



Canada Beef Inc.

Fit for Purpose

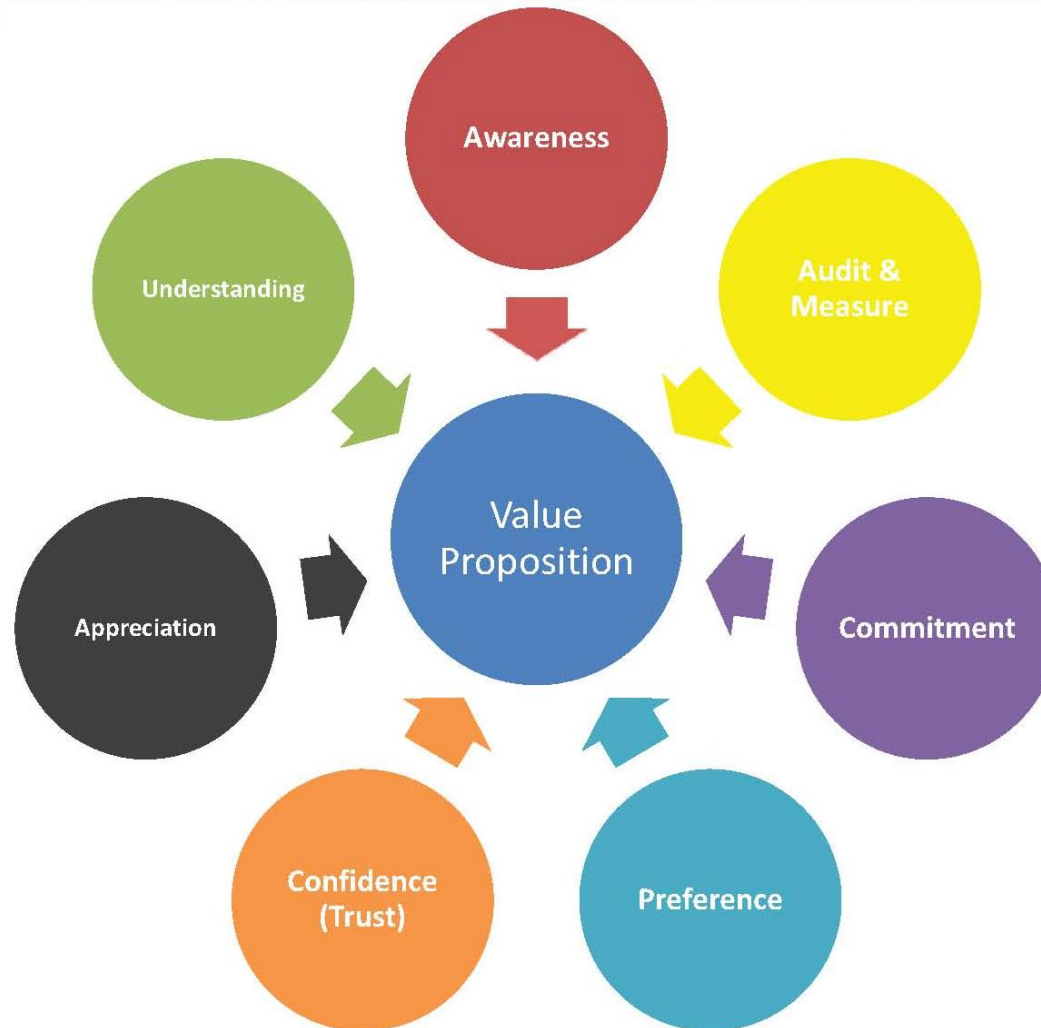
Rob Meijer, President

Saskatchewan Beef Industry Conference

January 19, 2012



Value Proposition





A New Chapter in Canadian Beef Marketing

2010 Canada Beef Working Group – mandate to review possible merger options and submit recommendation

➤ *January 6, 2011*

CBWG recommends the creation of a single independent national beef cattle marketing, promotion and research organization by merging and integrating the assets, operations, liabilities and funding of the CBEF, the BIC and the NCOA.



