Putting U.S. Meat On The World's Table

Who is the USMEF?

OUR MISSION:

- Increase profitability throughout the supply chain by expanding exports and maximizing the value of the carcass
- Basically: putting U.S. meat on the world's tables!

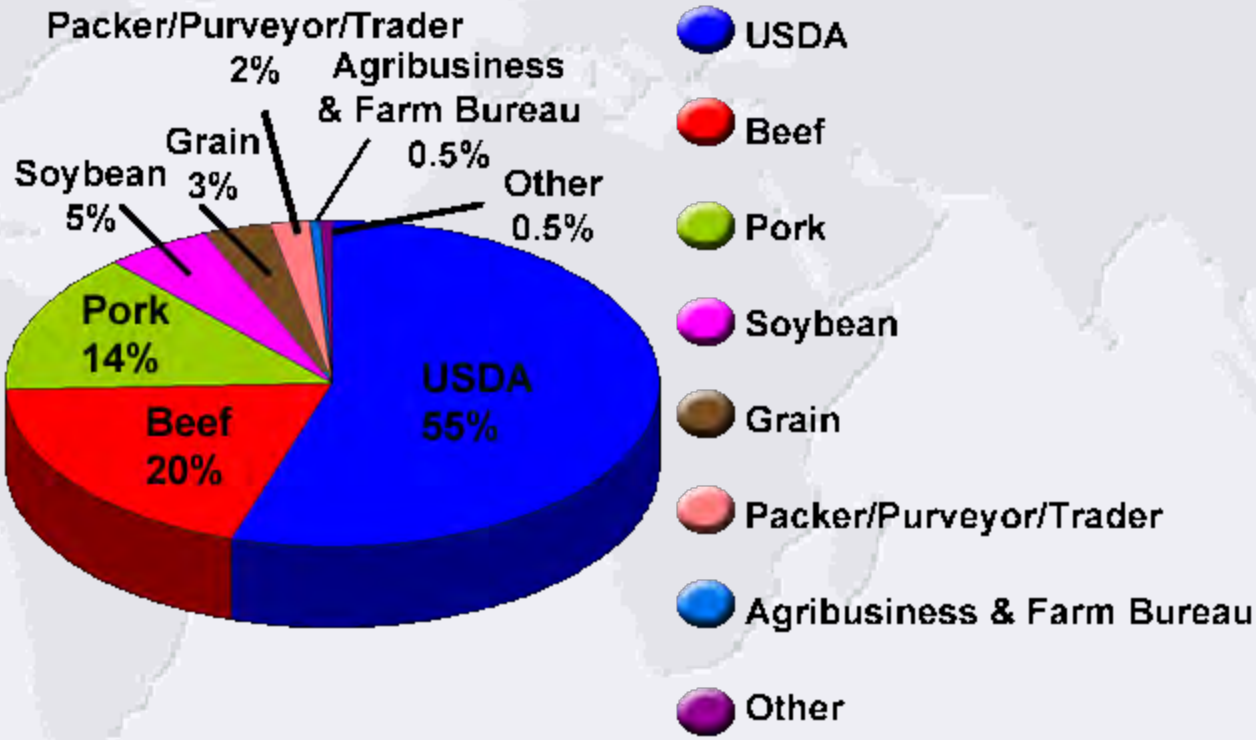
Our Membership

- Packer/processor
- Purveying & trading
- Beef/veal producing & feeding
- Pork producing & feeding
- Lamb producing & feeding

- Feedgrain producing
- Oilseed producing
- Farm organizations
- Supply and service organizations

USMEF's Global Footprint

USMEF Funding Sources



U.S. Beef Exports Update for 2011

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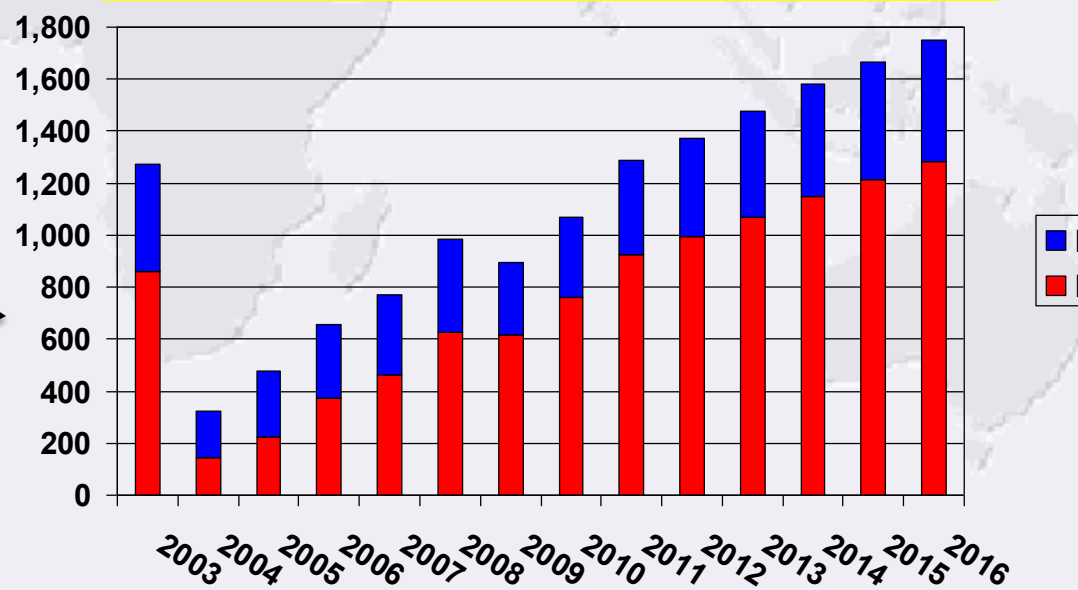
2011 Beef Exports Set New Record

