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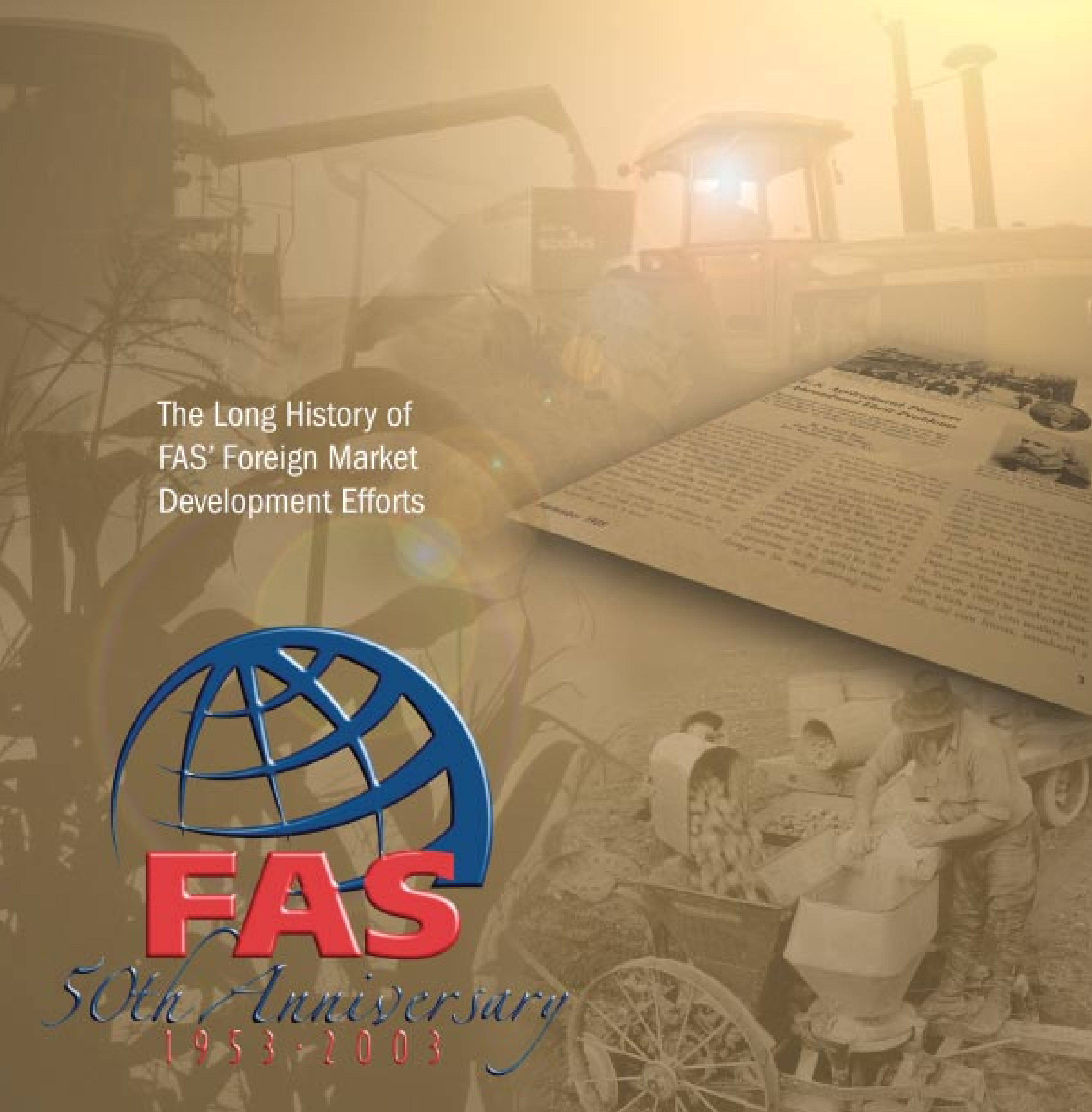

The Long History of FAS' Foreign Market Development Efforts

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The Magazine for Business Firms Selling U.S. Farm Products Overseas

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Features

Events and Trade Show Opportunities

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In Pursuit of Opportunity: FAS and Foreign Market Development

By Ryan Swanson

Imagine for a moment that you're a South Dakota farmer. Each year you plant, nurture and harvest your crop of wheat. In good years, the long summer days pay off with a bumper crop in the fall. In not-so-good years, the same amount of toil, negated by adverse conditions, results in a harvest somewhat smaller than you hoped for. But your goal as a farmer remains the same: produce as much high-quality wheat as possible. This quest for optimal production is, it seems, an inherent characteristic of U.S. farmers and ranchers.

FAS

Promotion of U.S. foods and wines in Stockholm, Sweden. 1993

Over the past decades, agricultural producers have embraced technology in response to this quest for increased production. Technology has increased yields, pesticides have curtailed the damage of insects, and labor-saving machines have allowed one person to do what used to take twenty. The results of such efforts have been bountiful harvests and a place for America among the world's most productive agricultural nations. But what happens when production–whether it is of wheat or walnuts–outpaces U.S. demand?