A Brand New Company





New Chapter...

On July 1, 2011 Canada Beef Inc. became the official marketing agency for Canadian beef.

- BIC and CBEF joined the *Canadian Beef Cattle Research, Market Development and Promotion Agency* - National Check Off Agency- NCOA – and are now operating as one organization – **Canada Beef Inc.**
- The new organization will focus on meeting the goals set out by the CCMDC:
 - Achieve growth in traditional, existing, new and emerging markets for Canadian beef
 - Build awareness of the Canadian beef brand
 - Maximize total value realized for Canadian beef through optimization of carcass values





Canada Beef Inc. – Board of Directors

Chair – Brad Wildeman, SK

Vice Chair- Dane Guignon, MB

Grant Huffman, BC

Chuck MacLean, AB

Jeff Warrack, AB

Paul Sharpe, ON

Gib Drury, QC

Jennifer MacDonald, NB

Members at large

Jim Bremner, NS

John MacDonald, PEI

Canadian Association of Importers and Exporters

Dwight Greer – Eastern Meat Solutions

Beef Processing and Distribution

Brian Read – XL Foods

Francis Labrecque – Levinoff Meat Products

Mike Kennedy – Cargill

Arthur Batista – Ecolait

Scott Ellerton – Sysco Canada



Canada Beef Inc. – Board Committees

Within the Board, four committees have been formed to oversee specific areas of business.

➤ *Finance/Audit and Program Performance Measurement Committee*

Chair: Scott Ellerton

➤ *Planning and Priorities Committee*

Chair: Brian Read

➤ *Governance Committee*

Chair: Chuck Maclean

➤ *International Beef Trade Access Policy Advisory Committee*

Chair: Mike Kennedy



Canada Beef Inc. – Looking to the future

Vision

- A dynamic Canadian Beef Advantage delivering recognized value

Mission

- Innovative, collaborative and sustainable Canadian beef solutions



Strategic Business Plan

Inaugural plan for 2012-2013 in effect for 15 months

- To promote and market Canadian beef and veal products in a coordinated manner to consumers, retailers, food service, wholesale distributors and importers around the world
- To provide a coordinated approach to creating demand for beef and veal products globally in order to facilitate sales that remain the sole responsibility of exporters

continued...



Strategic Business Plan cont'd

Inaugural plan for 2012-2013 in effect for 15 months

- To assist exporters of beef and veal to better understand global market dynamics, access issues and regulations, business and cultural practices and related statistical information
- To provide support materials and programs to exporters of beef and veal products for consumers, retailers, food service outlets, wholesale and importers, globally
- To hold foreign representative office to enable and facilitate the development and success of Canadian beef and veal as may be directed by the Society



Strategic Focus

- Continue the commitment to defining, communicating and leveraging the unique points of differentiation for Canadian beef and veal
- Canada Beef marketing programs are targeted at a very specific customer base that represents the best opportunity to provide a return on investment
- Targeted customers must be in markets and segments that can receive highest values for high quality grain fed beef and veal



Canada Beef – new and committed consumers

- Commitment – a pledge to do something – buy Canadian beef!
- Create a commitment to Canadian beef through the entire value chain – from producer to feeders, packers, retailers and restaurants that will filter down to consumers
 - example- Costco only sells Canadian beef, good quality, value
- To achieve this the industry needs to produce the quality and quantity of beef products desired, without fail
- Choose partners and markets that appreciate the value of the product – capture the value the product is worth



Market Prioritization

- Programming that offers longer term benefits have been developed and will be implemented in key markets
- Direct input from industry was utilized to determine markets that represent the highest value
- Industry analysis was performed of various factors:
 - market access
 - the product mix that historically makes up the export volumes
 - the ability to significantly differentiate products based on value delivered through the points of differentiation
- Identify markets that represent the most efficient return on investment and that support increased value