- $5.42 billion in value – new 1-year record
  - ***33% increase vs 2010***
  - Exceeded $5 billion in export value for first time in history
- 1,287,259 metric tons (2.83 billion pounds)
  - ***21% ahead of 2010***

2011: 1.3 mill metric tons; up 21%
$5.4 billion; up 33%

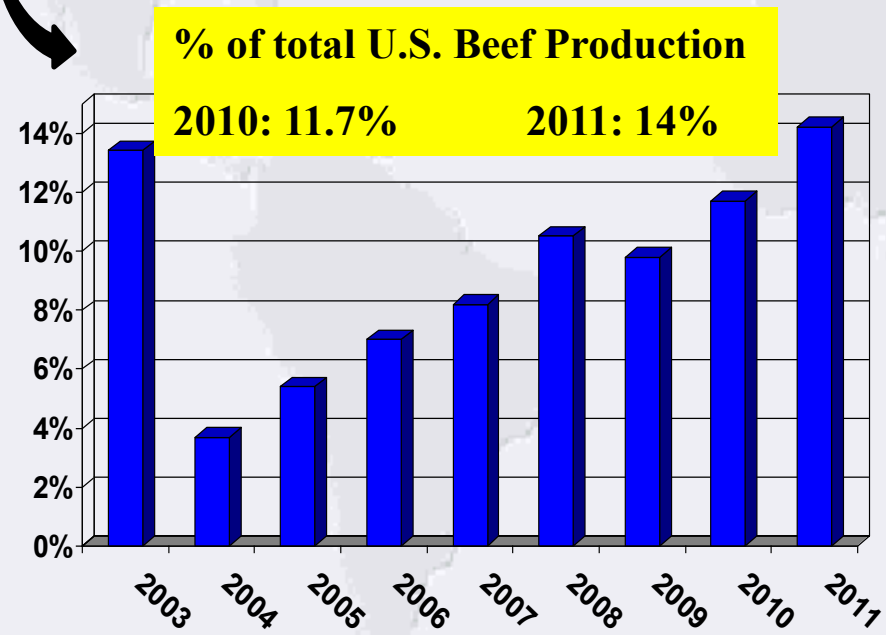


(USDA statistics compiled by USMEF for January-December 2011)