FAS

Undergraduate students in early FAS junior development program. 1959

This question is far from a hypothetical one, as farmers today know. America's scale of supply and demand has tipped to the point where the production of many agricultural commodities–including staples such as wheat, beef and soybeans–exceeds domestic demand. Although a credit to America's ultra-productive farmers and ranchers, this imbalance demands that producers find an alternative outlet and has led to reliance on international markets. Selling to economically viable foreign markets has become a necessity. But how do you get started? How do you research which countries would be interested in U.S. wheat, the costs involved in start-up and the intricacies of tariffs and taxes?

Seeds of Market Development

Fortunately for American farmers and ranchers, in 1953 FAS (the Foreign Agricultural Service) was created. FAS' primary goals are making agricultural exporting less confusing and creating new market opportunities. FAS provides three kinds of support for prospective exporters: information, marketing and financial assistance.

Through foreign market development assistance, FAS helps producers target those markets that would be receptive to receiving American commodities. FAS also provides technical assistance and research relating to foreign competition, consumption habits and transport costs.

FAS further assists agricultural producers in devising marketing strategies to reach foreign consumers and helping exporters finance sales.

FAS has different programs for different industries and target markets. Foreign market development is a process that takes place in many stages. The first step is often one of providing agricultural commodities in support of basic economic growth and providing better nutrition to a country's citizens. At the beginning of this developmental continuum, FAS monitors the donation of thousands of tons of agricultural resources to needy countries each year. P.L. 480, Title II, which is administered by the U.S. Agency for International Development, allows the U.S. government to purchase U.S. commodities and donate them to meet humanitarian needs around the world. The Food for Progress program is another step in foreign economic development to create viable markets. The program allows FAS to donate agricultural commodities to developing nations making the transition to a private market economy. The receiving foreign government may then sell the commodity to support economic and agricultural development programs.

Once a country achieves a certain level of economic stability, outright donations become less frequent. But the United States continues to provide stepping stones to help developing countries become fully viable economic markets. Title I of P.L. 480 provides concessional credit terms to those countries wishing to buy U.S. agricultural products. Repayment options of up to 30 years with low interest rates and generous grace periods allow countries that would otherwise be unable to meet their food needs to purchase U.S. agricultural goods.

FAS also administers the commercial Export Credit Guarantee Programs. These programs guarantee repayment of commercial loans extended from U.S. banks to foreign institutions to buy U.S. farm products. The 2002 Farm Bill (Farm Security and Rural Investment Act of 2002) authorized $5.5 billion worth of export guarantees annually for five years, continuing programs that remove much of the risk from U.S. lending institutions and promote further growth in foreign markets.


FAS

West Germany's Minister of Agriculture Ertel and his assistant Perkymer meet with Agricultural Counselor Turner Oyloe in Munich, West Germany. 1974


FAS

FAS Tokyo team, left to right: Assistant Attaché Thomas Hamby, Mrs. Bill Davis, William Clark, Ambassador Mike Mansfield, Counselor Bill Paris, Assistant Attaché Suzanne Hale, Attaché John Beshear, Assistant Attaché Daniel Berman and Doreen Burden. 1981

FAS' eyes and ears overseas provide invaluable information for all of the agency's programs. FAS attachés, agricultural counselors and market analysts are stationed in over 120 countries around the world to relay up-to-the-minute reports back to U.S exporters. They are important links between U.S. farm groups and foreign buyers.

Cooperation—Cooperators—Are Key

The oldest market development program is FMD (the Foreign Market Development Program, also known as the cooperator program). Created in 1955, FMD embodies the agency's primary goal: to "expand export opportunities for U.S. agricultural, fish, and forestry products." The program concentrates primarily on long-term development for bulk commodities such as grains, oilseeds and cotton. The export of these raw commodities remains crucial to both farmers and the U.S. economy. USDA estimates that producers export 20 percent of corn, 43.1 percent of soybeans, 43.5 percent of wheat and 45 percent of cotton grown in the United States each year. It further estimates that agricultural exports will total $56.2 billion in 2003.

But the benefits to the U.S. economy are far greater. Every dollar of exports generates another $1.47 in supporting activities to process, package, ship and finance agricultural products. This means that those $56.2 billion in exports will generate an additional $81 billion in supporting business activities. Exports also mean jobs: jobs that pay higher-than-average wages and are distributed across many communities and professions, both on the farm and off, in urban and rural communities.

The creation of "cooperators," among other measures, contributed to healthy agricultural export numbers. As defined by the Agricultural Trade Act of 1978, a cooperator is a nonprofit trade association that represents a broad coalition of producers of a specific commodity. When considering admitting a potential cooperator into the program, FAS looks at four factors: the applicant's willingness to contribute its own resources, the applicant's ability to provide an experienced staff, the overall effect of the proposed cooperator on U.S. foreign market development and the degree to which the cooperator's goals are in line with those of the FMD program.

In 1955, the NCC (National Cotton Council) signed the first cooperative agreement, in a move that was filled with both optimism and uncertainty. As the ink was drying on the NCC's agreement, the Oregon Wheat Council quickly signed on as the second cooperator. Within the next three years, FAS signed cooperator agreements with groups representing soybeans, dairy products, millers, poultry, rice, prunes, raisins, citrus, canned peaches, red meats, tallow and grease, apples and pears.

