



SPECIFICATIONS/BRIEF

**Design and Implementation of an evaluation survey of
a Collective Information and Promotion Campaign
for European Dairy (cheese, butter & cream)
in
MEXICO
2021-2023**

PURCHASER: CNIEL Centre National Interprofessionnel de l'Economie Laitière [*French National Interprofessional Centre for the Dairy Industry*]

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CONSULTATION METHOD: Open

THE CNIEL: CENTRE NATIONAL INTERPROFESSIONNEL DE L'ECONOMIE LAITIERE

The CNIEL is an association created in the cow's milk sector, in 1974, by the national organizations representing milk production and processing. Acknowledged by the European Union and French law as an interprofessional organization, the CNIEL helps to promote cow's milk and its derivative products (cheese, butter, cream, etc.) in France and abroad.

The evaluation survey of the information and communication program that is the subject of this contract is co-financed by the European Union and the CNIEL.

A co-financing application will be made to the European Union during the first quarter of 2020. This evaluation survey of the campaign may only be officially launched after full acceptance of the application and written agreement from the European Union.

The acceptance of the co-financing application by the European Union evidenced by a written agreement from the European Union is a condition precedent to the performance of this evaluation survey of the campaign dealing with the implementation of the information and communication program. If so, the specific terms and conditions of the relations between the CNIEL and the successful tenderer will be defined in a subsequent contract. Should the European Union refuse, the evaluation survey of the promotional campaign will not be implemented, and no contract will be entered into by the CNIEL.

ARTICLE 1: PURPOSE OF THE CONTRACT

The purpose of the contract is to design and carry out an evaluation survey of a collective information and promotion campaign in favor of European Dairy (cheese, butter & cream) in Mexico in 2021-2023

This contract will be performed if the following condition is met: the European Union fully accepts the application and gives its agreement in writing to the evaluation survey of the information and communication program. Upon receipt of the European Union's written agreement, the CNIEL will notify the successful tenderer of the decision to confirm the contract.

ARTICLE 2: DOCUMENTS MAKING UP THE CONTRACT

The documents making up the contract are as follows, in order of priority:

- The deed of commitment signed by the parties, to which is attached the schedule of unit prices (SUP),
- These specifications and its appendices,
- The successful tenderer's bid.

ARTICLE 3: CONTEXT OF THE CONTRACT

3.1 World Market situation

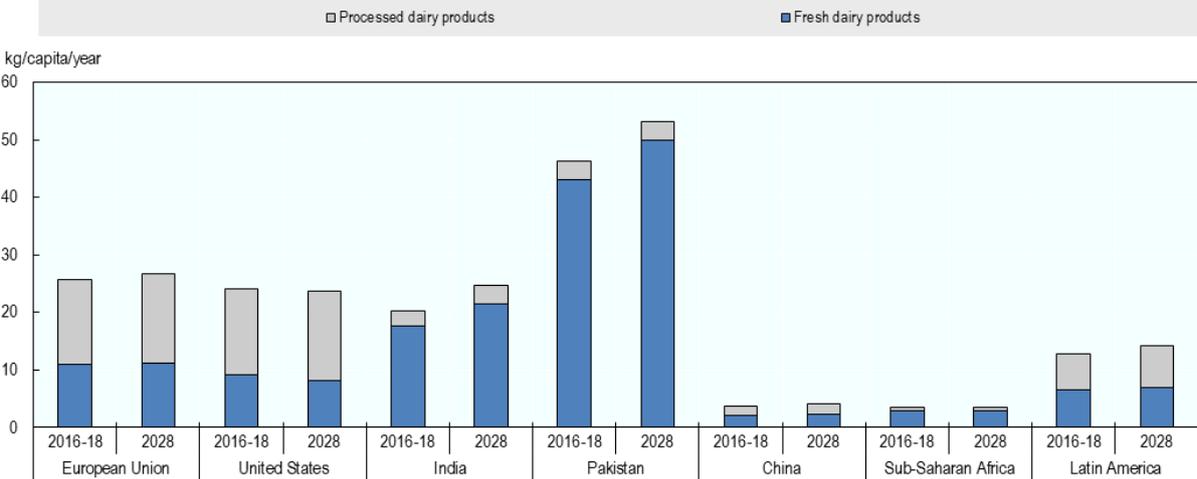
World milk production (81% cow milk, 15% buffalo milk and 4% for goat, sheep and camel milk combined) grew by 1.6% in 2018 to about 838 Mt. In India, the largest milk producer in the world, production increased by 3.0% to 174 Mt, although this had little impact on the world dairy market as India trades only marginal quantities of milk and dairy products. The three major dairy product exporters achieved production increases during 2018, the European Union (0.8%), New Zealand (3.2%) and United States (1.1%) that were almost entirely driven by

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higher milk yields per cow; in New Zealand, favorable grass conditions also played a role. As a result, the availability of fresh dairy products and processed products for export increased. In the People’s Republic of China (hereafter “China”), the world’s largest importer of dairy products, milk production increased for the first time in four years by 1.1% in 2018. Official milk production data for China was revised downward in late 2018 by up to 15% for the last ten years. International dairy prices refer to dairy products, as unprocessed milk is practically not traded. Butter is the reference for milk fat and skim milk powder (SMP) for other milk solids. Milk fat and other milk solids together account for about 13% of the weight of milk, with the remainder being water. In 2018, butter prices declined compared to its record 2017 levels but showed a significant increase around the middle of the year. The strength of milk fat prices (butter) in contrast to the prices of other milk solids (SMP) continued in 2018, supported by strong demand in North America and Europe for cream, butter and other full fat milk products. SMP prices started to recover from low levels towards the end of 2018 as the European Union considerably reduced its intervention stocks, purchased mainly in 2016 when European Union prices fell below the set threshold of EUR 1 698 per ton.

In Europe and North America, overall, per capita demand for fresh dairy products is declining, but the composition of demand has been shifting for several years towards dairy fat. Most of the cheese consumption, the second most important dairy product in terms of milk solids, occurs in Europe and North America, where per capita consumption is expected to continue to increase.

Figure 3.1. Per capita consumption of processed and fresh dairy products in milk solids



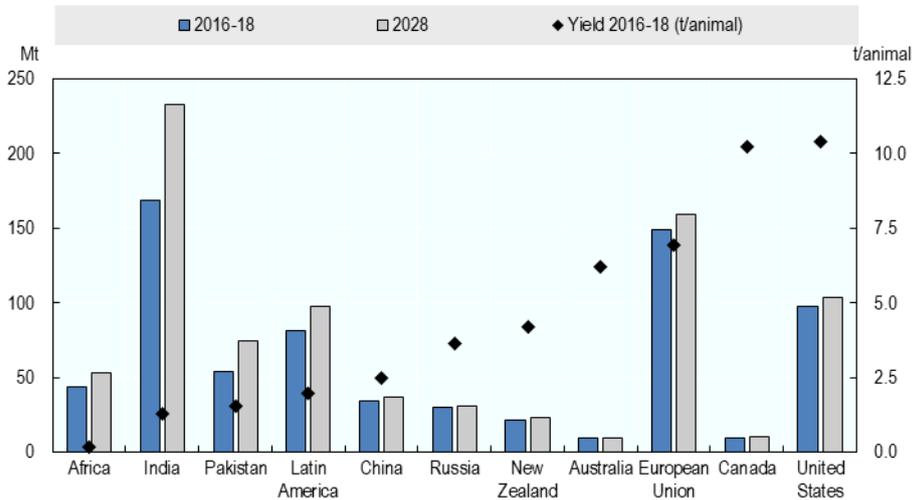
Note: Milk solids are calculated by adding the amount of fat and non-fat solids for each product; Processed dairy products include butter, cheese, skim milk powder and whole milk powder. Source: OECD/FAO (2019), “OECD-FAO Agricultural Outlook”, OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-outl-data-en> . StatLink 2 <http://dx.doi.org/10.1787/888933958904>

3.2. World Production

World milk production is expected to grow at 1.7% p.a. (to 981 Mt by 2028) over the next decade, faster than most other main agricultural commodities. In almost all regions of the world, yield growth is expected to contribute more to production increases than herd growth. The contradicting world average observation of a larger growth of herds (1.2% p.a.) than average yield growth (0.4%) is due to herds growing faster in countries with relatively low yields (Figure 3.2.1.). India and Pakistan are especially important for milk production and are expected to contribute to more than half of the growth in world milk production over the next ten years. They are also expected to account for more than 30% of world production in 2028. Production will occur mostly in small herds of a few cows or buffaloes. It is expected that yields will continue to grow fast and contribute more to production growth. In both countries, the vast majority of production will be consumed domestically as few fresh products and dairy products are traded internationally.

Production in the European Union, the second largest producer, is projected to grow more slowly than the world average. The European Union’s medium-term growth is due to a small increase in domestic demand (cheese, butter, cream, and other products) as well as an increase in global demand for dairy products. Growth in EU milk production will stem from an increase in milk yields, which are projected to grow at 1.1% p.a. over the next decade. Dairy herds are expected to go on a declining trend again (-0.5% p.a.) following an increase in the early years of the projection period in response to the abolition of milk quotas. The European Union production originates from a mix of grass-based and feed-based production systems. In addition, a growing share of milk produced is expected to be organic; more than 10% of dairy cows today are in organic systems in Austria, Sweden, Latvia, Greece, and Denmark. About 3% of European Union milk production at present comes from organic farms with relatively low yields, but a considerable price premium for milk. The highest average yield per cow is expected to occur in North America as the share of grass-based production is low and feeding is focused on high yields (Figure 3.2.1). Cowherds in the United States and Canada are expected to remain largely unchanged and production growth to originate from further increases of what are already high yields. As domestic markets are saturated and the milk fat demand continues to increase, US exports will mostly be in the form of SMP.

