The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service
November 2002

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Get Off to a Strong Start**

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Contacts:

Chris Li
USDA/Agricultural Trade Office
Hong Kong
Tel.: (011-852) 2841-2350
Fax: (011-852) 2845-0943
E-mail: lic@fas.usda.gov

Khaliaka Meardry
USDA/FAS Trade Show Office
Washington, DC
Tel.: (202) 690-9423
Fax: (202) 690-4374
E-mail: Khaliaka.Meardry@usda.gov

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Editor
Priscilla B. Glynn
(202) 720-9441

Writers
Mary Rekas
Jill Lee
Donald Washington

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Teaching Export Success, Step by Step

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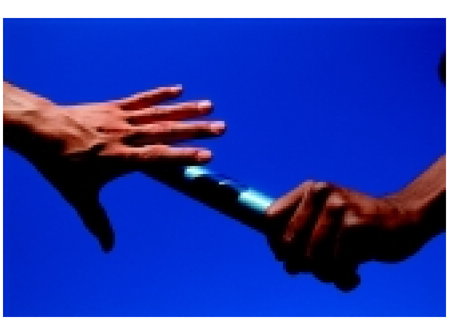
Pickle juice with lime may soon be sipped outside Dallas, Tex., perhaps even in Morocco and the Middle East. Meanwhile, Canadians are munching meat kabobs and Vidalia onions from Georgia.

What is giving these products such great opportunities for international sales? The answer is the Export Readiness Training Program, created through a partnership between the Foreign Agricultural Service (FAS) and the Southern United States Trade Association (SUSTA), a nonprofit association dedicated to helping companies in the 15 southern states and Puerto Rico export high-value food and agricultural products.

Export Readiness Training started out as a pilot project in Georgia, Mississippi and Alabama. The program basically plants the seeds for export training that state and local groups can nurture and build upon. It is moving from state to state throughout the South. Currently, the program is helping companies in Texas and Florida go global.

The program was designed to give small businesses, particularly those of minorities and women, an opportunity to explore markets overseas and begin the transition from successful domestic company to world trading business. The initiative was funded by FAS' Emerging Markets Program, which focuses on building trade between the United States and nations that are moving through developmental stages to financial sophistication.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How the Program Began

The program started in 1999 with a mission to expand educational opportunity. The mission to serve small business owners meant going back to basics. It was important to get participating minority and women business owners confident that they could export successfully. To instill that confidence, training was essential.

"What we needed was something to guide the absolute novice," said Christine Durbin, a marketing specialist with FAS' Emerging Markets Program. "These companies needed guidance through the steps to making a working business plan for trade."

Durbin, James Ake (executive director of SUSTA) and Donald van de Werken (director of the U.S. Export Assistance Center in New Orleans, La., part of the U.S. Department of Commerce) developed a training program that boasts a 72-percent success rate—that's the proportion of businesses actually going on to participate in export programs or make foreign sales.

Training for Trade

The program provides a lot of hands-on training and advice.

"The idea is to teach by doing," said Charles Boyanton, international trade manager with the Small Business Development Center at the University of Georgia.

"On the first day, we show them how to look up country reports on the FAS Web site and get information online from the U.S. Department of Commerce. Their assignment is to use the information they find to create a list of 10 countries that might work as markets for them," Boyanton said.

The next week, students learn about shipping requirements, tariffs and labeling laws.

"As they use that information to investigate their markets further, they may well find that some of their Top 10 picks are unrealistic," explained Boyanton. "Their new homework assignment: narrow the list down to three."

Training Insights

Boyanton said FAS' agricultural attachés from Venezuela and Mexico have been guest lecturers, explaining the services they provide, such as arranging for business representatives to meet qualified, reliable importers and arrange for translation help.

"We encourage small companies to consider Latin America," said Durbin. "Europe is very competitive and hard to break into, while some less developed countries can be just too high a risk for small firms."

Durbin pointed out, however, that nobody can know for sure where the graduates will end up selling products.

"At a European trade show, one program graduate was doing great business selling his dairy spread in England," Durbin said. "Another graduate is selling shaved ice flavorings in northern Africa and the Middle East."

Making the Grade

Each class has only 10 spaces, and competition for them is intense.

What are the criteria? The business must produce an agricultural commodity in the United States. The business needs to provide FAS with a financial statement from a bank or an audit. It must also have sales of $100,000 (if a producer) or $500,000 (if a processor).

Companies must also have written materials about their products and have less than one year of experience in exporting, not including any passive experiences.

The company must be willing to commit at least one staff member to capturing export markets.

"The idea is to have graduates who advance to the next stage by using FAS services, particularly branded or generic marketing programs," said van de Werken.

A Powerful Partnership

Durbin credits the University of Georgia and the Georgia Department of Agriculture with getting the program off to a great start.

"The Georgia Small Business Development Center and the Georgia Department of Agriculture did such an excellent job recruiting," she said. "All the companies chosen were viable. I don't know if we would have done as much in the other states as we have without that initial effort that has had such positive returns."

What is next for the program?

"In Florida, Miami-Dade Community College will be doing the training," said Durbin. "The college has an export program affiliated with the state's agriculture department."

As the program expands and efficiency improves, training costs are declining, allowing the program to be offered to more people.

"Originally, it cost $10,000 per trainee," Durbin said. "But in our last training, in Texas, we had enough left over to do a third session and train another 10 people," she said.

The need for the program will persist as prospective exporters continue to face tariffs, regulations and other challenges of international trade.