As the program evolved, a few pivotal guidelines formed its backbone. Cooperator funds could be used only to support trade *outside* the United States. Activities eligible for support included trade servicing, market research and technical assistance to actual or potential customers of U.S. commodities. FAS also demanded that commodity groups be active partners, vesting their own financial resources in the goal of developing foreign markets. Currently, groups applying for cooperator status are required to submit a detailed market proposal, as well as convince FAS officials of how they will "contribute to the effective creation, expansion or maintenance of foreign markets."

FAS

Minister-Counselor Gerald Harvey welcomes German Minister of Agriculture Iganz Kiechle to U.S. Pavilion at ANUGA International Food Exhibition in Cologne, Germany. 1991

Throughout the years, each relationship formed between FAS and a cooperator has been unique. The NCC, leading the way as the first cooperator, moved quickly to open its first European office for cotton promotion in Paris. In 1956, the NCC created a separate corporation, CCI (Cotton Council International), to serve as a liaison between FAS and foreign organizations. CCI pursued foreign market expansion as its primary mission. In

FAS

Undersecretary August Schumacher and Minister Counselor Thomas Hamby attend farmer-to-farmer mission in London, England. Circa 2000 perhaps their most innovative measure, cotton leaders established the International Institute for Cotton. The organization encouraged cotton-producing countries to combine efforts and even to share information to increase the world's preference for cotton.

The U.S. Grains Council fostered a completely different FAS-cooperator relationship. It brought together farmers of three commodities–barley, corn and sorghum–to become a cooperator in 1960. The council's proposal contained ambitious goals for foreign exports that seemed unhindered by the organization's relative lack of infrastructure and experience.

Former executive director Bill Nelson recalls the council's early days: "Our first FAS contract was hammered out by leaders between appointments. For lack of an office and staff, this contract was typed with a rented typewriter, using my wife's ironing board as a desk. The 20 copies FAS wanted were made on a copy machine at the bank." The U.S. Grains Council, like the NCC, targeted Western Europe as its first region of opportunity. However, in only five years the council shifted its emphasis to the Far East, and by 1965 twice as much grain was being exported to Japan as to any other country.

Since its early years, the U.S. Grains Council has taken extraordinary steps to create markets for feed grains. In 1972, for example, after opening a trade office in Seoul, South Korea, the council instituted an ambitious education system known as the Daehan project. This involved shipping 264 calves to the country and subsequently teaching Korean ranchers U.S. methods for designing a feedlot, nourishing and treating animals and slaughtering them properly. The success of the project led the council to launch a similar program in Japan and subsequently to open offices in Taiwan and Singapore.

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In 1981, the U.S. Grains Council helped ease a meat shortage in Egypt by creating a beef buffalo industry. The council determined that because buffalo milk was an extremely coveted commodity in Egypt, farmers were protecting their milk supply by slaughtering suckling calves before they reached maturity. The council developed a replacement for the buffalo milk so that the calves could thrive and farmers could still sell the milk. Using the replacement, the council developed a pilot buffalo feeding project that was so successful that the Egyptian government ordered that it be expanded. Developing a replacement allowed the buffalo beef industry to grow and created a large demand for U.S. grains. Again, success led to expansion.

Trade Policies Spark Program Shifts

Despite the successes of FMD, many U.S. agricultural producers grew frustrated throughout the 1970s and 80s with an escalating "agricultural trade war." A vast system of foreign subsidies, import quotas and other unfair trade practices were directed at U.S. exports. The European Union, in particular, with its Common Agricultural Policy, attempted to shut out U.S. producers with price adjustments and taxes. Although the GATT (General Agreement on Tariffs and Trade) was created, in part, to limit such unfair pricing and import levies, protesting U.S. farm groups found that corrective action came slowly, if at all, from the international level. This inaction led the U.S. Congress to authorize the TEA (Targeted Export Assistance) Program in the Food Security Act of 1985. This program, renamed and expanded to become MPP (the Market

Promotion Program) in 1990 and, in 1996, MAP (the Market Access Program), proved to be another valuable tool for U.S. farmers.

MAP offered new alternatives by focusing primarily on the export of value-added commodities. MAP designated $100 million for targeted export growth in fiscal 2003 for cooperatives, regional groups and small businesses.

By allowing small businesses to participate in this program, MAP made a sharp departure from the "nonprofit rule" that had governed almost all FAS partnerships prior to 1985. But FAS set careful parameters on which for-profit firms could participate. To receive assistance under what became known as "branded promotion," companies had to meet the definition of a small business under the Small Business Act. Additionally, companies had to contribute at least 50 percent of funding for any venture with FAS, and MAP limited the promotion of branded products to a term of five years. As of 2003, Blue Diamond Growers, Sunkist Growers Inc. and Welch's Food are among the cooperatives that have met the requirements and helped turn this venture into a successful one.


FAS

Agricultural Counselor Turner Oyloe checks out U.S. produce at an open-air vegetable stand in Paris, France. 1980

FAS

Marketing team at Harumi Show, Tokyo, Japan. 1981

The Need for Development Programs

Detractors have attacked FAS generally, and MAP particularly, as an example of corporate welfare. They contend that if foreign market development was economically viable, then private companies would do it without the government's help. But this contention overlooks the unique characteristics of the agricultural industry.

