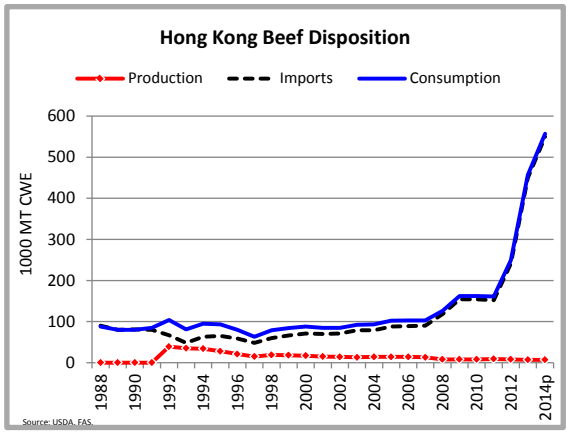
3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Leverage the Market Development Program to enhance the brand position with licensed partners.
	Budget $60,000

Hong Kong and Macau

Market Summary

Hong Kong imports 98.5 per cent of its beef consumption, making it highly reliant on global supplies. In 2012, Hong Kong was Canada's third largest export market representing 7.9 per cent of total exports. In 2013 they are expected to surpass Mexico to become the second largest export market representing 9.5 per cent of total exports.



In 2013, moderate GDP growth has been maintained at 2.9 to 3.3 per cent in the first half, and is expected to finish the year at 3.5 per cent. Unemployment rate remains low at around 3.3 per cent while the inflation rate is stable. While the western economies of the U.S. and Europe remain weak, the outlook for Asian countries is mixed. Hong Kong's growth will continue to be supported by China with increasing tourist, trade and logistic activities.

Hong Kong consumers have a strong preference to fresh meat. Live cattle supplies come exclusively from Mainland China and have been very small in 2013. Consequently, fresh beef supplies have been extremely tight and retail prices have soared by 34 per cent to nearly US$20/kg. High prices have consumers (especially the food service sector) switching to chilled and frozen beef which is imported from US, Canada and Australia. Frozen beef consumption as a percentage of the total increased from 84 per cent in 2011 to 90 per cent in 2012 and is higher yet in 2013. In contrast, pork prices have only increased four per cent with ample supplies. Households tend to buy more fresh pork instead of beef or chicken (which is currently limited due to avian influenza control).

A stable economy, tight local supplies and strong demand is encouraging imports. In the first 11 months of 2013, imports were up 108 per cent with increases from all major suppliers: the US (+166%), Brazil (+135%) and Argentina (+40%) and Australia (+0.4%). Canadian exports were up 46 per cent from January to November but were affected by the decline in offal volumes. Brazil and the US are the largest beef suppliers, accounting for 42 and 41 per cent of imports while Canada accounted for about seven per cent.

Hong Kong opened the market to U.S. bone-in beef from cattle U30M of age and boneless beef from cattle of all ages in February 2013. As of August 1, 2013 Macau will accept US bone-in beef from cattle U30M of age and boneless beef from cattle of all ages. This removes the market access advantage that Canada has had since December 2009, when bone-in beef access was granted. Increased competition will impact exports in 2014 with sharply higher imports of US and Brazilian beef.

Total Budget Hong Kong and Macau Programs: $126,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production and translation of CBA resources.
2	Participate at influential Restaurant and Bar food show.
	Budget $16,000

1.2 Engage targeted customers in priority markets/segments

	Tactic
1	Execute educational seminars in key market segments with targeted customers.
	Budget $15,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of strategic advertising for targeted trade segments in priority markets.
2	Execute a regular-based marketing report and newsletter to industry partners.
	Budget $10,000

Pillar: Market Prioritization and Development

Strategies:

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Execute innovative brand marketing initiatives with targeted customers in retail and foodservice segments.
2	Align with Trade Commissioners to maximize impact of broader based Canadian promotional initiatives.
	Budget $52,000

Pillar: Product and Industry Image

Strategies:

3.1 Improve consumer preference for Canadian Beef

	Tactic
1	Conduct educational events to instill brand loyalty utilizing culinary experts.
	Budget $15,000

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Leverage the Market Development Program to enhance the brand position with licensed partners.
	Budget $18,000

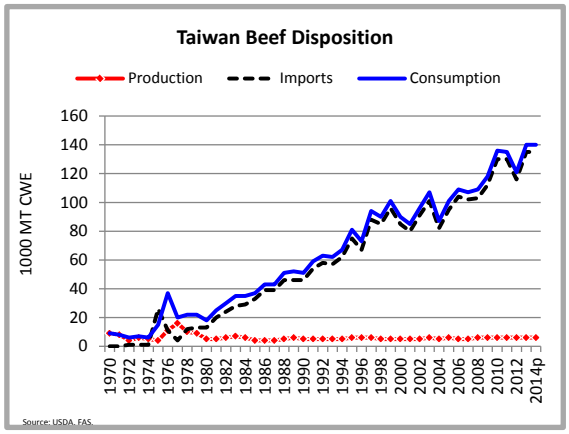
Southeast Asia *(includes Taiwan, Singapore, Vietnam and Philippines)*

Market Summary

Taiwan's economy depends on exports for 50 per cent of GDP. While heavily reliant on US electronic trade incorporation between Taiwan and China IT and tourist industries in recent years, Taiwan's economy is increasingly affected by China. The slower GDP growth in China and a series of fiscal shocks in the US mean Taiwan's GDP is only expected to grow 1-2 per cent in 2013. Consumers are expected to be cautious on their spending and will be looking for cheaper beef products. Also, a stronger new Taiwanese dollar in 2013 will encourage imports.

Taiwan meat consumption at 80 kg/person is higher than other major Asian countries. Protein consumption is dominated by seafood at roughly 45 kg/person, followed by pork at 40 kg/person and poultry at 34 kg/person. Beef consumption is approximately six kg/person with room to grow. The majority (95%) of beef consumed in Taiwan is imported.

While the US was out of the market from March to September 2012 no competitor replaced the reduced volumes, with total consumption mirroring the drop in imports. In September 2012, Taiwan authorities implemented a maximum residue limit (MRL) for ractopamine in beef, expanding market access for several countries which use the product. Imports from the US surged in the last quarter of 2012 and have remained strong in 2013. They are currently on pace to exceed the 2010 record year with the US reclaiming its position as the largest beef supplier. Consumer confidence in the US food safety system did not waver over the ractopamine debate. Many foodservice operators suggest that consumers simply prefer US beef.



In response to the ractopamine MRL establishment, Taiwan authorities implemented a mandatory country of origin labeling regulation exclusively for beef and beef products. The new labeling requirements also extended to packaged food containing beef such as beef noodles and beef jerky. In June 2013, Costco revived their popular Taipei outlet's "100% U.S. Beef" policy. The sustained popularity of US beef indicates that the new labeling requirement has had minimal negative impact.

In 2013, beef imports are projected to be up 16.4 per cent to 125,000 tonnes. In the first half of the year imports are up 18 per cent with the US accounting for 36 per cent, followed by Australia (35%) and New Zealand (23%).

The **Philippines** has the fastest growing economy in Asia with a GDP growth of 7.8 per cent in the first quarter of 2013, compared to China (7.7%), Indonesia (6%), Thailand (5.3%), and Vietnam (4.9 %). The beef herd is characterized by small scale backyard operations, with 99.5 per cent of carabao and 93 per cent of cattle produced in backyard. A steady cattle herd and growing slaughter rate, mean beef production is projected to increase one per cent to 400,000 tonnes (carcass weight) in 2013. Domestic consumption is projected to be steady at 515,000 tonnes (carcass weight).

About 98 per cent of imports are manufacturing grade for processed meat products. India is the largest beef supplier with 37,397 tonnes in 2012, followed by Australia, New Zealand, the U.S. and Brazil. Most of the beef exported from India and Brazil are for further processing. Canada exported 906 tonnes

valued at $2.8 million to the Philippines in 2012. In the first 11 months of 2013, Canadian exports were down 57 per cent in volumes and down 20 per cent in value.

Vietnam has historically been a point for trans-shipments from North America to other Asian countries. In early 2013, Vietnam introduced new regulations for trans-shipped products. The burden of complying with the majority of these requirements falls on Vietnamese companies' trans-shipping the goods. However, exporters should be aware of the new restrictions it places on importers. Canada exported 617 tonnes valued at $3.4 million to Vietnam in 2012. In the first 11 months of 2013, Canadian exports were up 176 per cent in volume and up 346 per cent in value. During the same period, US exports were down 90 per cent in volume and 84 per cent in value.

Indonesian beef consumption is primarily consumed in a traditional noodle and meatball soup. Hearts are priced higher than muscle cuts in this market. There are growing imports going into modern retail chains. In September 2013 the quota on beef imports was removed and fourth quarter imports are expected to be larger than the annual quota. There have been issues with Australia since the animal welfare issue heated up; consequently Indonesia is looking at other suppliers.

Implementation Plan

Total Budget Southeast Asian Programs: $127,000

Pillar: Brand Differentiation

Strategies

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production and translation of CBA resources.
2	Development and production of promotional marketing resources that support premium positioning and leverage the imagery of Canada.
	Budget $15,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Engage with customers to enhance the Canadian beef brand position via participation at the FHA Singapore.
2	Execute educational seminars in key market segments with targeted customers.
	Budget $40,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of strategic advertising for targeted trade segments in priority markets.
2	Execute a regular-based marketing report and newsletter to industry partners.

	Budget $10,000

Pillar: Market Prioritization and Development

Strategies:

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Execute innovative brand marketing initiatives with targeted customers in retail and foodservice segments.
2	Align with Trade Commissioners to maximize impact of broader based Canadian promotional initiatives.
	Budget $30,000

Pillar: Product and Industry Image

Strategies:

3.1 Improve consumer preference for Canadian Beef

	Tactic
1	Conduct educational events to instill brand loyalty utilizing consumer networks.
	Budget $12,000

3.2 Collaborate with brand license holders to leverage brand marketing initiatives

	Tactic
1	Leverage the Market Development Program to enhance the brand position with licensed partners.
	Budget $20,000

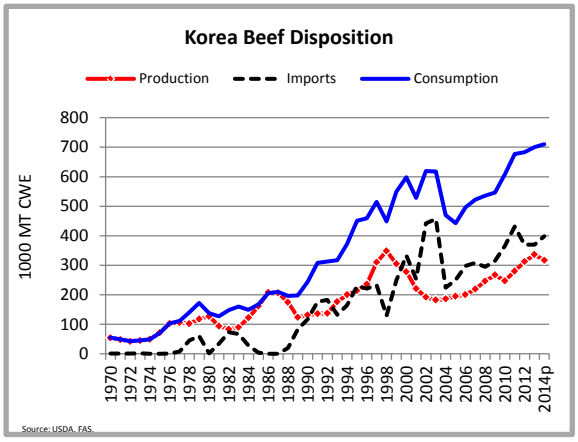
Korea

Market Summary

Korea is the world's sixth largest importing nation with 5.2 per cent of global trade. They also have a high reliance on imports with 52.9 per cent of beef being imported.

GDP growth is projected to speed up in 2014 to 3.5 per cent from 2.6 per cent in 2013. China is a major export destination for Korea after the US. Reduced exports to China as they focus on qualitative growth rather than quantitative is expected to limit the economy. In addition, mounting household debt and deteriorating conditions for employment and investment for companies could dampen domestic demand.

Beef consumption has been growing steadily since 2006. Consumption is projected to be up 2.5 per cent in 2013 at 700,000 tonnes (carcass weight). This would be 13 per cent higher than the 2002 peak. Following the FMD outbreak in 2011 and lower prices there was a government program in 2012 to reduce the national cattle and hog numbers. Domestic production is expected to be up 7.7 per cent in 2013, limiting imports. In 2014, beef consumption is forecast to increase 1.4 per cent to 710,000 tonnes.



In early October, imports from a US plant (JBS Greeley, CO) were suspended after zilpaterol was detected in a shipment. While ractopamine is accepted in South Korea zilpaterol is not. The impact on the market is expected to be limited as Merck pulled the product containing zilpaterol (Zilmax) from the North American market in August. However, it is possible Zilmax is still being fed as product and not recalled and Merck did not require supplies in the market to be returned. This comes at a time when US beef prices are increasing and Korea is reducing its imports with larger domestic production.

Imports from the US were down 23 per cent in volume and up 16 per cent in value from January to July 2013. Canada has had market access to South Korea since January 2012. However, the KORUS FTA provides the US a lower tariff rate making them the preferred supplier. The tariff difference was 5.4 per cent on January 1, 2013 effectively pricing Canada out of the market. This will increase to eight per cent on January 1, 2014 making it increasingly difficult for other countries to compete with the US in this market. Total imports are expected to be steady in 2013 at 370,000 tonnes and up 7.6 per cent in 2014 to 398,000 tonnes.

Total Budget Korean Programs: $60,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production and translation of CBA resources.
2	Development and production of promotional marketing resources that support premium positioning and leverage the imagery of Canada.
	Budget $10,000

1.2 Engage targeted customers in priority markets/segments

	Tactic
1	Execute educational seminars in key market segments with targeted customers.
	Budget $10,000

Pillar: Market Prioritization and Development

Strategies:

2.2 Targeted promotional brand initiatives in priority markets

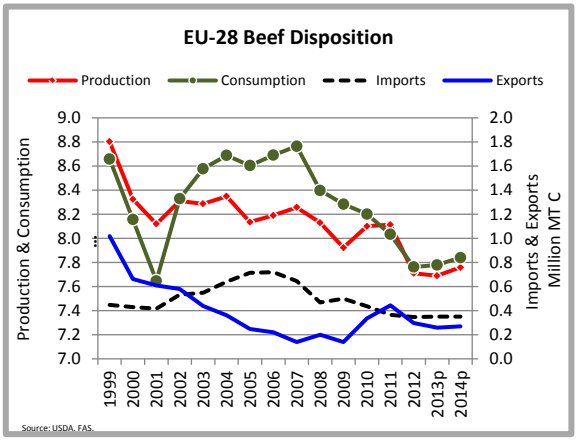
	Tactics
1	Execute innovative brand marketing initiatives with targeted customers in retail and foodservice segments.
2	Align with Trade Commissioners to maximize impact of broader based Canadian promotional initiatives.
	Budget $40,000

European Union, Russia and Middle East and North Africa (MENA)

Market Summary

The **European Union** (EU) cattle herd increased on January 1, 2013 for the first time since 2008 with lower slaughter. The expansion is expected to continue with inventories up 0.5 per cent to 87.1 million head on January 1, 2014. Most of increase comes from higher dairy cow numbers which is projected to be up 0.7 per cent to 23.2 million head accounting for 66 per cent of the total cow herd. As farmers are rebuilding their cattle herd, cattle slaughter has been down 4.3 per cent in the first half of 2013. Production is expected to decline 0.3 per cent to 7.7 million tonnes (carcass weight) in 2013. Beef production is forecast to rebound in 2014 with efficiency gains, lower feed prices and the abolishment of the milk quota in 2015. This rebound will vary from country to country with the Northern countries expected to increase milk production and subsequently beef production. Ireland is the only country expected to increase beef production, with major markets being other EU countries.

Declining supplies have supported cattle prices in the first half of 2013 at record high levels. Rising beef prices have negatively affected beef consumption which is projected to be steady at 7.8 million tonnes (carcass weight). Per capita consumption is projected to be down 0.6 per cent to 15.3 kgs.