Figure 3.2.1. Milk production and yield in selected countries and regions



Note: The yield is calculated per milking animal (mainly cows but also buffaloes, camels, sheep and goats)
 Source: OECD/FAO (2019), “OECD-FAO Agricultural Outlook”, OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-outl-data-en> . StatLink 2 <http://dx.doi.org/10.1787/888933958961>

3.3. World Consumption

Most of dairy production is consumed in the form of fresh dairy products. The share of fresh dairy products in global consumption is expected to increase over the coming decade due to stronger demand growth in India and Pakistan in particular, which in turn is driven by income and population growth. World per capita consumption of fresh dairy products is expected to increase by 1.0% p.a. over the coming decade, slightly faster than over the past ten years, driven by higher per-capita income growth (rising middle-class).

The level of milk consumption in terms of milk solids per capita will vary largely across the world (Figure 3.1). One reason is tied to income per capita but the impact of regional preferences will also be an important factor. For example, the per capita intake in India and Pakistan is expected to be high, but low in China. In all

countries, the share of processed dairy products in the overall consumption of milk solids is expected to be closely related to income.

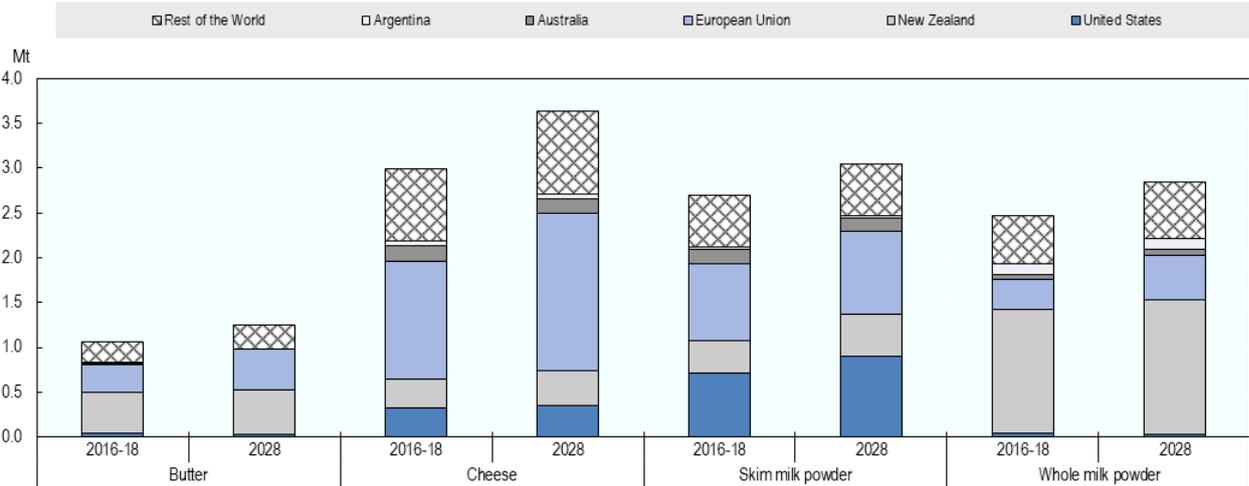
In Europe and North America, overall per capita demand for fresh dairy products is declining, but the composition of demand has been shifting over the last several years towards dairy fat, e.g. full-fat drinking milk and cream. This is to some extent due to recent studies that have shed a more positive light on the health benefits of dairy fat consumption, as well as to growing consumer preference for taste and less processed foods.

Cheese consumption, the second most important dairy product in terms of milk solids, occurs primarily in Europe, North America and Oceania, and per capita consumption is expected to continue to increase. The dominant use of SMP and WMP will continue to be in the manufacturing sector, notably in confectionary, infant formula, and bakery products.

3.4. World Trade

The four major exporters of dairy products in the base period are New Zealand, the European Union, the United States, and Australia. These four counties are expected to jointly account for around 75% of cheese, 78% of WMP, 79% of butter, and 81% of SMP exports in 2028. In the case of WMP, Argentina is also a main exporter, and is expected to account for 5% of world exports in 2028. In recent years, Belarus became an important exporter, orientating its exports primarily to the Russian market.

Figure 3.4.1. Exports of dairy products by region



Source: OECD/FAO (2018), “OECD-FAO Agricultural Outlook”, OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-outl-data-en> . StatLink 2 <http://dx.doi.org/10.1787/888933958980>

The European Union will continue to be the main world cheese exporter, followed by the United States and New Zealand. It is projected that the European Union’s share in world cheese production will be around 48% in 2028, and sustained by increased cheese exports to Canada via the CETA agreement and to Japan following the ratification of the bilateral trade agreement in 2019.

3.5 Main World issues and uncertainties

World production may be constrained because of unforeseen weather events, which affect grazing based milk production, the dominant production method worldwide. Climate change increases the chances of drought, floods and disease threats, which can affect the dairy sector in several ways (price volatility, milk yield, cow inventory adjustments).

The seasonality of milk production in the case of grass-based systems resulted in seasonal variation of international prices with peaks around the mid of the calendar year, especially for butter. This development was more visible during the period of high butter prices in recent years.

Environmental legislation can have a strong impact on the future development of dairy production. Greenhouse-gas emissions from dairy activities make up a high share of total emissions in some countries (for example New Zealand, Ireland). Any changes in related policies could affect dairy production. The increase trends toward sustainable practices such as water access and manure management are additional areas where policy changes could have an impact.

In recent years, the role of plant-based dairy substitutes (e.g. soya, almond, rice and oat drinks) in the fluid milk sector has increased in many regions, e.g. North America, Europe and East Asia. Causes include lactose intolerance but also discussions on the health and environmental impact of dairy. Growth rates are strong from a low base, but conflicting views exist regarding the environmental impact and relative health benefits of plant-based dairy substitutes. As a result, there is again uncertainty on the long-term impact this will have on dairy demand.

Changes or creation of trade agreements would affect dairy demand and trade flows. For example, large amounts of cheese and other dairy products are traded between the European Union and the United Kingdom, and this could be affected by Brexit, while the USMCA is expected to influence dairy trade flows in North America. The Russian Federation’s embargo on several dairy products from major exporting countries is expected to end in 2019 and imports are expected to increase slightly, although they do not seem likely to return to the pre-ban levels.

3.6 EU-MEX FTA

Negotiations with Mexico started in May 2016 and both sides reached an agreement in principle on the trade part in April 2018. The new agreement replaces a previous deal between the EU and Mexico from 2000. The original association agreement brought many trade benefits to the EU and Mexico, though some trade barriers remain. The new deal will:

- remove high Mexican tariffs on European food and drinks
- allow EU firms to sell more services to Mexico
- pledge to protect workers' rights and the environment

The trade agreement will end Mexican customs duties on imported EU dairy, which are currently as high as 45%, 20% on butter and 10% on cream. The agreement will also facilitate a faster approval process for the cheeses of the different Member States, and without delays associated to inspections of individual producers. This will in time allow the trade to offer its Mexican customers a wider choice of the EU rich dairy tradition. The agreement will also protect 340 distinctive foods and wines from specific EU regions from imitations, including many cheeses. This will give these products a similar level of protection as in the EU, enabling retailers to guarantee the origin of their products.

The European Union is the main importer of food in the world, but Mexico only contributes 1.1 percent of the total purchases in the region, so the potential of Mexican agri-food producers to increase their sales is enormous in that market, said Klaus Rudischhauser, ambassador of the EU delegation, interviewed after opening a seminar on European regulations in that sector.

The diplomat foresaw that, in February 2020, approximately one month after the modernization of the Commercial Treaty between the European Union and Mexico (TLCUEM) is signed, the commercial part will enter into force, with the liberalization or reduction of tariffs on goods and services, even if the ratification of the entire agreement, which includes political, human rights, labor and environmental issues, takes longer.

In his presentation, he stressed that many products catalogued as Mexicans, including tortillas, arrive in Europe when they are produced and exported from the United States. The Free Trade Agreement between the European Union and Mexico, he said, has been in force for almost 20 years, but in the exchange of agricultural products it is not at the level it should because food originating in Mexico is not in European supermarkets simply due to the fact that the taxes and tariffs in force to import them are very high.

So, the modernization of the treaty, said the diplomat, represents a turning point in the bilateral trade exchange because it is expected to increase, although he noted that there are still no calculations in this regard.

During the seminar, Ricardo Aranda Girard, General Director of international trade rules of the Ministry of the Economy, explained that with the current agreement, in force since 2000, very few products and services were liberalized but with the modernization of the agreement "That debt began to be paid off" to the extent that, with new rules, "the immediate liberalization of 86 percent of agricultural and fishery products" that are part of the trade between the EU and Mexico is extended.

Mexican producers have six months to prepare before the trade in products and services of the agreement is liberalized.

The main Mexican products that will get better access to the EU, said Ricardo Aranda, are asparagus, bananas, orange juice, agave syrup, honey, sugar specialties, such as and beef, among others. In addition, Mexico achieved with the EU-MEX FTA that 20 geographical indications of various products ranging from chipotle chili, berries and coffee from Chiapas or Veracruz were protected.

For several years, Europe has imported bananas, but from other countries in Latin America, but for those from Mexico, the current tariff is very high and is now lowered or likened to that of other nations, the ambassador said.

He indicated that European countries are also interested in placing their products among Mexican consumers and it is expected that with the modernization of the EU-MEX FTA, sales of dairy products, chocolate, barley or pork will increase. Klaus Rudischhauser exemplified that Mexico imports cheeses of various kinds from the United States, but from now on Mexico can do it from Europe that has a greater variety and tradition of this product.

He considered that increasing trade with the EU will serve Mexico in its commercial diversification and dismissed that phytosanitary standards, distance or logistics problems between both parties are an obstacle.

In his presentation, the ambassador highlighted before the businessmen and assistant officials that there are 6 months to prepare and learn about the regulations governing the agri-food sector in the European Union, whose priorities are food hygiene, animal and plant health, as well as the management of pollutants and waste.

Ricardo Aranda explained that in the new EU-MEX FTA, of which "an agreement in principle" was reached in April 2018 and currently the legal revision of the texts is carried out, it contains more specific procedures related to equivalence, regionalization, audits and risk analysis, in addition to measures on animal welfare and antimicrobial resistance that allows the parties "to have a constant dialogue between regulatory authorities on specific concerns that may arise from sanitary and phytosanitary measures that the parties adopt."