The industry is internally segregated, with each commodity acting almost as an independent economy. Agriculture is also geographically isolated. Most farms in the United States are small, private operations, and only 1 percent of them has gross sales that exceed $1 million. Compared to other exporters, for example manufacturing giants, agricultural producers are mostly small enterprises. The relative size and diversity of the agricultural industry makes necessary a collaborative relationship with FAS to bring together often-isolated farmers.

MAP's success stories are numerous and diverse. CSC (the California Strawberry Commission) has used MAP funds to market its commodity to Japan during the summer months. Typically, Japanese consumers associate strawberries with winter and spring, but CSC's "Summer Strawberry" breakfast campaign helped change this perception. Through store sampling and in-store promotion, the campaign created a market niche for California strawberries.

The Texas Produce Export Association used MAP funds to increase significantly exports of grapefruit to the Canadian province of Quebec. As a result of promotional efforts, awareness and demand increased dramatically, and

Quebec merchants purchased over 70,000 cartons of grapefruit in 2001-2002, up nearly 700 percent from the season before.

The success of MAP is one aspect of FAS' larger foreign market development strategy. FMD lays the groundwork for profitable trade by conducting long-term research and promotional activities in promising countries. It assists foreign markets in obtaining the technical and trade infrastructure necessary to do business with U.S. farmers. MAP activities build upon this foundation and target specific sectors of a foreign country's economy. MAP helps locate possible niches and helps cooperatives and small businesses realize their exporting potential.

New Programs for New Times

In recent years, program innovations have continued to improve upon the status quo. The Quality Samples Program, inaugurated in 2002, offers funds to agricultural trade organizations so that they can provide product samples to potential foreign buyers. In 2002, USDA allocated nearly $1.5 million for this effort, banking on the premise that the quality of U.S. products will be evident to those who experience them. In essence, FAS is betting that high-quality goods can sell themselves if they reach the right hands.

Many of the most promising markets for future agricultural export growth lie in developing nations rather than in more mature markets such as Western Europe. Because of this fact, FAS has devoted significant resources to EMP (the Emerging Markets Program).

EMP targets developing countries such as those in Latin America and Eastern Europe. Using standards established by the World Bank, the program targets countries that have a per capita income below $9,360 and a population greater than 1 million people. EMP focuses on exporting bulk commodities to underdeveloped regions, as opposed to MAP's concentration on value-added goods, and in doing so facilitates the gradual building of infrastructure necessary for full-fledged agricultural markets.

In 2002, Congress increased the resources available for foreign market development, and asked FAS to address additional problems in the world of agricultural trade. The 2002 Farm Bill authorized creation of the Technical Assistance for Specialty Crops Program to confront barriers that specifically target U.S. export commodities. Farmers assisted by the program in 2003 included producers of apples, grapes, lettuce, potatoes and raisins. The Farm Bill set funding for the program at $2 million annually, ensuring that assistance would extend to almost any farmer with a viable export plan.


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The level of competition on the world market continues to rise. And, consequently, so does the amount of money spent by foreign governments to support their agricultural producers. Agricultural competitors of the United States spend over $1 billion in market promotion each year. The 2002 Farm Bill authorized FAS to expand its programs in order to keep pace. MAP received the largest increase in funding, going from a budget of $90 million in 2002 to $200 million in 2006. FMD received a bump from $27.5 to $34.5 million.

FAS will continue its comprehensive market development program efforts to meet the needs of people throughout the world, focusing first on donating food to impoverished developing countries, and then working to establish trade relations with them. Such actions will continue to help U.S. producers and exporters find viable markets for their high-quality products. ■

This report was prepared by the Federal Research Division, Library of Congress, under an interagency agreement with FAS. Tel.: (202) 707-3900; Fax: (202) 707-3920; E-Mail: frds@loc.gov

Frozen Seafood Reels in Spanish Sales


Courtesy of CONXEMAR

By Magdalena Escudero

Spanish consumers have discovered the convenience of frozen products, and frozen seafood tops their to-buy lists.

While frozen products sold in Spain are divided into four categories—seafood, vegetables, prepared food products and potato fries—it is a traditional favorite, seafood, that offers U.S. exporters the best opportunity for market share.

In calendar 2002, Spain's per capita consumption of seafood weighed in at 32 kg. (1 kilogram=2.2046 pounds), more than double the EU (European Union) average. This penchant is reflected in a per capita consumption of 4 kg. of frozen fish and 3.5 kg. of frozen shellfish.

Hearty appetites translated to 360,000 metric tons of frozen seafood consumed in 2002. Home cooking accounted for more than three-quarters of this amount, with the balance served up in the HRI (hotel, restaurant and institutional) sector.

In 2002, the most popular non-prepared frozen seafood items—which represent 75 percent of the $1.65 billion worth and 68 percent of the 360,000 tons consumed—included: hake (28 percent in value), surimi (21 percent), prawns (16 percent) and shrimp (10 percent).

Prepared or ready-to-eat frozen fish consumption is also increasing. Total frozen fish consumption in 2002 was 132,243 tons, a 15-percent increase. Frozen shellfish sales topped 95,176 tons, a 7-percent increase. Hake accounts for 48 percent of volume, followed by squid at 14 percent.