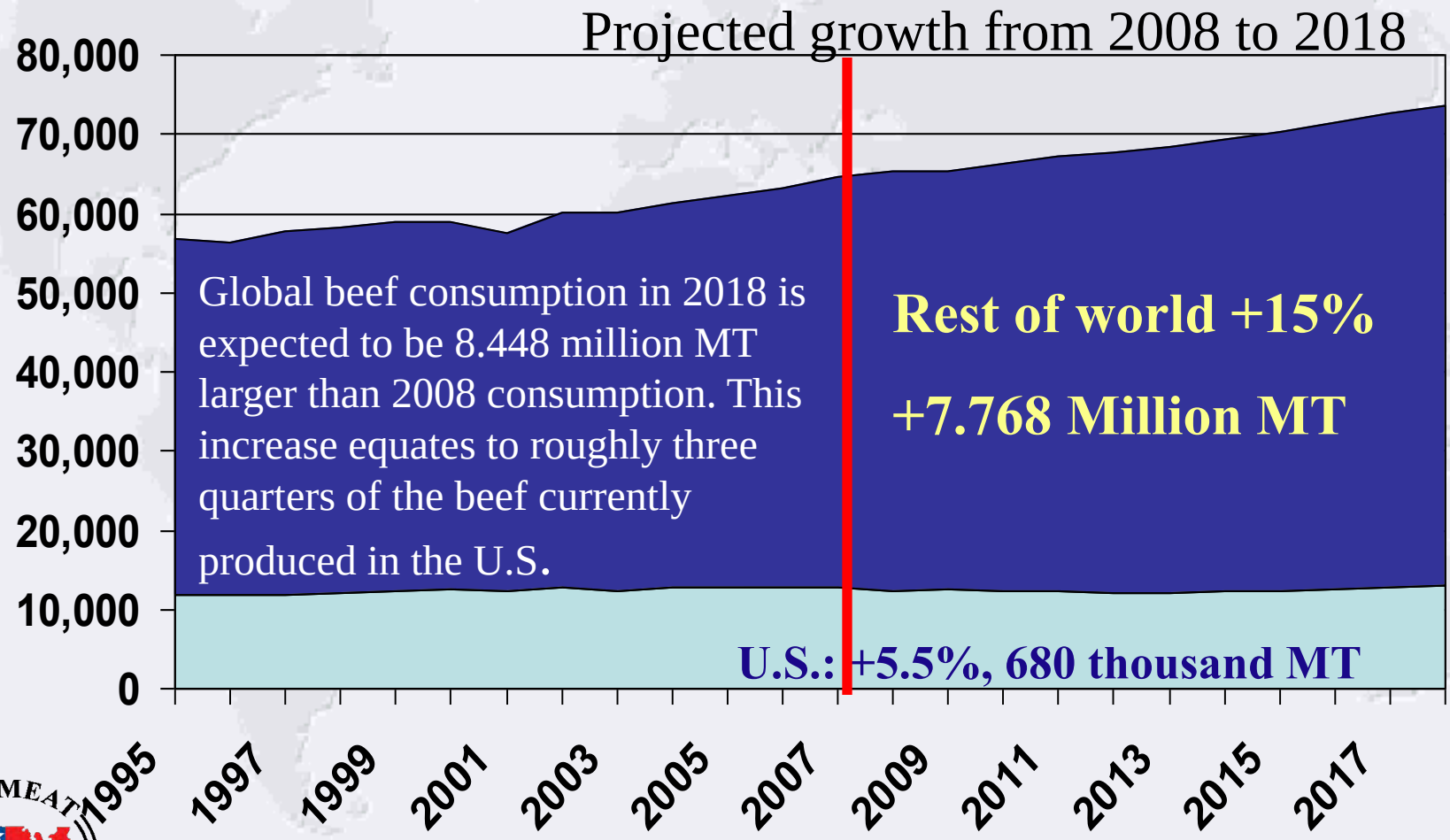
(All totals include muscle cuts and variety meat)

Measuring Beef Export Value

- 14% of total U.S. beef production
- Export value equal to $206.37 per head



Growth in Beef Consumption



Source: OECD/FAO; thousand MT

What's Driving This Growth?

- Population growth
- Long-term global economic expansion
- Growing middle class
- Rural–urban migration
- Changing diets

Top U.S. Beef Export Markets

- **Mexico** – 256,938 metric tons (up 4% vs. 2010)
  - value up 20% to $985.3 million
- **Canada** – 191,047 MT (up 25%)
  - value up 41% to $1.03 billion
- **Middle East** – 175,181 MT (up 30%)
  - value up 36% to $356 million
- **Japan** – 158,646 MT (up 27%)
  - value up 37% to $874.4 million
- **South Korea** – 154,019 MT (up 37%)
  - value up 32% to $686 million

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Top U.S. Beef Export Markets

Key Markets for U.S. Beef+BVM	Top U.S. Beef Cuts		Top U.S. Beef Variety Meats (BVM)	
Mexico: #1 Select	**156,528 mt**	**clod, goose neck, inside round, boneless chuck, outside round**	**100,410 mt**	**tripe, outside skirt, liver**
Middle East: #2 Select/choice	**58,046 mt**	**tenderloin, rib-eye, striploin, T-bone, chuck cuts**	**117,135 mt**	**liver, kidney, heart**
Japan: #3 Choice/upper choice	**138,914 mt**	**short plate, chuck eye roll, chuck ribs, chuck flap tail**	**19,732 mt**	**tongue, outside skirt, hanging tender**
Korea: #4 Choice/dry aging with upper choice and prime	**135,550 mt**	**rib (short, back and chuck), chuck roll, chuck eye roll, brisket**	**18,469 mt**	**femur bone, intestine, outside skirt, hanging tender, tendon, feet, abomasum**
Russia: #5 Select, NR	**48,283 mt**	**knuckle, top side, rib eye, striploin, tenderloin, top blade, short rib**	**24,514 mt**	**liver, tongue, heart, kidney**

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Market Access – Potential Added Exports

Japan	+$1 billion
China	+$300 million
Mexico	+$100 million
Hong Kong	+$60 million
TOTAL	+$1.46 billion

FTA Opportunities for U.S. Beef

- **South Korea—March 15**
  - **Beef: duties of 40% to zero over 15 years; variety meat duties of 18% to zero over 15 years**
    - **Eliminating 40% tariff could reduce the cost of beef by more than 80 cents per pound at current trade values**
    - ***At completion of duty reduction, project U.S. beef exports at $1.6 billion (from $518 million in 2010)***
- **Colombia—May 15**
  - **Duty-free access for high quality beef (Choice & Prime) with unlimited volumes, duty-free tariff rate quota for standard beef and separately beef offals, with annual increase in TRQ volumes**
    - **Over-quota duties fall immediately from 80% to 50% and to zero over 10 years**
    - **<u>$30 million</u> in additional exports after duties eliminated (2010 exports valued at $1.9 million)**