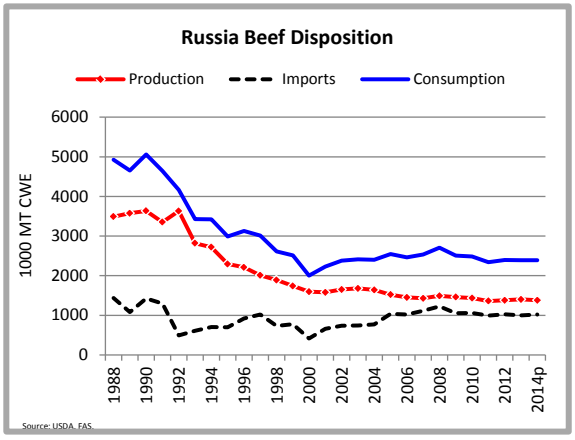
In the first half of 2013, tighter beef supplies were partially eased by larger imports from Brazil, Uruguay, Australia and the US. The expansion of the EU grain-fed beef quota from 20,000 tonnes to 48,200 tonnes (product weight) in August 2012 has been a catalyst for growth in imports. This quota is shared between the United States, Canada, Uruguay, New Zealand and Australia. The quota utilization was 70 per cent in 2012/13 for all countries at 31,200 tonnes. There appears to be room for growth in the coming years with the quota expected to be fully utilized in 2013/14.

Australian exports to the EU have increased 40 per cent in the first half of 2013 with most of that growth being grain-fed product. This has allowed them to expand the cuts they ship to blade (6%), chuck roll (6%), manufacturing beef (6%), striplion (15%), cube roll (8%), and tenderloin (6%). This comes at a critical time when shipments to Japan for these items are decreasing.

Imports are expected to be limited in the second half with strong competition from other importers. Overall, beef imports are expected to be up only 0.6 per cent to 350,000 tonnes and steady in 2014 with small gains in market share for Australia and Uruguay as domestic production increases. Currently major suppliers are Brazil, Argentina, and Uruguay. Larger volumes from Canada will depend upon when the agreement in principle on CETA is ratified in the EU and Canada – expectations are for signing of the agreement in early 2014 and implementation before the next federal election in October 2015. The agreement provides tariff-free access for 64,950 tonnes across three new categories (fresh/chilled, frozen, and high-quality), as well as tariff-free entry for live cattle, genetics and byproducts such as offal, tallow and hides.

Imports represent 4.5 per cent of total consumption making it difficult for any country to establish a presence in the retail market. Consumers have a preference for local product, so retail is not a major outlet for imported prime cuts. Food service and further processing are the major users of beef imports.

Russia is the world's second largest importing nation with 13.9 per cent of global trade. They also have a high reliance on imports with 41.8 per cent of beef being imported. Canadian beef exports have dropped significantly in 2012 and 2013 with the ractopamine ban.



In spite of the increases in domestic production and a ban on ractopamine, meat imports were up in 2012. Total meat imports were up 6.2 per cent at 2.1 million tonnes, and beef imports were up four per cent at 628,200 tonnes. Lower prices for imported product compared with the domestic market, encouraged imports. Lower prices were possible with the removal of the 25 per cent duty when Russia joined the WTO in 2012. Despite lower import prices overall meat prices were higher. When combined with larger volumes this implies growing demand.

Russia takes similar product as China and Saudi Arabia but at lower prices. Major suppliers include Brazil and Paraguay, representing 79 per cent of total imports in the first half of 2013, which don't have access to as many markets as other major exporting countries. Lacking access to other markets these countries are largely price takers in the Russian market. When going to Russia, product must compete with lower priced South American product.

On August 1, 2013, Russia's Liberal Democratic Party introduced a draft law that would mandate detailed **country-of-origin labeling** for all meat products, including poultry and processed meats. Currently consumers cannot find out what beef any given sausage is made of, only the location of the plant it was processed at.

The **Middle East & North Africa** (MENA) is a fast-growing market with a booming population. In 2013 beef consumption in the region is projected to be 4.1 million tonnes up 2.7 per cent from 2012 and almost doubles the 2001 level. Beef and buffalo production has been relatively steady at 2.7 million tonnes up 1.3 per cent from 2012. Beef imports (excluding live cattle) are projected to be up 5.5 per cent to 1.3 million tonnes (carcass weight) in 2013, accounting for 33.7 per cent of the region's consumption. Egypt is the largest beef importer in the region in 2012 followed by Saudi Arabia, Iran, Jordan, UAE and Turkey.

As a price sensitive market, MENA sources the majority of their beef imports from Brazil and India. In the wake of the BSE case in Brazil, Saudi Arabia banned Brazilian beef products in late 2012 and have been sourcing product from other countries, primarily Australia. Canadian beef exports to the MENA region in the first 11 months of 2013 have surpassed the 2012 annual total and reached 3,590 tonnes as UAE and Saudi Arabia agreed to accept OTM beef in 2012. Exports to **Saudi Arabia** increased more than ten times year to date in 2013, accounting for 37 per cent of Canada's export to the MENA region. **Egypt** continues to be Canada's largest beef export market in the MENA accounting for 58 per cent of the region.

Total Budget European Union/Middle East/Russia Programs: $340,000

Pillar: Brand Differentiation

Strategies:

1.1 Enhancement and development of CBA (Canadian Beef Story) key messages and resources

	Tactics
1	Production of CBA resources including translations.
2	Development and production of meat case promotional resources that support premium positioning and leverage the imagery of Canada.
	Budget $45,000

1.2 Engage targeted customers in priority markets/segments

	Tactics
1	Participate in two selected international trade events in the Middle East and Europe: Gulfood and SIAL.
2	Conduct incoming trade missions with targeted priority customers.
3	Conduct technical seminars with targeted trade customers to communicate CBA attributes and competitive advantages compared to competing products.
	Budget $120,000

1.3 Enhance existing communication and distribution platforms ensuring impactful communication of CBA messaging to targeted trade clients

	Tactics
1	Placement of strategic advertising for targeted trade segments in priority markets.
2	Distribution of technical and promotional resources to targeted audiences.
	Budget $30,000

Pillar: Market Prioritization and Development

Strategies:

2.1 Align with supply chain partners in target markets

	Tactics
1	Engage with Canadian packers and exporters to share market intelligence and insights, and to align exporter opportunities to targeted retail, foodservice and processing customers.
2	Promote value-added Canadian branded beef and veal products with targeted customers.
	Budget $25,000

2.2 Targeted promotional brand initiatives in priority markets

	Tactics
1	Collaborate with brand license partners to market branded Canadian beef and veal programs in the retail and foodservice segments.
2	Align with Trade Commissioners to support broad based Canadian food promotions.
	Budget $120,000

Canada Beef Inc. Operating Budget

April 1, 2014 to March 31, 2015

Canada Beef Inc					
Operating Budget for the year ended March 31, 2015					
Revenue					
	CCMDC				$ 5,600,000
	NCO				4,354,000
	Import Levy				500,000
	Others				50,000
					$ 10,504,000
Expenses					
		Programs	**Overheads**	**Market Representation**	**Total**
	Global	$ 1,102,000	1,615,000		$ 2,717,000
	USA	379,000	221,000		600,000
	Japan	600,000		354,000	954,000
	Korea	60,000		-	60,000
	Latin America	348,000	122,000	227,000	697,000
	China	379,000		197,000	576,000
	Hong Kong	126,000		241,000	367,000
	S.E. Asia	127,000		66,000	193,000
	Middle East/Europe	340,000	119,000		459,000
	Opportunity	190,000			190,000
	Canada Programs	1,640,000			1,640,000
	Canada Staff & Office Costs		2,051,000		2,051,000
		$ 5,291,000	$ 4,128,000	$ 1,085,000	**$ 10,504,000**
					-
Surplus/(Deficit)					**$nil**

Canada Beef Inc													
Operating Budget for the year ended March 31, 2015													
	Proposed Spending			**Proposed Revenue by Source**									
				Check Off, Reserves & Others					Legacy			Total
	Programs	**Overheads**	**Total**	**Check off**	**Reserves**	**Others**	**Import Levy**	**Total**	**CCMDC**	**AIBMDF**	**Total**	
Global	1,102,000	1,615,000	2,717,000	679,250				679,250	2,037,750		2,037,750	2,717,000
USA	379,000	221,000	600,000	150,000				150,000	450,000		450,000	600,000
Latin America	348,000	349,000	697,000	174,250				174,250	261,750	261,000	522,750	697,000
Japan	600,000	354,000	954,000	238,500				238,500	265,500	450,000	715,500	954,000
Hong Kong	126,000	241,000	367,000	91,750				91,750	180,750	94,500	275,250	367,000
China	379,000	197,000	576,000	144,000				144,000	147,750	284,250	432,000	576,000
Korea	60,000	-	60,000	15,000				15,000	-	45,000	45,000	60,000
S.E. Asia	127,000	66,000	193,000	48,250				48,250	49,500	95,250	144,750	193,000
Middle East/Europe	340,000	119,000	459,000	114,750				114,750	89,250	255,000	344,250	459,000
Opportunity	190,000		190,000	47,500				47,500	142,500		142,500	190,000
Canada	1,640,000	2,051,000	3,691,000	2,650,750		50,000	500,000	3,200,750	490,250		490,250	3,691,000
	5,291,000	**5,213,000**	**10,504,000**	**4,354,000**	**-**	**50,000**	**500,000**	**4,904,000**	**4,115,000**	**1,485,000**	**5,600,000**	**10,504,000**

Canadian Beef Breeds Council Marketing Strategy

Executive Summary

The emphasis placed on the seedstock (genetics) sector of the livestock industry is higher now than it has been in decades. The Canadian cattle and beef industry market themselves internationally as suppliers of a high quality product and often recognize the world leading genetics as the basis. In a forthcoming era where the use of pharmaceutical products on cattle will be restricted, not by scientific measures, but by global consumer demand, the importance placed on genetic selection will become increasingly important. While remaining mindful of the end user, it is our responsibility as the seedstock sector to ensure we select cattle using the best available tools and management practices. At the same time cattle need to remain functional and farms profitable. This genetic advantage will 'set the stage' for our cattle and beef industry to successfully compete for market share domestically as well as internationally.

CBBC member breed associations exist to provide registered seedstock for the Canadian cattle industry and place a priority on the domestic market. The Council will be dedicating significant effort during the tenure of this plan to enhance visibility and promotion of Canadian beef cattle genetics within our own country. Equally, the International market offers an opportunity to capitalize on our investment in genetic improvement and increase the profitability of our sector through diversification into markets with greater growth potential.

CBBC's members are engaged in projects that fund research and genetic development to address the need to identify economically viable genetic traits. These projects spur innovation, develop partnerships with academia, inform public policy, raise the profile of genomics among industry leaders, create new exiting products tools and processes, and also prove the value of genomic applications in the marketplace. The addition of a new Director of Scientific Advancement to the CBBC staff will specifically coordinate activities between CBBC and its members to better allocate both the funding but also the time commitment to these endeavors.

This plan recognises that we must continue to commit efforts towards maintaining our lucrative traditional and established markets while, in tandem, looking at new markets elsewhere as a strategy for market diversity, growth and sustainability. The industry is, in part, dependent on particular breed-specific markets that are significant to our members.

The activities identified in this year's plan were carefully selected by the CBBC Market Development Committee to determine the most effective and focused usage of Legacy funds. Activities were scrutinized on the basis of return on investment through potential sales in priority markets. An example of an innovative activity is a pilot project being considered together with Alberta Agriculture and Rural Development for a beef cattle ranch in Saudi Arabia.

As with previous plans, market development activities of breed associations and associate members consists of inbound and outbound missions, attendance at exhibitions and industry events. Also as in previous years, we seek support for after sales training and support – ensuring that the genetic stock that are sold in overseas markets are properly expressed through correct feeding, husbandry and breeding practices.

Genetics Environmental Scan 2013

Canadian Beef Cattle Genetic Exports

Value (Million $)	2007	2008	2009	2010	2011	2012	2013p ǂ
Breeding Cattle	$12.00	$33.10	$8.92	$8.00	$13.86	$9.11	$5.49
Semen	$3.98	$3.89	$5.46	$10.30	$9.43	$6.64	$6.97
Embryos	$3.60	$4.02	$1.11	$2.07	$2.43	$2.64	$2.45
Total	***$19.58***	***$41.01***	***$15.48***	***$20.37***	***$25.69***	***$18.38***	***$14.91***
Volume							
Breeding Cattle (head)	4,843	16,606	4,621	3,387	4,975	3,234	1,600
Semen (units)	316,275	403,601	111,775	250,038	541,256	917,738	963,400
Embryo (units)	6,771	5,229	4,833	4,894	3,658	3,611	3,105

Source: CFIA, Statistics Canada, Canadian Embryo Transfer Association (CETA)
ǂ 2013 data is estimated based on Jan-Aug YTD data (2012 per unit values) however final numbers are expected to be higher.

The following analysis is based on trade data from Statistics Canada and CFIA for beef breeding cattle and semen, and the Canadian Embryo Transfer Association (CETA) data are used for beef embryo exports. The 2013 data is preliminary with the totals expected to increase as final numbers are reported. Canadian data is thought to be under-reported with import country statistics showing higher volumes and values going into individual countries. Therefore, it is important to focus on overall trends and not individual data points.

In 2012, beef genetic exports totaled $18.38 million down 28 per cent from 2011; with 3,234 head of live breeding cattle valued at $9.11 million, 917,738 units of semen valued at $6.64 million and 3,611 embryos valued at $2.64 million. Canada exported live cattle from 19 breeds into 5 markets, semen from 22 breeds into 50 markets and embryos from 15 breeds into 24 markets.

In 2013, beef genetic exports are projected to reach $14.91 million down 19 per cent from 2012; with 1,600 head of live breeding cattle valued at $5.49 million, 963,400 units of semen valued at $6.97 million and 3,105 embryos valued at $2.45 million. From January to August 2013, live breeding exports are down 50 per cent in volume, semen exports are up five per cent and embryo exports are down 14 per cent. Year to date Canada has exported live cattle from 17 breeds into two markets, semen from 17 breeds into 25 markets and embryos from six breeds into 11 markets.

Market Access Update

The Government of Canada and the European Union (EU) reached an agreement in principle for a Comprehensive Economic and Trade Agreement in October 2013. Canada is expected to gain unlimited duty free access to the EU with live cattle and genetics. While this represents an opportunity for genetic exports, the agreement may take two years before being implemented.

Live Breeding Cattle

In 2012, beef genetic exports totaled 3,234 head valued at $9.11 million, down 35 per cent in volume and 34 per cent in value from 2011. The largest volumes went to the US (1,837 head), followed by Russia (644 head), Kazakhstan (630 head) and Mexico (86 head).

From January to August 2013, exports are down 50 per cent in volume and 40 per cent in value from the same period last year. The US and Mexico have dominated the market with 54 per cent and 46 per cent of the total volume respectively. Russia and Kazakhstan went from the second and third largest destinations in 2012 to not registering any export volumes in the first eight months of 2013.

In 2013, live breeding cattle exports have been dominated by Angus (76%) followed by Piedmontaise (7%) and Simmental (6%), a shift from Angus (46%), Hereford (19%) and Crossbred (18%) in 2012.

Live Breeding Cattle: Breeds Exported from Canada by country of Destination

2012	United States (57%)	Kazakhstan (19%)	Russia (20%)	Mexico (3%)
	Angus (48%) Crossbred (14%) Simmental (10%) Hereford (10%) Charolais (5%) *And 13 other breeds*	Angus (53%) Crossbreds (47%)	Hereford (63%) Angus (37%)	Angus (52%) Hereford (26%) Simmental (14%) Braunvieh (7%) Charolais (1%)
2013	United States (54%)	Mexico (46%)	-	-
	Angus (56%) Piedmontaise (13%) Simmental (12%) Hereford (5%) *And 14 other breeds*	Angus (98%)	-	-

**Percentages do not add to 100% because of crossbreds/unknown breeds.*

The US has historically been the primary destination for Canadian breeding cattle exports. After a decade of liquidation, the size beef cattle herd is expected to stabilize given the improved moisture conditions. As a result, breeding cattle demand in the US is expected to rise in the next couple years, which will be favorable for Canadian exports.

Mexico is also looking to rebuild their cattle herd with a focus on increasing productivity through improving genetics and management practices. While the most suitable (heat tolerant) genetics are found in the south, newer genetics such as Angus, Limousin, Simmental and Charolois are being introduced in the northwest arid and semi-arid regions.

With solid demand from the US and Mexico, Canadian producers may continue to focus on the North American markets moving into 2014.