"Because 80 percent of the growth in exports is predicted to be in emerging markets, this program is important to the future of U.S. agricultural exports," Durbin said. ■

Contacts

To learn more about Export Readiness Training and other assistance available through FAS' Emerging Markets Program, contact Christine Durbin and other marketing specialists at:

Commodity and Marketing Programs
Marketing Operations Staff
Tel.: (202) 720-4327
Fax: 202-720-9361
E-mail: emo@fas.usda.gov
Web site: www.fas.usda.gov/mos/em-markets/em-markets.html

Information is also available from:

The Southern United States Trade Association
2 Canal Street
Suite 2515
New Orleans, La. 70130
Tel.: (504) 568-5986
Fax: (504) 568-6010
E-mail: susta@susta.org
Web site: www.susta.org

Wheat Leads U.S. Grain Sales in Peru

By Gaspar E. Nolte

If Peru depended on its 190,000 metric tons of wheat production to supply its mills, many Peruvian consumers would be deprived of their favorite pasta dishes, which would be a disappointment for South America's No. 2 pasta-loving nation.

A minor crop grown only in the Andean highlands, local wheat is consumed mostly in soups and purées. Low production of soft wheat translates into a major export opportunity for U.S. producers.

Sales To Rise for Pasta, Milled Wheat

Though the outlook for wheat products is improving, a recession from 1999 through 2001 stagnated consumption of pasta and also wheat flour. In 2001, Peru's total flour consumption held at 855,000 tons, and pasta weighed in at 230,000 tons, both largely unchanged from recent years. Many mills reduced profit margins to maintain production levels. Only the country's growing population kept sales from falling.

In 2001, the average Peruvian consumed 10 kilograms of pasta and 38 kilograms of bread (low for Latin American countries). These amounts are expected to increase as the economy recovers.

Wheat Outlook Promising

In 2001, with improving economic news, Peru imported a record 1.4 million tons of wheat. The U.S. share was almost 560,000 tons, with Argentina (484,000 tons) and Canada (354,000 tons) being major competitors. In marketing year (MY) 2002/03, Peru's wheat imports are expected to reach 1.5 million tons, with 600,000 tons coming from the United States, a 7-percent increase from 2001.

The volume of wheat imports from the United States has historically depended on the size of the Argentine crop and its export availability. Argentina's recent economic crisis, which resulted in a substantial currency devaluation, made its wheat more competitive in the international market. The effects of the devaluation will probably be more pronounced for the next Argentine harvest, which begins in December 2002.

As part of the Andean community of nations—which also includes Bolivia, Colombia, Ecuador and Venezuela—Peru is negotiating a trade agreement with MERCOSUR (a trade group made up of

Argentina, Brazil, Paraguay and Uruguay). Grains will probably be a priority trade issue, especially for Argentina. But since Peru has been the most progressive country in the region in reducing its tariffs, further reductions or preferences are unlikely.

Peru has no policy to promote wheat production, although the country's major wheat importer, Alicorp, has experimented with durum production using U.S. seeds.

Peru exports only limited quantities of pasta to Chile and Ecuador, because internal taxes on products bump up final prices by over 40 percent.

Corn Mostly for Chicken Feed

MY 2002/03 corn production in Peru is projected to be nearly 1.5 million tons. Domestic varieties include starchy corn for human consumption, estimated at 287,000 tons in 2001, and the 1.1 million tons grown for the animal feed industry.

Peru's 21-million-chicken-per-month industry consumes most of the domestic yellow corn. Corn consumption by this sector alone is estimated at 2.1 million tons for 2002.

Poultry meat continues to be one of the cheapest sources of protein in the Peruvian diet. And Peru's corn consumption tracks changes in the poultry population.

In calendar year 2001, Peru imported 862,680 tons of yellow corn, of which almost 25 percent came from the United States and 72 percent came from Argentina.

The Peruvian government supports corn production by making financing available. Local production is also encouraged by the promise made by some poultry producers to use local corn. The Peruvian poultry producers' association signed an agreement with the corn producers' association that commits poultry producers to

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buy only locally produced yellow corn. If this agreement is put into practice, Peru's corn industry expects production to double in the next few years.

Corn imports are assessed a 17-percent import duty plus a variable levy applied under a price band system. The current levy for corn is $20 per ton, which is applied to an average $95 basic cost.

Rice Exports To Lessen

Peru's rice production is expected to hit 1.5 million tons during MY 2002/03, about 5 percent higher than the previous year. Rice quality and yields can vary greatly, as many small producers grow much of the crop.

Annual per capita consumption is pegged at 46 kilograms. Traditionally sold in small markets in 50-kilogram sacks, rice is now available in 1-kilogram bags at supermarkets. Higher quality U.S. rice is usually sold in these smaller packages.

In 2001, Peru imported 62,558 tons of rice, 59,223 tons from Uruguay and 2,731 tons from Argentina. Just 537 tons came from the United States and 67 tons from other sources.

There has been little government support for the Peruvian rice industry in the form of input credits, financial help or buying for social feeding programs. But even the minimal support has led to a sharp increase in production. The resulting large carryover stocks and low prices have pushed some farmers off their land. It is estimated that up to 25,000 tons of Peruvian rice is sold in Ecuador, the only outlet for many farmers.

Rice imports are assessed a 25-percent duty plus a variable levy similar to that for corn. The current levy for rice is $221 per ton based on a price of $190 per ton.

Prospects Best for U.S. Wheat

Though subject to the vagaries of Argentine wheat pricing and availability, U.S. wheat exports to Peru stand to increase over the long term, upping the current 40-percent market share.