FTA Opportunities for U.S. Beef

- **Panama**
  - Duty-free access for high quality beef (Choice & Prime); duties of 30% phased to zero over 15 years for all other muscle cuts
  - Beef variety meats: duties of 15% fall to zero immediately for some items, others phased to zero over 5 years
  - $5.5 million in targeted exports (2010 exports valued at $3.6 million)
- **Doha agreement**
  - Biggest win for U.S. beef would be Japan, duties of 38.5% likely reduced to about 21.5%

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But Let's Talk Beef Promotions…

Three Case Studies in 3 Countries

Began with "fitting" American beef into local cuisine:

- **Shabu Shabu**
- **Yakiniku**
- **Korean BBQ**

#1: Japan BEEF:
20 Month of Age Issue = Limited Supply
Needed to SELL FULL SETS!

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Products Guidebook

USMEF 17 Alternative Cuts

Purpose: Due to the age limits on cattle for Japan, USMEF developed these key alternative cuts to boost the amount of product available to the market and increase total carcass utilization.

Key cuts

- **Top Blade Muscle**
- **Flap Meat**
- **Brisket**
- **Rib Cap Plate**

Developed: September 2005

Promotion Guidebook

December 2005 – Announced at USMEF Press Conference

Explains and demonstrates how 17 alternative cuts can be used in popular Japanese cooking styles and are profitable for buyers.

Beef Caravan

Sept 2006

- Visited 5 cities and introduced Alternative cuts
- Tokyo, Osaka, Nagoya, Sapporo and Fukuoka
- Attended by over 600 key buyers and executives.

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Key Cuts

Top blade muscle for steak and yakiniku

Key Cuts

Rib cap plate for thin-sliced beef “Gyudon”

Key Cuts

Brisket for thin sliced beef alternative cuts of short plate

Thinner for beef bowl

Thicker for yakiniku

Success Stories

CGC Retail Group

- 3,000 retail outlets from 200 member companies
- Within 2 years of re-launching we were up to 200 MT/month (440,000 lbs) of rib cap plate and chuck eye roll of USA displacing other countries (Aussie/Domestic)

Success Stories

Leading Retailers

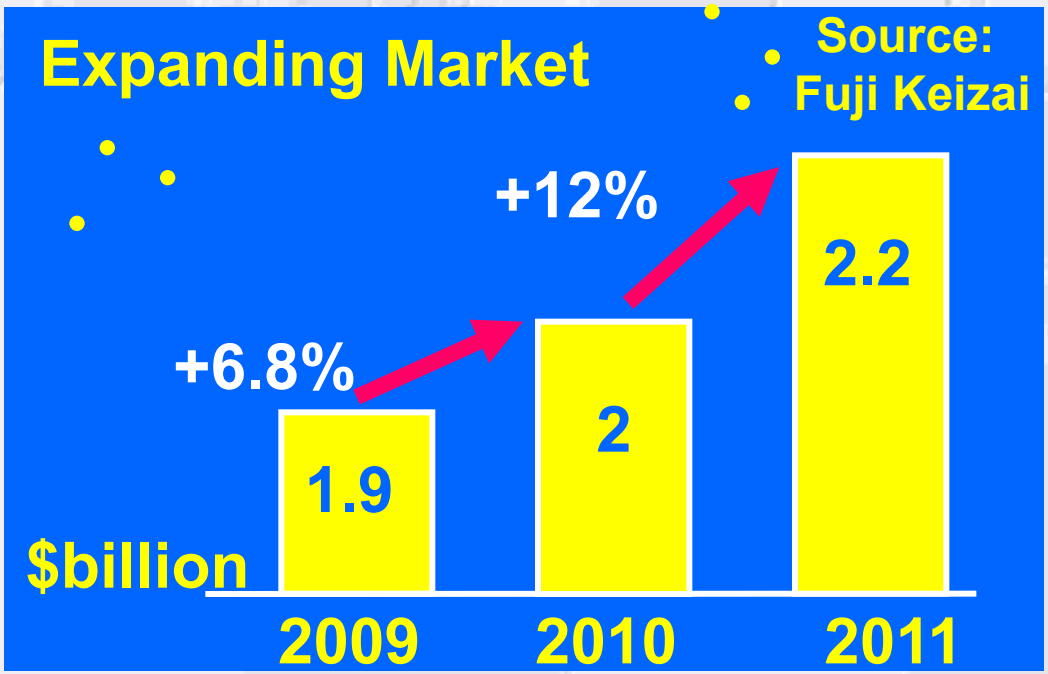
Taiyo

- Introduced knuckles (shifting from Aussie product)

Costco Japan

- 15.3 MT (33,660 lbs) of top blade muscle / month
- Selling tri-tip and flap meat
- Also promoting chuck tail flap, chuck eye roll, tenderloin, ribeye roll and strip loin