Russia's live cattle imports have been supported in recent years with a series of government programs to stimulate livestock development. The majority of live cattle imports were from the US (54%), Australia (27%) and EU (18%). Canada only accounted for one per cent of Russia's total live cattle import values in 2012 and has not exported any beef breeding cattle in 2013. Russia's total live cattle imports have been slow in 2013 as many large buyers have reached credit limits which constrained future herd expansion through imports. In July 2012, the Russia Government adopted the State Program for Development of Agriculture and Regulation of Agricultural Commodities Markets in 2013-2020. About US$10 billion are expected to be allocated for livestock development over the next seven years. The program will continue to provide incentives for genetic improvement. Canadian breeding cattle have a much higher unit price of $4,217 per head going to Russia compared to $2,285 per head going to the US, making Russia an attractive market for Canadian producers.

Semen & Embryo Exports

Semen and embryo exports accounted for 50 per cent of the total beef cattle genetic export value in 2012, up from 46 per cent in 2011 and 22 per cent in 2008. Compared to live cattle, semen and embryo

exports are less restricted by logistic factors and have a much lower transportation cost. With emerging markets such as Brazil, China and Russia look to improve beef cattle genetics, semen and embryo have an important role to play in generic trade.

In 2012, ***Semen*** exports totaled 917,738 units at $6.64 million up 70 per cent in volume but down 30 per cent in value. Year to date in 2013, semen exports are up five per cent in volume and value from last year.

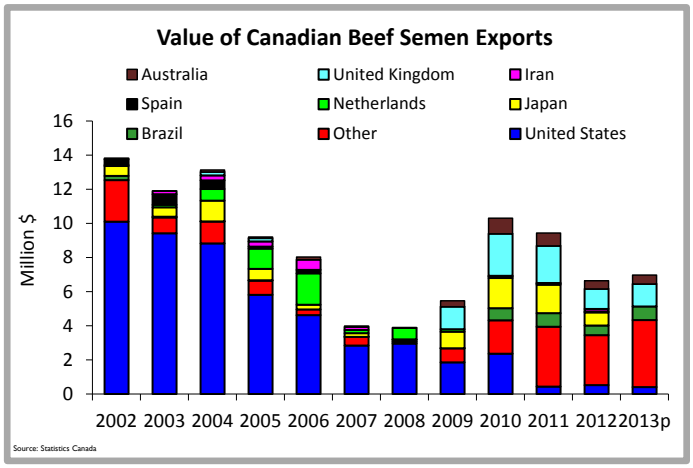
The top five markets for semen in 2013 have been Brazil (55%), Russia (18%), the US (5%), Argentina (5%) and Mexico (4%) as compared to Brazil (37%), China (36%), the US (6%), Mexico (3%) and Russia (3%) in 2012.

In 2013, semen exports continued to be dominated by Angus with 83 per cent of the total volume, followed by Simmental (6%) and Herefords (4%) while 14 other breeds represent the other seven per cent of the total volumes. This compared to Angus (45%), Simmental (38%) and Hereford (5%) in 2012.

Semen: Breeds Exported by Country of Destination

2012	Brazil (37%)	China (36%)	United States (6%)	Mexico (3%)	Russia (3%)
	Angus (90%) Hereford (4%) Simmental (1%)	Simmental (92%) Charolais (4%) Angus (4%)	Angus (43%) Simmental (15%) Gelbvieh (6%) Hereford (6%) *And 14 other breeds*	Angus (46%) Crossbred (17%) Brown Swiss (beef) 15%	Angus (63%) Brown Swiss (beef) 17%
2013	Brazil (55%)	Russia (18%)	United States (5%)	Argentina (5%)	Mexico (4%)
	Angus	Angus (99%)	Angus (31%) Simmental (28%) Crossbred (15%) Gelbvieh (10%)	Angus (94%) Hereford (6%)	Simmental (47%) Hereford (36%) Angus (11%)

**Percentages do not add to 100% because of crossbreds/unknown breeds.*



While semen export sales have distinct volume and value markets, there has been a shift from value-dominated to volume-dominated markets in recent years. North America was the most significant value market with more than 75 per cent of total export value back in 2003 when Canada did not have access for live breeding cattle. Since access for live breeding cattle has been obtained there has been a shift in with semen and embryo exports to the US being replaced with live breeding cattle. Subsequently, the semen export markets have diversified with North America's share dropping to eight per cent in 2012.

In contract, South America and Asia which are known as volume markets have emerged as major destinations for Canadian beef cattle semen exports. In 2012, Brazil and China represented more than 70 per cent of total export volumes. Such structural change has resulted in a 30 per cent decline in total export values in 2012 while volumes surged 70 per cent.

In 2013, 55 per cent of Canada's exports are destined for Brazil but exports to China have been thin. The Chinese cattle semen market is currently dominated by domestic supplies while imports only account for 10 per cent of market share. The US and Canada are the major suppliers followed by Germany and Australia. Despite government subsidies, imported semen is more expensive than domestic products and therefore only competitive in the high-end market. With continued government support, the market share of import supplies is expected to expand to 15-20 per cent by 2016. Moving forward, Brazil, Russia and China will continue to offer great opportunities for Canadian semen exports with continued investment in genetic improvement in these counties.

Overall, Canada was the second largest exporter of bovine semen (including dairy semen) in 2012, accounting for 26 per cent of global trade value. Major competitors include: the US (36%), Netherland (10%), United Kingdom (6%), Germany (5%) and France (3%).

Embryo exports in 2012 totaled 3,611 units at $2.64 million, down 1.3 per cent in volume but up 8.6 per cent in value. Statistics Canada data (including dairy) from January to August 2013 is down 14 per cent in volume and seven per cent in value. However, there is a significant amount of trade that occurred in the fourth quarter when many events occurs (e.g. Canadian Western Agribition, Farmfair International, the Royal Agricultural Winter Fair).

Canadian embryo exports do not depend on a specific country as the top markets change from year to year. In 2013, the top five markets have been Russia (37%), Germany (14%), Netherlands (12%), the US (11%) and the United Kingdom (8%) as compared to the US (23%), Australia (19%), Netherlands (11%), Kazakhstan (7%) and Russia (6%) in 2012.

In 2013, embryos exports have been dominated by Hereford (43%), Crossbred (37%) and Angus (10%). This compares to Angus (47%), Crossbred (26%) and Hereford (15%) in 2012.

Embryos: Breeds Exported from Canada by 5 Country Destinations

2012	United States (23%)	Australia (19%)	Netherlands (11%)	Kazakhstan (7%)	Russia (6%)
	Angus (59%) Simmental (10%) Shorthorn (9%) Hereford (7%)	Crossbred (36%) Speckle Park (29%) Simmental (25%)	Angus (67%) Crossbred (21%) Hereford (12%)	Hereford (60%) Angus (40%)	Hereford
2013	Russia (37%)	Germany (14%)	Netherlands (12%)	United States (11%)	United Kingdom (8%)
	Hereford	Crossbred	Crossbred (72%) Angus (72%)	Angus (61%) Hereford (20%) Simmental (15%)	Crossbred (71%) Shorthorn (29%)

**Percentages do not add to 100% because of crossbreds/unknown breeds.*
***Source: CFIA*

Genetics Marketing Programs

The following Annual Market Development Plan details the various activities that CBBC and its members will undertake over the coming fiscal year 2014/2015. This plan is based on the priorities identified for the second year of the three-year strategic framework (see appendix).

A significant portion of this plan is based on input from the breed associations and exporters that make up the Council's membership. This involved a lengthy process that included interviews followed by an extensive review of requests for market development assistance.

The overriding goal or long term result of this plan is to support the development of:

"A profitable, sustainable Canadian industry that results in the Canadian beef industry and cattle being recognized as the most outstanding by Canadian and world customers"

Key market development/growth constraints and the role of CBBC

As part of the initial interview process, members provided information on their key internal and external constraints (i.e. weaknesses and threats) to sustainable market growth and development of the Canadian beef cattle genetics. As well, a number of strengths and associated opportunities were also identified. The table below describes these identified strengths, weakness, opportunities and threats.

Table 8: SWOT Analysis of Sector by CBBC Members

INTERNAL		EXTERNAL	
Strengths	Weakness	Opportunities	Threats
Superior genetics product	Low capacity to supply	Enforcement of APA	Complex health protocols/testing costs
Canada's reputation in the world	Costs of production	Focus on quality and premium branding	Geographic/breed limits
	Lack of market intelligence/qualified trade leads	More open economies	Complex rules, regulations for market access
	Lack of enforcement of APA		Graft and corruption in some export markets
	Weak link to CFIA		Weakening beef demand
	Weak long term sales support		Highly competitive export market
	Cost structure limits market segmentation/diversity (cannot compete in less developed markets)		Subsidy programs in foreign markets and amongst competitors
	Fragmented industry		Tariff and non-tariff trade barriers
	Redundancies and overlap by industry support organizations (e.g. CBBC, CBI, CGLA, Agribition, etc.)		Economic Recession

Two priority services conducted by CBBC:

1 Representing CBBC membership's interests and concerns on provincial and federal government and industry bodies including government agencies responsible for animal health, food safety, competiveness (including research) and market access; and
2 Provide assistance with gaining access to government grant programs

This market development plan responds to these comments by emphasizing these roles of the CBBC.

Application, Approval and Agreement- Market Development Support for CBBC members

One of the functions of the CBBC is to act as a conduit for Legacy Fund market development support to the breed associations that represent Canada's producers of purebred genetics, as well as service providers (exporters, fair organizers, etc.). CBBC has represented its members, providing a "flow-through" mechanism so that members may access market development funding support from the CCMDC Legacy Fund. This process includes more rigor and accountability into the application, approval and implementation processes – seeking a more results-oriented approach to the management of the fund and the activities that it supports.

Key features of this plan include:

Promotes results oriented, quality market development activities with greater, performance-based reporting mechanisms…

A portion of CBBC's market development plan involves requests for support from its member breed associations and associate members. A new process was introduced in the first year of the three-year strategy, which demands that applicants for market development support must pay closer attention and focus on the expected results of their market development activities rather than just completing the activity. As these activities have always been cost-shared between the member and the fund, there has always been some level of assurance that the activity is in the best business interest of the member. New mechanisms including an application form along with a grant agreement shall improve assurances of this. Both the application form and grant agreement require activity results targets be estimated and specified for approval of the application. Moreover, as part of the monitoring and evaluation processes, information on these results must be reported in sufficient detail and with sufficient explanation (particularly if targets are not met) in order to trigger the release of the grant support and any successive funding of other future market development activities.

The application form also requires more substantive information about the planned activity including the level of due diligence taken by the member regarding the potential market opportunity, the skills and capacities of those that will take part or lead the activity, capacity to supply if there is a sales target attached to the activity and the level of coordination/collaboration with other members and or Canadian beef groups and organizations.

Flexible, agile and responsive to changing business environment, iterative...

The business environment under which our members operate is dynamic and change occurs regularly. As such, a key feature of this plan, as requested by our members, is that it remains flexible to new and important opportunities that may surface over the course of the year. As it is CBBC's overall intent to remain responsive to the changing market conditions of its members and to remain flexible so that the market development support can adapt to emerging opportunities, a mid-year review of project activities will be undertaken. At this time and in keeping with our results-based principles, we will review

this market development plan with our members and evaluate and approve any well defended requests for adjustments to their current market development activities.

Additionally, and as part of a results based approach, this mid-term review shall also be iterative in nature, assessing the performance of the various activities undertaken during the first half of the year and building a knowledge base of what works and what does not. This will inform future annual planning, activity selection and implementation.

Based on a longer time horizon...
This plan is premised on a three-year market development strategic framework. This offers a longer time span to generate, evaluate and assess the results of the market development activities, thereby increasing the opportunity for improved program planning and implementation.

Establishing indicators and setting benchmarks...
This is the second year of the implementation of the three-year market development strategic framework. Benchmarks on key performance indicators will be established following the completion of the first year activities, which will be used by CBBC as the baseline for future international market development.

It should be noted that the strategy uses both leading and lagging indicators for both short term (e.g. qualified leads) and medium term (e.g. sales) expected results outcomes. Moreover, medium term results outcomes may not only be attributable to activities described in this work plan but may also be the result of market development activities undertaken in the past. This emphasizes the importance of setting annual benchmarks for both leading/lagging and short term/medium term indicators.

Focuses on priorities and encourages industry unity...
This plan focuses CBBC's market development activities not only on market development but also industry unity and health. The Canadian Beef Advantage (CBA) figures prominently in this plan as a branding tool to be used internationally (but also domestically) to promote greater unity and cohesion of the industry as a whole. This is important to CBBC and to its members – without this kind of unity, growth will be limited by the individual market development activities of the individual breed associations and exporters. With improved consistency in messaging through the CBA, market development activities will offer broader range of benefits for the industry as a whole without negatively impacting the different organization(s) undertaking their individual market development activity.

A note on CBBC, its members and market development results…
The reporting process seeks a results-oriented focus on market development activities managed by CBBC (including CCMDC funds). The goal of the plan, as described above, is to promote and encourage a profitable, sustainable industry that is recognized as outstanding by both domestic and international consumers. A key measure of success of market development activities managed/organized by CBBC and its members is increased profits – primarily through increased sales revenues in both mature and new markets and, to some extent, by reducing fixed and variable operating costs (market access, etc.). The challenge is that the level of profitability is ultimately determined by the producers – not by the breed associations that make up CBBC's regular membership and that undertake the market development activity. These activities are arm's length away from the producer so the "locus of control" on returns and profitability is removed from those that are undertaking market development. The Associations do not make decisions for the producers and it is up to the producer to respond to

opportunities presented to them. While sales figures and qualified leads are key indicators under this plan, the distance from producer-level business decision-making must be noted.

A newly formed "CBBC Niche Breeds Committee" will address domestic and international issues faced by breed associations with 2000 registrations or less. The Animal Pedigree Act and implications of potential changes will be discussed as well as opportunities to work collaboratively on key issues.

Objectives & Key Priorities

To reiterate, the objective of this market development plan is to bring about sustainable growth of the beef cattle purebred genetics sector. To achieve this objective, this plan focuses the work of the CBBC on the three goals of the beef cattle industry described in Section 4 and mandated by the CCMDC. This plan also seeks to establish and strengthen CBBC's position as a representative and hub of information for Canada's purebred beef genetics sector.

To concentrate its efforts, the CBBC has identified six (6) markets of focus for its international market development work. They are:

- USA
- EU
- Mexico
- Kazakhstan
- Russia
- China

The export markets listed above were identified by our members as priorities during the initial market development interviews. These markets were ranked the highest in terms of market potential and importance to their businesses. We believe that our members are in the best position to make these assessments and set these priorities as they know which markets offer the greatest potential for growth.

Moreover, the selection of these six (6) strategic markets serves two, complementary motivations:

1. To preserve or maintain current market share in mature or well developed markets (USA, and Mexico); and
2. To generate industry growth through entry and expansion into new and emerging markets (in the EU, Kazakhstan, Russia and China).

Note that, while these are markets of focus for CBBC's international market development activities, other markets will also be supported under this plan. The following activities describe how CBBC will seek to support these objectives in these priority markets over the course of fiscal year 2014/2015.

Activity Description

Activities planned under this market development plan are summarized in the table below. Detailed descriptions for each activity follow this table.

Summary of Activities and Funding Requirements

Activity Number	Activity Name	Legacy Funds Required	CBBC Counterpart
Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition			
101	Develop a CBBC Communication & Education Strategy and Action Plan	$	$
102	Continue to promote the proper use of CBA amongst CBBC members	$37,000	$37,000
103	Promote breed registration	None - CBBC Core Funding	
Goal #2: Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products			
201	Representation – Market Access and Competitiveness	$45,000	$45,000
202	Annual market development activity planning	None – CBBC Core Funding	
203	Implementing market development activities	$382,000	$382,000
204	Market intelligence training	$11,850	$11,850
Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values			
301	Representation: Research and Development	None – CBBC Core Funding	
302	Encourage breed improvement	$36,800	$36,800
303	Discourage product devaluation	None – CBBC Core Funding	
304	After sales buyer support and training	$86,000	$86,000
305	Breed registration	Covered under Activity 104	
	Administration	$200,000	$200,000
	GRAND TOTAL	**$798,650**	**$798,650**

NOTE:

1. The allocation of funds to Goal #1 – building awareness for a Canadian beef identity – do not accurately reflect the total contribution to this objective. If the objectives under Activity 102 and Activity 202 are achieved, Activity 203 will also contribute to this awareness raising, particularly amongst international buyers of purebred beef cattle genetics.
2. Fund Administration costs are included in the above figures.
3. International travel of CBBC staff/personnel is included under Activity 203.