Against the current commercial landscape that "may seem delicate and worrying about the protectionist tendencies of some business partners, the existence of a partnership between Mexico and the European Union is key and endorses the commitment of both parties to reach understandings, ensure trade flows and, above all, the rules of international trade so that the products reach their destination", pondered the Mexican official.

On the EU side, for cheese and dairy products significant market access improvements were agreed for EU's core export products to Mexico. The agreement will provide for a Tariff-Rate Quota (TRQ) of 20,000 tons in 5 years for mature cheeses and 5,000 tons in 5 years for fresh cheeses, 50,000 tons phased in 5 years for skimmed milk powder. Dairy preparation will benefit from total TRQs of 13,000 tons. The tariff for infant formula will be reduced to 50% of the Most-favored Nation rate in 5 years. There will be a considerable improvement of market access conditions for EU's exports for pork (fully liberalized except a TRQ of 10,000 tons of loins) and poultry (full liberalization at entry into force for mechanically deboned chicken meat and 20,000 tons of leg quarters). All TRQ obtained by the EU are duty free.

https://trade.ec.europa.eu/doclib/docs/2018/april/tradoc_156791.pdf The Agreement in Principle (working document).

In 2017 the EU was Mexico's second-biggest export market after the US. The EU's key imports from Mexico are fuels and mining products, office and telecommunication equipment, transport equipment, and other machinery.

The EU was Mexico's third-largest source of imports in 2017, after the US and China. Key EU exports to Mexico include other machinery, transport equipment, chemical products, and fuels and mining products.

In terms of services EU imports from Mexico are dominated by travel services and transport services. EU services exports to Mexico consist mainly of transport services and telecommunications, computer and information services.

3.7 EU Cheese, Butter and Cream Exports to Mexico

Mexico's domestic dairy industry has grown at a slow, but steady, pace. Fluid milk remains a basic source of protein for the general population and its consumption continues a favorable upward trend. Mexico's consumers are turning to new dairy products perceived as healthier or trendier, but also cultivating a growing taste for cheese. Producers continue to increase their demand for dairy products used as raw material for different industries, with imports covering the windfall in demand for milk powder, butter, and cheese.

Demand for milk and dairy products in Mexico will continue expanding and imports will keep supplementing domestic production, which cannot keep up with demand. Processing industries, such as the baking sector, demand large amounts of high-quality dairy products, with some competition from other countries in some products, such as butter from New Zealand or cheese from U.S.

Under the current trade regime cheese is taxed as high as: 45%, butter at 20% and cream at 10%.

The modernization of the EU-MEX FTA will go into effect in February 2020 at least for traded goods, the rest of the deal will be deployed throughout the year.

Below is trade data for European cheeses, butters and creams as well as the percentage of French product exported to Mexico.

Cheese:

Production

Cheese production in 2019 is forecast at 436,000 MT, as Mexico's cheese sector will grow at a pace of 4 percent from 2018 due to growing household and industrial consumption demand. Production in 2020 is forecast at 454,000 MT. Mexico predominantly produces soft cheeses, some of them in the traditional artisan style, such as fresco and panela. Other cheeses produced in Mexico are fresco, doble crema, panela, amarillo, crema, chihuahua, manchego, and oaxaca.

Consumption:

Cheese consumption in 2019 is forecast at 549,000 MT and forecast at 567,000 MT in 2020. Mexican consumers demand more cheese year after year as a way to obtain recommended protein intakes. However, cheese consumption per capita in Mexico remains relatively low, at little more than 2 kilograms, compared to Latin American countries, such as Argentina at 14 kilograms per capita consumption. Mexican dairy organizations and Mexican state governments are investing in promotional campaigns and providing some financial incentives for the domestic dairy industry to grow.

The Mexican cheese market is extremely fragmented, as no single company dominates the market, either geographically or by product. Even though cheese consumption in Mexico is important in the domestic culinary

culture and a growing trend, it is heavily influenced by regional tastes and preferences. Euromonitor and industry sources report lactose-free cheeses, fermented products like kefir, and other innovative products are gaining traction in large urban cities, where the taste of middle-to-upper class consumers is evolving toward healthier food options and also convenient, grab-on-the-go items.

Trade:

Cheese imports in 2019 are forecast at 125,000 MT and forecast at 127,000 MT in 2020, as Mexico's demand for cheese grows. In 2018, the United States was the number one supplier of cheese to Mexico, being the most appealing market in terms of costs. U.S. cheese commanded 78 percent market share, followed by the Netherlands at 9 percent, Uruguay at 5 percent, and New Zealand at 3 percent. The United States has steadily strengthened its share as number one provider from 2015 to 2018 because of its competitive prices and its long-standing role as Mexico's number one trade partner. Mexico's 2018 retaliatory tariffs on U.S. cheeses did not affect yearend U.S. cheese exports to Mexico. In fact, trade data show an import spike before tariffs were imposed and a decline in the four months immediately following. This will change with the EU-Mexico FTA.

Imports of EU Cheese Increase Despite Tariffs

Table 3.7.1 EU Cheese Exports to Mexico (in value) and corresponding French %

VALUE	€									
		2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj
France	TOTAL	1,414,584	1,272,826	1,219,631	1,753,683	2,018,851	2,206,598	2,411,805	2,636,095	2,881,243
Europe		43,354,529	57,059,600	49,215,353	50,511,853	52,923,847	55,629,562	58,473,606	61,463,050	64,605,329
% France		3%	2%	2%	3%	4%	4%	4%	4%	4%

Exports of EU Cheese to Mexico show continued growth although the percentage of French cheese remains stable at 4%. The projections do not consider the elimination of tariffs when the EU-MEX FTA takes effect in 2020. We expect the % of costlier value-added French cheeses to increase. One of the program objectives is to grow EU Exports and market share of EU/French cheeses.

Graph 3.7.1a French Cheese Exports to Mexico (value)

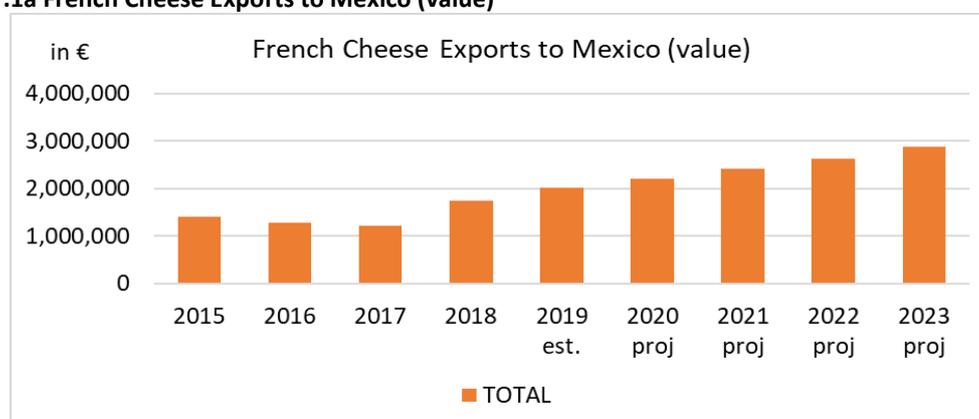


Table 3.7.2 EU Cheese Exports to Mexico (by volume) and corresponding French %

VOLUME	tons									
		2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj
France	TOTAL	160	152	159	218	256	289	325	366	411
Europe		11,187	17,767	12,182	12,822	11,847	12,018	12,191	12,367	12,546
% France		1%	1%	1%	2%	2%	2%	3%	3%	3%

Current exports show approximately 12,000 tons of EU Cheeses exported to Mexico under the current tariff regime. We expect this number to grow considerably once the EU-MEX FTA goes into effect next February.

Increased awareness and demonstrate how to incorporate EU cheese into our targets' lifestyles will grow EU market share at the detriment of other countries, notably the U.S.

Butter

Production:

The 2019 production forecast for butter and butterfat (*grasa butirica*) is 231,000 MT and the 2020 production forecast is 233,000 MT. During 2016–2018, production grew at 2 to 2.5 percent annually and continues to drive this growth, as the bakery, confectionary, and other industrial processing sectors drive demand for butter, butterfat, and other dairy inputs.

Consumption

Consumption in 2019 is forecast at 253,000 MT and forecast at 255,000 MT in 2020, growing at 1 to 1.5 percent year over year. Household consumption remains relatively flat, as processors make up the bulk of consumption. Household consumption of butter and butterfat now competes with plant-based alternatives, as some households see the latter as healthier options. Dairy sector efforts to grow dairy product consumption is set more on cheese than on butter or butterfat spreads.

Trade

Imports: The 2019 forecast is 35,000 MT for butter and butterfat, and the forecast for 2020 is slightly over 36,000 MT. The processing sector utilizes most domestic fluid milk supply and must also import to match its overall supply needs. Imported butterfat is mainly provided by New Zealand with 77 percent market share. This share has been declining considerably from 2016 to 2018, from 93 percent to 77 percent, as the United States share has grown from 1 percent to 16 percent from 2016 to 2018. The United States is positioned as the second most important provider of butterfat to Mexico. These changes are driven by price and logistics, as trade with the United States is more cost effective for Mexico. The Netherlands and Chile close out the list with 3 percent and 2.5 percent market share, respectively.

Butter imports are provided by the United States with 40.5 percent of market share and New Zealand with 38 percent market share. New Zealand and U.S. butter compete on quality at very competitive prices. France commands 14 percent market share of butter imports.

Today, EU butter exports to Mexico remain strong and are projected to increase as shown below in Table 3.7.3 and Table 3.7.4 and France is a major contributor to that success.