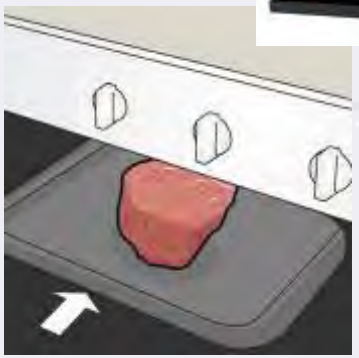
2012 = New Subsector, the Steak House



# of outlets	2010FY	2011FY*
Steak Gust (Skylark)	11	160
Cowboy Kazoku (Royal Holdings)	3	11

*# for ’11 is estimate

Target Item 2012: Middle Meats



2012: Yakiniku Cuts

Target item for 2012 is
- Yakiniku cuts such as offal (e.g.: tongue, skirts, intestine)
- BBQ items (e.g.: B/L short rib, chuck rib)

Tokyo office will make guide book of recommend items for 2012

Case Study 2:

Mexico: Reaching Mama

Population 112 million people in 31 states
Northern eat beef; south more pork

Mean age 26 years old

Marital status: 40% Married; 35% Single

Urban population: 77%

Annual pop. growth rate: 1.8%

Native population 6.7 mill indigenous Indian (6%)

Members per house: 5.1

51 % female & 49 % male

USMEF Research:

Mama is key to retail sales
Retail is where the sales action is at
Think pork is unhealthy, unclean/backyard/dirty
Think beef costs have crossed the line of affordability

#3: Mother's Day Promo

- **Objective:** Reach Mom—primary shopper, decision maker, preparer
- **Steps for promotion**

1. Shopper arrives meat department that is properly labeled with US stickers/dividers/signage
2. Retailer provided meat for sampling and runs all ads
3. Demonstrator gives samples from a permanent display at the store and tells of opportunity to get promotional item with a purchase
4. Certain amount of purchases give you a ticket to a Mother's Day event:
   1. Movies
   2. Clown theater
5. This is the go-to event! And drove sales and retail purchases.

2012: We Reach Mom outside the store!

- Grilling promotion: Offer the free grilling service of meat to consumers when buying U.S. meat in order to promote immediate U.S. meat sales.

USMEF S. Korea "Trust" Campaign
Summer 2008

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2008: Expected Access, but…

- Politically motivated protests
- Economic crash
- High Inventory levels

Rebuilding Trust (2009)

- Research shows that all concerns and issues trace back to the lack of trust in US beef
- After a year of waiting, launched in Dec 2009
  - As Korean women trust other women and mothers, 3 mothers who were involved in production of US beef were utilized: producer, researcher, inspector—all mothers feeding USA beef to their children
  - Addressed: safety, image, quality

U.S. Industry Response

to Trust

미국산 쇠고기

BEEF
식품 연구
목장주 크리스티나
식품 검
엄마의 손길로
식탁 위의 건강과 안전은 반드시 지켜져야 한다는 생각은 세상 모든 엄마들의 똑 같은 바램입니다.
소를 키우는 목장주이기 전에, 두 아이를 키우는 엄마의 손길로-
식품의 안전을 연구하는 연구원이기 전에, 한 가족의 엄마로-
식품 검역원이기 전에, 식탁의 안전을 책임지는 엄마의 마음으로-
미국산 쇠고기는 생산 과정 하나 하나에 철저한 품질관리 프로그램이 시행되고 있습니다.
식탁은 가장 행복한 장소여야 하고, 무슨 일이 있더라도 안전하게 지켜야 하는 곳이니까요.
To trust. 믿음을 드려요.
to Trust
미국산쇠고기
High Quality U.S. BEEF
It's better!
소고기에 대한 모든 것, 맛있는 이야기
www.beefstory.co.kr에서 자세 확인하세요!

Situation Analysis: Korea 2012

"Discomfort" has significantly diminished since the beginning of the market reopening.

However, some concern is still lingering in consumers' minds.

- **Before**: People consciously avoid U.S. beef
- **Now**: Vague anxiety makes people avoid.

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to Trust
미국산 쇠고기

The Ultimate Goal

Set JUSTIFICATION to choose U.S. beef

by

1) Relieving the vague anxiety

2) Providing clear reasons

why they should choose U.S. beef

To mobilize & motivate ambivalent consumers whose thinking is gradually changing

to actively buy

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Focus Group Comments

"I don't think U.S. beef is unsafe when I think Americans are eating the same beef that I eat."

"It will be a relief if someone tells me that U.S. beef is consumed by many people."

The most powerful impact comes from the fact that
your neighbor is eating U.S. beef,
not from any professional's recommendation

New Standard for New Start:

U.S. Beef -- Enjoyed in 110 Countries worldwide!