Corn and rice export prospects are not nearly as bright. Though U.S. corn exports to Peru now occupy a quarter of the import market, increasing local production is likely to reduce the country's dependence on imports.

U.S. rice makes up about 5 percent of all imports and faces strong competition from Uruguay and Peru itself. ■

The author is an agricultural specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy, Lima, Peru. Tel.: (011-51-1) 434-3042; Fax: (011-51-1) 434-3043; E-mail: fas_lima@yahoo.com

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Benelux Opting For Organics

By Marcel Pinckaers

They may be among the smaller countries in Europe, but their 26.5 million residents have growing appetites for organic foods. Those residents of The Netherlands, Belgium and Luxembourg who prefer organics tend to be upper income, 25-50 years of age and well educated.

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Products in Demand

Fresh organic produce far outsells processed organic foods in Benelux countries, with the humble potato heading the list. Dried fruits and nuts also sell well. Other products of interest to U.S. suppliers are oils and fats, dried beans, rice, wines, cereals and honey.

Regardless of the product, quality is always a top priority for Benelux consumers. They demand superior taste and freshness, and expect an attractive and clean product for the average 30-percent premium they pay for organics.

Wholesaler Important in Organic Chain

Organic food imports in the Benelux are usually distributed through a specialized importer (who may also be a processor or packer) to a wholesaler (or a large retailer). Because most organic sales in all three countries occur in small and often independent specialty shops, the wholesaler is a pivotal link in the distribution chain.

Manufacturers in all three markets largely prefer their raw materials to come from suppliers in The Netherlands, Germany or other European Union (EU) nations because of their competitive pricing and proximity. Some traders do go farther afield, and often carry out basic processing before supplying organic processors with ingredients that meet strict quality specifications.

Non-European suppliers must ensure their products meet detailed EU specifications, have full traceability of organic integrity and have consistent quality.

Storage and transportation also play a big role for organic suppliers, along with appropriate packaging and keeping quality.

Pricing Varies

Fresh organic produce typically commands a 15-20 percent price premium compared to standard products, and processed foods can have a 25-50 percent premium. Organic fruits can be priced as much as 200 percent higher, but sometimes pricing for organic milk and meat matches that of conventional products.

As the role of supermarkets increases, bringing volume production into the organic distribution system, prices should decrease. This price deflation has begun with organic potatoes and dairy products in The Netherlands.

Since pricing tends to fluctuate, exporters must ensure that they get up-to-date price information from importers or major wholesalers.

Did You Know . . .

- Luxembourg has the highest per capita consumption of organic products in the EU.
- Belgium is one of only four countries in the EU boasting annual growth of 25-30 percent in organic sales.
- Belgium imports about 50 percent of the organic food consumed by its residents.
- Farmers markets in The Netherlands sell organic products exclusively.
- While a major importer of organic products, The Netherlands re-exports 80 percent of imported organic produce.
- The Netherlands has the highest per capita consumption of nuts in the EU.

Organics New to Food Service

So far, there is limited demand in the Benelux countries for organic products in food service operations. In The Netherlands, certain government institutions and gourmet restaurants buy organic products, while catering companies are just beginning to offer organic menus.

In Belgium, restaurants may offer meals prepared from organic foods, but there are no controls in place to assure the authenticity of menu items claimed to be organic.

Organic Lay of the Land for the Benelux

Country	Size	Population	Organic Sales In 1999	Retail Venues
Netherlands	41,526 sq. km.	16 million	23 million euros	Specialty stores Supermarkets Farm sales
Belgium	30,518 sq. km.	10.3 million	148,736 euros	Specialty shops Farmer's markets Direct sales
Luxembourg	2,586 sq. km.	442,972	Not available	Direct sales Organic coops Supermarkets

Packaging and Labeling Follow EU Regs

The EU has legislated rules regarding labeling and advertising for organics, but these relate more to the conditions that must be in place before a product can be proclaimed organic, rather than to packaging materials.

To be considered organic, prescribed production methods must be used. In addition, processed food must contain a minimum 95 percent organic material. Imported products must also bear labeling that includes the name and/or code number of the national inspection body responsible for checking compliance with EU Regulation 2092/2, which denotes the production methods and principles applied to organic farming, processing and marketing.

To assure that organic products comply with this regulation, U.S. producers should make sure the following requirements are met:

- Organic status of the product is recognized by a certifying organization.
- Importer is registered by an appropriate certifying organization.
- Organic status for each product must be secured from the importing country's organic authority.
- Each consignment must have an EU certificate.

Even without legislation, consumers expect organic products to come in "green" packaging. Most packaging for organic products sold in this market is biodegradable. Some national organic organizations stipulate packaging from recycled materials, or ban the use of certain materials like PVC or aluminum. Products with packaging containing non-recycled materials may be subject to an eco-tax.

Labeling must be in the importing country's official language and display the product name, supplier and net quantity per package. Other labeling requirements include a list of ingredients in descending order of weight, date of minimum shelf life, special storage conditions, instructions on use where appropriate and product claims.

Who Implements Organic Rules?

Skal, the government-appointed body in The Netherlands, is responsible for certifying organic production. The organization has offices in other countries and carries out inspections in over 30 countries. The Skal EKO mark guarantees that EU standards have been met by a product and obliges the supplier to pay Skal a fee based on product turnover.

In Belgium, Ecocert is the EU-registered inspection and certification body. The country's Ministry of Agriculture also recognizes Blik as a certifying organization. The two agencies' biogarantie label is widespread in Belgian natural food shops. Other public and private organic commissions in Belgium also issue their own certificates.