Activities - Series 100

ACTIVITY 101					
Goal	Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition				
Track	**Domestic Awareness/International Awareness/Protecting the CBA Brand**				
Strategy	**1A:** Increase awareness and understanding throughout the entire Canadian beef value chain (and its relevant organizations) of the importance of purebred beef cattle genetics to Canada's international and domestic beef cattle markets **1B:** Develop awareness and understanding, in priority export markets, of beef cattle purebred genetics industry through support and promotion of the CBA brand **1C:** Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA				
Activity Name	Develop a CBBC Communication & Education Strategy and Action Plan	Funding Requirements	Event & Promo Material Costs – Legacy Fund: $0	Timing	Apr 2014 – Mar 2015
Activity Description	Prepare and implement a comprehensive internal and external communication strategy and plans that focuses on the following objectives: 1. Raise domestic awareness about CBBC and the value of Canadian purebred genetics to the Canadian beef cattle value chain including consumers 2. Raise international awareness about CBBC and the quality and value of Canadian purebred genetics 3. Encourage more cohesive and consistent messaging - particularly internationally – about the Canadian Beef Advantage 4. More firmly establish the CBBC as a hub for information exchange and education on Canada's purebred genetics industry *External Communication:* The plan will centre on three external communication tasks: 1. Design and develop stock CBBC/CBA publications and promotional material that provide information regarding the Canadian purebred beef cattle genetics value proposition, including the Canadian Beef Advantage. The material will be designed for use by both CBBC members and staff at trade events including trade fairs, breed congresses and other breed-specific events, on trade missions and any other appropriate promotional opportunities. 2. Identify and organize opportunities for collaboration and coordination with other beef cattle industry groups and associations with similar mandates and similar activities to raise awareness of the CBA (e.g. Canada Beef Inc.). Through joint planning exercises, organized by CBBC, effort will be taken to coordinate these activities to minimize redundancy and/or overlap. 3. Review and spearhead an industry-wide response system to industry crisis (e.g. E. Coli outbreak, BSE, etc.) to minimize misinformation and ensure a clear, consistent and transparent response that is delivered efficiently and confidently to the market. 4. CBBC has formed a "Niche Breed Committee" for all breed associations with less than 2000 registrations. This will include non-member associations as well as members. The committee will be addressing issues being faced by these breeds including the next developments with respect to the *Animal Pedigree Act.* *Internal Communication:* Similarly, the plan will also map out a number of internal communication tasks designed to promote greater industry cohesiveness, synergy and information sharing. These include: 1. Promote and encourage coordinated communication of market development/promotion activities by and amongst its regular and associate members, both domestically and internationally through pre and post mission meetings.				

ACTIVITY 101		
	2. Enforce stricter reporting requirements on its members that have undertaken CBBC/CCMDC-funded market development activity in order to share valuable but **NON-PROPRIETARY** market intelligence as well as breed improvement information common to all breeds (depending on the activity). 3. Promote the Council's value proposition through the design, development and distribution of a weekly update on the Council's activities to members. 4. Design and develop a monthly breakfast information seminar series for members for communication, networking and education purposes. These breakfast meetings will vary in terms of content and may include meetings described in other sections of this plan. Key features of the communication plan: • Long term strategy coupled with a shorter term plan • Action plan and budget	
Key Performance Targets	Leading Indicator(s)	
	CBBC (industry-wide) communication strategy and plan developed	
	Lagging Indicator(s)	
	5%[1] increase in inquiries to CBBC on purebred beef genetics	

[1] NOTE: Cumulative annual total covering all activities

ACTIVITY 102					
Goal	**Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition**				
Track	**Domestic/International Awareness/ Protecting the CBA brand**				
Strategy	**1A:** Increase awareness and understanding throughout the entire Canadian beef value chain (and its relevant organizations) of the importance of purebred beef cattle genetics to Canada's international and domestic beef cattle markets **1B:** Develop awareness and understanding, in priority export markets, of beef cattle purebred genetics industry through support and promotion of the CBA brand **1C:** Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA				
Activity Name	Ongoing promotion of the proper use of CBA amongst CBBC members	Funding Requirements	Meeting & Promo Material – Legacy Fund/Counterpart: $37,000	Timing	Apr 2014 – Mar 2015
Activity Description	The Canadian Beef Advantage brand is an important unifying breeds and production regions under one common banner. This is important to preserving and protecting the reputational value of Canada's purebred beef genetics as well as reducing market confusion that may be caused by using provincial and/or breed-specific branding information and promotional material. As such and in addition to the activities defined in the planned Communication Strategy and Plan, the CBBC will organize and host two to three (2-3) member meetings/training sessions to discuss the use of the CBA in their respective market development activities. The objective is to ensure correct and consistent understanding and use of the CBA brand while undertaking market development activities including the development of promotional material and undertaking trade or sales missions. The correct use of the CBA brand will be a highly effective means of encouraging market growth and development – particularly in international markets where the objective is to promoting Canada as a source of the "Canadian Beef" brand purebred genetics (regardless of the breed). This activity will engage marketing experts from CCA to discuss the pros and cons of supporting the CBA brand and may be incorporated into the monthly breakfast series referred to under Activity 101.				
Key Performance Targets	Fifty (50)[2] members of beef value chain aware of role of purebred genetics in the value chain Fifty (50)[3] foreign buyers newly aware of CBA brand and its relationship to Canadian purebred genetics				

[2] NOTE: Cumulative annual total covering all activities
[3] NOTE: Cumulative annual total covering all activities

ACTIVITY 103					
Goal	**Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition**				
Track	**Domestic Awareness/International Awareness/Protecting the CBA Brand**				
Strategy	**1A:** Increase awareness and understanding throughout the entire Canadian beef value chain (and its relevant organizations) of the importance of purebred beef cattle genetics to Canada's international and domestic beef cattle markets **1B:** Develop awareness and understanding, in priority export markets, of beef cattle purebred genetics industry through support and promotion of the CBA brand **1C:** Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA				
Activity Name	Website redevelopment	Funding Requirements	Website Development Costs - Legacy Fund/Counterpart: $	Timing	March 2014
Activity Description					
Key Performance Targets	Leading Indicator(s)				
	Fifty (50) members of the beef value chain aware of role of purebred genetics in the value chain Fifty (5) foreign buyers aware of CBA brand and its relationship to Canadian purebred genetics				
	Lagging Indicator(s)				
	5% increase inquiries to CBBC on purebred beef genetics				

ACTIVITY 104					
Goal	**Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition**				
Track	**Protecting the CBA brand**				
Strategy	**1C:** Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA				
Activity Name	Promote breed registration	Funding Requirements	Promo Material – CBBC Core Funding	Timing	Apr 2014 – Mar 2015
Activity Description	A key challenge affecting the purebred genetics sector is maintaining the integrity of the individual breeds, and protecting the Canadian Beef Advantage brand, through correct registration of purebred breeding stock transfers. This procedure is fundamental to ensuring that pure breeding stock is correctly identified and the pedigree is acknowledged and maintained thereby ensuring correct within-breed and cross breed production. Registration is the principal mechanism for ensuring this. Breed associations promote registration to their breeders but more work is needed to ensure greater compliance – both domestically and internationally. To promote registration, CBBC will develop and deliver registration information and promotional material, including information on the importance of registering to its members. Delivery mechanisms include the CBBC website and a hard copy pamphlet. In addition, as part of a larger breakfast seminar series, a seminar on registration processes will be planned and implemented. This seminar will engage a breed registration expert to make a short presentation and answer any questions about the registration process and challenges. In conjunction with this activity, CBBC will investigate current challenges to registration encountered by breeders. This information will serve to inform the content of the planned information pamphlets and website information. Information may also be disseminated through other internal communication channels as described in the communication plan (see Activity 101 above).				
Key Performance Targets	3% increase in registration of eligible/applicable breeding stock 100% registration of transfers of purebred beef breeding stock sold				

Activities - Series 200

ACTIVITY 201					
Goal	**Goal #2: Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products**				
Track	**Market Access**				
Strategy	**2A:** Improve market access for Canadian beef cattle genetics in foreign markets				
Activity Name	Representation, market access and competitiveness	Funding Requirements	Domestic Travel – Legacy Fund/Counterpart: $45,000	Timing	Apr 2014 to Mar 2015
Activity Description	Free and unfettered market access both domestically and in internationally markets will ensure a healthy, competitive Canadian beef genetics industry. Currently, there are a range of issues that remain in place that hinder the industry's ability to effectively compete. It is dynamic market environment and these issues change quickly. Many of these market access issues have their origin in the systems, processes and bureaucracies. CBBC is taking a stronger, focused role in representing the interests of the Canadian beef genetics industry in order to resolve some of these issues. CBBC is represented on twenty different committees, organizations and groups – some of which deal directly with market access issues. Examples include the BCMAC (Beef and Cattle Market Advisory Committee), Interbeef and BCTAG (Beef and Cattle Trade Advisory Group). CBBC's objective under this activity is to leverage this representation and bring more focus in order to improve CBBC's opportunities to advocate for positive change. This activity will cover a range of tasks that include: 1. Establish a unified CBBC position on each of these issues 2. Evaluate CBBC's membership within different groups 3. Develop an action plan				
Key Performance Targets	Leading Indicator(s)				
	3 top priorities set				
	Lagging Indicator(s)				
	2-3 market access issues resolved				

ACTIVITY 202					
Goal	**Goal #2: Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products**				
Track	**Planning – Market Development**				
Strategy	**2B:** Build a cohesive, unified purebred genetics industry (focusing on breeders) that leverages the strengths of all its members to capture a greater market share both domestically and internationally				
Activity Name	Annual market development activity planning	Funding Requirements	Meeting Costs – CBBC Core Funding	Timing	Apr 2014-Mar 2015
Activity Description	A number of tasks are planned under this activity to ensure that the plan strategically maximizes beef cattle industry resources. In order to reduce redundancies and overlap, it is the intention of CBBC to incorporate other beef cattle agencies, organization and groups into its planning processes. Key partners include CBI and the CLGA. This will include a set of meetings, beginning in October, to meet with all relevant beef cattle associations, the CBBC membership (including association members), in an effort to synchronize market development planning. It is CBBC's hope that, by taking a leadership role in this regard, broader benefits to the entire industry will be accrued from existing market development support and resources. Tasks under this activity include: 1. Investigate planning cycles of all Canadian beef cattle organizations & groups including Canadian agriculture/beef fairs and exhibitions 2. Spearhead annual planning meetings with above groups to coordinate activity planning 3. Undertake a membership-wide planning exercise to promote appropriate internal collaboration and cooperation on market development activities supported by Legacy Funds 4. Develop annual international market development plans (Legacy Fund) utilizing this framework as a basis for planning. 5. Develop a domestic market development plan utilizing this framework as a basis for planning				
Key Performance Targets	Leading Indicator(s)				
	Fifty (50)[4] members of beef value chain aware of role of purebred genetics in the value chain Fifty (50)[5] foreign buyers newly aware of CBA brand and its relationship to Canadian purebred genetics Set Baseline - Qualified leads[6] - Baseline Set Baseline - % qualified leads convert to sales Set Baseline - Time qualified leads take to convert to sales				
	Lagging Indicator(s)				
	Set Baseline - Change in average per unit value 5% increase in volume of exported purebred Canadian beef cattle breeding stock (all types)				

[4] NOTE: Cumulative annual total covering all activities
[5] NOTE: Cumulative annual total covering all activities
[6] Qualified Leads: A clear match between the product needs of a buyer who has the ability to pay for these products and the supply capabilities of the breed association and/or exporter

ACTIVITY 203					
Goal	**Goal #2: Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products**				
Track	**Implementation – Market Development**				
Strategy	**2C:** Support breeders and exporters undertake market development work to achieve domestic and international market growth of the Canadian beef cattle genetics industry				
Activity Name	Implementing market development activities	Funding Requirements	International Travel: Legacy Fund: $382,000	Timing	Apr 2014 – Mar 2015
Activity Description	This year's plan covers a range of activities including outbound missions to key priority markets, inbound missions including incoming buyers programs for our associate members and trade fair participation. CBBC's members will undertake a range of market development activities. CBBC`s role will be to ensure adequate coordination and leveraging of activities to ensure that the industry, as a whole, benefits without negatively influencing individual breed/exporter competitive advantages. Many of the activities described in the summary table below may serve multiple goals of this plan- the overriding objective, however, is to promote long term sustainable growth of the Canadian purebred genetics sector. As well, there are a range of innovative market development activities to be undertaken with Legacy Fund support. These include: 1. Country Ambassador Program by Northlands/Farm Fair International (Associate Member) 2. Youth programs by the Canadian Angus Association (Regular Member) The table below provides a breakdown of market development activities and funding required according to the six (6) different priority markets. Additional funding is requested for market development activities in non-priority markets. Support market development in non-priority countries is important for two reasons: 1. Increases diversity of markets that market development activities are undertaken, reducing the industry's exposure to potential shocks that might occur in these six priority countries. 2. Encourages market growth and development over the longer term by take steps to develop non-priority markets now that could become priority markets in the future. Funding figures are rolled up into a total for each market. A complete breakdown of the requests we have received from members is available upon request.				