Paradigm Shift for New Start

Koreans have some “discomfort” with U.S. beef

⬇

Rational consumers enjoy world class U.S. beef

WORLD CLASS BEEF

★ ★ ★ ★ ★ 미국산 소고기 ★ ★ ★ ★ ★

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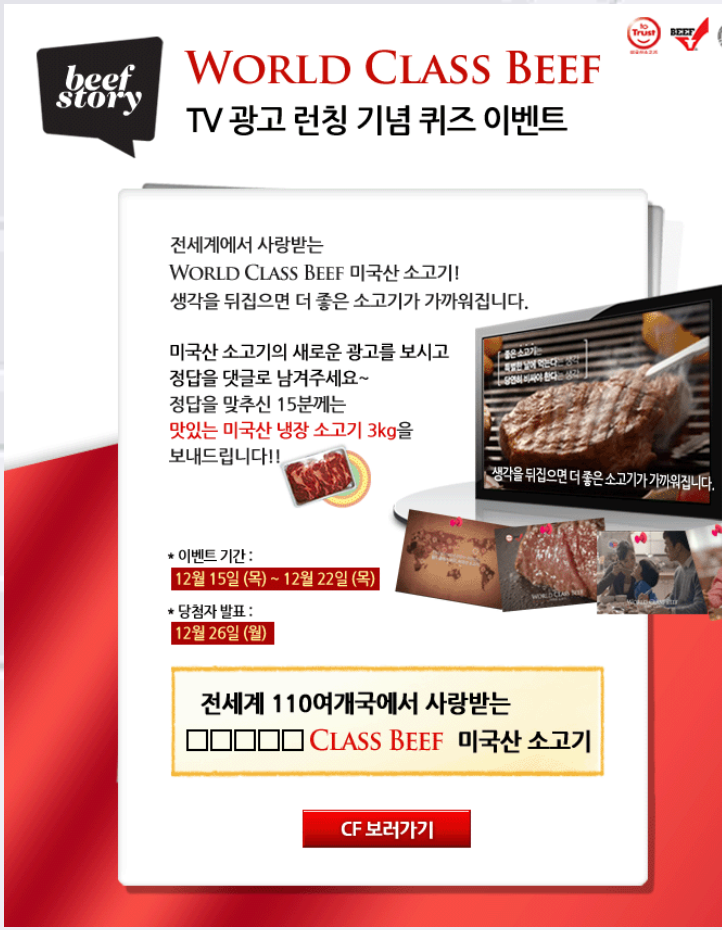
Wake up to World Class Beef
Korea, USA, France, Mexico