The EU council regulation on organics is implemented in Luxembourg by the Department of Agriculture and the German inspection body Kontrollverein Ökologischer Landbau. Other organic organizations preceded these official ones and often have stricter standards and their own labeling. ■

The author prepared this report in conjunction with an external contractor and other FAS staff. Further information about this market can be obtained from the FAS Office of Agricultural Affairs at the U.S. Embassy, The Hague, Netherlands. Tel.: (011-31-70) 310-9209; Fax: (011-31-70) 365-7681; E-mail: agthehague@fas.usda.gov

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Yugoslavia Sets Liberalization Agenda

By Tatjana Buric

It is a little confusing for exporters when one country has more than one set of rules for trading. Having survived a decade of strife, Yugoslavia is in the process of resolving regional differences and consolidating trade practices into one regime that is shaping up to be more liberal than those of some of its neighbors.

In July 2002, Serbia (without Kosovo) and Montenegro began negotiations for the adoption of a new constitutional charter that will redefine their relationship.

In the future, the two republics will maintain separate monetary systems, central banks and currencies. However, they will be considered as one state for external purposes—sharing a joint customs system, foreign trade policy, free international trade system and payment operations system.

Customs tariff rates will gradually increase in Montenegro and decrease in Serbia over the next three years to match prevailing customs rates in the European Union (EU).

For now, there are three distinct trade areas in Yugoslavia:

- Republic of Montenegro
- Federal Republic of Yugoslavia, implemented in Republic of Serbia and its Vojvodina Province
- Kosovo Province, located within Serbia

Though the Federal Republic of Yugoslavia has yet to fully unite these disparate trading regions, the country took a major step toward international economic integration in 2002 by enacting a liberalized trade regime.

This regime's new schedules and tariffs were wholly adopted by Serbia—with general reductions from earlier rates specified in 5 percent increments up to a maximum 30 percent (plus 0.5 percent as a registration fee).

Montenegro also signed up for the liberalization agenda and took it a step further—a 2002 tariff schedule even more liberal than Serbia's. Montenegro reports a zero tariff on most agricultural products, while customs registration fees are 1 percent.

Kosovo has its own customs and tariff codes regulated by the United Nations Mission and provisional local government. Tariff rates are a flat 15 percent.

VAT Added

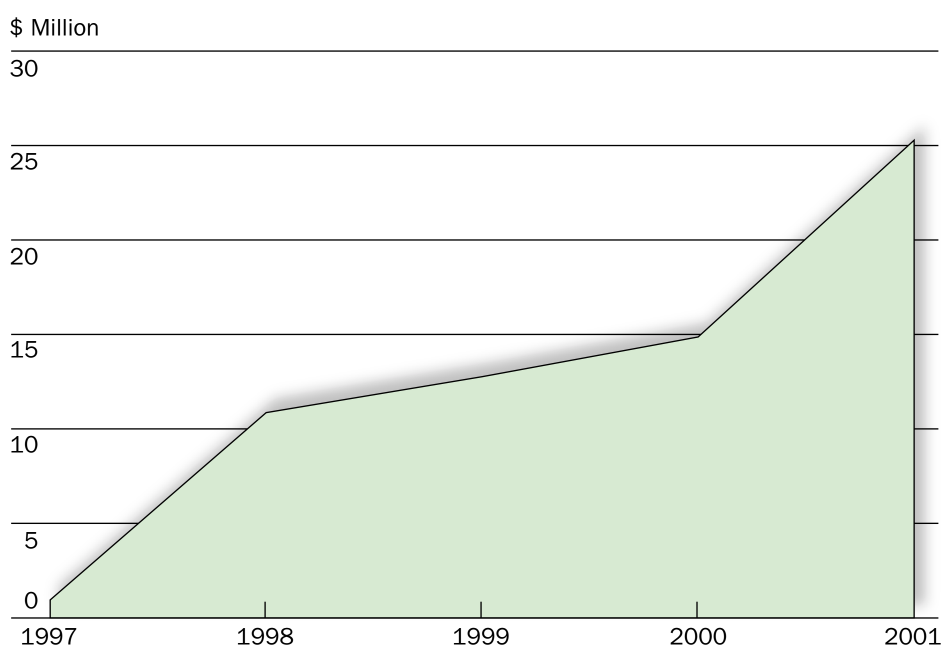
The government of Yugoslavia also announced a value-added tax (VAT) for agricultural products (except for soybeans and soybean meal, which were not renewed after expiring). These VAT rates usually range from 3 to 12 cents per kilogram (2.2046 pounds), depending on the product.

Serbia adopted this national Yugoslavian VAT rate. Montenegro, on the other hand, has chosen not to apply the import VAT on the same products as Serbia, but is charging a 20-percent import tax on 10 products, mainly fruits and vegetables, during certain times of the year. Kosovo has variable VAT rates.

Where Yugoslavia Stands

The government of Yugoslavia needs to unite the different trade areas in order to be effective in the international trade arena. Being isolated from major trade and diplomatic channels for 10 years has made for slow going, but Yugoslavia is trying to meet the requirements of several bilateral

U.S. Agricultural Exports to Yugoslavia Swing Up



Intermediate products accounted for $22 million of U.S. agricultural exports in 2001.

and multilateral trade agreements:

- The government has applied for membership and was granted observer status in the World Trade Organization (WTO).
- With EU membership as an ultimate goal, negotiations are underway for signing a Stabilization and Association Agreement with the EU by mid-2003, and for joining with eight other Central and East European countries as part of the South and East Europe Free Trade Area.
- Yugoslavia has signed a preliminary declaration of cooperation with European Free Trade Association (EFTA) countries that provides equal treatment of Yugoslav products in the EFTA members—Switzerland, Norway, Iceland and Liechtenstein.
- A free trade agreement with Russia was concluded in August 2000 that will eliminate Russia's import barriers for Yugoslav products by 2005.
- Other agreements have been signed with Macedonia, Bosnia-Herzegovina and Hungary.