Table 3.7.3 EU Butter (packaged and bulk) Exports to Mexico (in value) and corresponding French %

VALUE	€									
		2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj
France	Packaged Butter	536,444	1,236,478	1,003,165	1,035,092	1,012,136	1,186,226	1,390,261	1,629,389	1,909,649
Europe		1,881,303	2,307,958	1,669,539	1,788,380	2,108,318	2,169,230	2,231,901	2,296,383	2,362,728
% France		29%	54%	60%	58%	48%	55%	62%	71%	81%
France	TOTAL	752,121	1,789,985	2,206,736	2,155,798	2,073,911	2,672,488	3,443,828	4,437,793	5,718,639
Europe		2,174,121	3,193,954	3,420,122	2,955,258	3,365,728	3,754,290	4,187,710	4,671,167	5,210,438
% France		35%	56%	65%	73%	62%	71%	82%	95%	110%

Graph 3.7.3a French Butter Exports (packaged and bulk) to Mexico (value)

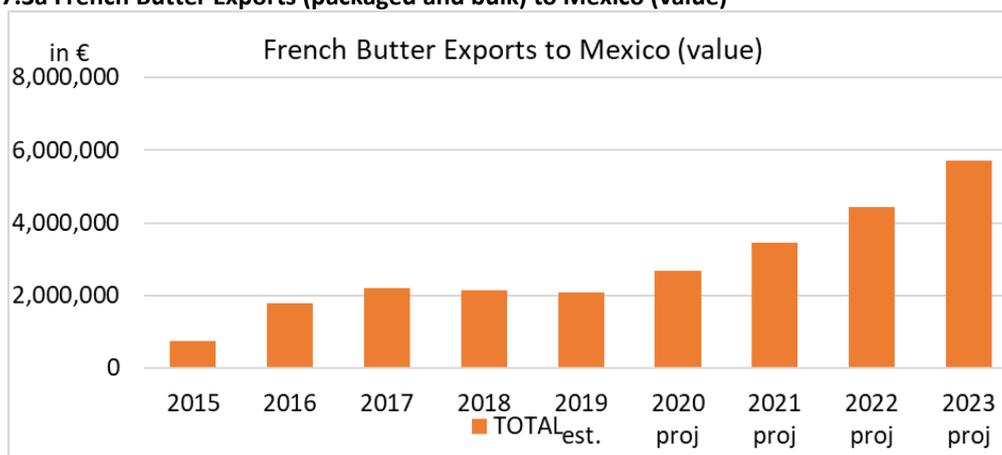


Table 3.7.4 EU Butter (packaged and bulk) Exports to Mexico (In volume) and corresponding French %

VOLUME	tons	2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj
France	Packaged Butter	117	272	193	200	149	158	167	178	188
Europe		320	460	355	379	383	401	420	439	459
% France		37%	59%	54%	53%	39%	39%	40%	40%	41%
France	TOTAL	169	407	386	375	352	423	508	610	733
Europe		391	695	630	580	707	821	952	1,105	1,281
% France		43%	59%	61%	65%	50%	52%	53%	55%	57%

Cream

Production

Cream is a dairy product composed of the higher-fat layer skimmed from the top of milk before homogenization. In un-homogenized milk, the fat, which is less dense, eventually rises to the top. In the industrial production of cream, this process is accelerated by using centrifuges called "separators". In many countries, it is sold in several grades depending on the total butterfat content.

Cream skimmed from milk may be called "sweet cream" to distinguish it from cream skimmed from whey, a by-product of cheese-making. Whey cream has a lower fat content and tastes more salty, tangy and "cheesy".[3] In many countries, cream is usually sold partially fermented: sour cream, crème fraîche, and so on. Both forms have many culinary uses in sweet, bitter, salty and tangy dishes.

Consumption

In cakes, pies, jellies, ice creams, with strawberries, bananas or peaches, in pastas, soups, purees, dressings and sauces or crowning chilaquiles, toasts or enchiladas, cream is an integral part of Mexican kitchens. Their quality and characteristics are directly related to their milk fat content.

Cream is one of the most versatile ingredients in Mexican and international cuisine, that's why we find it in so many tables and refrigerators. Whether as an ingredient in a recipe or as a final touch, it gives flavor and texture to the most appetizing dishes, whether sweet or savory, and not to mention spicy foods. It's so versatile that we probably never tire of tasting it.

According to the Regulation of Sanitary Control of Goods and Services, for their fat content and the origin of this (of milk or vegetable), creams are classified as:

- Cream, which contains at least 30% milk fat (butyric)
- Extra fat cream, at least 35% of the fat it contains is milk

- Half cream, minimum 20% milk fat
- Light cream or light cream for coffee, minimum 14% milk fat

This thick ingredient is formed by leaving the milk at rest after being milked or centrifuged. Also available in the market are so-called vegetable creams, which are obtained by emulsifying edible vegetable fats or oils, in milk or milk solids, so their characteristics are very similar to milk cream. To ensure their safety, regardless of their type of fat, these products must undergo pasteurization, ultra-pasteurization, sterilization or any other process for this purpose.

In its preparation it is also possible to add various additives such as thickeners, emulsifiers, dyes, flavorings, cellulose derivatives and starches, which enhance the flavor and simulate its texture. In the market there are also fermented or acidified creams, whose content must not be less than 30% and must have at least 0.5% acidity, qualities that give it its characteristic sour taste. The difference between these types of cream is that the fermented cream achieves its acidity exclusively by the presence of cultures of lactic bacteria, and the acidification is obtained by the addition of acidifying agents and may or may not contain lactic bacteria. In addition, we can find reduced fat creams that in some cases are shown as a light product.

A Consumer Reports study (NOVIEMBRE 2014 REVISTA DEL CONSUMIDOR) on different Mexican creams on the market found many discrepancies in the makeup of most creams on shelves. Several brands failed to include the minimum amount of fat to be considered cream or lacked to mention the inclusion of vegetable fats or oils, misleading consumers. This is an important factor to highlight with EU Cream and in particular French cream, since quality controls are performed from the milk collection all the way to labelling. Quality is checked at every step.

CREMAS COMESTIBLES, EN RESUMEN

Las que no son crema
(no alcanzan el mínimo de grasa de leche)



CHIPILO
Crema acidificada,
450 g



LALA
Crema de vaca
acidificada,
200 ml y 450 ml



CAMELIA
Crema vegetal,
1 Kg

Las que tienen grasa vegetal
(y no lo declaran)



CHIPILO Crema
acidificada, 450 g



LAS PALMAS
Crema, 4 Kg

Las de calidad dispar
(el porcentaje de contenido de grasas varía según el lote)



AL-DÍA
Crema pasteurizada,
900 g y 450 g



YOPLAIT
Crema acidificada de leche de vaca
pasteurizada, 200 ml y 440 ml



LA ABUELITA
Crema de vaca acidificada con
grasa vegetal pasteurizada, 400 g



EL SAUCE
Crema especial,
a granel

Las light que adicionan almidón
(lo que aporta calorías)



LYNCOTT
Crema acidificada elaborada
con leche pasteurizada de
vaca reducida en grasa, 400 g



LALA
Media crema de leche de
vaca ultrapasteurizada,
250 ml



LALA Light
Crema
acidificada reducida
en grasa 450 g



GINA
Crema vegetal
ligera, 1 Kg



LUPITA
Media crema
vegetal y de leche
pasteurizada, 1 Kg

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Trade

Below is the export data for EU Cream to Mexico, in value and volume, for packaged & bulk cream, including the French share.

Table 3.7.5 EU Cream (packaged and bulk) Exports to Mexico (In value) and corresponding French %

VALUE	€	2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj
France	Packaged Cream	45,673	89,506	148,117	174,629	229,560	343,721	514,653	770,591	1,153,807
Europe		45,673	89,506	148,189	174,629	229,560	343,721	514,653	770,591	1,153,807
% France		100%	100%	100%	100%	100%	100%	100%	100%	100%
France	TOTAL	45,673	89,506	148,117	174,629	229,560	343,721	514,653	770,591	1,153,807
Europe		45,673	89,506	191,234	174,629	229,560	343,721	514,653	770,591	1,153,807
% France		100%	100%	77%	100%	100%	100%	100%	100%	100%

Graph 3.7.5a EU Cream (packaged and bulk) Exports to Mexico (value)

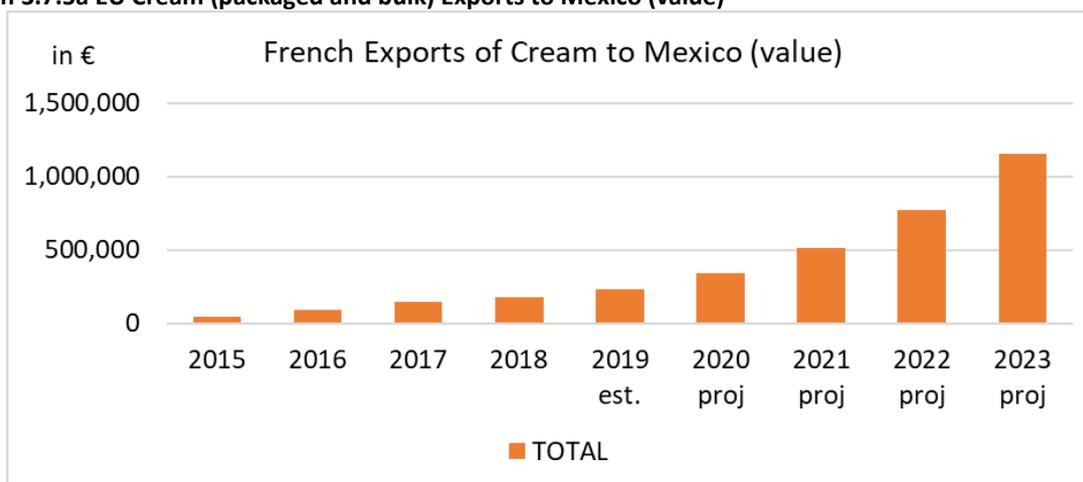


Table 3.7.6 EU Cream (packaged and bulk) Exports to Mexico (In volume) and corresponding French %

VOLUME		tons									
		2015	2016	2017	2018	2019 est.	2020 proj	2021 proj	2022 proj	2023 proj	
France	Packaged Cream	18	35	55	61	83	120	175	254	370	
Europe		18	35	55	61	83	120	175	254	370	
% France		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
France	TOTAL	18	35	55	61	83	120	175	254	370	
Europe		18	35	72	61	83	120	175	254	370	
% France		100%	100%	77%	100%	100%	100%	100%	100%	100%	100%

EU exports of cream are dominated by France and have been steadily rising since 2015 when 18 tons of packaged cream were exported to Mexico and in 2019, 83 tons are estimated to be shipped, an increase of 461%.