During the first quarter of 2003, at-home consumption of frozen fish was up 6.2 percent from this period in 2002, while frozen shellfish was down 1.5 percent. By species, frozen salmon has experienced the highest increase (up 57.5 percent), followed by cod (16 percent). Hake sales remained steady.

A Ton of Imports

In 2002, Spain's total seafood imports were estimated at 1.3 million tons, worth $3.6 billion. While still a tremendous amount, this figure was down 7.5 percent in volume and 2 percent in value from a year earlier.

Total U.S. seafood exports to Spain in 2002 came in at $62.3 million, down from the record high of $71 million in 2001. Even with these sales, U.S. frozen seafood claims only a 2-percent share by volume and a 1.9-percent share by value of the Spanish import market.

The port of Vigo in the Galicia region of northwest Spain is the focal point of entry for frozen seafood. The port landed 480,000 tons of seafood in 2001, worth almost $800 million, which included imports and domestic catches. Frozen products outranked fresh five times over. Chief varieties included: hake, squid, octopus, monkfish, sole and shrimp. Top suppliers were Morocco, Argentina, EU countries, Namibia, South Africa and the Falkland Islands. ■

Deep Chill Demographics

Frozen products represent about 8 percent of total food production in Spain, and demand, especially for ready-to-eat products, increases every year.

Although an unusually large crop of seasonal vegetables induced a spike in production of non-prepared frozen products in 2002, the overall trend has been toward consumption of prepared and ready-to-eat products.

The demand for convenience compels three-quarters of Spain's consumers to buy frozen products, even with 40 percent perceiving frozen products as less nutritious than fresh foods. Half of all urbanites consume frozen products regularly—90 percent at least once a month, while more than a third of Spanish households serve dishes from frozen products one to three times per week.

Adult males, aged 18-30, and couples with children are most likely to purchase frozen foods. Whereas women prefer vegetables, men shoppers buy more pre-cooked and ready-to-eat products, such as desserts. Young adults into convenience tend to buy products that need less preparation, while their older neighbors stock up on vegetables and seafood products.

But convenience is not the only factor determining a purchase. Besides ease of preparation, consumers buy frozen products for at least three other reasons: price, variety and quality.

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For details, see FAS Report SP3017. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Obscure No More: China's Cities Gain Clout

By Ralph Bean

China's rapid economic growth is not just making the Chinese market larger, it is also generating new markets that embrace more of the country's 1.3 billion population. Beyond the "big three" cities of Beijing, Shanghai and Guangzhou, previously obscure cities are becoming major centers for manufacturing and commerce. And incomes are rising rapidly, making the cities even more vital and attractive as markets.

A handful of these emerging cities—such as the coastal resorts of Qingdao and Dalian—have already caught the eye of U.S. food exporters. But most are little known outside China.

Survey Evaluates Market Potential

The Shanghai ATO (Agricultural Trade Office) conducted a private survey to identify the top markets for Eastern and Central China. Knowledge about these markets is limited by a lack of data. Official statistics miss these markets as they report figures only for provinces, provincial capitals and special economic zones.

Excluding Shanghai, the survey encompassed the 30 largest cities in the region, based on GDP (gross domestic product). The ATO also wanted to capture other economic indicators—population and per capita and median incomes—that best reflect the potential of these markets.

Twenty Boston's

The survey ranked cities based on GDP, including only the core urban area for each city.

Some of these towns, like Chengdu and Qingdao, are well known. These provincial capitols and major ports support a strong presence of international food retail chains.

More surprising was the high concentration of cities, most unknown to Westerners, in the provinces of Zhejiang and Jiangsu. The Hangzhou-Shanghai-

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Nanjing corridor is packed with large, prosperous cities, all connected by a web of road, rail and river transport links within a few hours of Shanghai.

Jiangsu's northern neighbor, Shadong province, also turned in a strong performance, adding four cities to the list (several others fell just short).

A second surprise was the high income levels for certain cities, a key indicator of market potential. As expected, all the cities placed below Shanghai in income, except for Wenzhou in the southern Zhejiang province, where income