Desired Outcomes by Priority Market

Identify desired outcomes by priority market - reflective of the abilities of Canada Beef to effectively impact results based on those factors

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- Industry analysis was performed of various factors:
 - market access
 - the product mix that historically makes up the export volumes
 - the ability to significantly differentiate products based on value delivered through the points of differentiation
- Identify markets that represent the most efficient return on investment and that support increased value – Canada; priority markets - U.S., Mexico, Japan, China/Hong Kong/ Macau; secondary markets – Korea, Taiwan, emerging markets





Alignment with Industry

As part of the industry input process, Canada Beef Inc. has ensured that strategic and tactical alignment is leveraged with industry partners and their distribution networks in global markets wherever possible to identify target customers and priority products in key markets and segments.





Commitment to Transparency

Canada Beef Inc. is committed to:

- creating global awareness around the value of the Canadian beef brand
- delivering return on investment for its funders

The plan includes strategies and tactical initiatives which will be deployed in each market. Also included are expected outcomes of combined strategies and tactics, as well as clear performance metrics and projected budgeted expenses by market.



Programs

FOCUS - Priority accounts in priority markets – outcomes to meet or exceed plan – focus on activities that drive the business vs. fit the business

ROI - Investing in the highest return programs with clear measures on value for stakeholders

IMPACT - Impressive results that resonate with our stakeholders and can be leveraged with other priority accounts and regions. Outcomes are communicated

PARTNERSHIP - Seeking the optimum partnerships with shared investment, shared risk and shared reward

SUSTAINABILITY - Generating outcomes that require a diminishing investment over time and survive well past any active involvement by Canada Beef Inc.



Programs cont'd

POWER OF MANY - Collaborate - use other's strength and learn along the way

STICK & MOVE - Small adjustments to enhance results are encouraged but the direction and focus stays consistent across the plan

EFFICIENT EXECUTION - Accountability for time and resources – what is the most direct and cost effective path to generating desired results

SHORT TRIPS and LONG HAULS - A balancing act between working with partners “in progress” and partners “at the table”

CANADA BEEF INC. - Though our marketing efforts will benefit many “partners” along the way, always ensure that our objectives are the driving force behind all investment



Canadians Trust Farmers and Ranchers

#3!



| | Difference 2006-07 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------|-----------------------|------|------|------|------|------|------|
| Fire fighters | +1 | 97% | 96% | 97% | 97% | 96% | 98% |
| Nurses | -1 | 94% | 95% | 94% | 95% | 94% | 96% |
| Farmers | -- | 92% | 92% | 91% | 91% | 91% | 93% |
| Teachers | +1 | 89% | 88% | 88% | 88% | 88% | -- |
| Doctors | -2 | 87% | 89% | 89% | 89% | 89% | 92% |
| Police officers | +3 | 84% | 81% | 83% | 79% | 80% | 88% |
| Engineers | -5 | 83% | 88% | -- | -- | -- | -- |
| Judges | -4 | 74% | 78% | 72% | 75% | 73% | 80% |
| Notaries | -2 | 73% | 75% | 71% | 72% | 71% | 82% |
| Bankers | -4 | 68% | 72% | 65% | 67% | 70% | 72% |
| Church representatives | -3 | 61% | 64% | 65% | 65% | 65% | 73% |
| Pollsters | -4 | 59% | 63% | 65% | 63% | 62% | 70% |
| Economists | -5 | 57% | 62% | -- | -- | -- | -- |
| Lawyers | +4 | 52% | 48% | 45% | 44% | 48% | 54% |
| Senior public servants | -- | 50% | 50% | 45% | 49% | 50% | 56% |
| Insurance brokers | +4 | 50% | 46% | 44% | 41% | 46% | 51% |
| Journalists | -1 | 48% | 49% | 49% | 46% | 46% | 53% |
| Real estate agents | +4 | 46% | 42% | 40% | 39% | 40% | 44% |
| Unionists | +3 | 41% | 38% | 38% | 36% | 39% | 41% |
| New car salespeople | NA | 35% | -- | -- | -- | -- | -- |
| Publicists | -9 | 31% | 40% | 37% | 35% | 38% | 47% |
| Politicians | +1 | 15% | 14% | 16% | 14% | 14% | 18% |
| Used car salespeople | NA | 12% | -- | -- | -- | -- | -- |