Cream arrives in both consumer packs and in additional formats for B2B applications. Ideal for supermarkets or foodservice in pastry or baking applications.

3.8 Consumer & Retail

Population: 128,045,000 (latest available data)

GDP: \$1.153 Trillion (2017)

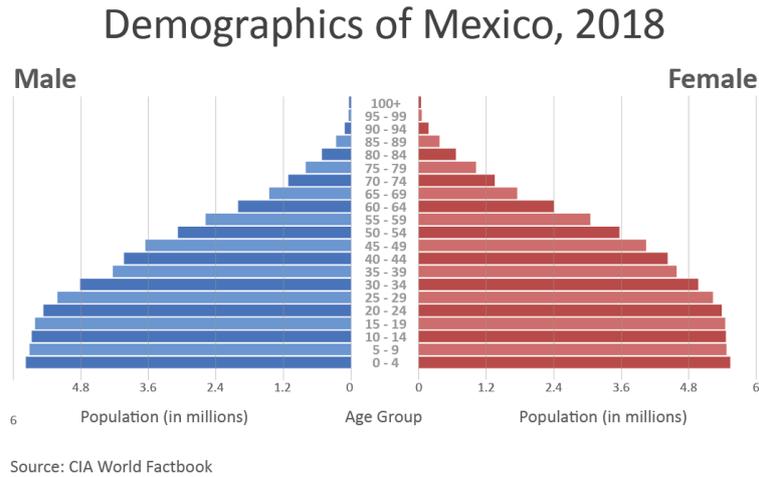
GDP Per Capita: \$10,211.14 (est. 2020)

Mexico continues to be a strong and consistent market, representing one of the largest consumer markets in the world for U.S. products.

Mexico has been resilient, despite suffering several political, economic, and social pressures in 2017. These included high inflation levels, a fluctuating exchange rate, and two earthquakes that affected the economy growth during the third quarter. Despite these events, the Mexican economy had a growth rate of 2.3 percent in 2017, while experiencing a relatively low unemployment rate, a record in remittances, and an increase in the minimum wage. In 2018, Mexico faced uncertainty during the first half of the year with the then on-going NAFTA renegotiations and upcoming Presidential election. After the resolution of those issues in the second half of the year, the Bank of Mexico (BANXICO) reported that during the 3rd quarter of 2018, the Mexican economy grew 2.6 percent driven mainly by the positive growth indicators in consumption, employment, remittances, and consumer confidence.

Mexico ranks as the 12th most populous country, with a population of 123 million inhabitants. Seventy-nine percent of its population lives in urban areas. Mexico's population is young, with a median age of 28. Ten percent of the Mexican population is considered wealthy, 43 percent is considered middle class and 44 percent lives in poverty.

Figure 3.8.1 Population Breakdown of Mexico, by sex and age (in millions)



According to data from INEGI the average income in 2017 for a Mexican household was \$9,600 USD which \$5,936 USD was spent as follows: 35 percent food; 19 percent transportation; 12 percent education; 9.5 percent housing; 7.4 percent personal care; 5.4 percent cleaning products or services; 4.6 percent clothing; 2.9 percent savings and financial transfers; 2.7 percent healthcare.

Income varies depending on the region; Mexico City, Nuevo Leon, Guanajuato, Sonora and Baja California registered a higher income due mainly to the industrial activities that take place in these areas. The states that register the lowest income are Guerrero, Chiapas, Oaxaca, Veracruz and Hidalgo; states mainly located in southern Mexico where there is less industrial activity.

Mexicans tend to be very family-oriented, and this is also noticed in consumer behavior. Family has a strong role in purchasing decisions, as it is important to have the opinion and approval of the family members. Housewives are generally in charge of choosing and obtaining groceries based on the preferences and needs of the family members. Children are an important part of the decision-making process, and they are considered one of the main marketing targets for companies. **Also, “millennials” are now considered a very important target. For example, millennials tend to demand more information about products, such as the history behind the brands or the production process.**

The Mexican consumer has evolved to become more informed about what is happening globally due to new communication technologies. **Mexicans are adopting food trends that benefit their well-being and the environment.** There are more consumers looking for natural, organic, allergen free products, as well as increased consumption of fruits, vegetables, and seeds. Functional products, such as protein-added products, restoring beverages, and functional teas are experiencing good acceptance in the market.

Food and Beverage Trends in Mexico for 2018: Foods across all age groups; organic foods, ethnic and natural products; consumers being more knowledgeable regarding food and drinks quality and demanding better and more specialized products.

Market Trends

1. Traditional retail sales and marketing chains are changing rapidly due to expansion, consolidation, mergers and acquisitions.
2. Mexican consumers now are informed about what is happening globally and look for the same products at their local stores.
3. The addition of women in the labor force adds to disposable household income to allow for the purchase of products previously perceived as too expensive.
4. Mexicans are loyal to brands and buy them even if the price is slightly higher.

- 5. Retail expansion in both rural and small communities is creating new markets for consumer products. Restaurants and entertainment services are following.
- 6. Mexico has particular concerns on obesity and cardiovascular diseases. The labeling regulations for food and beverage products attempt to discourage calorie intake, mainly of sugar and trans fats. Due to such regulations, manufacturers are producing reduced calorie products or reduced portion size of their regular products.
- 7. The young population is including more consumption into their lifestyles, looking for new and different products, especially those that are popular on social media. Growing categories for this target are craft beers, snacks, fast-food restaurants, and casual-dining restaurants.**
- 8. A rise in urbanization is pushing up sales of packaged food and ready-to-eat meals and creating new markets for catering and fast food services.**
- 9. Food processors will increase their offerings of health and wellness packaged foods, such as cereals, processed fruits and vegetables, and yogurt
- 10. Safer packaging options allow children to handle products on their own, and smaller packaging options geared towards younger consumers as well as less affluent consumers are becoming more prevalent. Prepared or ready-to-eat meal substitutes and products with easy preparation, such as microwavable products, are also growing.
- 11. Mexicans like to indulge themselves with premium products, mainly on special occasions such as holidays or important celebrations, where they can spend extra money on products like wine and spirits, gourmet, or delicacies.**
- 12. Urban areas are increasingly adopting online grocery and food delivery apps.

Retail

Ever since the signing of the North American Free Trade Agreement (NAFTA) in 1994, retail trade has become more diversified and the quality of merchandise has improved in all types of formats. Foreign players, especially from the United States, have entered the Mexican market with different store formats, pushing Mexican retailers to modernize and expand their facilities. The main urban cities are well covered by several supermarket chains, and now the strategy is to move out to smaller cities throughout the country and also to target specific, localized, high-end segments.

Hotel, Restaurant, Institutional (HRI) Sector

Based on statistics published by the National Institute of Geography & Statistics (INEGI), Mexico has over 21,957 businesses registered as hotels, motels, and other lodging facilities and more than 515,059 registered as restaurants, caterers, nightclubs, bars and other food preparation services.

Of all food products consumed in hotels and restaurants, over 50 percent are imported. Independent distributors continue to be the main suppliers for the HRI sector; however, they have been experiencing greater competition from large club stores, which have been aggressively pursuing their share of this market, especially in resort areas.

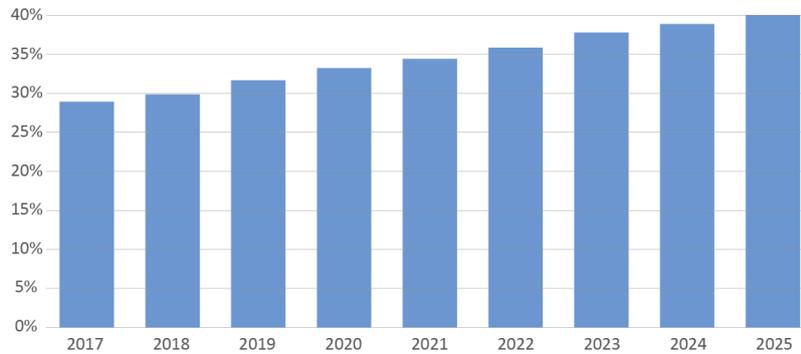
Food Processing Sector

In Mexico, according to the National Institute of Geography and Statistics (INEGI), there are over 187,123 registered companies under the industry classification for food and beverage manufacturing/processing. Mexico has a relatively strong food processing industry, growing at a rate of almost four percent, and with a market value of almost US\$135 billion. Leading Mexican brands have well-developed national distribution networks, are well positioned in the market, and enjoy high brand awareness with consumers, who tend to be very loyal, despite macroeconomic fluctuations.

Since a new class of Mexican consumers is demanding products that are healthy, convenient, and innovative, food processors are adjusting to seek innovative inputs or, in some cases, establish business relationships with foreign food processors in order to exchange technological innovation for their knowledge of the market. Although most of the food processing sector in Mexico is dominated by multinational (both domestic and foreign) corporations, there is a large and growing opportunity for small to medium companies to participate in this industry.

Figure 3.8.2 Percentage of Mexican Households with Middle and High Income (% of pop.)

Percentage of Mexican Household with Middle and High Income



Source: 2019 IHS Markit

Major Retail Chains in Mexico

According to the Mexican Association of Nationwide Retailers (ANTAD), there are 33 supermarket chains, with 55,567 stores throughout the country. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local, domestic products. ANTAD also reports that retail sales keep a steady growth pace of around 7.8 percent per year.



Walmart de Mexico y Centroamerica

Walmart de Mexico y Centroamerica leads the retail market in Mexico and has for several years. Walmart continued expanding, opening new stores in several different formats and betting on its strength as it moves into e-commerce.

Walmart's main store formats include Superama (a medium size supermarket), Walmart Supercenters (hypermarkets), and Sam's Club (warehouse clubs). As of 2018, all three business formats had internet retailing as well. Sam's Club and Superama are known to target the high and middle-high income segments, while Walmart Supercenter targets the middle-income segment.