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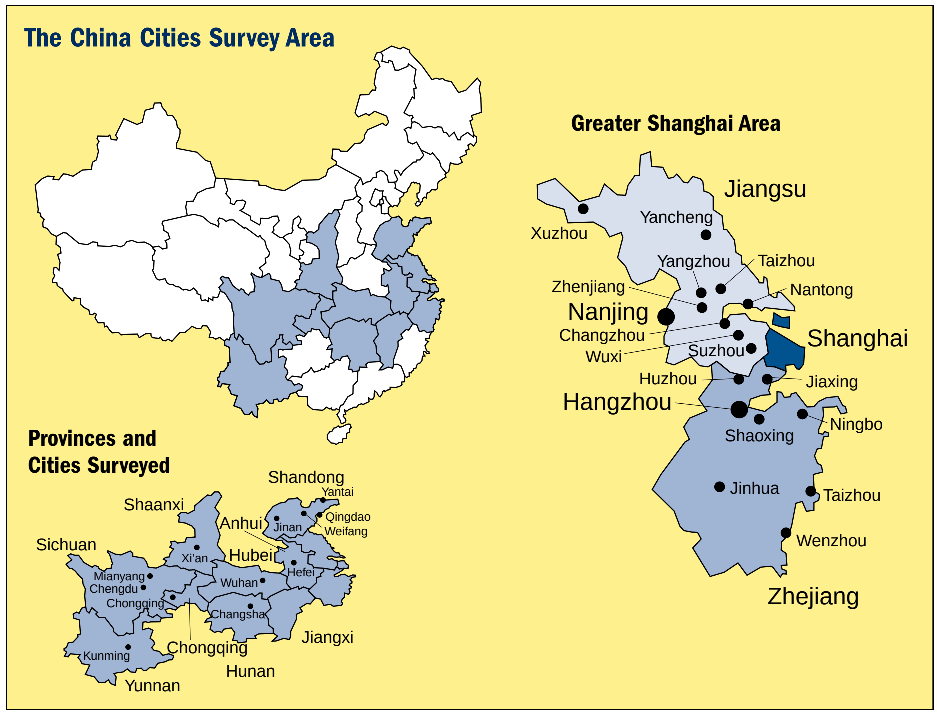
matched Shanghai's average of $1,570 per year. Huzhou and Ningbo, also in Zhejiang, came close to matching Wenzhou's level.

The survey was dominated by coastal cities. Major interior cities such as Xi'an and Chongqing rated low in the statistics despite their enormous populations. Hefei, another interior city, also rated low despite its proximity to Shanghai.

Retail development, measured by the presence of hypermarket chains, appears to vary independently of income levels, perhaps due to differing regulatory climates. For example, retail development in the wealthy coastal city of Wenzhou is minimal, while the less wealthy interior cities of Wuhan and Kunming are home to numerous foreign-invested retail chains and hypermarkets.

China's emerging city markets will continue to grow in commercial importance. And as manufacturing costs rise in cities like Shanghai, many companies will relocate or build new facilities in these lower-cost cities.



Look First, Then Leap

Before jumping into these markets, exporters are advised to do their market research. China is a very diverse market. Consumer culture, cuisine and even local language can differ dramatically among neighboring cities. Although most of these cities are at the end of supply chains

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The Numbers Game

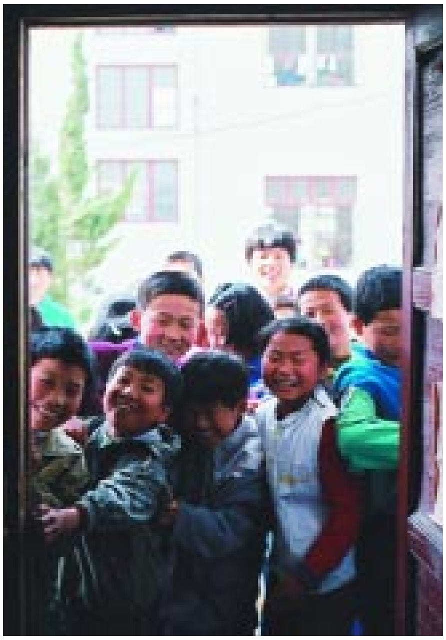
Many of the figures in this survey, especially population, differ from those published elsewhere. That is because this survey only included official population within the statutory city limits. Suburbs and satellite cities are excluded, as are undocumented migrants (whose numbers can rank in the hundreds of thousands). Income statistics, too, should be considered with caution.

Top 30 Cities, Ranked by GDP

Emerging City Markets in Central and Eastern China

City	Province	Population (Thousands)	Gross Domestic Product ($ million)	Per Capita Income (Dollars)	Median Income (Dollars)
Suzhou	Jiangsu	1,171	25.1	1271	1082
Chongqing	Chongqing	3,934	23.8	813	736
Hangzhou	Zhejiang	1,933	21.5	1318	1169
Chengdu	Sichuan	2,341	20	983	848
Wuxi	Jiangsu	1,245	19.3	1143	1041
Qingdao	Shangdong	1,704	18.4	1055	985
Ningbo	Zhejiang	87	18	1450	1268
Wuhan	Hubei	4,490	18	883	766
Nanjing	Jiangsu	2,822	15.7	1070	n/a
Jinan	Shangdong	1,850	14.5	1157	1084
Yantai	Shandong	918	13.5	999	986
Wenzhou	Zhejiang	563	12.8	1596	n/a
Shaoxing	Zhejiang	311	11.2	1290	1096
Weifang	Shandong	684	10.9	883	811
Nantong	Jiangsu	1,417	10.8	1026	n/a
Xi'an	Shaanxi	2,926	9.9	811	703
Changsha	Hunan	1,489	9.8	1053	968
Xuzhou	Jiangsu	1,121	9.6	921	814
Changzhou	Jiangsu	837	9.2	1137	1009
Kunming	Yunnan	1,940	8.8	942	n/a
Jiaxing	Zhejiang	300	8.6	1302	n/a
Taizhou	Zhejiang	275	8.2	1311	n/a
Jinhua	Zhejiang	362	8.2	1256	n/a
Yancheng	Jiangsu	981	8.1	839	n/a
Zhenjiang	Jiangsu	2,666	0.7	931	861
Yangzhou	Jiangsu	531	6.7	871	n/a
Taizhou	Jiangsu	304	6	900	n/a
Huzhou	Zhejiang	351	5	1377	n/a
Hefei	Anhui	1,107	5	824	n/a
Mianyang	Sichuan	440	4.5	951	799

n/a = not available.