Overall Impression of Farming

🍁 Canadians indicate a more positive impression of the farming sector now, compared to 2006

🍁 50% of Canadians are now at least somewhat positive (up +16), with 35% neutral/unsure (down -9) and 15% negative (down -6)

🍁 13% feel “very” positive about farming (up +8)

| Q.1 What is your overall impression of farming in Canada today? | 2008 (1479) % | 2006 (1782) % | Net Change |
|---|---------------------|---------------------|-------------------|
| <u>Net: Positive</u> | <u>50</u> | <u>34</u> | <u>+16</u> |
| Very positive | 13 | 5 | +8 |
| Somewhat positive | 38 | 29 | +9 |
| Neutral / Unsure | 35 | 44 | -9 |
| <u>Net: Negative</u> | <u>15</u> | <u>21</u> | <u>-6</u> |
| Somewhat negative | 12 | 18 | -6 |
| Very negative | 3 | 3 | 0 |

Overall Impression of Farming, By Region

- 🍁 Alberta remains the most positive province (56%), but the gap between Alberta and many of the other provinces has lessened in the past 2½ years, particularly vs. Quebec, BC and Ontario
- 🍁 The region expressing the highest negativity about farming is Manitoba and Saskatchewan, where 26% are negative (down -9 from 2006, but still significantly higher than everywhere except the Atlantic region)

| | | <u>By Region</u> | | | | | |
|--|---------------------|------------------|------------------------|--------------------------|----------------|-----------------------|------------------|
| <i>Q.1 What is your overall impression of farming in Canada today?</i> | 2008 (1479) % | BC A | AB B | MN/SK C | ON D | QC E | Atl. F |
| Net: Positive | 50 | 51 | 56^{EF} | 46 | 49 | 54^F | 40 |
| Very positive | 13 | 14 | 13 | 15 | 17 | 6 | 8 |
| Somewhat positive | 38 | 38 | 44 | 30 | 32 | 48 | 32 |
| Neutral / Unsure | 35 | 37 | 30 | 28 | 36 | 35 | 40 |
| Net: Negative | 15 | 12 | 14 | 26^{ABDE} | 16 | 11 | 20 |
| Somewhat negative | 12 | 11 | 10 | 23 | 13 | 8 | 16 |
| Very negative | 3 | 1 | 4 | 3 | 3 | 3 | 4 |





Profile of Positive, Neutral and Negative Groups

- Those who are Positive about beef cattle farming skew slightly more male, and older (55+), and have a higher proportion of heavy beef eaters.
- Those who are Negative skew more female, and are more often lighter beef eaters (in the case of the 'very negative', 32% do not eat beef at all in a typical week).

| | | Overall Impression of Beef Cattle Farming | | | | |
|----------------------------|---------------------|---|---------------------------|-----------------------------|---------------------------|---------------------------|
| * Caution small base size | 2008 (1479) % | Very Positive (195) | Somewhat Pos. (576) | Neutral/ Unsure (458) | Somewhat Neg. (189) | Very Negative (61)* |
| Male | 48 | 54 | 54 | 45 | 38 | 37 |
| Female | 52 | 46 | 47 | 55 | 62 | 63 |
| <u>Age:</u> 18-34 | 28 | 16 | 25 | 34 | 33 | 33 |
| 35-54 | 40 | 42 | 38 | 42 | 42 | 23 |
| 55+ | 32 | 42 | 37 | 24 | 26 | 43 |
| <u>Eat Beef:</u> 5+ / week | 27 | 37 | 30 | 21 | 22 | 20 |
| 3-4 / week | 41 | 45 | 43 | 40 | 34 | 28 |
| 1-2 / week | 28 | 13 | 26 | 35 | 38 | 21 |
| 0 / week | 4 | 5 | 1 | 5 | 5 | 32 |