Organización Soriana

Soriana has several different formats to meet the demands of different population segments. With the acquisition of the 160 stores from Comercial Mexicana in 2015, Soriana became the second largest retail company in Mexico after Wal-Mart, with 824 outlets across Mexico. Soriana manages five store-based retailing formats: Hypermarkets (Hipermercado Soriana/MEGA), supermarkets (Supermercado Soriana/Comercial Mexicana), discounters (Mercado Soriana and Soriana Express/Bodega Comercial Mexicana and Al Precio), convenience stores (Super City) and warehouse stores (City Club). In 2017, Soriana developed its e-commerce strategy and worked on its mobile applications and website, but in 2018 focused its strategy on the actual outlets trying to source more locally.

Controladora Comercial Mexicana

After selling 160 stores to Organizacion Soriana, Comercial Mexicana started to prioritize the development of high-end grocery sector through its formats Fresko and City Market, which have wide variety of imported and health-focused international products especially sourced from Europe.

ARTICLE 4: DESCRIPTION OF THE SERVICES

4.1 CONTENT OF THE SERVICES

The evaluation study will measure the effectiveness of the various communication actions implemented and listed below:

- GENERAL OBJECTIVES OF THE COLLECTIVE INFORMATION AND PROMOTION CAMPAIGN

The general objective of the information provision and promotion measures is to enhance the competitiveness of the Union agricultural sector.

The specific objectives of the information provision and promotion measures are to:

- (a) Increase awareness of the merits of Union agricultural products and of the high standards applicable to the production methods in the Union.
- (b) To recognize the European dairy* culture made up of a wide variety of cheeses, butters and creams, their flavor and their excellent quality, whether industrial or artisanal cheeses, spreadable or not, soft or hard.
- (c) Consumer top-of-mind awareness of the European dimension of dairy, its culture, demonstrating that they are exemplary products of European agriculture.
- (d) To improve the level of knowledge about European cheese, butter & cream and its merits among the targets: high-end revenue consumer and particularly the foodies.
- (e) Strengthen the use of cheese, butter & cream (its uses, its means of consumption), integrating it into local culinary cultures, demonstrating its daily use.
- (f) Show that cheese, butter & cream are authentic products and therefore highlight their specificities in terms of authenticity, quality, taste, tradition.

- (g) Support all European cheese, butter & cream markets to better position them against other imported cheeses, butters or creams (USA, Brazil, Chile, Argentina ...), local cheeses, butters & creams.
- (h) The general objective of the campaign is to become the authority of French cheese, butter & cream (cow's milk) within the context of EU imported cheeses, butters & creams.
- (i) Focus on creating quality content to engage foodies & influencers on social media.
- (j) Influence the foodie community and subsequently their followers by broadcasting content through their channels.
- (k) Reinforce French cow's milk cheese, butter & cream consumption as a pleasurable everyday staple to foodies and food adventurers.
- (l) Reinforce French cow's milk cheeses, butters and creams to the trade (importers/distributors/retailers).

*** This new collective information and promotion campaign will focus on the promotion of quality European cheese, butter & cream, in particular, French cheese, butter & cream produced in France using cow's milk. Similar cheeses, butter or creams not produced in EU/France cannot be included.**

THE TARGETS

- Life lovers & foodies consumers
- Experts, professional food experience providers

- STRATEGY OF THE PROGRAMME

The strategy of the campaign is to promote and rapidly position French and EU cheese, butter & cream begat of EU Agriculture and better position it in relation to other imported cheeses, butters & creams (USA, Brazil, Chile, Argentina...) but also against local cheeses, butters & creams.

The program targets to increase knowledge and accessibility of EU cheese, butter and cream by:

- Targeting the use of cheese, butter & cream in-line with local consumption habits but also in-line with major international trends promoting European gastronomy and therefore the products used
- Improve in-store visibility to use as a vector for consumer education
- Promotion and communication actions that will enable the targets to be aware of how to enjoy/incorporate cheese, butter & cream into their daily diets and local culture, local recipes, local eating habits
- Finally, to increase the volumes of European cheese, butter & cream exports
- Directly reach the targets by relying on the proposed communication actions

The proposed strategy aims to increase the consumption of European cheese, butter & cream in the target markets by developing event actions, in-store demos and information actions in order to obtain a fast return based on the following levers:

1. Reinforce the image, the knowledge and therefore the recognition of European cheese, butter & cream
2. To highlight the dimensions and the ease of use of European cheese, butter & cream through the variety of uses and everyday consumption
3. Promote cheese, butter & cream that represents both a culture and a European heritage by insisting on:
 - The specificity of cheese, butter & cream as an inimitable product
 - An essential product from European agriculture
 - The practicality - adapts to multiple uses, to multiple preparations and moments of consumption
 - The natural and authentic character of cheese, butter & cream, an environmentally friendly product, made from raw materials of excellent quality and subjected to high safety standards.

The strategic choices to achieve the objectives are:

- Raise awareness among foodies/food adventurers

- Educate foodies/food adventurers and web users through web tools, while developing a viral communications strategy based on social networks. Links can connect to websites such as members companies, recipe corners, magazines or related articles. It is also possible to create web pages for specific events/campaigns
- Raise awareness among the media and key influencers through dedicated media relation tools (such as press releases and media kits) and meetings with journalists (events, conferences, workshops, etc.)
- Raise awareness among the media and foodies/food adventurers through events such as pop-up stores or desktour tours or any other events likely to generate media coverage, etc.
- Raise awareness among professionals (importers/distributors of French cheese, butter & creams)

- MAIN MESSAGES TO BE COMMUNICATED

- The production of educational/informational documents including the EU's production methods, particularly, in terms of food safety, traceability, authenticity, labelling, clean labelling, nutritional and health aspects, animal welfare, respect for the environment and sustainability
- Recipe cards or booklets suited to the country's culinary tastes
- The posting of content on social networks: background documents, photographs, recipes, videos, etc.
- Raise awareness of the authenticity of EU protected designation of origin (PDO), protected geographical indications (PGI) and traditional specialties guarantee

- TONE AND AREAS OF CREATIVE FOCUS

Contemporary, based on pleasure, quality and tradition, while relating to what appeals to the local foodie/food adventurer. Tone should be non-intimidating, accessible and trendsetting.

EU General Requirements for origin mention in all information and promotional material

1. The main message of the program shall be a European Union (EU) message and shall not focus on a specific origin.
2. Any mention of origin shall fulfil the following cumulative conditions:
 - (a) it shall not amount to a restriction of the free movement of agricultural and food products in breach of Article 34 of the Treaty on the Functioning of the European Union;
 - (b) it shall not encourage consumers to buy domestic goods solely by virtue of their origin and shall refer to the properties of the product rather than the sole origin; and
 - (c) it shall complement the main EU message. 13.10.2015 L 266/16 Official Journal of the European Union
3. The main Union message of the program shall not be obscured by material related to the origin of the product, such as pictures, colors, symbols or music. The mention of origin shall appear in a separate area from that devoted to the main Union message.
4. The mention of origin on information and promotional material shall be limited to visual material. No mention of the origin shall be made in audio material.

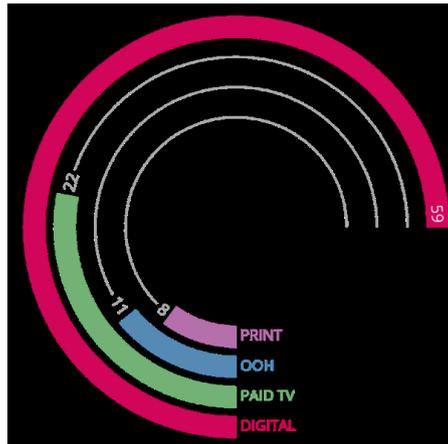
- RESOURCING STRATEGY

- Inform priority targets through events or other actions demonstrating the importance of cheese, butter & cream as part of a balanced daily diet
- Inform targets by means of proprietary tools to develop an actual viral communication strategy
- Raise press and influencer awareness

ACTIONS TO EVALUATE

- **PR & influencers**
 - **Objectives:**
 - **B2C (Gastronomy/Gourmet, Lifestyle, Cultural, Travel & Leisure):**
 - Reach the consumers through organic content in on and offline media publications and storytellers (Influencers), to create culture and awareness about the European dairy products.

- Establish key alliances with events and platforms to reach Life lovers in their natural environment.
 - **B2B (Specialized Media, Business):**
 - Reach the professionals with specific and useful content to help them develop the Mexican market for the French dairy products.
 - Connect the key players of the Industry (distributors, importers, administrations / governmental organizations) with the French producers.
 - **Media management:** Establish a continuous relationship with media to spread the word of European dairy products:
 - Press releases with focus on the different products.
 - Press releases to present activities of the campaign. Media reviews after events.
 - Specific content with recipes and usage recommendations.
 - Management of interviews with the campaign ambassadors and speakers.
 - Sending invitations to participate in the campaign activities
 - Special activities with media, like contests, trivias or challenges.
- Yearly deliverables and KPIs:**
- **80** free publications in on/offline media
 - **5** In deep articles
 - **10** Interviews with speakers and campaign representatives
 - **150** medias and journalists reached
 - Monitoring and media clipping
- **Digital channels (Website & Social Media)**
 - **Strategy: content pillars**
This pillars aim to show how love is involved in every process of these products: quality, origins & traditions, lifestyle
 - **Overview :** Website, Facebook, Instagram, Youtube, Pinterest, mailings and podcast
 - **Advertising (online & offline)**
 - **Parameters of media selection:**
 - High affinity for the segment and a large penetration for the target (over 50%)
 - Increasing frequency and awareness.
 - A healthy mix of objectives (60% of awareness, 20% engagement and 20% traffic)
 - Digital Media to get the right cluster and retargeting once they have been impacted:
 - Social Media (Facebook + Instagram) to generate digital awareness and conversations
 - Programmatic ads to get the right people at the right time and optimize budget
 - Interactive Rich Media Formats to increase engagement
 - Online Video to generate consideration
 - Efficient inventory purchases (“True View” format)
 - Conversion attributes.
 - Moderated Frequency cap –2-4 (monthly).
 - Specialized media for the professional segment.
 - OOH + Digital impacts for a reach extender
 - **Media strategy:**
 - **% Budget allocation:**



▪ **Selection criteria:**

- **Digital:** Our consumers and B2B industry are digital heavy users. Always connected to digital platforms and social networks. Searching for anything they need to know.
- **Paid TV:** Cable TV and some specific TV shows (as Reality Shows) give us the possibility to have a great impact on the target audience. Focus on travel, experience, food tv shows.
- **Out Of Home:** The OOH media allow us to create reach in certain areas where there is a greater influx of people from our target. The focus will be on reaching the consumers with compelling visuals during their shopping journey: trade actions.
- **Print:** The specialized magazines are an excellent option to generate consideration in the target that we are looking to reach. Focus on advertising the big event.