Online Events



New Korean Channel Development

Home Shopping

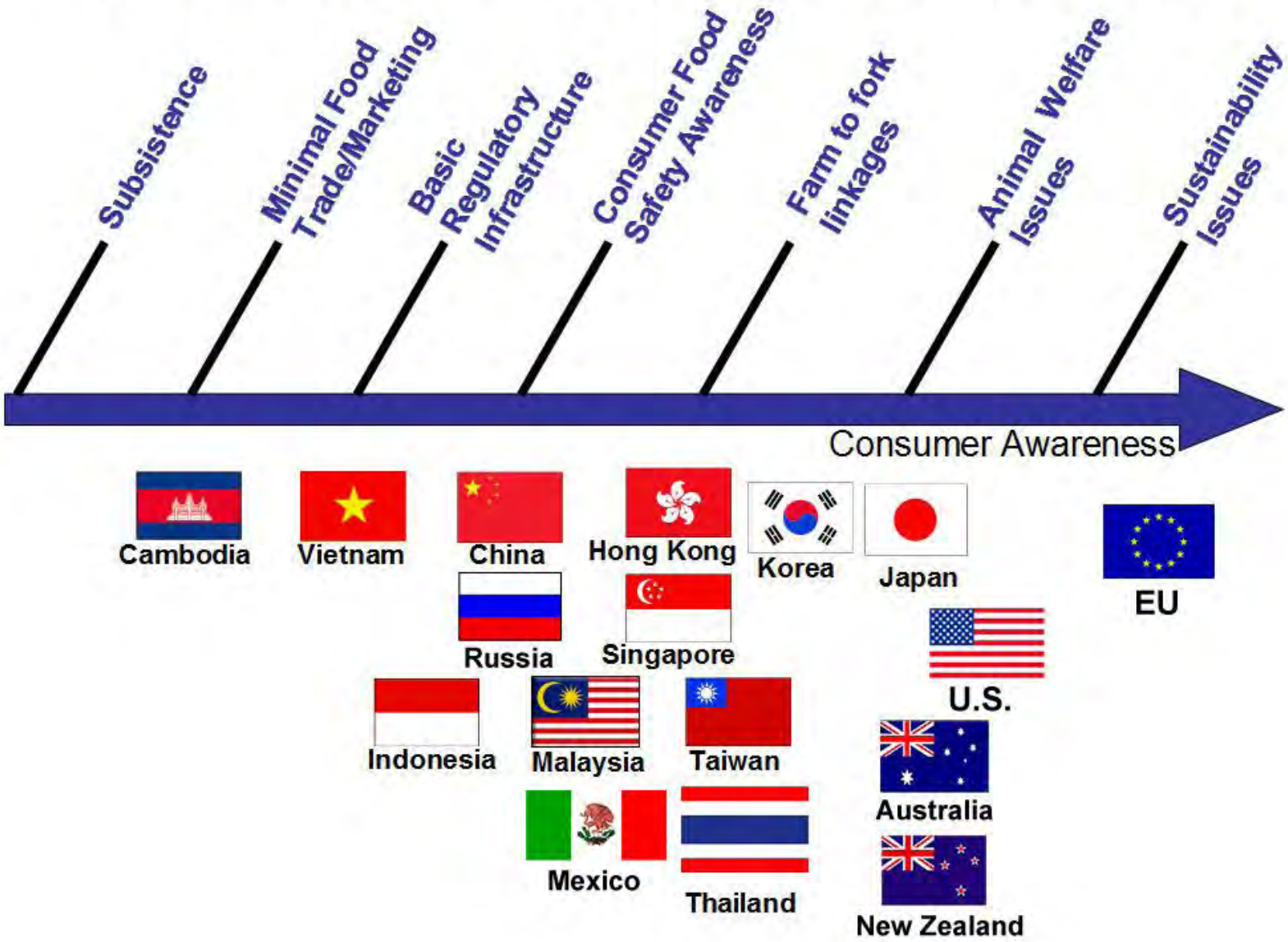
Home Shopping Channel

Conducted 9 times (450 minutes)

22,542 sets sold

The Global Export Environment

USMEF Food "Awareness" Spectrum



Critical Issues for International and Domestic Consumption of Beef

- Animal welfare
  - Need for baseline for measurement
  - Lower priority in countries where hunger is an issue
- Private standards
  - Differing views in established vs. developing countries
  - Potential for trade problems: antibiotics/crates
- Sustainability
  - Lacking consistent definition
- Traceability
  - The U.S. is 1 of only 2 major beef exporters without a mandatory program…

The Other Is India…

Japan: In-store Beef Traceability Kiosks

国内産牛肉
安心確認システム

安心への取り組み

生産地からお店まで
「履歴」がわかる
イオンのトレーサビリティー

イオンは、お客さまが安心して
牛肉をお買い求めいただけるよう、
「どこで生まれ、どこの、だれが、
どんな飼料を与えて育てた牛なのか」を
確認できるシステムに取り組んでいます。

履歴検索画面へ

イオンのトレーサビリティーの仕組み

トレーサビリティーとは、英語の「トレース」(足跡を追う)と、「アビリティー」(できること)を合わせた言葉で、「追跡可能性」(追跡ができること)と訳されます。イオンで取り扱う国内産牛肉は、全て生産から店頭までの履歴を追跡可能な牛肉ばかり。「国内産牛肉の安心確認システム」では、お客さまのご自宅からお買い求めいただいた牛肉の生産履歴をインターネットで検索いただけるサービスへの取組みを行っております。

Korea Beef Traceability System (www.mtrace.go.kr): April 2009

1) 소 및 쇠고기 이력시스템 메인 홈페이지(http://www.mtrace.go.kr)
홈페이지 주소를 입력하여 쇠고기 이력제 홈페이지에 들어옵니다

2) 12자리 숫자를 띄어쓰기없이 입력하십시오
쇠고기 이력제 적용 판매장에서 이력추적제 적용 쇠고기인 경우 12자리 숫자로 되어있는 개체식별번호를 홈페이지 메인 개체식별번호 입력화면(2) 에 입력 후 SEARCH 버튼을 누릅니다

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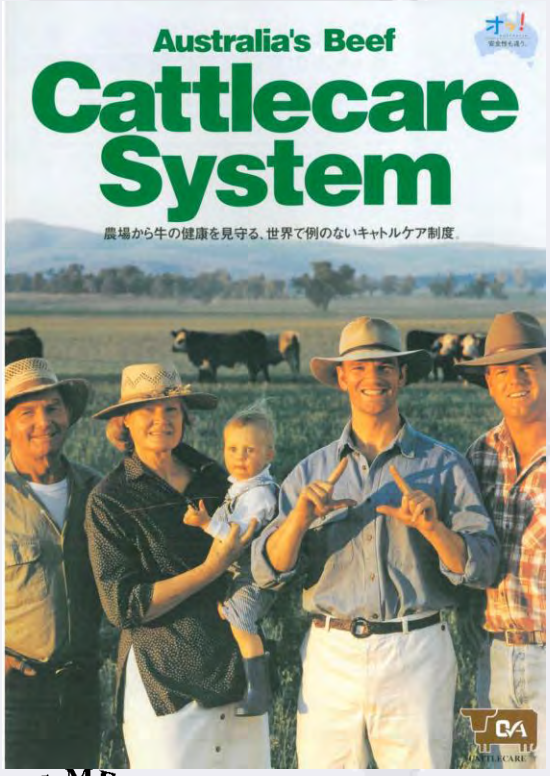
Competition's Response

Focusing on "Nature," "Traceability" & "Safety"



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Home | Beef | Chicken | Milk | Potatoes | View the TV ad

Traceability

It's important for us to be able to trace our ingredients back to their source. We use 100% beef in our hamburgers, bought from farms accredited by nationally recognised Farm Assurance schemes. We can trace which farms the beef came from, know the farmers' names and how the animals were reared.