Best Prospects for U.S. Exporters

During 2001, U.S. exports to Yugoslavia amounted to $25.3 million. The major export—soybean meal worth $11 million—was part of a humanitarian aid program; wheat flour was the second largest U.S. export.

Though U.S. poultry exports are expected to flow smoothly once U.S. health certificates are accepted, all U.S. exporters should be aware of and well informed on local requirements to prevent entry problems.

After food aid programs end, good prospects for U.S. exporters would include poultry meat and products, soybeans, soybean meal, planting seeds, genetics, cotton and beverages. ■

The author is an agricultural specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy, Belgrade, Yugoslavia. Tel.: (011-38-1) 11-645-655; Fax: (011-38-1) 361-3825; E-mail: fasbelgrade@yahoo.com and burict@amembbelgrade.org

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Croatian Pets Scarf Down Imported Food

2227, 42175

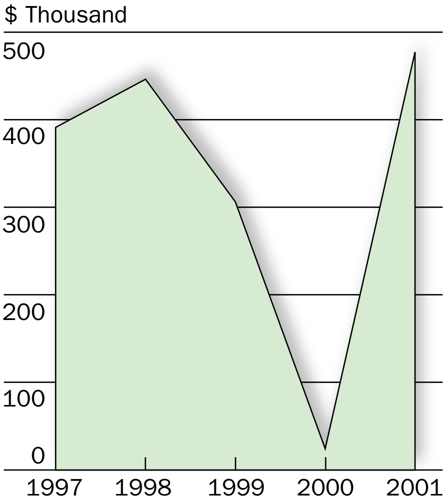
By Andreja Misir

Since Croatia does not produce pet food commercially, doting owners spent $20 million on imported pet food in 2001.

Official figures showed U.S. pet food sales to Croatia at only $478,000 in 2001. However, U.S. pet food products transshipped through other countries would likely bring the value of U.S.-branded imports closer to $1.2 million.

With the Croatian population aging and standards of living slowly rising, pampered pets are becoming more commonplace. About 300,000 dogs are registered; an estimated half million cats have adopted families.

Direct U.S. Pet Food Exports to Croatia Reach New High



The strong U.S. dollar and U.S. franchises in Europe contributed to declining direct sales figures in 1999-2000; in 2001 a strengthening euro and outbreak of bovine spongiform encephalopathy in Europe increased demand for U.S. products.

The market for dog and cat food, which rose a robust 19 percent over the past three years, is largely supplied by Hungary, Austria, the United States and Italy. In 2001, Croatia also re-exported $96,000 worth of dog and cat food, a 26-percent increase over 1999.

Croatia does not distinguish between food for commercial and pet fish. With sales of $4.4 million in 2001, imports of fish food accounted for over a fourth of total pet food sales, largely coming from Italy, Denmark, France and The Netherlands.

U.S. Suppliers Pay Tariffs

With a 5-percent tariff, dog and cat food products from the United States are at a slight disadvantage compared to tariff-free imports from European countries. The U.S. tariff rate for fish food is 2 percent and can be as high as 13 percent for other pet food products.

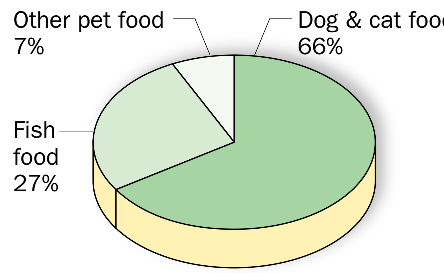
While Bosnia-Herzegovina, the Czech Republic, Bulgaria, Hungary and Slovakia pay no tariffs on any pet food products, European Union (EU) members pay 1.8 percent on fish food and up to 11.7 percent on other pet foods.

Import Requirements

The Croatian government monitors compliance with legislation pertaining to marketing pet food products. Pet food importers must register with the government and have access to a bonded warehouse.

Two certifications are required for all pet food imports—one from Croatia and one from the originating country. The Croatian Ministry of Agriculture charges about $121 to process an application for a document that attests to the safety of the import. This permit is valid for six months, or until the quantity requested on the permit has been reached.

Croatian Pet Food Purchases Top $20 Million



Dog and cat food accounted for two-thirds of sales in 2001.

U.S. suppliers must also have in hand a veterinary export certificate from USDA.

Upon entry into the country, pet food products must be accompanied by a declaration with the following information:

- Name of supplier and importer
- Official name of product
- Quality category, if applicable
- Net weight
- Date of production and best-use date
- Instructions on use and storage
- Chemical composition by percentage of volume or weight
- If applicable, information on composition and quantity of vitamins, minerals, amino acids, antibiotics and other components ■

The author is an agricultural specialist with the FAS Office of Agricultural Affairs, Zagreb, Croatia. Tel.: (011) (385-1) 611-0013; Fax: (011) (385-1) 611-0025; E-mail: amisir@inet.hr

For details, see FAS Report HR2010. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Estonia Developing Its Food Processing Sector

By Jolanta Andersone

USDA/FAS

West European companies have played an important role in the recent development of Estonia's food sector. Though more investment is needed, European money is enabling the food sector to begin meeting European Union (EU) standards and requirements for exports to member countries. Estonia's leaders are counting on the newly thriving food processing industry to ease the country's entry into the EU.