• **Communication tools (promotional merchandising): a tool kit**

- Giveaways for experiences
- Seeding boxes
- Media kits (USB)
- Almanac (printed booklets)
- Informative materials
- Educational materials
- Communication displays for events
- Plates and trades
- Tasting materials
- Promotional merchandising

• **Events (B2C & B2B)**

○ **B2C events**

- Several different events will be done every year to spread the love and message of the campaign, engage the consumers and build culture around the 3 products: cheeses, cream and butter.
 - **Maison de Europa:** Make the most tasteful and sensorial event of European dairy goods, and reach 30,000 consumers through all the communication efforts; implementing a multi format experience during 3 days, to engage and educate the consumer in every particular detail of the 3 products: Cheeses, butters and creams.

Yearly deliverables and KPIs:

3,000 attendees during the 3 day event
 20 media publications
 20 Influencer publications
 30,000 impacts through all communication efforts
 6 chef restaurants
 1 Mixologist
 Media and influencer monitoring

- **Gastronomic festivals:**

- **Objective:** Reach the consumer in different events with an experiential stand of cheeses, cream and butter.
Reach 3,000 to 5,000 people per festival
- **Yearly deliverables and KPIs:**
1 branded stand per Festival
3,000 tastings delivered
5 Festivals during year 1 and 2, and 4 during year 3.

- **Consumer workshops**

- **Objective:** Reach the consumers interested in learning more about European dairy
- **Yearly deliverables and KPIs:**
3 workshops with 20 attendees
500K impacts
Use of hashtags and tagging of the campaign social media accounts
5 Festivals during year 1 and 2, and 4 during year 3.

- **B2B events**

- **Cheese academy**

- **Objective:** Create an educational program to form professionals of the industry into cheese masters.
1 Time per year/30 hrs per course.
- **Yearly deliverables and KPIs:**
20 Purchasing managers/chefs
30 Chef students
Attendees Profile: Chefs & cooks, Purchasing managers, Chef students and teachers, Restaurant managers

- **Copa Vatel**

- **Objective:**
- Reach the professionals and chef students through the sponsorship of the contest “Copa Vatel Amateur” during Expo Gastronomica, and have them experiment with the creams and butters of Europe.
- **Yearly deliverables and KPIs:**
1 stand with information and tastings during Expo Gastronomica
1 Training of butter and creams
8K Impacts
300 students reached

- **Chef’s loyalty trip**

- **Objective:** Reach the foodservice chefs (mainly hotels), so that they get to know the European dairy products, and influence in their usage and purchase selection.
- **Yearly deliverables and KPIs:**
12-15 Attendees
1 Media to cover the experience
Use of hashtags and tagging the campaign accounts

- **Trade channel: Point of sale promotion**

- **Strategy:**

- TOP CITIES (CDMX, Puebla and Guadalajara) for European dairy sales will have the full retail program, in supermarket chains and specialized & gourmet stores. As well as a bigger trained team to reinforce the animations and tastings.
- In the SECONDARY cities (Querétaro, Monterrey), a POS tasting will be implemented during the same season as the Top cities.
- In the LUXE region (Riviera Maya), only specific actions during the high season will be implemented.
- **CAMPAIGN PROMOTERS**
Objective: To create a close relationship with the store managers and generate more benefits for the promotion plan.
Activities: arrange the product and have a better display, make suggestions of orders to the purchase manager, check expiration dates, store inventory.
Store managers feel that with a promoter, there is a better and full scale attention to them and their stores, which leads to better deals for the visibility and results of the promotion plan.
- **DEMO STAFF**
Objective: offer tastings to the customers and transmit the key messages of the products and the campaign.
Activities: tastings, push sales, give information and tips of each product, report sales and impacts, recommendation of use of the product.
The correct trained staff and animation, can increase up to 19% the sales of a product in one POS.
- **In-store tastings**
 - **Objective:** Reach the final consumers and influence his buying decision through tastings of cheeses (50%), creams (25%)and butters (25%) in stores.
 - **Yearly deliverables and KPIs:**
1,200 tasting sessions in 5 cities
120,000 direct impacts through tastings
- **POS festival**
 - **Objective:** Maximize sales and visibility of the 3 products, during a period in allianz with a chain store
 - **Yearly deliverables and KPIs:**
1 month POP branding in 20 stores during Y2 and Y3
120 tasting sessions in 3 cities during the Festival
3 million impacts through POP and tastings
- **Demo show**
 - **Objective:** Reach the target in specialized and gourmet stores and make them experience the products in a particular way with specific recipes and cooking tips.
 - **Yearly deliverables and KPIs:**
4 weekends with simultaneous animations in the 3 top cities
64 demo shows during each year
10K impacts per year
- **The cart**
 - **Objective:**
 - Reach the life lovers out of the stores, where they are enjoying life and passing time and make them experience cheeses, butters and creams in gourmet
 - **Yearly deliverables and KPIs:**
2 weekend tastings per year
6K impacts in total

BUDGET OF THE ACTIONS TO EVALUATE

Budget European Dairy 2021-2023 campaign			
	Year 1	Year 2	Year 3
Public relations	9%	9%	9%
Digital: Website, Social media	10%	10%	10%
Advertising	17%	19%	21%
Communication tools	18%	12%	12%
Events	25%	24%	23%
Trade: Point-of-sale (POS) promotion	21%	25%	26%
Total	100%	100%	100%

4.2 PERFORMANCE OF THE SERVICES

4.2.1. In order to enable the CNIEL to measure the effectiveness of the actions put in place by the communication agency and the fulfillment of the obligations arising from co-financing by the European Union, the contractor will produce regular survey reports. These reports and studies, written in French, are to be submitted to the CNIEL after completion of each communication action evaluation survey.

Annual Report: An annual survey report covering all the evaluation surveys of the actions carried out during the year will be transmitted 30 days after the end of each year of implementation of the program.

This schedule applies throughout the duration of the contract.

- **Supporting documentation for each of such costs and/or expenses and proof of their payment by the successful tenderer and in particular:**
 - o (i) the invoices of the successful tenderer's subcontractors to which shall be appended proof of payment of said invoices by the successful tenderer (copy of the successful tenderer's bank statements),
 - o (ii) the invoices of the subcontractors of the successful tenderer's subcontractors to which shall be appended proof of payment of said invoices by the successful tenderer's subcontractors (copy of the bank statements of the successful tenderer's subcontractors),
 - o (iii) If appropriate, the itemized timesheets of the successful tenderer's operators (one timesheet per budget line) and of the operators of the successful tenderer's subcontractors.

At the end of each 12-month period (Phase), the successful tenderer shall produce and attach to the last invoice, within 30 days from the end of the Phase:

- o **A "annual technical report", to be drafted in French** in accordance with the template that will be provided by the CNIEL, containing (i) a description of the activities planned and carried out, with justifications, as the case may be, for any discrepancy vis-à-vis the activities planned and (ii) copies of the materials and visual media used;
- o **A "annual financial report" to be drafted in French**, in accordance with the template that will be provided by the CNIEL, containing (i) an expenditure reporting table per activity and (ii) a financial statement for reporting Phase.

At the end of the contract, the successful tenderer shall produce and attach to the last invoice, within 30 days from the end of the contract a "final technical report" **to be drafted in French**, in accordance with the template

that will be provided by the CNIEL, containing (i) an overview of the activities carried out and the results of the actions and (ii) a summary to be published.

4.2.2. Moreover, in order to follow progress of the evaluation surveys of the communication actions, the successful tenderer shall submit each evaluation surveys to the prior written approval of the purchasers within a reasonable time that will be defined by mutual agreement, before they are performed.

ARTICLE 5: PRICE OF THE CONTRACT

The contract amount is:

Year 1: 60,000 € excluding tax

Year 2: 60,000 € € excluding tax

Year 3: 100,000 € € excluding tax

The expenses shall be set forth in detail in the tender document by type of evaluation surveys of the communication actions proposed, with the respective fees. These prices are in euros and include all mandatory taxes and other charges imposed on the services as well as all related costs.

ARTICLE 6: INVOICING AND SETTLEMENT TERMS AND CONDITIONS

6.1 Invoicing terms

Unless otherwise agreed between the parties, the successful tenderer will invoice its fees and expenditures in connection with the evaluation survey on a half-yearly basis.

Each of the invoice shall **in all cases** be accompanied by all elements described in the article 4.2.1.

6.2 Payment terms

Subject to performance of all its obligations, the successful tenderer's invoices will be paid by the CNIEL within a period of 30 (thirty) days end of month from receipt thereof.

The invoices shall be sent to the following address:
CNIEL – *service comptabilité* (accounting department)
42 rue de Châteaudun
75 314 PARIS cedex 09
France

ARTICLE 7: PERIOD OF THE CONTRACT

The period of the contract is 36 months.

The contract is not renewable.

The contract, which is entered into subject to written co-financing authorization being obtained from the European Union, will take effect on the first day of the month following the signature date of the contract to be concluded between the CNIEL and the Member State, represented by France-AgriMer.

ARTICLE 8: PLACE WHERE THE CONTRACT WILL BE PERFORMED

The services that are the subject of this contract shall be carried out in Mexico and France (hereinafter the "Territory").