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beginning in Shanghai or Guangzhou, it is a mistake to assume that products will eventually wend their way into nearby markets. Marketing strategies need to be adapted to account for these differences.

Consumers in interior cities tend to be price sensitive and less receptive to new products. If a product is new to China, it may be better introduced into established markets where unfamiliar foods are more readily accepted. ■

This article is based on a survey conducted by a contractor for the Agricultural Trade Office in Shanghai, China. Tel.: (011-86-21) 6279-8622; Fax: (011-86-21) 6279-8335; E-mail: atos@public.sta.net.cn

For details, see FAS Report CH3818. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

U.S. Planting Seeds Take Root in Mexico

By Alfredo Gayou and Pablo Orozco

U.S. exports of planting seeds to Mexico have been increasing steadily since calendar 1999, reaching a record export level of almost $267 million in 2002 (64,500 metric tons). Grass, field crop and vegetable seeds are among the best sellers.

High domestic production costs have led prudent Mexican producers to plant mostly imported seeds. From 1999 to 2002, Mexican planting seed production took a precipitous drop, from 14,312 to 8,327 tons.

During this same time, Mexican planting seed acreage declined only 5 percent, down to 52,465 hectares (1 hectare=2.471 acres). Adverse weather conditions, withdrawal of the Mexican government from seed production and the competition from U.S. imports compounded the woes of planting seed producers, causing further production falls.

The government-run seed company, PRONASE, is closing its doors after two years of non-production, liquidating its seed inventory.

In 2002, U.S. imports made up 65.1 percent of the total seeds planted by Mexican farmers. The closest competition comes principally from China (5 percent) and Brazil (4.4 percent).

U.S. Companies in Supply Chain

Most planting seeds are imported and distributed by large companies, some of which are U.S.-owned. Mexican distribution channels are not well developed. Most seed distribution is on a regional basis conducted by companies that assist their clients with technical support. Just a few companies, usually large multinationals, have national coverage.

Seed distributors usually sell to dealers who sell to farmers. Retailers, including the large supermarkets, typically buy from Mexican seed companies, or even local dealers if their volume is small.

National planting seed associations consist of Mexican producers, distributors and general supplier trade associations.

Business Culture

It is best to visit Mexico to understand the market. Speaking Spanish is important. Talk to buyers, retailers, distributors and others in the business. Conduct market research and find appropriate business contacts, thoroughly reviewing Mexican import regulations.

Trade shows provide a highly effective way to become familiar with local distributors, agents and buyers and also to check out the competition.

Though there are no tariffs, thanks to NAFTA (the North American Free Trade Agreement), Mexico has a 15-percent VAT (value-added tax) collected upon entry. Customs brokers use the final figure (value+tax) to calculate their fees, which are usually 0.5 percent.

Consumer Ed for Biotech

Despite adverse publicity regarding products derived from biotechnology, they will continue to drive the Mexican seed market. Mexico's evolving regulatory

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environment for biotech seeds and crops will affect variety approval and marketing prospects, and U.S. exporters should keep abreast of Mexican regulatory developments.

As consumer choice expands, consumer education about variety characteristics will also play an important role in marketing seeds.

U.S. exports of seeds to Mexico continue to benefit from revised seed regulations. The seed standard regulation has lowered restrictions on seed trade, while seed variety regulations have given seed researchers and developers more protection of property rights in Mexico.

During 2001 and 2002, the Mexican government has controlled entry of certain genetic and cloning material.

Under NAFTA, Mexican imports of planting seeds do not require special import permits. However, all varieties sold in Mexico, whether locally produced or imported, must be registered.

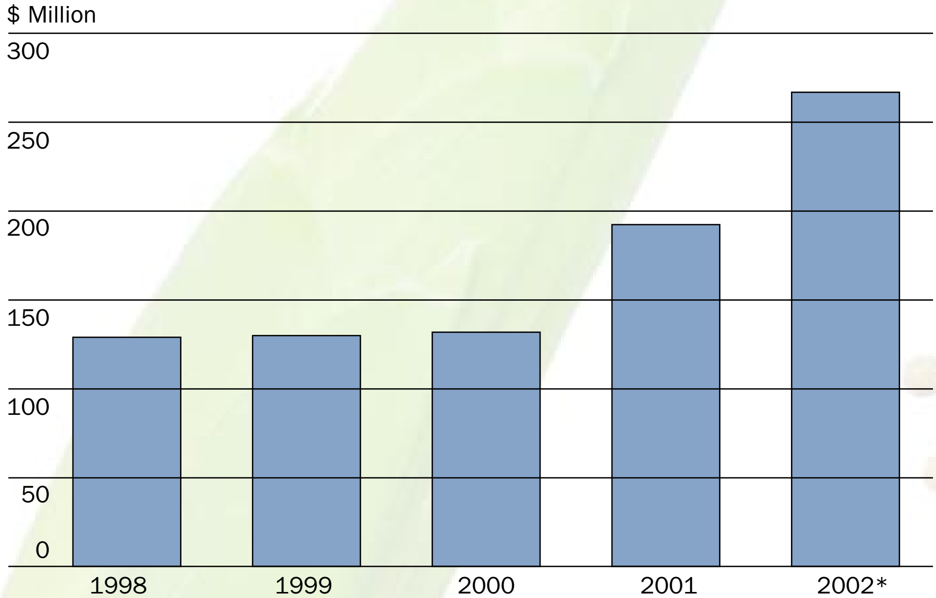
Mexican regulations classify seeds as *originals* (initial source, under control of developer); *basics* (seeds reproduced from originals that maintain variety purity and highest genetic identity grade); and *registered* (seeds produced from basic seeds).