However, development of the country's food industry has been impeded by an inadequate domestic supply of agricultural raw materials, the relatively modest purchasing power of domestic consumers and limited export possibilities. (Estonia's exports to Russia are assessed double the customs duty rates of those paid for comparable products from Russia's preferential trade agreement partners.)

Given the relatively small consumer base in the Baltic region, pan-Baltic food companies seem likely to emerge to enhance the competitiveness of the region's food industry.

EU Requirements Erect Barriers

With no import duties applied, Estonia's import regime was among the most liberal in the world until 1999. As of January 2000, the Most Favored National (MFN) Treatment Customs Duty Act imposed MFN rates on imported goods of all countries that have not entered into free trade agreements with Estonia, including the United States.

At present, exports from the EU and countries that are parties to free trade agreements with Estonia are advantaged by zero duties.

Market access for Estonian product exports to the EU has also improved. Various agreements, which have come into force from July 2000 to July 2002, have reduced tariffs and eliminated other barriers impeding exports of Estonian agricultural and processed food products to the EU, and increased export quotas.

Growth After Crisis

Though Estonia achieved independence from Russia in 1991, the health of its economy is still tied to its big neighbor. Fallout from the 1998 Russian economic crisis took a toll, but the Estonian economy is now in recovery mode.

Following a 10-percent decline in 1999, the Estonian food processing sector began getting back on track in late 2000, with a 4-percent growth rate. This positive rate is expected to continue in the near future.

Despite suffering adverse effects from the crisis, the food processing industry is now a bright spot in the Estonian economy. The sector's output, $550 million in 2000, accounted for almost a third of the nation's exports and 24 percent of the country's total industrial output.

Estonia Needs Ingredients

The value of raw materials and ingredients used in Estonian food production came to $218 million in 2000, of which 26 percent was imported.

Excluding wood products, Estonia is a net importer of food and agricultural products. The largest import categories in 2000 were beverages, meat products, fresh and canned fruits and vegetables, coffee, tea and feed grains.

The United States has been the leading supplier of poultry to Estonia, with a 65-percent market share (12,000 metric tons) in a typical year. Other major U.S. products exported to Estonia include fish, dried fruits, nuts, oilseeds, vegetable preserves, wines and liquors.

Sectors Depending on Imports

As of 2000, there were 720 food and beverage producers in Estonia. Dairy enterprises accounted for 27 percent of food output; beverages, 22 percent; meat processing, 17 percent; and fish processing, 14 percent.

The Estonian meat industry relies heavily on imports: 60 percent of poultry, 38 percent of pork and 5 percent of beef products are imported.

In 2000, imports accounted for 23 percent of raw materials for the fish product industry. About 78 percent of the fish industry's output is exported, mostly to Russia.

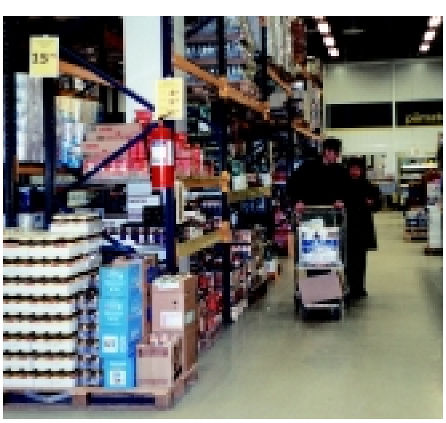
Due to inconsistent supplies and quality, the canned vegetable and fruit industry is also heavily dependent on imports—66 percent of the sector's raw materials were imported in 2000.

A limited number of confectioneries depend on imports of cocoa beans, sugar, nuts, almonds, raisins and other dried fruits. Sugar is imported mostly from other European countries.

Bread and other bakery products account for 9 percent of the food industry's total output. Cereal consumption is increasing at the expense of bread. About 70 percent of the sector's wheat flour and rye meal requirements are imported from European countries.

Soft drink beverage producers import concentrates and malts mainly from European countries.

No potato chip production has been developed in Estonia due to the lack of suitable local raw potatoes. Potato meal is imported from France by one company that produces potato snacks.



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Gear Entry to Large Players

To optimize market entry into Estonia, U.S. exporters should:

- Perform market research.
- Compare product costs with those of competitors.
- Locate an experienced, reliable agent with good distribution channels.
- Explore purchasing habits of larger importers.

Estonia's State Veterinary and Food Board's Border Control Service has authority over imported food, additives and supplements. Imported plant products are controlled by the Plant Production Control Center.

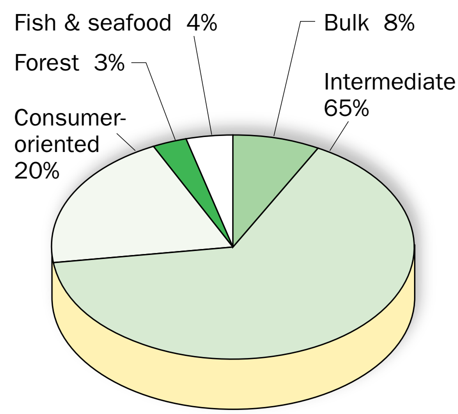
The Ministry of Agriculture issues import licenses to assure that all agricultural and food products have been properly handled and to address consumer concerns.