Perceived Impact of Industry Opinion on Beef Buying

- 🍁 Canadians increasingly indicate that their opinions of the beef cattle industry affect their beef buying decisions (72%, up +9 since 2006).
- 🍁 1-in-4 now say their opinions affect their decisions “a lot” (26%, up +6).
 - 🍁 Those with a greater beef industry knowledge level indicate a stronger sense that their opinion of the beef industry affects their buying decisions.

| Q.13 (Total Sample, n=1479) | 2008 % | Net Change | Knowledge Level | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | | | Very | Some what | Not Much |
| <i>Extent to which overall opinion of beef industry affects beef buying decisions.</i> | | | | | |
| <u>Net: A lot / Somewhat</u> | <u>72</u> | <u>+9</u> | <u>72</u> | <u>82</u> | <u>66</u> |
| A lot | 26 | +6 | 46 | 39 | 18 |
| Somewhat | 46 | +3 | 26 | 44 | 49 |
| Not at all | 28 | -10 | 28 | 18 | 34 |





Conclusions: Increasingly Positive View

- Canadians have an increasingly positive view of beef cattle farmers.
 - Impressions of farming in general and the beef industry specifically have improved since 2006.
 - 52% have a positive impression of beef farming (up +12)
 - Only 17% now have a negative impression (down -10)



Key Findings

There are several insights that emerged from the **2010 ALMA Canadian Consumer Retail Meat Study**:

- **Half of Canadian shoppers have been negatively affected by the recession;**
- Canadians' shopping behaviour overall is now more value-conscious, less
- wasteful
- Meat Shoppers pre-plan their grocery shopping trips using flyers
- Retailers can potentially attract shoppers via meat specials featured in their flyers

There are **regional differences in the retail environment**:

- Quebecers appear to shop more often, cook fresh meat more often, and be more “food-involved”
- Ontario shoppers report more discount grocery stores among the stores they regularly shop at, indicating a more fragmented marketplace with more retailers competing for shoppers



Key Findings cont'd

- The **key purchase drivers for meat purchases, in general, are convenience** and family acceptance-related. These tend to be the price of admission; any protein that does not deliver these is unlikely to gain mainstream acceptance. For all five proteins, meat quality and safety appear to be largely assumed as givens
- Chicken, Beef and Pork compete closely in a very similar mind-space, sharing the attributes of being everyday, versatile, easy-to-prepare products that the whole family enjoys. Beef and Pork are more Juicy and Tender, while Chicken is more Lean and a bit Healthier
- Lamb and Bison are significantly less widely purchased than Beef, Chicken or Pork, and appear as “outliers” on image maps, largely because of perceptions of high price



Key Findings cont'd

Price and Origin are the key factors that emerge from the Trade-Off analysis, more important by a wide margin than any other factors tested, including breed, certified grain-fed, Raised without hormones and antibiotics, Food Alliance Certification and Certified Humane

- A key finding is how important Canadian origin is to consumers. Across the four proteins where the origin was listed as either Product of Canada or Product of US, (Beef, Chicken, Pork and Bison) meat shoppers indicated that they would not be interested in the US product unless it was priced significantly lower



Key Findings cont'd

However, in the “real world”, country of origin is not consistently labelled on the packaging – or noticed by consumers. Other research has suggested that in the absence of noticeable labeling, most Canadian consumers will assume that the meat they are buying is Canadian, even if it is not

- This research indicates that buying Canadian is something that many Canadians care about, and view as important
- Meat raised in Canada is linked to a number of positive perceptions, including being raised to higher/stricter standards and being safer/more trustworthy