3 of 10

Traceability

We can trace which farm the beef came from, know the farmers' names and how the animals were reared.

Green

A Blog About Energy and the Environment

April 13, 2010, 5:48 PM

McDonald's Board Opposes Cage-Free Eggs for U.S.

By LEORA BROYDO VESTEL

The board of directors of McDonald's has recommended that the company's shareholders vote against a proposal to require that 5 percent of the eggs purchased for the chain's restaurants in the United States be the cage-free variety.

The proposal was advanced by the Humane Society of the United States.

Some major fast food companies, including Burger King, Subway and Wendy's, and the retailers Wal-Mart and Trader Joe's, have already made some level of commitment to purchasing or selling cage

But the McDonald's b
that the science was n
switch.

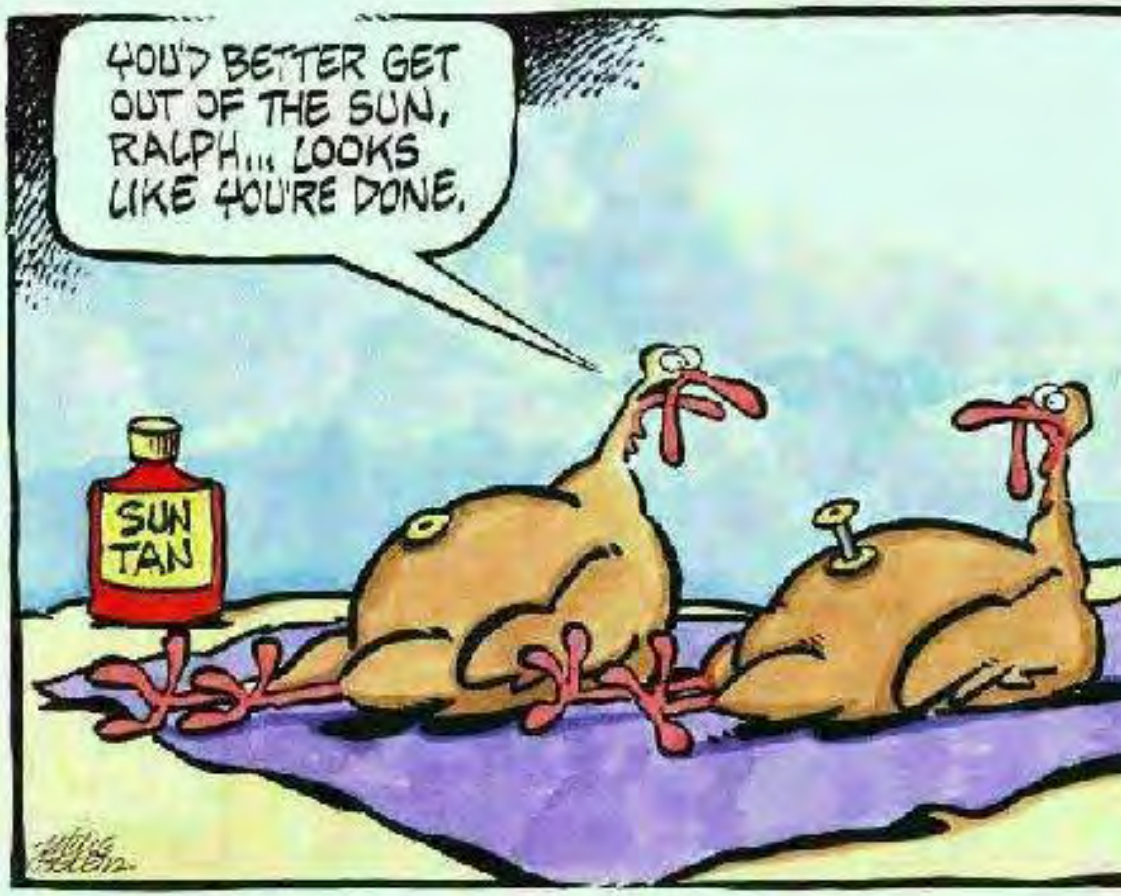
"As we have examine
there is no agreement
balance the advantag
said in a proxy statem

McDonald's says that its
minimum of 72 square inches
counters that this is not enough space to allow a hen to fully spread its wing

"There's a big disparity between what McDonald's is doing in Europe and in the United States," HSUS said.

We're Done!

Thank You for Supporting the Global Beef Market!



Liz Wunderlich

US Meat Export Federation