EU Regulations Do Apply

There are a number of country-specific conditions that exporters should know about:

- Estonia has been modifying its sanitary and phytosanitary standards in conjunction with its preparations for EU accession. Some of these changes have blocked U.S. products, especially pork and beef. Estonia now accepts U.S. poultry from about 50 plants.
- Since Jan. 1, 2001, Estonia has been following EU labeling and certification regulation requirements for ingredients derived from biotechnology, which require special labeling.
- Importers must submit a request to the Veterinary and Food Board for foods that require special permits.

Intermediate Products Lead U.S. Agricultural Exports to Estonia

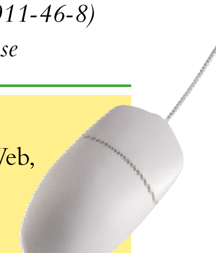


U.S. exports totaled $16 million in 2001.

- Conformity assurances for imported foods are issued by the Estonian Conformity Assessment Center through a costly product testing and approval process. But U.S. food products with conformity assurances from other EU countries are acceptable.
- Imported food and agricultural products must be cleared and sealed at the border. Documents needed at that time include the contract, invoice, bill of lading and original certificate of origin. The 18-percent value-added tax is collected upon clearance at the border. ■

The author is a marketing specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy, Stockholm, Sweden. Tel.: (011-46-8) 783-5390; Fax: (011-46-8) 662-8495; E-mail: fas@usemb.se

For details, see FAS Report EN2002. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.



Spain's Fish Market a Catch For U.S. Exporters

By Magdalena Escudero

In 2001, only half of the 2 million metric tons of seafood consumed in Spain were caught by the Spanish fishing fleet, largely due to past overfishing. Compounding Spain's fish shortfall was Morocco's refusal to renew an agreement allowing Spanish fishing boats to fish in its waters. Imported and aquaculture products stepped into the breach left by the domestic ocean shortfall. Spanish importers must supply the remainder.

The largest seafood exporters to Spain include Argentina, Morocco and France. With only a 2-percent share of the import market, the United States still exported almost 26,600 tons of seafood to Spain in 2001, valued at $71 million, up 10 percent from 2000. During 2001, the United States was Spain's main supplier for frozen long-finned tuna, surimi and lobster.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Fish 'n' Facts

- Spain's per capita consumption of seafood weighs in at 31.3 kilograms, more than double that of Europe's 15-kilogram average.
- In 2001, Spain's largest fresh food distributor, MERCAMadrid, sold over 160,000 tons of seafood products worth $806.4 million—105,510 tons were fresh fish; 18,388 were fresh shellfish; 36,177 were frozen product.
- Seafood accounts for 14 percent of the average Spanish consumer's food budget.
- Three-fourths of seafood is eaten at home.
- Pricey hake is the most popular species.
- In 2000, Spanish aquaculture firms produced over 45,000 tons of finfish and 242,000 tons of shellfish, primarily mussels.

Most Popular Products

Whether fresh or frozen, these species are preferred:

- Hake, whiting
- Sardines, anchovies
- Octopus, squid
- Flat fish
- Shrimp
- Salmon, trout
- Tuna, cod

Spain Loves Seafood

Spain's long tradition of seafood consumption means consumers are very knowledgeable and selective when it comes to eating fish. Freshly caught seafood is still the food of choice in Andalucia, Madrid, the Basque country, Galicia, Asturias and Catalonia.

However, there have been some shifts in demand patterns. In 2001, overall frozen seafood sales increased a healthy 5 percent. Demand for smoked and canned seafood was also up, with per capita consumption at 4 kilograms. Fresh finfish consumption decreased by 2 percent, while demand for fresh shellfish grew by 3 percent during this same timeframe.

Home Cooks Serve Up Most Seafood

	At Home (percent)	Hotel, Restaurant, Institutional (percent)
Fresh fish	79.2	20.8
Fresh shellfish	77.8	22.2
Frozen seafood	35	65
Canned seafood	81	19
Smoked fish	45	55
Total	**74.8**	**25.2**

U.S. SALES TO SPAIN SHOULD GO UP AS DOMESTIC SUPPLIES DIMINISH.

Seafood Retail Leaders: Fresh? Fishmonger; Frozen or Canned? Supermarket

	Traditional fishmonger (percent)	Supermarket (percent)	Hypermarket (percent)
Fresh	49.4	38.9	11.7
Frozen	24.8	50.8	24.4
Canned	12.6	58	29.4
Total	**40.4**	**43.7**	**15.9**

In 2001, surimi and shellfish represented 45 percent of the total frozen seafood sales, followed by fish with 23 percent. The remaining frozen products included prepared fish, fish sticks and other ready-to-eat products.

Frozen products are purchased by 85 percent of Spanish families, though those with children purchase them more often. Regions with greater demand for frozen seafood include Valencia, Murcia, Castilla-LaMancha, Catalonia and Aragon. Canned seafood is popular in the Canary Islands, Murcia, Asturias and large cities.

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From Docks to Plates

When fish is unloaded at the docks, it is sold to authorized wholesalers. Most seafood (along with other fresh food products) is marketed and distributed in Spain through the state-owned MERCA (market) food distribution network, where retailers and restaurants purchase the products.

For cities without a MERCA outlet, wholesalers distribute seafood through central city markets.

With the euro getting stronger, it is expected that demand for U.S. products will increase for 2002-03 because they will be more affordable. Though the United States ranks No. 15 among countries supplying seafood to Spain, U.S. sales increased, in tonnage, almost 10 percent from 2000 to 2001. ■

The author is an agricultural marketing specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy, Madrid, Spain. Tel.: (011-34-91) 564-5275; Fax: (011-34-91) 564-9644; E-mail: AgMadrid@bitmailer.net

For details, see FAS Report SP2025. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts

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Agricultural Trade Information

http://www.fas.usda.gov

TRADE SHOW OPPORTUNITY

AAHAR 2003

NEW DELHI, INDIA

The Show: **AAHAR 2003** is the premier food and beverage trade show in India. In 2002, more than 230 exhibitors and 15,000 visitors participated in **AAHAR**.