Type of Meat Canadians Buy- Region

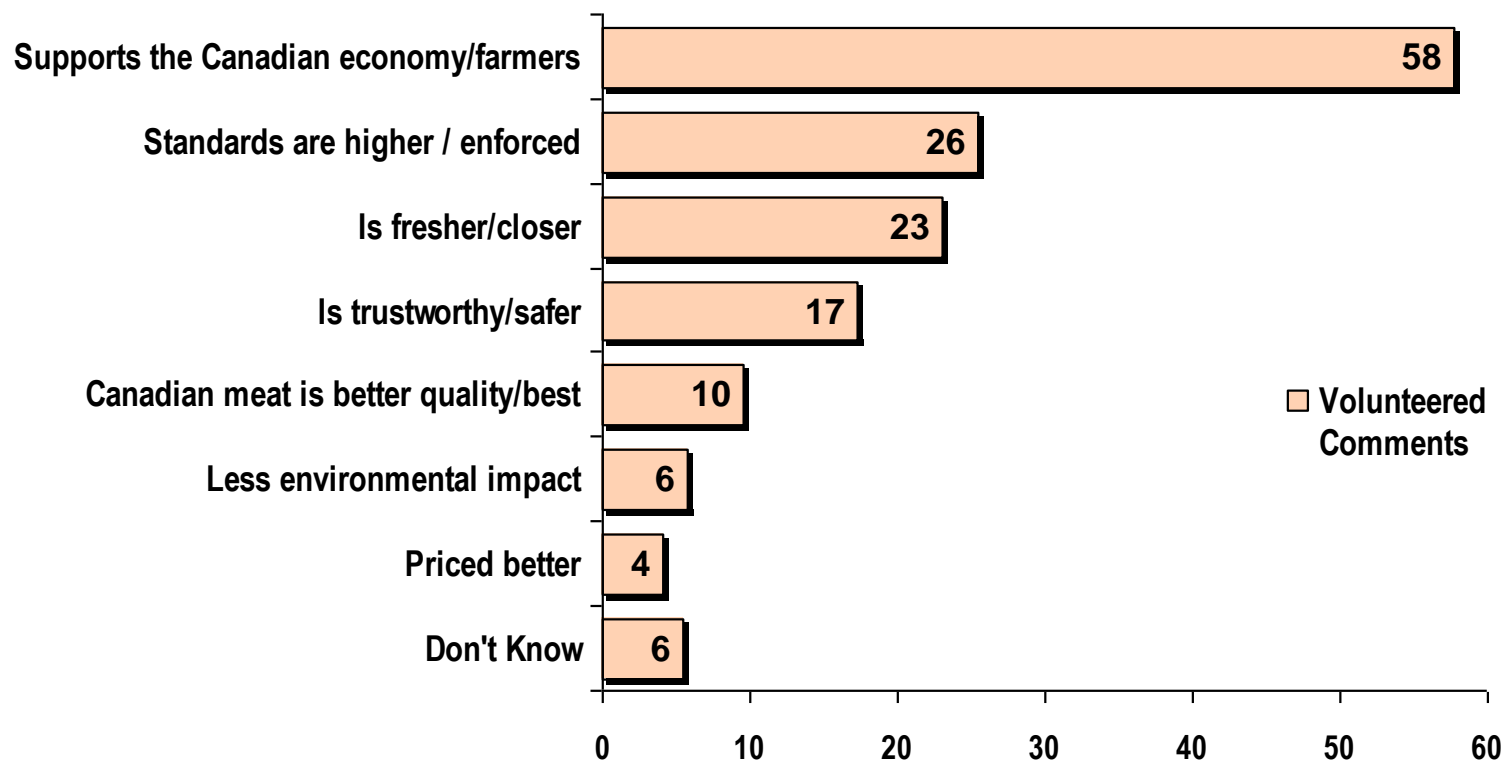
- Respondents were screened to be meat buyers, so it is no surprise that 97 per cent buy Chicken and Beef, and 90 per cent buy Pork, the three meats that dominate grocery store meat cases
 - Incidence of buying Lamb is measured here at 39 per cent
 - Bison purchase incidence is 15 per cent, with buyers most concentrated in the West and Quebec