ACTIVITY 203

Market	Funding Requested	Planned Activities	Results Targets[7]
New		Inbound/Outbound Market Development Missions, Trade Fair Participation	
EU	$54,650		5 qualified leads
Kazakhstan	$97,850		6 qualified leads, $5m+ in sales
Russia	$73,900		300 head, $3M, 3 qualified leads
China	$33,500		5 qualified leads, 60,000 straws of semen
Mature			
USA	$98,750		$200K
Mexico	$15,000		$270K
Mix			
Various	$229,940		75 embryos, $1.5M in sales

Budgeting Assumptions

Airfares:

Russia/Kazakhstan/China - $2500
USA/Mexico - $1000
Australia/New Zealand - $3000
Europe/South America - $1500

Per Diem - Accommodation/Meals:

Canada - $200 per day
International including US - $400 per day

Key Performance Targets

Leading Indicator(s)

Fifty (50)[8] members of beef value chain aware of role of purebred genetics in the value chain
Fifty (50)[9] foreign buyers newly aware of CBA brand and its relationship to Canadian purebred genetics
Set Baseline - Qualified leads[10] - Baseline
Set Baseline - % qualified leads convert to sales
Set Baseline - Time qualified leads take to convert to sales

Lagging Indicator(s)

Set Baseline - Change in average per unit value
5% increase in volume of exported purebred Canadian beef cattle breeding stock (all types)

[7] NOTE: These are not complete results targets but are representative of those targets submitted by some, but not all, members requesting funding support. Where appropriate, results targets will be set for all market development initiatives as part of a grant agreement to be signed with the member.
[8] NOTE: Cumulative annual total covering all activities
[9] NOTE: Cumulative annual total covering all activities
[10] Qualified Leads: A clear match between the product needs of a buyer who has the ability to pay for these products and the supply capabilities of the breed association and/or exporter

ACTIVITY 203					
ACTIVITY 204					
Goal	**Goal #2: Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products**				
Track	**Implementation – Market Development**				
Strategy	**2C:** Support breeders and exporters undertake market development work to achieve domestic and international market growth of the Canadian beef cattle genetics industry				
Activity Name	Market intelligence training	Funding Requirements	Event & Domestic Travel Costs - Legacy Fund: $11,850	Timing	July 2014
Activity Description	Gathering accurate market intelligence is critical to the development of any market. Market intelligence is qualified market information tailored and specific to the particular business or sector of interest. It provides a deeper level of information upon which a business may make informed business decisions. Gathering market intelligence is part of required due diligence when building and developing new markets. It requires skills in research, data collection, analysis and communications. Gathering accurate market intelligence is particularly important to the CBBC and its members. Many of the market development activities undertaken under this plan involve members that are representatives from the different breed associations. They are not necessarily the end-user of this intelligence. As such, their ability to gather market intelligence determines not only their success at expanding their markets as a breeder but also the success of other breeders that make up their association.				
Key Performance Targets	Increased quality and distribution of market intelligence info for CBBC membership				

Activities - Series 300

ACTIVITY 301					
Goal	**Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**				
Track	**Product**				
Strategy	**3A:** Promote the continuous development of the value-added proposition of the Canadian beef cattle genetic product				
Activity Name	Representation, breed research and development	Funding Requirements	Meeting Costs – CBBC Core Funding	Timing	Apr 2014 – Mar 2015
Activity Description	Research is critical to continued product improvements in the Canadian purebred genetics sector. Research not only seeks to eradicate diseases, it is also important to ensuring Canada remains competitive with its purebred genetics products. Research is ongoing in Canada and around the world. It is important, though, that the research in genetics in Canada is guided and linked to industry needs. Academic research without industry involvement, while having some intrinsic value, may lead to limits in its application for industry. CBBC is best positioned to guide research and development related to breeding stock and purebred genetics. A cursory survey of members on research priorities undertaken as part of the development of this market development plan indicated the following top four priorities for research and development: 1. Genomics – identifying genetic markers for particular desirable traits (taste, tenderness, etc.) 2. Quality management and quality control 3. Disease resistance 4. Productivity of breed(s) Utilizing its membership and/or networks with different research bodies including the BCRC, the International Society of Animal Genetics and the Beef Improvement Federation, the Council aims to advocate for and promote research in priorities as set by its members. The approach, methods and tasks are similar to those that will be undertaken under Activity 201 "Representation – Market Access" and include: 1. Develop a simple survey that allows members to rank priority research areas 2. Rank and establish top three research areas to be advocated for in 2014/2015 3. Develop a communication and advocacy action plan (linked to Activity 101 – Develop a CBBC Communication & Education Strategy and Action Plan)that calls for CBBC to spearhead and aggressively champion this research and development agenda including support for continuous genetic improvements				
Key Performance Targets	Set Baseline – Performance and the success rate of product Set Baseline – Predictability, product has consistent results regardless of location				

ACTIVITY 302					
Goal	**Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**				
Track	**Product**				
Strategy	**3A:** Promote the continuous development of the value-added proposition of the Canadian beef cattle genetic product				
Activity Name	Encourage breed improvement	Funding Requirements	International Travel – Legacy Funds: $36,800	Timing	Apr 2014 to Mar 2015
Activity Description	Annual international breed association congresses are important and valuable events to the breed associations. Attendance at these congresses serves three main objectives: 1. Updates breeders on the latest information on breed improvements, advancements and ongoing research 2. Discuss and resolve current and ongoing challenges and issues covering a range of topics. These may include challenges related to market access, breed management, etc. 3. Lastly, congresses offer an opportunity to conduct business. Sales often occur at these events Based on the above, the benefits to CBBC's member associations accrue from attending these congresses are numerous – both in the short term (sales and/or qualified leads) and the longer term (product enhancements, market constraints, etc.). As such, attendance at these congresses serves an important market development function. With approval of this plan, CBBC will provide support to breed associations seeking assistance to attend their respective breed congresses. Stricter controls will be placed on who attend as well stringent reporting requirements will be put into place to ensure that the whole Breed Association (and, if relevant, other members of CBBC) derives benefits from the attendance of their representative.				
Key Performance Targets	Set Baseline – Performance and the success rate of product Set Baseline – Predictability, product has consistent results regardless of location				

ACTIVITY 303					
Goal	**Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**				
Track	**Price**				
Strategy	**3B:** Promote and advocate for the preservation of the value/price of Canadian purebred genetic products is maintained or increases in international markets				
Activity Name	Discourage product devaluation	Funding Requirements	Meeting Costs - CBBC Core Funding	Timing	April, 2014
Activity Description	Preserving the price value of Canada's breed stock can be a tricky endeavor. It is critical, however, that preserving the value of the superior breeding stock is important to market success of the industry. Under pricing or incorrect pricing of these high quality genetic products may offer short term gains to the breeder and/or exporter but may lead to long term deterioration of the value of Canada's breeding stock – which is recognized as one of the more superior "brands" in the world. CBBC will organize and plan a short half-day seminar on product devaluation practices in international markets along with mechanisms, strategies that can be used to reduce these practices. An expert from Industry Canada and/or Agriculture and Agrifood Canada will be engaged to deliver this seminar. Please note, this activity is not/not about setting prices, pricing strategies or gathering pricing information, but rather about generic strategies on curbing devaluation and devaluation practices.				
Key Performance Targets	Establish Baseline - Average per unit value of breeding stock (bulls, embryos, semen) (domestic and international)				

ACTIVITY 304					
Goal	**Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**				
Track	**Willingness to Pay - Reputation**				
Strategy	**3C:** Preserve and protect the reputation of Canadian beef as a safe, healthy, nutritious protein product				
Activity Name	After sales buyer support and training	Funding Requirements	International Travel – Legacy Funds: $86,000	Timing	Apr 2014 to Mar 2015
Activity Description	The preservation of the reputation of Canada's purebred beef cattle genetics rests on the correct expression of the breed's genotype. Each breed has different requirements in order of the full genotypic features and characteristics are expressed. This may require a modification of the current practices and processes used by international buyers of Canadian breeding stock, particularly those from emerging or developing economies. It is vital, therefore, to the preservation of the reputation (and related "perceived value") of Canadian beef cattle genetics that buyers are trained on the proper care and maintenance of breeding stock sold to them. Several of CBBC members will move forward with their respective training programs this year. These programs include Semex's Beef Solutions initiative in Russia and Kazakhstan, Alta Export's training on embryo transfers and animal husbandry and extension programs and Northland's (Farm Fair International) extension program (an adjunct to the Fair) to be conducted in cooperation with Lakeland College for Russian, Ukrainian and Kazakhstan breeders/producers attending the show.				
Key Performance Targets	Set Baseline - Number of persons trained in proper care and maintenance of Canadian beef cattle breeding stock				

ACTIVITY 305					
Goal	**Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**				
Track	**Willingness to Pay - Reputation**				
Strategy	**3C:** Preserve and protect the reputation of Canadian beef as a safe, healthy, nutritious protein product				
Activity Name	Promote breed registration	Funding Requirements	See Activity 104	Timing	See Activity 104
Activity Description	See description, Activity 104.				
Key Performance Targets	Pedigree - 5% increase in breeding stock registrations (per APA)				

Reporting, Monitoring and Evaluation

One of CBBC's roles is to manage, monitor and evaluate the use of Legacy Funds that CBBC and its members receive. As such and in keeping with our results-based management approach to market development work this year, a simple monitoring and evaluation system will be established to track the market development activities of both the CBBC organization as well as its members as described in this plan. Tracking will focus on the Key Performance Indicators (KPIs) described in both the three year strategic framework and this work plan. For many of these KPIs, targets have been set for this year. For other KPIs, a baseline or benchmark shall be set using this year's results data.

While the KPIs offer a measure of accountability, their more important utility is as a monitoring and learning tool for assessing activity performance (or non-performance). Using a set baseline and/or set targets, a feedback loop will be established to evaluate activity performance in relation to these targets (and their related goals).

To collect the required data, each member that receives Legacy funding will be required to submit an activity report with their expense claim. This reporting requirement will be stipulated in the grant agreement between CBBC and the member. These activity reports must contain information about the results achieved under the activity.

A sample outline of this report will include the following sections:

1. Activity Type
2. Funding Amounts
3. Results achieved
4. Explanation of Variance from expected
5. Follow-up required
6. Proposed follow-up plan and reporting

We will focus on two main elements of this report; the analysis of the results achieved and, if there was variance from the targeted, an explanation of this variance, as well as the follow-up plans of the Breed Association and/or exporter. The quality of the information contained in these reports will be a key criterion for release of grant monies and/or future support. It is important to note that it is not necessary for the member to meet their expected target in order to receive their funding support, what is important is that they offer some analysis as to why targets were either met, not met or exceeded.

CBBC Operating Budget

Below is a financial summary of the costs associated with implementing this market development plan.

Budget Summary - CBBC Market Development Plan 2014/2015
(Canadian Dollars)

	Legacy Fund	CBBC & Members
Cost Shared Activities		
Goal #1		
Activity 101*	-	-
Activity 102	37,000	37,000
Activity 103*	-	-
Goal #2		
Activity 201	45,000	45,000
Activity 202*	-	-
Activity 203	382,000	382,000
Activity 204	11,850	11,850
Goal #3		
Activity 301*	-	-
Activity 302	36,800	36,800
Activity 302*	-	-
Activity 301	86,000	86,000
Activity 305*		
Administration	200,000	200,000
TOTAL	**798,650**	**798,650**
Split	**50%**	**50%**

*CBBC core funding, not Legacy Fund

Alberta Based Supplementary Marketing Initiative

The Alberta portion of the Canadian Beef and Cattle Market Development Fund, known as the Alberta International Beef Marketing Development Fund (AIBMDF), provides an opportunity for applicants beyond the marketing organizations to receive funding. Applications are invited from eligible Alberta companies or organizations that propose an innovative marketing initiative that offers the potential to maintain or increase exports of Alberta beef and cattle genetic products. The application review process involves an external review committee, where required, to assist the CCMDC in their decision-making process. The intent of the review committee is to provide recommendations to the CCMDC as to which projects best meet the objectives and priorities of the Council and are most likely to contribute to the enhancement of the Canadian cattle and beef cattle industry.

Background information on the fund, eligibility criteria, and the CCMDC's identified priorities are available on the CCA website at http://www.cattle.ca/what-is-aibmdf/. 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.

The table below includes projected AIBMDF funding for the period April 1, 2014 – March 31, 2015 for international beef marketing programs.

Alberta International Beef Marketing Development Fund (AIBMDF) budget

	2014/ 15 projected
BIXS 2.0 project	279,509
Canadian Rocky Mountain Beef Inc.	218,210
Canada Beef Inc.	1,485,000
Total	**1,982,719**

Legacy Fund Budget 2014/15

	2014/15 [a] Budget	2013/14 [a] Actual	2012/13 [b] Actual	2011/12 [c] Actual	2010/11 [c] Actual	2009/10 [c] Actual	2008/09 [c] Actual	2007/08 [c] Actual
Revenue								
Legacy Fund								
Marketing - Federal	2,395,884	3,930,235	2,228,953	3,023,727	8,209,723	9,458,707	8,084,186	4,845,009
Marketing - Alberta	2,517,766	2,358,141	1,337,372	1,621,303	3,611,388	3,724,919	2,803,481	1,953,755
Admin - Federal	248,547	251,206	195,856	255,322	332,684	414,348	375,037	172,249
Admin - Alberta	149,128	150,723	117,514	153,193	199,610	248,609	225,022	103,350
Alberta only marketing	1,703,210	1,443,277	869,890	1,475,695	144,418	0	0	0
Special projects - Federal	0	0	0	0	774	162,644	153,871	0
Special projects - Alberta	279,509	168,616	0	0	464	97,586	92,323	0
Subtotal Federal	2,644,431	4,181,441	2,424,809	3,279,049	8,543,180	10,035,699	8,613,094	5,017,258
Subtotal Alberta*	4,649,613	4,120,757	2,324,776	3,250,191	3,955,880	4,071,115	3,120,826	2,057,105
Total Legacy Fund	**7,294,044**	**8,302,198**	**4,749,585**	**6,529,240**	**12,499,060**	**14,106,814**	**11,733,920**	**7,074,363**
Expenses								
Legacy Fund								
Administration	397,675	401,929	313,370	408,515	532,294	662,957	600,059	275,599
Special Projects-InfoXchange	279,509	168,616	0	0	1,238	260,230	246,194	0
Commercial Beef	0	0	0	321,555	2,190,743	3,250,508	2,893,335	1,588,750
U.S.	450,000	537,282	263,411	690,366	1,668,015	2,397,298	2,548,043	1,817,823
International	3,665,000	5,062,337	2,662,085	2,840,842	6,122,963	5,387,877	3,496,836	2,392,191
Live & Genetics	798,650	688,758	640,829	792,267	1,839,388	2,147,944	1,949,453	1,000,000
Alberta only marketing	1,703,210	1,443,277	869,890	1,475,695	144,418	0	0	0
Subtotal Federal	2,644,431	4,181,441	2,424,809	3,279,049	8,543,179	10,035,699	8,613,094	5,017,258
Subtotal Alberta*	4,649,613	4,120,757	2,324,776	3,250,191	3,955,880	4,071,115	3,120,826	2,057,105
Total Legacy Fund	**7,294,044**	**8,302,198**	**4,749,585**	**6,529,240**	**12,499,059**	**14,106,814**	**11,733,920**	**7,074,363**

[a] 12-months April 1 - March 30

[b] 9-months July1, 2012 - March 30, 2013; includes additional $49,750 funding to CBBC for Organization Review

[c] 12-months July 1 - June 30

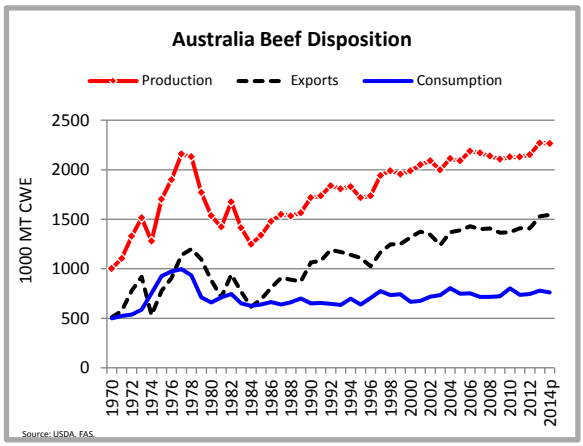
* 2014/15 subject to review

Appendix

Competitor Analysis

Australia

Following the historically wet conditions that fueled expansion from 2010-2012, moisture conditions in Queensland and the Northern Territory have deteriorated sharply in the last 12 months. As a result cattle slaughter numbers have increased significantly in the first half of 2013 as producers liquidate recently expanded herds. This brings an abrupt end to the expansion phase. While slaughter numbers have increased 5.3 per cent, carcass weights are down (3.3%) leaving total beef production around 2.19 million tonnes, up 1.7 per cent from 2012. Moving into 2014 more typical weather should push total slaughter down 3.3 per cent to 8.1 million head and beef production down 2.3 per cent (with larger carcass weights) to 2.14 million tonnes. The Australian cattle herd appears to have peaked on July 1, 2012 at 29 million head and was down 2.6 per cent in 2013 with further declines expected for 2014.



Dry conditions have increased cattle numbers in feedlots to just under 800,000 head, the highest level since 2007. While dry conditions have increased grain prices, a large winter crop production should ease prices going into 2014.

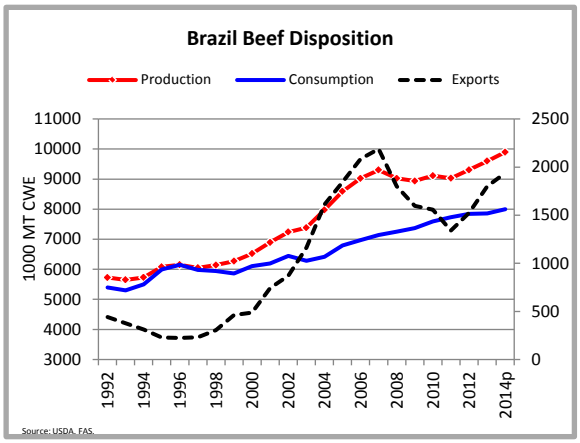
The Australian dollar depreciated in May and June supported domestic prices and encouraging exports. The dollar is expected to remain below PAR for the rest of 2013. ***Beef exports are projected by MLA to be up 3.8 per cent to 1.47 million tonnes (carcass weight) in 2013 with larger production and a lower dollar. Australia will struggle to maintain export volumes in 2014 with smaller production, exports are projected to be down one per cent or more***. Exports to the top three markets (Japan, Korea and the US) declined from 68 per cent of the total in 2012 to 61 per cent in 2013, highlighting the growing demand from emerging markets.