Location: Pragati Maidan Fair Grounds
New Delhi, India

Dates: March 9-13, 2003

Deadline: **Jan. 15, 2003—**Booth space cannot be guaranteed after this date.

The Booth: A standard booth measures 12 square meters (3 meters x 4 meters) and includes a display board with your firm's name, floor covering, display counter with bar stools, a round table with chairs, display shelves, two spotlights, one power outlet, lockable cabinet and trash cans. The charge also includes regular cleaning, maintenance and around-the-clock security. Custom booth design is available at an additional cost.
The cost of a booth is $2,500.00.

Support: The Office of Agricultural Affairs, U.S. Embassy, New Delhi, will sponsor a U.S. Pavilion at **AAHAR 2003** and provide U.S. exhibitors with on-site support services during the show. The USDA Trade Show Office in Washington, DC, has endorsed **AAHAR 2003**. More information on booth costs and other particulars will follow. If you have any questions, please contact us.

Contacts:

Tobitha Jones
USDA/FAS Trade Show Office
Washington, DC
Tel.: (202) 690-1182
Fax: (202) 690-4374
E-mail: Tobitha.Jones@usda.gov

Santosh Kr. Singh
USDA/U.S. Embassy
New Delhi, India
Tel.: (011-91) 11-419-8000
Fax: (011-91) 11-419-8530
E-mail: Singh.Santosh@fas.usda.gov

Trade Notes...

FAS public affairs specialist
Donald Washington is at (202) 720-3101;
E-mail: Donald.Washington@fas.usda.gov

Caribbean Markets Spell Opportunity For U.S. Meat and Poultry Exports

With access to the Cuban market and renewed hotel and restaurant sector growth throughout the Caribbean, U.S. meat and poultry exporters see new opportunities. In 2001, Caribbean meat imports of poultry, pork and beef totaled slightly more than 200,000 tons, valued at $219 million, up 10 and 7 percent, respectively, from the previous year. Preliminary midyear data for 2002 Caribbean meat imports suggests that the volumes of both beef and broilers have surpassed 2001 midyear levels. Broiler meat alone accounted for close to half of the value and three-quarters of the volume of total Caribbean meat imports in 2001. The opening of the Cuban market to the United States in late 2001 accounted for $2 million of U.S. exports. U.S. broiler meat exporters are beginning to establish a presence in Cuba. The U.S. Trade Sanctions Reform and Export Enhancement Act of 2000, which restored the possibility of direct commercial exports of U.S. food and agricultural products to Cuba, requires that transactions be made on a cash basis.

Canada Remains Key Market for U.S. Horticultural Exports

Canada continues to be the leading customer for U.S. exports of horticultural products. Since the U.S.-Canada Free Trade Agreement of 1987, U.S. horticultural exports to Canada have increased steadily and reached a record $3.3 billion in calendar year 2001. This accounted for almost a third of the value of U.S. global horticultural shipments. Fresh fruits, tree nuts and fresh vegetables comprise nearly half the value of all U.S. horticultural exports to Canada. Citrus, grapes and strawberries are the leading U.S. fresh fruits demanded by Canadians. Shelled almonds, pecans and walnuts are the major tree nuts exported. Top U.S. fresh vegetable sellers to Canada include lettuce, tomatoes and potatoes. U.S. and Canadian fruit and vegetable industries, as well as consumers, have benefitted from new market opportunities offered by lower tariffs, elimination of import licenses and the development of a more transparent business environment as a result of the trade agreement.

FAS To Promote American Products At London Grocery Trade Show

FAS has endorsed the International Food and Drink Exhibition (IFE), a trade show to be held March 23-26, 2003, in London. IFE had over 25,000 visitors in 2001, mainly from the catering and food and drink manufacturing sectors. Wholesalers also make up a strong presence. IFE is the United Kingdom's largest international food and drink trade show. The U.S. Pavilion was the largest non-European exhibition area at the 2001 show. FAS will offer a selection of booth packages for the 2003 show. Participants will also have access to a business lounge and other assistance. The United Kingdom's imports of U.S. foods and other goods make it the ninth most important destination for U.S. agricultural products. With a common language and strong economy, the United Kingdom is a promising market for many products, especially U.S. wines and beers. Participants should research the market carefully to learn of any ingredient restrictions for their products. For more information on exhibiting products at IFE or for information on other USDA-endorsed shows, contact Sharon Cook, FAS Trade Show Office. Tel.: (202) 720-3425; Fax: (202) 690-4374; E-mail: Sharon.Cook@fas.usda.gov

For questions on ingredients and other export details, contact Jennifer Jones at the U.S. Embassy in London, England. Tel.: (011-44-20) 7894-0464; Fax: (011-44-20) 7894-0031; E-mail: aglondon@fas.usda.gov




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- **Peru's penchant for U.S. grains—some of the uses may surprise you**
- **Benelux consumers have a sharp appetite for all kinds of organics**
- **Yugoslavia has an agenda—for trade reform**
- **Croatian pets need chow; Estonian food processors need ingredients**
- **Spain loves seafood—so much that a lot of it has to be imported**

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- **The future of U.S. agricultural trade with Bosnia-Herzegovina as the need for food aid diminishes and the economy becomes more market-oriented**

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