Within the West, there are differences:

- Beef purchase incidence is particularly strong in Alberta (98 per cent)
- Lamb is strong in B.C. and about average in Alberta, but is bought significantly less widely in Manitoba/Saskatchewan
- Bison is strongest in Alberta and MB/SK, significantly less developed in BC



Reasons we care about buying Canadian beef





What's Hot for 2010- 2011

The Freshness Factor – from farm to fork as part of the emerging “Health and Wellness and Better for Me and My Family” initiatives

“Comfort Food” - from Mom’s Pot Roast to Radical Sliders” - quick convenience, healthy choices, exciting tastes

“Variety meats with bold flavors” - old classics like liver and onions with touches of Marsalis

Smaller portions - a healthy balance with lots of seasonal colors in vegetables

Source: Information Resources Inc. Dec 2010





The Canadian Consumer

| | Foreign - born | | Visible minority | |
|---------------|-----------------|-----------|------------------|-----------|
| | 2006 | 2031 | 2006 | 2031 |
| | % of population | | | |
| Canada | 20 | 26 | 16 | 31 |
| Calgary | 24 | 30 | 22 | 38 |
| Edmonton | 19 | 22 | 17 | 29 |
| Halifax | 7 | 11 | 7 | 12 |
| Moncton | 3 | 5 | 2 | 5 |
| Montreal | 21 | 30 | 16 | 31 |
| Ottawa | 22 | 29 | 19 | 36 |
| Quebec | 4 | 7 | 2 | 5 |
| Regina | 8 | 10 | 7 | 12 |
| Saskatoon | 8 | 10 | 6 | 13 |
| St.John's | 3 | 4 | 2 | 5 |
| Toronto | 46 | 50 | 43 | 63 |
| Vancouver | 40 | 44 | 42 | 59 |



Personal Perspective

5 countries over 14 days
including China, Hong Kong,
Taiwan, Korea and Japan.

Attended China (Shanghai –
Hotel/Food Show).

Meetings with importers,
brokers, wholesale
distributors, retail and food
service.

Many expressed open
disappointment that Canadian
Beef was not trading –
ractopamine questions

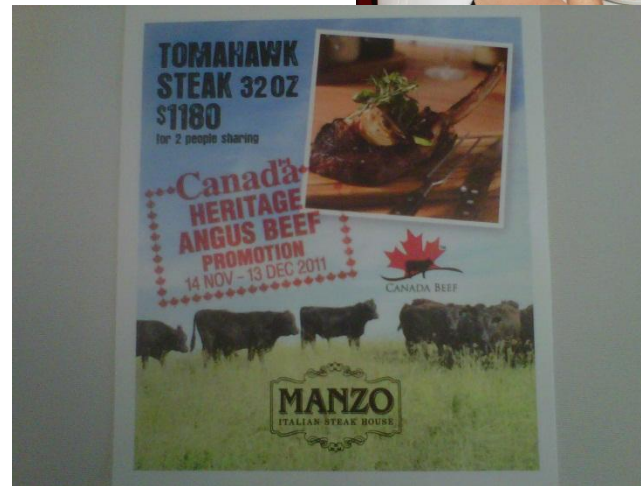


Asia Tour

Market Access/Trade Barrier(s) restricting our ability to carry value back to the producers (China, Korea, Taiwan and Japan).

As Canada, our product from a brand, reputation and PR perspective is limited to invisible. People questioned “what does Canada/Canadian Beef stand for?”

There are examples, where we have partnered and branded and this has translated into meaningful recognition. We can carve out this space – but it will take a more balanced approach to CDN plant approvals.