ARTICLE 9: OBLIGATIONS OF THE SUCCESSFUL TENDERER

The successful tenderer undertakes:

- To perform the contract in accordance with the regulations in force in the Territory for which they are intended or in which they are meant to be disseminated, and in compliance with the best practices specific to the services that are the subject of the contract;
- To ensure that the creations comply with the provisions governing co-financing set by regulation no. 2015/1831 of 7 October 2015 laying down rules for applying regulation no. 1144/2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in the third countries (appended hereto in Annexes 1 and 3) and in particular, but not limited to, Article 4 of EU Regulation no. 1144/2014 and Articles 2 to 8 of implementing regulation no. 2015/1831 (appended hereto in Annexes 1 and 3);
- For health claims (i.e. information on the impact of a product on health): To ensure that the health claim complies with the regulation (CE) no. 1924/2006 and is approved by national authorities charged of the public health of the member state where the activities are implemented or with any similar regulation applicable in non-European countries;
- Not to disclose any information that is confidential by its nature, the context in which it was obtained, or by virtue of its being reported as confidential, about which it would have been aware in connection with the performance of the services under the contract, and which relates to the resources to be used for the performance of the contract. Where applicable, the successful tenderer must advise its subcontractors of the obligations of confidentiality incumbent on it for the performance of the contract. It must ensure that these obligations are complied with by its subcontractors. The information, documents or data already accessible to the public when they are brought to the knowledge of the parties are not covered by this obligation of confidentiality. The other information relating to the performance of the contract can only be passed on to third parties with the CNIEL's express agreement;
- To comply and ensure that subcontractors comply with the principles of data protection in accordance with the Data Protection Agreement;
- Not to use, in any form whatsoever, the results obtained during the performance of the services under this contract for any other campaign;
- Not to apply to benefit from Community or national aid for actions carried out for the campaign forming part of this contract;

To indicate clearly and legibly on all materials - regardless of the medium thereof - that it will produce in respect of the contract, and also in its media relations, that the European Union has been involved in financing the Program and the Actions, on pain of not being eligible for the expenses incurred and, unless otherwise instructed by the CNIEL, to reproduce the logos detailed below:

- **Logo of the European Union** (flag) plus the phrase:
CAMPAIGN FINANCED WITH THE ASSISTANCE OF THE EUROPEAN UNION translated into the language of the target country / countries
- **European "Enjoy, It's from Europe" logo**
- **Logo Fromage de France**



Downloading of the European logos and the charters:

http://ec.europa.eu/agriculture/promotion/procedure/enjoy-instructions_fr.htm

The "Enjoy! it's from Europe" slogan will be used in English. The Agency can use a translation of this slogan in the form of a footnote at the bottom of the visual material (advertisement, poster, etc.). GRAPHIC CHARTER:

http://ec.europa.eu/agriculture/promotion/procedure/enjoy-instructions_fr.htm

ARTICLE 10: SUBCONTRACTING

The successful tenderer may also call on sub-contractors provided that it first informs purchaser in writing by providing it with their name, address and registration number on the trade and companies registry and/or SIRET number.

The successful tenderer is responsible for paying all invoices of subcontractors that it has commissioned to implement the activities of the contract on behalf of purchaser. Purchaser may not be held liable for the successful tenderer's late payments to its subcontractors.

In the event of subcontracting, the successful tenderer shall be solely responsible for the performance of the subcontracted parts. In this regard, the failings of the subcontractors arising from non-compliance with their commitments or the cessation of activity shall be treated as failings of the successful tenderer.

The obligations incumbent on the successful tenderer in respect of this contract apply *de jure* to the subcontractors. The successful tenderer undertakes to impose said obligations to them.

ARTICLE 11: CHECKING THE PROPER PERFORMANCE OF THE SERVICES UNDER THE CONTRACT

The CNIEL reserves the right to have any type of check carried out during the performance of the contract to ensure that the services performed comply with the contractual requirements. It can either expedite checks on site or ask the successful tenderer to send it documents proving that the proposed actions have been carried out.

Should the CNIEL note a breach of the requirements of these specifications, it shall send the successful tenderer a formal demand to rectify it within a specific time frame. Once the time frame set has passed, the CNIEL can either decide to terminate the contract in accordance with the conditions of Article 15 or decide not to pay the sums corresponding to the actions that do not comply with these specifications.

Any proposed amendment to the activities must be notified by the successful tenderer and validated by the CNIEL.

The periodic reports (see Article 4.2.1) shall also be subject to verifications. The successful tenderer is obliged to carry out the corrections requested by the CNIEL, where applicable.

Checking the proper performance of the contract also obliges the successful tenderer to undertake to keep the records and other supporting documents proving the proper performance of the program and the costs declared as acceptable, in accordance with the conditions laid down by Regulation no. 2015/1831 of 7 October 2015 laying down rules for applying regulation no. 1144/2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in the third countries.

Accordingly, the successful tenderer shall:

- open a specific bank account dedicated exclusively to the program. The successful tenderer undertakes to keep copies of all bank statements relating to said bank account during the entire term of the contract and, after its end, during a period to be indicated by the CNIEL;

- keep analytical accounting specific to the contract and separate from its general accounting allowing the revenue and expenditures relating to the performance of the contract to be identified, and to keep it available to the CNIEL (in full or by extracts) upon simple request. The successful tenderer undertakes to archive said accounting during the entire term of the contract and, after its end, during a period to be indicated by the CNIEL.

Finally, the successful tenderer is reminded that checks, reviews and audits, in particular on the successful tenderer's premises, can be expedited by the CNIEL, the Member State, the Commission, the European Court of Auditors (ECA), the European Anti-Fraud Office (OLAF) and/or any body, agent or expert appointed by them for the full period of the contract and six (6) years after the contract has ended.

ARTICLE 12: INTELLECTUAL PROPERTY

The successful tenderer assigns, on an exclusive basis, all of the rights or titles to intellectual property of any nature relating to its services and/or to the results of its services, allowing the CNIEL to use them freely in France and abroad.

This assignment relates in particular to the work carried out both by the successful tenderer and by directly or indirectly associated persons under this contract (freelance writers, associated rights of performers, right to reproduce the image of models and persons represented, etc.).

Ownership is transferred to the CNIEL as the services scheduled in the contract are carried out.

The assigned rights include, but are not limited to:

- the right to reproduce all or part of the creations on any medium, particularly analogue or digital, in any forms and formats known or anticipated on the date that the contract is signed or subsequently discovered,
- the right to reproduce all or part of the creations by any processes (known or anticipated on the date that the contract is signed or subsequently discovered and contemplated),
- the right to adapt all or part of the creations in all formats and to translate all or part of them into any languages,
- the rights to distribute, lease, loan, make freely available and sell for any marketing, internal or external communication operation and any other means of using the creations falling within the activity of the CNIEL.

The media and processes include in particular any hard copy, computer or digital medium, any means of communication, direct or indirect, via space or land, by satellite, cable or radio waves, and any wired or wireless network, including the Internet in particular.

This assignment is valid for the legal period of protection of intellectual property rights, including any legal extension, regardless of the reason therefor, and on a worldwide basis. It includes the possibility for the CNIEL and the European Union to benefit from all of the rights to use the results of the actions that are the subject of this contract.

The successful tenderer shall also transfer to the CNIEL title to all physical media containing the works.

ARTICLE 13: INSURANCES

The successful tenderer represents and warrants that its professional public liability is insured with a creditworthy insurance company and that said insurance covers all its services and/or the contract and persons involved, directly and/or indirectly, in carrying out and/or the implementing the contract.

ARTICLE 14: TERMINATION

14.1 Termination of the contract in full by the Parties

Should one of the Parties breach any one of the obligations provided under the contract, the other Party(ies) may, after formal notice sent by recorded delivery letter with acknowledgement of receipt to remedy the recorded breach(es) which has/have not been remedied in full or in part within the thirty (30) days of the receipt thereof, terminate, in full, the contract without other formality, without prejudice to any damages which might be owed.

14.2 Termination of the contract in full or in part by CNIEL

The CNIEL may also terminate this contract at any time and without the successful tenderer being entitled to any indemnity and/or compensation other than:

- the reimbursement, on presentation of justifying documents, of all the expenditures and expenses incurred by the successful tenderer,
- the payment of the remuneration of the successful tenderer for the activities carried out,

until the date of the termination or of its operative event (where the successful tenderer has failed to inform CNIEL of said operative event in the cases provided for in paragraphs a) and b) mentioned below), in the following cases:

- a) When the successful tenderer, during the implementation of this Contract, is placed in one of the situations mentioned in Articles 45, 46 and 48 of the order No. 2015-899 of 23 July 2015 relating to procurement contracts;
- b) When administration proceedings (Articles L. 631-1 *et seq.* of the French Commercial Code (*Code de commerce*)), compulsory liquidation proceedings (articles L. 640-1 *et seq.* of the French Commercial Code) or a like measure provided for under a foreign law is commenced against the successful tenderer and subject to the public policy provisions applicable to such proceedings;
- c) When France Agrimer terminates the Grant agreement or the participation of the proposing organisation, regardless of the reason for said termination.
- d) In the event the public authorities fail to extend or call into question the extension of the inter-branch agreement entered into between the bodies that form the CNIEL setting the amount of the inter-trade contribution.

ARTICLE 15: DISPUTES AND CONFLICTS

The parties shall endeavor to settle amicably any disputes and conflicts which might arise during the performance of this contract. If the parties are unable to reach an amicable resolution, suit shall be brought before the Paris Regional Court (*Tribunal de grande instance*), which shall have sole jurisdiction.

Signed in two original copies*

In..... on.....

*Signature and stamp of the successful tenderer preceded by the words "read and approved" ("*lu et approuvé*")

Appendix 1 - (EU) Regulation no. 1144/2014 of 22 October 2014

<https://op.europa.eu/en/publication-detail/-/publication/cd6b3f8f-63f6-11e4-9cbe-01aa75ed71a1>

Appendix 2 - Delegated (EU) Regulation no. 3025/1829 of 23 April 2015

http://data.europa.eu/eli/reg_del/2015/1829/oj

Appendix 3 - Implementing (EU) Regulation no. 2015/1831 of 7 October 2015

http://data.europa.eu/eli/reg_impl/2015/1831/oj