China and the Middle East have emerged as major destinations in 2013. Saudi Arabia banned beef products from Brazil in late 2012 following a BSE case. Consequently, they have been sourcing product from other countries, primarily Australia. The significant increase in shipments to these countries explains the decreases to Japan, the US, Russia and Taiwan. Moving forward, strong demand from the rapidly growing Asian market could attract production that would have historically been exported to the US. This will change international trade dynamics.

The domestic consumer has traded down protein purchases in recent years, with lower growth at foodservice and a stable retail sector. Retail prices have retreated from the highs posted in December 2012. This is not surprising with lower cattle prices as supplies surged with the drought. Domestic beef consumption is projected to be up 1.2 per cent in 2013 to 745,000 tonnes (carcass weight) and down 0.7 per cent in 2014. The domestic market primarily takes short fed product.

Brazil

Brazil is the world's second largest beef producer in 2013 following the US. The Brazilian cattle herd has been relatively steady since 2007, with modest increases in recent years. Total cattle inventories are expected to increase 2.9 per cent to reach 203.2 million head in 2013 and are expected to grow another 2.5 per cent in 2014. Beef production is expected to increase 3.1 per cent in 2013 and steady in 2014 with larger slaughter numbers and carcass weights. Lower feed prices have increased feeding during the dry season and sustained cattle weights. Government support is encouraging investment in pasture improvements and higher quality genetics to increase productivity of the herd.



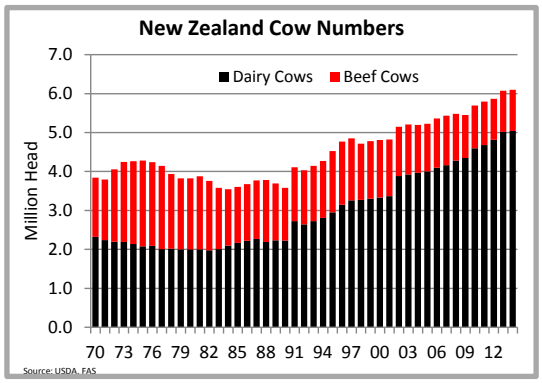
Beef consumption is projected to be up 0.2 per cent in 2013 and 1.8 per cent in 2014. The increase in beef consumption has been supported by the emergence of the middle class which has rapidly gone from cheaper poultry back to prime beef cuts. However, growth in domestic demand has been limited by high consumer debt. Brazilian consumers have a preference for quality hind cuts for grilling; however the rapid development of the food service sector has supported demand for ground meat.

The weaker Brazilian real coupled with larger supplies has made Brazilian beef competitively priced in the international market and supported domestic cattle prices, which should encourage further expansion. Beef exports are projected to be up five per cent in 2013 and six per cent in 2014. In the first half of 2013 beef exports are up 23 per cent. With growth in domestic consumption slower than production, Brazil's beef exports may finish the year higher than currently projected. The 2012 BSE case resulted in Brazilian beef being banned in Saudi Arabia and China. Meanwhile, export growth has occurred to China, Hong Kong and South America (Chile and Venezuela). Exports to Hong Kong increased 140 per cent in 2013 to become the second largest market representing 17.9 per cent of total exports. Brazil's largest market is Russia representing 26.4 per cent of total exports.

A major concern of Brazilian beef exports is ractopamine residue. Despite suspension of its use in November 2012, there have been cases of violations found throughout the country. This jeopardizes beef exports to Russia, China, Iran, Egypt and Chile.

New Zealand

Drought affected most of New Zealand in the first half of 2013, leading to higher slaughter and beef production. Moisture conditions have improved and there are signs the cattle sector will be make a good recovery. Slaughter numbers are estimated at 4.17 million head for 2013. The increased 2013 slaughter has translated to higher beef production projected to be 625,000 tonnes. Larger production losses were avoided by good availability of supplementary feed and off-farm grazing.



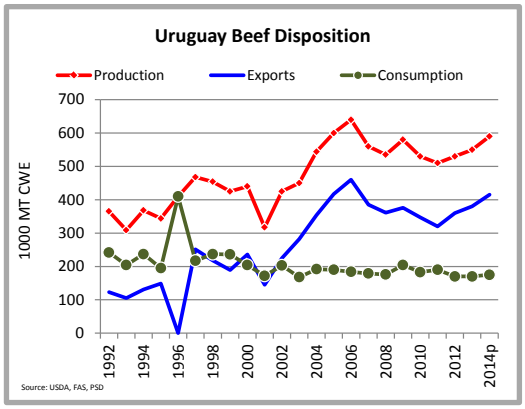
Total cattle inventories are forecast to reach 10.24 million head with a burgeoning dairy herd. Beef production is becoming increasingly reliant on the dairy sector, which represents around 70-80 per cent of the total slaughter. The beef herd has declined by 21 per cent since 2003.

In 2014, slaughter is projected to be down 1.5 per cent at 4.1 million head and beef production down one per cent at 618,000 tonnes (carcass weight). It is expected that average carcass weights will be up marginally by 0.3 per cent. Given a normal pasture growing year these weights could be easily exceeded.

Domestic prices were supported by a devaluation of the New Zealand dollar against the USD. Exports are estimated to be 522,000 tonnes driven by larger production with the drought. Exports to the US were up seven per cent in the first half of 2013. But the big gains were made to China. China is now New Zealand's second largest export market after the US with volumes two and half time larger in 2013. These gains came with growing pains. In March and April 2013 product was delayed at Chinese ports because of a documentation issue which took over a month to resolve. At the end of June over a third of New Zealand beef packing facilities were still not approved by the Chinese authorities for export to China. Exports for 2014 are forecast to be down 1.5 per cent at 514,000 tonnes with exports to the US steady around 245,000 tonnes despite higher prices and larger exports to China.

Uruguay

Since the drought in 2008 and 2009 beef production has been growing on average 4-5 per cent annually. Calf prices have been strong over that period, encouraging expansion. Larger production has supported recovery in exports as domestic consumption remains stable. Beef production is projected to be up 3.8 per cent in 2013 at 550,000 tonnes and 7.3% in 2014 at 590,000 tonnes. The highest since 2009, but still lower than the record output of 2006 at 640,000 tonnes. Cattle finished on feedlots account for between 5-15 percent of the total slaughter.

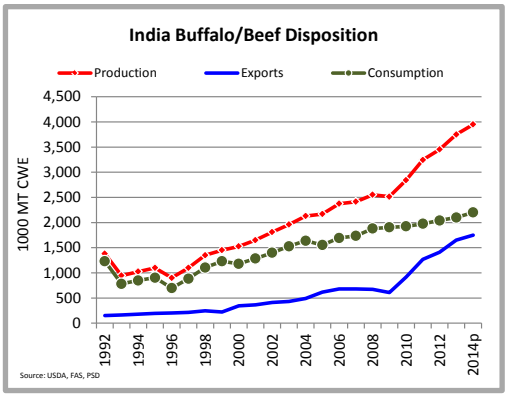


Around 70 per cent of production is exported annually. Beef exports in 2013 are projected to be up 5.6 per cent at 380,000 tonnes. China has become Uruguay's number one destination, replacing Russia. Exports in 2014 are forecast to be up 9.2 per cent at 415,000 tonnes, the third highest on record. Major markets are expected to be China, North America, the EU, Russia, Israel, and Chile.

Uruguay enjoys a good sanitary status, recognized by the World Organization for Animal Health (OIE) as free of Foot and Mouth Disease (FMD) with vaccination and negligible risk of bovine spongiform encephalopathy (BSE). The country exports boneless fresh beef to more than 100 countries, with the exception of Japan.

India

The Indian economy posted impressive growth of nearly nine per cent from 2009 to 2011 but this has decelerated to range between 4.4-4.8 per cent in the first half of 2013. Growing incomes and strong demand for dairy products has led to expansion of the dairy herd. In 2013, India's dairy cow inventories at 129.7 million head were up 0.3 per cent from 2012 and up 14 per cent from 2000.



Beef production is projected to be 3.8 million tonnes up 8.6 per cent from 2012 and 55 per cent from 2007. While beef production has increased, domestic beef consumption is small with per capita consumption only 0.9 kg/person. Larger production combined with limited domestic market result in

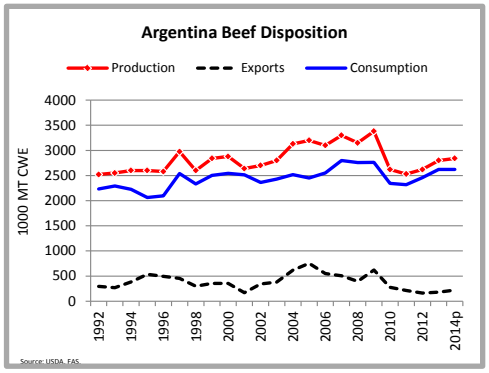
huge increases in beef exports. From 2007 to 2012, beef exports from India were up 108 per cent to 1.4 million tonnes. In 2013 beef exports are projected to be up another 17 per cent to 1.7 million tonnes, ***making India the world's second largest beef exporting nation***. The major market for Indian beef is Asia with Vietnam being the largest export destination accounting for 27.5 per cent of the total exports. Exports to Middle East and North Africa countries have also increased. Due to differences in quality and FMD status, India exports to different markets than North America and is not a competitor. However, increased volumes to China in the future could be a game changer in the Asian market.

Growth in beef production is dependent upon slaughter numbers as carcass weights (103 kg or 227 lbs) are much lower than other countries. The industry has been making efforts in genetic improvements through the introduction of higher yielding breeds. But wide scale adoption has been limited by challenges to acclimatize to the tropical climates, higher maintenance costs and lower disease resistance.

Feed shortage is another challenge facing the Indian dairy industry. The rising competition between annual crops and forage for land has limited growth of forage acres and overall supplies. While crop breeding research has developed high-yielding forage varieties they are not widely adopted due to lack of awareness, unpredictable availability of irrigation water throughout the year, and problems with insects, pests and diseases.

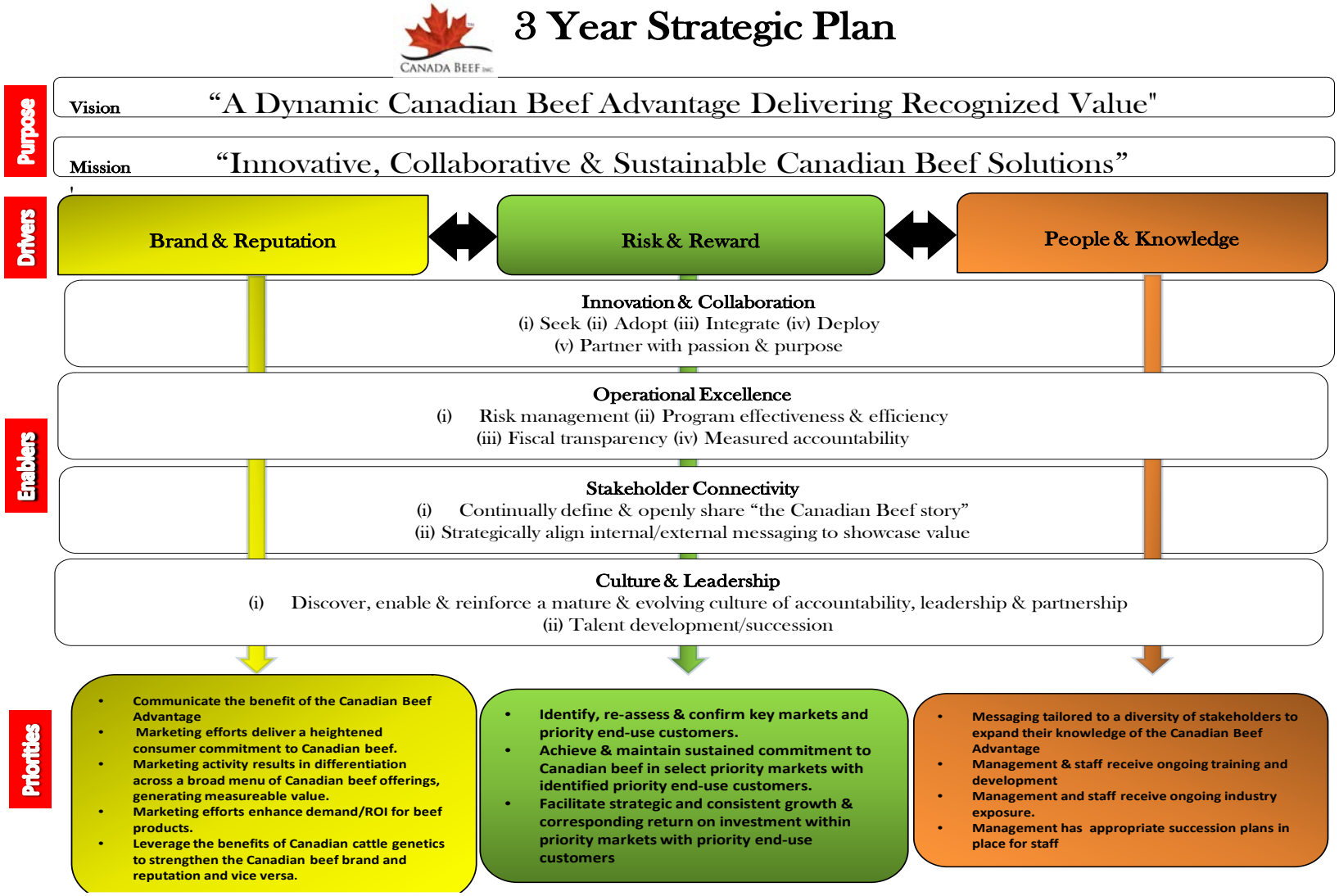
Argentina

In Argentina, slaughter and beef production are up 12 per cent and ten per cent in the first half of 2013 with no indication that herd rebuilding is occurring. The cattle herd had been recovering in the past years, with larger calf crops coming forward. Re-building had started at the end of 2010 but margins have been squeezed since then with inflation. A combination of export taxes and an uncompetitive exchange rate has limited further growth. Domestic consumption now accounts for 92-94 per cent of production. Heavy steers that go into the export market are discounted to light steers. In 2010, the government set a minimum slaughter weight of 300 kgs live in order to encourage more production per animal but due to lack of enforcement is not being complied. Most steers are slaughtered at 350 kgs live.



Beef production for 2014 is projected to be up 1.4 per cent at 2.84 million tonnes, still below the 2004-09 average of 3.0 million tonnes as carcass weights are dropping. The per capita meat consumption has reached a ceiling at 114 kgs (of which beef is 64 kgs the highest in the world), with any additional beef production most likely exported. With domestic consumption at 2.62 million tonnes, exports for 2014 are forecast to increase to 220,000 tonnes (carcass weight) the highest since 2010. Main markets are the EU, Chile, Israel, and China.

Canada Beef Inc. three-year strategic plan, export market priority assessment and performance measures framework



Export Market Priority Assessment

CANADA BEEF INC.

Export Market Priority Assessment Exercise - 2014/15

Exporter Name:

Please rank export markets by priority 1-5, ***1 being the highest priority, 5 being the lowest priority***

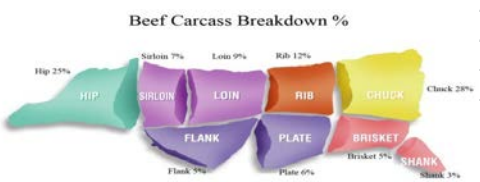
Priority 1 markets should be markets that provide highest opportunity for driving growth through incremental value compared to other markets, vs increased volume.

	Japan	Korea	Hong Kong	China	Taiwan	Russia	USA	Mexico	Middle East	EU	Other (Specify)
Priority Ranking (1-5)											

Please make sure to complete the Export Analysis tab below

2014/2015 Export Market Priority Analysis

CANADA BEEF INC.