What we learned:

- Our ability to influence is high.... will not get into a spending competition with the U.S. and AUZ
- Across all markets, clear message:
 - the value chain is important
 - U.S./AUZ dominates supply, price rules
 - CDN product pricing is high – complaints of consistent product supply are turning those in the market off Canadian beef
- VIP missions, make them smaller, more strategic with a set purpose, expectations and outcome



- We need to differentiate – we were challenged on the CBA, “blind taste test”
- Traceability – be careful how much you promote – is it iron clad? What if a gov’t agency were to audit?
- Korea needs a specific ‘market launch strategy’ possibly Feb 2012 event - Minister may attend...

IF MARKET OPENS

- Majority cited having “Canadian Brand” leading our efforts
- Canada is open spaces, clean water, air, uncongested-supports perception of safe and quality.





Canada Beef Inc. is an independent national organization representing the marketing and promotion of the Canadian cattle and beef industry worldwide. It's efforts to maximize demand for Canadian beef and optimize the value of Canadian beef products is funded by cattle producers through the National Beef Check-Off, which in turn makes it possible to access beef industry market development funds provided by the Government of Canada and the Government of Alberta.





The Big League

Canada Beef Inc. is your global marketing and promotion agency.

A partner, a consultant, an honest broker - to ensure every investment made is in the best interest of your operation and ultimately the Canadian beef industry.



CANADA BEEF INC.

Basis as a Performance Measure?

What does basis include?

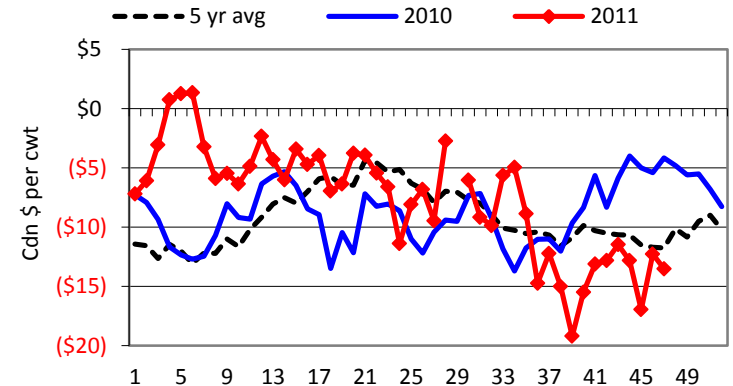
- Transportation & Transaction Costs
- Local Supply and Demand Dynamics
- Thickness of the border (Export costs, COOL, etc.)

*Understanding basis is critical to using market information to evaluate market opportunities **but** does not reflect the performance of a marketing organization*

What Influences Basis:

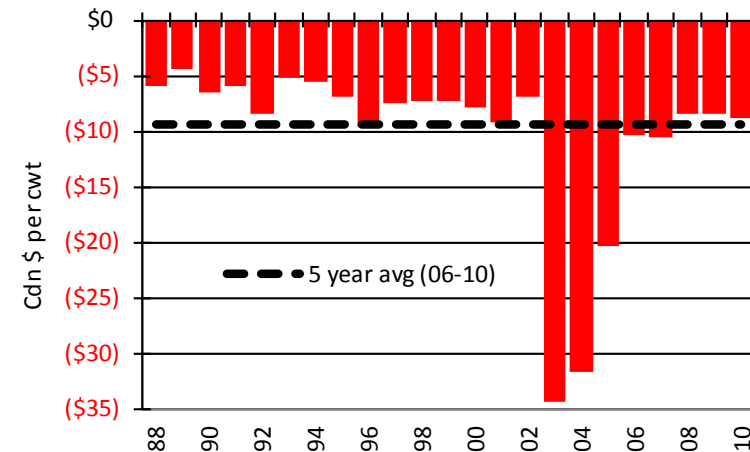
- Local Supplies
- Exchange Rate
- Demand for certain grade types
(i.e. US Choice and where that is produced)

Alberta Fed Steer Basis
Alberta/Nebraska in Cdn \$ (Cash to Cash)



Source: CanFax

Alberta Annual Fed Steer Basis
Alberta/Nebraska in Cdn\$ - Cash to Cash



Source: CanFax