2014/15 Export Analysis

Beef Cuts (Excludes offal)	Primary Export Markets (list 2)	Veal Cuts	
Chuck Primal		**Forequarter cuts**	**Primary Export Markets (2)**
Chuck roll			
Shoulder clods			
Chuck flat/tail			
Chuck ribs			
Other (specify)Flat Iron			
Rib Primal		**Hindquarter Cuts**	
Bone in Rib			
Boneless Rib Eye			
Short ribs			
Rib Fingers/Intercostal			
Other (Specify)			
Loin Primal			
Short Loin			
Strip Loin			
Tenderloin		**Other (Specify)**	
Top Sirloin			
Tri Tip			
Flap Meat			
Hip/Round Primal			
Inside/Top Round			
Outside/Bottom Round			
Eye of Round			
Sirloin Tip/Knuckle			
Brisket/Plate/Shank			
Brisket			
Short Plate			
Fore Shank			
Inside Skirt			
Outside Skirt			
Trim			
Tongue			

Performance Measurement Framework 2012-15

Long Term Goal (Beyond year 3)					**Long Term Result** **A profitable, sustainable Canadian beef industry recognized as the most outstanding by Canadian and world customers**			
					Long Term Indicators:			
					1. ROI for marketing efforts (domestic & foreign market development / domestic industry research)			
Medium Term Results (End of year 3)	**Medium Term Result 1** **Increased commitment to the Canadian beef brand**				**Medium Term Result 2** **Strategically managed market share to optimize product value**			**Medium Term Result 3** **Strong united commitment to the Canadian beef brand by beef industry supporters/stakeholders**
	Medium Term Indicators:				**Medium Term Indicators:**			**Medium Term Indicators:**
	1. Consumer perception of the Canadian beef brand 2. % of targeted Canadian trade partners who utilize CBA in marketing efforts. (Market share by sector) 3. Targeted foreign customers rating of Canadian beef compared to competitors				Beef: 1. Canadian share of domestic market 2. Canadian cut out value versus US cut out value 3. Change in 'in-market' price differential between Canadian and competing products in all markets (Value/volume) 4. Wholesale beef demand index			1. Leverage on funded initiatives
Short Term Results (End of year 1)	**Short Term Result 1a** **Increased awareness of the Canadian beef brand by Canadian consumers**	**Short Term Result 1b** **Increased ability of the Canadian beef industry to articulate advantages of the Canadian beef brand**	**Short Term Result 1c** **Increased customer awareness and understanding of the Canadian beef Advantage attributes**		**Short Term Result 2a** **Market intelligence provided to Canadian beef industry**	**Short Term Result 2b** **Strengthened targeted customer relationships**	**Short Term Result 2c** **Differentiated and branded products and programs**	**Short Term Result 3a** **Increased awareness of the Canadian beef brand by industry supporters/stakeholders.**
	Short Term Indicators	**Short Term Indicators**	**Short Term Indicators**		**Short Term Indicators**	**Short Term Indicators**	**Short Term Indicators**	**Short Term Indicators**
	1. # of website hits 2. # of consumer influencers reached directly through marketing activities 3. Perception of key consumer influencers (health/media/others) 4. # of communications programs developed and disseminated to different target groups	1. Level of understanding of CBA by targeted trade industry 2. Number of targeted trade industry representatives made aware of the CBA through funded initiatives	1. Level of understanding of CBA by targeted domestic and foreign customers 2. Number of targeted domestic & foreign buyers / distributors made aware of the CBA through funded initiatives		1. Industry assessment of usefulness of market intelligence 2. Industry utilization of market intelligence	1.% of participants in marketing activities reporting direct financial benefits of marketing activities 2. # of net new qualified foreign buyers in foreign markets 3. % of qualified buyers retained in foreign markets (customer loyalty). 4. Brand licensees % share of the Canadian retail market. 5. Brand licensees % share of the food service and Hotel Restaurant Institutions (HRI) market	1. # of marketing programs implemented by industry to improve price and utilization of identified cuts 2. Cutout comparisons - Canadian vs. US for priority cuts and products 3. # of customers participating in branded programs by foreign market	1. Consensus and finalization of the Canadian beef brand 2. Industry supporters/stakeholders awareness of the Canadian Beef Advantage
Market Strategies & Activities	**Canada Beef Brand Strategy & Activities**							
	Domestic Market Development Strategies/Activities							
	Export Market Development Strategies/Activities							

Expected results	Results Indicators (none for outputs)	Baseline	Target	Data source	Method	Frequency	Responsibility	Comment
Long Term Goal A profitable, sustainable Canadian industry that results in Canadian beef and cattle being recognized as the most outstanding by Canadian and world customers	1. ROI for marketing efforts (foreign promotion/domestic promotion/research)			Independent third party	Econometric analysis	Every 3 to 5 years	CBI	Contracted to credible third party source
Medium Term Result 1 Increased commitment to the Canadian beef brand and genetics	1. Consumer perception of the Canadian beef brand			Public	Survey (Ipsos Reid omnibus)	Bi- or tri-annual	CBI	
	2. % or # of Canadian trade partners who utilize the CBA in marketing efforts.			Packers, processors, exporters	Project reports/ Industry survey	Bi-annual or if annual, random sample	CBI	
	3. Foreign customers rating of Canadian beef compared to competitors			Importers and other key foreign buyers	Foreign buyer survey	Bi-annual or if annual, random sample	CBI	Surveys compiled with input from CRS, data interpretation provided by CRS
Short Term Result 1a Increased awareness of the Canadian beef brand by Canadian consumers	1. # of website hits			Website	Website statistics	Annual	CBI	
	2. # of consumer influencers reached directly through marketing activities			Project reports	Document review	Annual	CBI	
	3. Perception of key consumer influencers (health/media/other)			Customer assessments	Count of participants	Bi- or tri-annual	CBI	
	4. # of communications programs developed and disseminated to different target groups			Health and media	Consumer influencer survey	Annual	CBI	
Short Term Result 1b Increased ability of the Canadian beef industry articulate advantages of the Canadian beef brand	1. Level of understanding of CBA by targeted Canadian trade industry			Packers, processors, exporters	Industry survey	Bi-annual or if annual, random sample	CBI	Survey efforts should be combined with CBBC if possible
	2. Number of trade industry representatives made aware of the CBA through funded initiatives			Project reports	Document review	Annual	CBI	
Short Term Result 1c Increase foreign customer awareness and understanding of the Canadian beef brand	1. Level of understanding of CBA by targeted foreign customers			Importers and other key foreign buyers	Foreign buyer survey	Bi-annual or if annual, random sample	CBI	Surveys compiled with input from CRS, data interpretation provided by CRS
	2. Number of targeted buyers/distributors made aware of the CBA through funded initiatives			Project reports	Document review	Annual	CBI	
Medium Term Result 2 Strategically managed market share to optimize product value	1. Canadian share of domestic market			CanFax	Statistical review	Annual	CBI	
	2. Canadian composite cut out value versus US composite cut out value			CanFax	Data analysis	Annual	CBI	

Expected results	Results Indicators (none for outputs)	Baseline	Target	Data source	Method	Frequency	Responsibility	Comment
	3. Change in 'in-market' price differential between Canadian and competing products in all markets (Value/volume)			CBI GMIR/CanFax	Data analysis	Annual	CBI	The data provided may be a proxy for the indicator as it may not be possible to fully gather the indicated data. Data collected through GMIR, interpreted by CRS
	4. Wholesale beef demand index			CanFax	Data analysis	Annual	CBI	CanFax expects to have index data available in April 2012.
Short Term Result 2a Market intelligence provided to Canadian beef industry	1. Industry assessment of usefulness of market intelligence			Packers, processors, exporters	Industry survey	Bi-annual or if annual, random sample	CBI	Survey of GMIR Recipients
	2. Industry utilization of market intelligence			Packers, processors, exporters	Industry survey	Bi-annual or if annual, random sample	CBI	Survey of GMIR recipients
Short Term Result 2b Strengthened targeted customer relationships	1.% of participants in marketing activities reporting direct financial benefits of marketing activities			Marketing activity participants from past 3 years	MDP reports	Annual	CBI	
	2. # of net new qualified customers in foreign markets			Importers and other key foreign buyers	Program reports	Annual	CBI	
	3. % of qualified customers retained			Importers and other key foreign buyers	Program reports	Annual	CBI	
	4. # of buyers participating in branded programs by foreign market			Importers and other key foreign buyers	Project reports	Annual	CBI	
	5. Brand licensees % share of the Canadian retail market.			Project reports	Document review	Annual	CBI	
	6. Brand licensees % share of the food service and HRI market			Project reports	Document review	Annual	CBI	
Short Term Result 2c Differentiated and branded products and programs	1. # of marketing programs implemented by industry to improve price and utilization of identified cuts			Project reports	Document review	Annual	CBI	
	2. Cutout comparisons - Canadian vs. US for priority cuts and products			CanFax	Data analysis	Annual	CBI	
Medium Term Result 3 Strong united commitment to the CBA by beef industry supporters/stakeholders	1. Leverage on funded initiatives			Project reports	Document review	Annual	CBI	
Short Term Result 3 Increased awareness of the CBA by industry supporters/stakeholders.	1. Consensus and finalization of the Canadian beef brand			Project reports	Document review	Annual	CBI	
	2. Industry supporters/stakeholders awareness of the Canadian Beef Advantage			Supporters/ stakeholders	Survey	Bi-Annual	CBI	Survey efforts should be combined if possible

Performance Measurement Framework 2012-15

Glossary

Below is a glossary that provides a description of some of the terms used in the above PMF.

Consumer Influencers – Those individuals, agencies or groups that directly influence the consumer's decision to buy beef but who are not directly involved in the market transaction (i.e. supply chain). Examples include health professionals, doctors, dieticians and nutritionists.

Trade Industry – Domestic Canadian beef trade industry are those businesses, organizations and individuals that make up the beef supply chain except for producers.

Consumer – For this logic framework, consumer refers to Canadian buyers of Canadian beef in the retail market.

Consumer vs. Customer – Consumer is a retail buyer of Canadian beef. Customer is a wholesale buyer of Canadian beef and genetics.

Foreign Buyers – Any reseller, buyer or distributor whose operating market is not located in Canada.

Foreign Competitors – All offshore competitors to any member of the Canadian beef value chain.

Industry supporters and stakeholders – All those individuals, organizations and groups associated with the beef industry that includes government and non-government organizations and the private sector.

Net new customers – This is a qualifier to measuring "new customers" and is meant to be measured by offsetting the number of new customers by the number of customers that are lost (if any) within a specified period of time.

Cutout comparisons – Comparing the price of a particular cut of Canadian beef against its substitute in another market (US).

Brand licensees – Those individual, organizations and groups with the permission use the Canadian beef brand as part of their promotional and advertising material.

Market Context Indicators

It needs to be clear that market indicators are not measures of the results of market development activities. Market development activities have little if any observable impact on the market context indicators. They should thus be placed in a separate section to make it clear to readers that this is relevant market information but that these are not market development results and that change in these indicators is not the goal of market development funds and activities.

1. Volume and value of Canadian beef exports
    - Total
    - By target market
2. Volume and value of exports by product type and destination market
    - Cuts vs. Offal
3. % share of total Canadian exports by target market
4. Canadian boxed beef report
    - Cutout values
    - Primal values
    - Cut values and load counts
5. Canadian slaughter capacity (fed and non-fed)
6. Utilization of slaughter capacity (fed and non-fed)
7. Fed cattle exports to the US
8. Feeder cattle exports to the US
9. Non-fed cattle exports to the US

It is important to note that these market context indicators need to be flexible in nature. Canfax should add other market context indicators as is necessary as a way to tell the Canadian and/or global market story in order to provide context to its results reporting.

CBBC Background and three year market development strategic framework

Background

The Canadian Beef Breeds Council (CBBC) is the recognized representative body of Canada's seedstock producers; serving an important liaison function with government and other elements of the beef cattle industry, while effectively promoting Canada as the source of quality beef cattle genetics to international and domestic buyers and consumers. CBBC membership is a composite of national breed associations, each representing individual producers of beef cattle breeding stock from across Canada; and associate members comprised of exporters and service providers. The Canadian Beef Breeds Council exists to represent and promote Canadian pedigreed beef cattle genetics domestically and internationally.

CBBC was incorporated in 1994 as a not-for-profit organization and has since enjoyed a lengthy history as an issues-oriented group championing important causes including animal health as well as other matters of importance to the sector and purebred producers. The Council serves as a single point of contact for many government departments and agencies, as well as international contacts.

CBBC is a diverse organization representing eighteen (18) Beef Breed Associations, ten (10) Export firms and four (4) Fairs or Exhibitions within Canada. All these members make significant efforts to market quality Canadian genetics to the both domestic and international markets while promoting the Canadian Beef Advantage. Breed Associations are responsible for the integrity of pedigree records, breed improvement as well as domestic and international breed promotion. Genetic improvement is pursued primarily to improve demand for genetics domestically but also assists in advancing the Canadian Beef Advantage internationally.

The cattle and beef industry has experienced important changes in Canada in 2013, including the signing of the Canada-EU Free Trade Agreement and the "Bali Package" signed during the World Trade Organization ministerial meetings. These accomplishments reflect potentially important gains for agriculture and will impact every participant of the cattle and beef value chain, including Canadian producers.

CBBC recognizes that each organization working for the prosperity of the beef cattle producers in Canada needs to critically review the plans and create alliances with other national organizations working to improve the competitiveness of this sector. Joining efforts through aligned strategies with Canada Beef Inc. (CBI), the Beef Cattle Research Council (BCRC), the National Cattle Feeder Association (NCFA), and the Canadian Cattlemen's Association (CCA) and other important stakeholders will optimize resources and bring value added marketing opportunities in the area of genetics to the participants of the beef value chain.

The commercial cow-calf producers are important customers of the purebred producers in Canada, and the CBBC will continue to focus on fulfilling their needs through collaboration and genetic improvement. It is important to remember that according to the Commercial Producer survey conducted by Ipsos Reid in September, 2006: "99% of commercial producers use a purebred bull for genetic improvement". Additional outcomes included overall importance and value provided by purebred producers and that the most important considerations when purchasing purebred stock are confirmation, birth weight and breed. Updates to this research and economic feasibility studies are being explored.

Visions and Mission Statements

CBBC Vision: "To provide a unified voice in support of the Canadian purebred cattle industry"
CBBC Mission: "To ensure the continuity, growth and prosperity of the Canadian purebred cattle industry"

Mandate

The CBBC has a clear and defined mandate to support, promote and represent its members and the beef cattle purebred genetics industry as a whole. It is to:

SUPPORT Canadian purebred cattle producers through service provision aimed at genetic improvement, animal health, extension services and information dissemination;

PROMOTE Canadian cattle genetics both domestically and internationally by identifying market opportunities, facilitating access through timely intelligence and informing the commercial industry of the attributes of the Canadian beef advantage both at home and abroad

REPRESENT the purebred cattle industry to government by advocating effective policy, ensuring market access and enhancing competitiveness.

Three year market development strategic framework

As we enter the second year of our three-year market development strategy expectations are higher for both CBBC and our members than ever before. The strategy has allowed CBBC to review and refocus both its operational and market development priorities. The development of this strategy involved members in a consultative process that allowed input and engagement in order to inspire ownership of the process. A new application and review process was implemented which has served to provide a systematic reporting process that is results based and not simply on confirming the completion of the activity. The CBBC Market Development Committee reviewed each application with a focus on the ability to achieve desired results in priority markets. As outlined in the plan, benchmarks for key performance indicators will be established following the completion of the first year activities. This information will be used to make adjustments to the strategy as we move forward.

This three year strategy offers a framework by which CBBC can better guide and direct its market development work. This strategy is built on three long term goals common to the Canadian beef cattle industry. These are:

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

The three-year market development strategic framework developed by CBBC is composed of three main sections that coincide with these three goals. Under each goal, there are a set of main strategies, each organized into three separate tracks and based on the direct input from CBBC's members. For each strategy and track there are a number of tactics that will be used to achieve the strategy and, in turn, the broader goal. The annual work plan that follows this section is built entirely on this three year framework – identifying activities that support the tactics and strategies described in Tables 5 through 7 below.

Goal #1 – Building Awareness

Goal #1: Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition		
Domestic Awareness	**International Awareness**	**Protecting the CBA brand**
Strategies		
1A: Increase awareness and understanding throughout the entire Canadian beef value chain (and its relevant organizations) of the importance of purebred beef cattle genetics to Canada's international and domestic beef cattle markets	**1B:** Develop awareness and understanding, in priority export markets, of beef cattle purebred genetics industry through support and promotion of the CBA brand	**1C:** Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA
Tactics		
Tactic 1A1: Develop a coordinated, unified and effective communication/ education strategy targeting intermediary buyers and commercial producers **Tactic 1A2:** CBBC to champion/manage ongoing inter-industry (producers, packers, etc.) dialogue within the beef cattle sector to articulate the connection between beef cattle purebred genetics and beef quality/beef characteristics (CBA). This may involve integration with the CBBC's 4Ps. **Tactic 1A3:** Establish CBBC as the authority and education/ information hub on purebred beef genetics for its members, the beef industry and the public at large	**Tactic 1B1:** Develop a coordinated, unified and effective communication/education strategy targeting intermediary buyers, foreign wholesalers and foreign buyers of Canadian beef cattle purebred genetics **Tactic 1B2:** Promote the use of the Canadian Beef Advantage brand in all market development activities of CBBC's membership that are supported by the Legacy Fund (CBBC's 4Ps). **Tactic 1B3:** Leverage and provide reciprocal support to CBI and other beef groups to promote the CBA, beef cattle purebred genetics and Canadian beef internationally	**Tactic 1C1:** Develop a responsive, coordinated, unified and effective crisis management communication strategy, ideally in collaboration with CCA, CBI and other beef groups **Tactic 1C2:** Preserve and protect Canada's beef brand through promotional campaign to increase the commitment to registration of breeds and breed transfers **Tactic 1C3:** Ensure that purebred beef cattle genetics are properly expressed in foreign markets through after sales support and extension on proper care and management of Canadian beef cattle genetic products (bull, semen, embryos) by new buyers

Key Performance Indicators + 3 Year Targets

Strategy	Indicator	2016 Target
1A	# and diversity of beef value chain members aware of role of purebred genetics in the value chain	150
1A	# of inquiries to CBBC on purebred beef genetics	5% increase per year
1B	# foreign buyers aware of CBA brand and its relationship to Canadian purebred genetics	150
1C	Industry-wide communication strategy developed and implemented	Year 1 & 2 - Agreement signed on communication strategy/ Year 3 - Quality and speed of response to industry shocks
1C	% registration of eligible/applicable breeding stock	Increase 3% per year
1C	% registrations of transfers of purebred beef breeding stock sold	100%

Goal #2 – Achieving growth

Goal #2:Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products		
Market Access	**Planning – Market Development**	**Implementation – Market Development**
Strategies		
2A: Improve market access for Canadian beef cattle genetics in foreign markets	**2B:** Build a cohesive, unified purebred genetics industry (focusing on breeders) that leverages the strengths of all its members to capture a greater market share both domestically and internationally	**2C:** Support breeders and exporters undertake market development work to achieve domestic and international market growth of the Canadian beef cattle genetics industry
Tactics		
Tactic 2A1: Develop a coordinated, unified and effective external communication strategy that effectively guides/promotes the communication and advocacy of CBBC's position on key market access challenges **Tactic 2A2:** In conjunctions with above; increase, enhance and/or improve strategic representation of CBBC on key international, federal and provincial government, non-government and private sector industry boards, committees and meetings reduce market barriers (re: tariff and non-tariff barriers to market access). Communicate the results back to membership (via Internal Communication Strategy).	**Tactic 2B1:** Develop a clear, transparent and effective results-based market development plan to expand international, export markets of CBBC's membership **Tactic 2B2:** Develop a clear, transparent and effective results-based market development plan that expands the domestic markets of CBBC's membership **Tactic 2B3:** At the planning stage, leverage/coordinate the work of Canada-based international trade shows with the facilitation work of CBBC **Tactic 2B4:** Coordinate and collaborate, at the planning stage, all market development activities within CBBC's membership as well as between CBBC and with other beef/agriculture market development programs and domestic trade shows (CBI, CLGA, Agribition, Growing Forward 2) **Tactic 2B5:** In cooperation with CBBC's funding committee, identify and gain access to alternative market development support resources to the Legacy Fund for CBBC's membership	**Tactic 2C1:** Implement a results-based market development plan that leads to growth in market share of CBBC's membership in international, export markets **Tactic 2C2:** Implement a results-based market development plan that leads to growth in domestic market share for CBBC's membership **Tactic 2C3:** Promote greater coordination of market development activities amongst CBBC members **Tactic 2C4:** Build capacity of CBBC and its members to collect, analyze and disseminate market intelligence information including pre-qualifying all domestic and international market inquiries **Tactic 2C5:** Protect and ensure the quality of market development activities through improved, equitable management of the CBBC's market development program.

Key Performance Indicators + 3 Year Targets

Strategy	Indicator	2016 Target
2A	# of market issues put forth by CBBC	3 top priorities set per year
2A	# of market access issues resolved	2-3 market access issues resolved per year
2B/2C	Qualified leads[11]	Year 1 – Establish baseline/Year 2&3 – 5% increase per year
2B/2C	% qualified leads convert to sales	Year 1 – Establish baseline/Year 2&3 – 5% increase per year
2B/2C	Time qualified leads take to convert to sales	Year 1 – Establish baseline/Year 2&3 – 5% decrease per year
2B/2C	Change in average per unit value (domestic and international)	Year 1 – Establish baseline/Year 2&3 –CPI% increase per year
2B/2C	Volume of exported purebred Canadian beef cattle breeding stock	5% increase per year (all types)
2B/2C	Market Assessments	Increased quality and distribution of market intelligence info for CBBC membership

[11] Qualified Leads: A clear match between the product needs of a buyer who has the ability to pay for these products and the supply capabilities of the breed association and/or exporter

Goal #3 – Maximizing Value

Goal #3: Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values		
Product	**Price**	**Willingness to Pay - Reputation**
Strategies		
3A: Promote the continuous development of the value-added proposition of the Canadian beef cattle genetic product	**3B:** Promote and advocate for the preservation of the value/price of Canadian purebred genetic products is maintained or increases in international markets	**3C:** Preserve and protect the reputation of Canadian beef as a safe, healthy, nutritious protein product
Tactics		
Tactic 3A1: Increase, enhance and/or improve CBBC's strategic representation on key federal and provincial government and industry boards, committees and meetings for the purposes of advocating for development, implementation and enforcement of policies that preserve the value of purebred beef cattle genetics (e.g. Animal Pedigree Act (APA), health protocols). Communicate results back to membership (via Internal Communication Strategy). **Tactic 3A2:** Spearhead and aggressively champion any research that serves the genetics industry and, in particular, research that supports continuous genetic improvements **Tactic 3A3:** Ensure that purebred beef cattle genetics are properly expressed in foreign markets through after sales support and extension on proper care and management of Canadian beef cattle genetic products (bull, semen, embryos) by new buyers	**Tactic 3B1** Build a product information and communication strategy with industry that ensures that Canada's premium quality genetics products are not devalued in the international market place	**Tactic 3C1:** Engage international network of breeders for information exchange and sharing on promoting value and benefits of the different breed stock that make up the Canadian beef cattle purebred genetics industry **Tactic 3C2:** Build capacity and skills of breeders to market and competitively sell their products domestically and overseas

Key Performance Indicators + 3 Year Targets

Strategy	Indicator	2016 Target
3A/3B/3C	Performance- Success rate of product	Year 1 – Establish baseline/Year 2&3 TBD – e.g. 70-80% conception rate
3A/3B/3C	Predictability – Best results, regardless of location	Year 1 – Establish baseline/Year 2&3 – TBD
3A/3B/3C	Pedigree (APA) -% breeding stock registrations	Increase 3% per year
3A/3B/3C	Change in average, per unit value (domestic and international)	Year 1 – Establish baseline/Year 2&3 –CPI% increase per year

CBBC Logic framework

Below is CBBC's logic framework. This framework provides greater context between the work of CBBC, as described by the strategies in Section 4, and the expected short term, medium term and long term results they seek to achieve. This framework is premised on the assumption that successfully achieving short term results will lead to the achievement of medium term results which will also lead to long term result: a profitable and sustainable Canadian beef cattle industry.

Long Term Goal (Impact) 10 year			**Long Term Result** **A profitable, sustainable Canadian industry that results in the Canadian beef industry and cattle being recognized as the most outstanding by Canadian and world customers**	
			Long Term Indicators:	
			1. ROI for marketing efforts (foreign promotion/domestic promotion/research)	
Medium Term Results (Intermediate Outcome) 3 year Strategic Plan	**Medium Term Result 1** **Build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition**		**Medium Term Result 2** **Achieve growth in traditional, existing, new and emerging markets for Canadian beef genetics products**	**Medium Term Result 3** **Maximize the total value realized by the Canadian beef and cattle genetics industry through optimization of genetics and live cattle values**
	Medium Term Indicators:		**Medium Term Indicators:**	**Medium Term Indicators:**
	1. Consumer perception of the Canadian beef brand 2. % of Canadian trade industry who utilize CBA in marketing efforts. 3. Foreign customers rating of Canadian beef genetics compared to competitors		1. Volume and value of sales by market for CBBC members (export) 2. Volume and value of sales by market for CBBC members (domestic)	Leverage on funded initiatives
Short Term Results (Immediate Outcome) Annual Market Development Plan	**Short Term Result 1a** **Increased awareness of the Canadian beef breed brand by Canadian buyers**	**Short Term Result 1b** **Increased ability of the Canadian beef industry to articulate advantages of the Canadian beef breed brand**	**Short Term Result 1c** **Increase foreign customer awareness and understanding of the Canadian beef breed brand**	**Short Term Result 2a** **Market intelligence provided to Canadian beef industry**	**Short Term Result 2b** **Strengthened targeted domestic and foreign customer relationships**	**Short Term Result 3a** **Increased awareness of the Canadian beef breed brand by industry supporters/stakeholders.**

		Short Term Indicators		**Short Term Indicators**		**Short Term Indicators**		**Short Term Indicators**		**Short Term Indicators**		**Short Term Indicators**
		1. # of website hits 2. # of consumer influencers reached directly through marketing activities 3. # of communications programs developed and disseminated to different target groups		1. Number of trade industry representatives made aware of the CBA through funded initiatives 3. CBA info posted on BAs websites		1. Level of understanding of CBA by foreign customers 2. Number of buyers / distributors made aware of the CBA through funded initiatives		1. Industry assessment of usefulness of market intelligence 2. Industry utilization of market intelligence		1.# of net new qualified foreign buyers in foreign markets 2.% of qualified buyers retained in foreign markets (customer loyalty).		1. Industry supporters/stakeholders awareness of the Canadian Beef Advantage

Market Strategies & Activities	**CBBC Strategies**		
	1A: Increase awareness and understanding throughout the entire Canadian beef value chain (and its relevant organizations) of the importance of purebred beef cattle genetics to Canada's international and domestic beef cattle markets	**2A:** Improve market access for Canadian beef cattle genetics in foreign markets	**3A:** Promote the continuous development of the value-added proposition of the Canadian beef cattle genetic product
	1B: Develop awareness and understanding, in priority export markets, of beef cattle purebred genetics industry through support and promotion of the CBA brand	**2B:** Build a cohesive, unified purebred genetics industry (focusing on breeders) that leverages the strengths of all its members to capture a greater market share both domestically and internationally	**3B:** Promote and advocate for the preservation of the value/price of Canadian purebred genetic products is maintained or increases in international markets
	1C: Protect the reputation of the Canadian beef purebred genetics brand and, by extension, the CBA	**2C:** Support breeders and exporters undertake market development work to achieve domestic and international market growth of the Canadian beef cattle genetics industry	**3C:** Preserve and protect the reputation of Canadian beef as a safe, healthy, nutritious protein product
	Market Development Program Management including eligibility criteria, application processing, reporting & monitoring including setting reference point (i.e. baseline)		

CBBC MARKET DEVELOPMENT GRANT APPLICATION FORM

Application Instructions:

1. Please fill in this form as completely as possible. Most items are self explanatory but if you have any questions, please feel free to call the CBBC office.
2. Please review the entire application and the Annex first before you begin completing the form. Please refer to the Key Performance Indicators listed in the Annex tables when describing your immediate and medium term results.
3. For planned ***outbound sales missions***, a section called Market Type is included in this application. For the market named, please designate it as one of three types: New Market, Growing/Growth Market or Mature Market using ONE of the following criteria – sales volume to date, number of visits you have made to this market or level of market difficulty. You should provide an explanation of which criteria you used and how in the section labelled Market Type: Basis. The three different criteria for the three different market types are described below:
    a. **New Market**
        i. Cumulative Sales Volume: <C$100K
        ii. Visits to Market: 1-2
        iii. Market Difficulty: Countries ranked in the Bottom Third (Ranked 123-185): WB Ease of Doing Business Ranking[12]
    b. **Growing/Growth Market**
        i. Cumulative Sales Volume: C$101K – C$1.5M
        ii. Visits to Market: 2-10
        iii. Market Difficulty: Countries ranked in the Middle Third (Ranked 61-122): WB Ease of Doing Business Ranking
    c. **Mature Market/Maintenance**
        i. Cumulative Sales Volume: >C$1.5M
        ii. Visits to Market: >10
        iii. Market Difficulty: Countries ranked in the Top Third (Ranked 1-60): WB Ease of Doing Business Ranking
4. You may adjust the box sizes as required to fit your text. For some boxes, we include examples (in italics) and these should be removed prior to submitting your application.
5. Please convert your application to a PDF format prior to sending it to CBBC.

We ask that you please submit your applications to Michael Latimer (mlatimer@canadianbeefbreeds.com) on or before **October 18, 2013**.

Thank you!

Canadian Beef Breeds Council

[12] See http://www.doingbusiness.org/rankings

Name of Organization:		
Contact:		
Contact Details:		
	Address	
	Telephone	
	Email	
	Website	
Requested Funding Amount:		
Proposed Activity		Bold/underline all that apply: a. Tradeshow or Trade Fair b. Outbound Sales Mission – Ministerial c. Outbound Sales Mission – Individual Company d. Inbound Sales Mission e. Training – Inbound/Outbound f. Publications/Promotional Material g. Market Intelligence
Activity Description: *Please describe the market activity.*		
Strategies and/or tactics this activity will support (See Annex B)		
Market/Country		
Market Type (For Outbound Sales Mission ONLY – b or c above)		Select one (bold or underline): a. New Market b. Emerging/Growth Market c. Mature Market/Maintenance
Market Type: Basis (For Outbound Sales Mission ONLY – b or c above)		*Based on one of the following criteria: Sales, Visits or Market Difficulty (See Annex A)*
Market Intelligence Activities Description		*List all market intelligence gathering activities*

Expected Immediate Results	*E.g. Number of qualified trade leads, sales, trained buyers*
Expected Medium Term Result	*E.g. Sales*
Capacity to Supply	*If sales is an expected result, provide evidence of capacity to supply anticipated targeted sales*
Collaboration and Linkages:	

Is this activity being conducted in conjunction with other market development activities YES NO
If so, are these other activities being supported by Legacy Funds? YES NO
If yes, please list these other activities:
Is this activity part of a comprehensive market development strategy for the organization and its members?

Personnel	Last Name, First Name	Experience in International Market Development
	List all personnel participating in this activity	*For each traveler, briefly describe their past market development experience including list of countries and achievements (sales, etc.)*

Organization Description: *Describe your organizations, its members and stakeholders, mandate and mission:*
Past Market Development Achievements (Organization): *Describe your organization's previous work and achievements in market development*