Registered seeds must retain a specific purity grade and maintain their genetic identity. The grade is certified by SNICS (the National Inspection and Certification Service for Seeds agency).

Only seeds registered by SNICS may be sold by variety name. This limits access to the seed market while maintaining attractive price levels.

The basic customs entry document should be presented with the commercial invoice (in Spanish), a bill of lading and the sanitary certificate from the United States. Products qualifying for the NAFTA certificate of origin will receive preferential treatment.

Mexico Ripe for U.S. Planting Seeds



*Upward trending U.S. sales reached record high of $266.9 million.

Mexican customs is very strict regarding procedures. A competent broker can ease the passage of goods through the documentation process.

Labeling in Spanish

Labels must be affixed to each package of the imported product prior to entering the country. All information must be in Spanish and include:

- Country of origin
- Importer's name, address and taxation number
- Commercial or brand name
- Exporter's name and address
- Product description in English
- Ingredients
- Producer's name and address
- Product description
- Preparation and handling instructions
- Expiration date
- Special warnings, if needed
- Net weight in metric units

Cargo unloading fees vary depending on weight, number of pieces, type of merchandise and location. Though usually set by pre-established tables, shippers should compare prices whenever possible. ■

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For details, see FAS Report MX3316. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Sweet Success South of the Border

By Rosa Maria Rivera and Pablo Orozco

Mexican consumers have a fondness for sweet treats. And U.S. candy exporters have been among the first to cater to their sweet tooth.

U.S. candy trade has made great strides in Mexico in recent years, with business up 70 percent from calendar 1999. In 2002, with exports upwards of $100 million, the United States had a 65-percent share of Mexico's import market. Only Mexico's domestic candy production of $125 million provides significant competition for U.S. suppliers.

As for all foods, price is an important factor in candy and chocolate purchases. While consumers in higher income brackets account for most of the consumption, children and youth of all income brackets buy candies.

U.S. Chocolates, Sweet and Spicy

The major retail chains supply consumers with most candy and confectionery products, between 55 and 60 percent. Mom-'n'-pop stores *(abarrotes)* sell another 35-40 percent, with hotels and restaurants supplying the remainder.

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Mexican consumers prefer U.S. chocolates with sweet and spicy taste combinations. While traditional candy-filled piñatas adorn birthday parties for many children in Mexico, there are also holidays during the year where candies are traditionally given.

These special gift-giving holidays include:

- January 6 (King's Day)
- February 14 (Valentine's Day)
- April 30 (Children's Day)
- November 2 (Day of the Dead)
- December 24 (Christmas Eve)

Mexico City ATO Can Help

Mexico is a market that demands a personal touch. Plan on a visit to make contacts and experience the ambiance of the marketplace. The FAS Mexico City ATO (Agricultural Trade Office) has information about the marketplace and can help U.S. exporters recognize and seize market opportunities.

Participation in a Mexican trade show, particularly in a U.S. Pavilion organized by the ATO, is highly recommended as an affordable way to investigate the market. During a trade show, potential exporters can meet buyers, retailers and distributors while checking out the local competition.

NAFTA Makes Its Mark

After making initial contacts, a thorough review of Mexican import regulations is in order.

Because of NAFTA (the North America Free Trade Agreement), import tariffs no longer exist for gum, confectionery without cocoa, chocolate preparations, and other food products containing cocoa. Mexico does have a 15-percent VAT (value-added tax), which is collected by Mexican customs upon entry.

Mexican candy and confectionery imports do not require special import permits, but should be accompanied by the NAFTA certificate of origin to receive preferential treatment. Other documents required by Mexican customs include a commercial invoice in Spanish, a bill of lading and a sanitary import notice.

To ease the entry process, it is very important to have a competent, reputable Mexican importer or customs broker to assure that all documentation is in place.

Labels in Spanish

Labeling requirements for domestic and foreign candy products are similar. Some U.S. suppliers design packaging just for the Mexican market. The label must be attached before product entry and include:

- Country of origin
- Importer's name, address and taxation number
- Commercial or brand name
- Exporter's name and address
- Product description in English and Spanish
- Ingredients
- Producer's name and address
- Preparation and handling instructions
- Date of expiration
- Special warnings, if any
- Net weight in metric units

Trucks Provide Best Transport

Trucks are the most reliable method of delivery within Mexico and account for 60 percent of cargo volume. Most transport companies offer basic insurance plans to cover transport and handling of cargo. The best way to ship by truck is via an internationally bonded U.S. carrier that maintains business relationships with Mexican carriers.

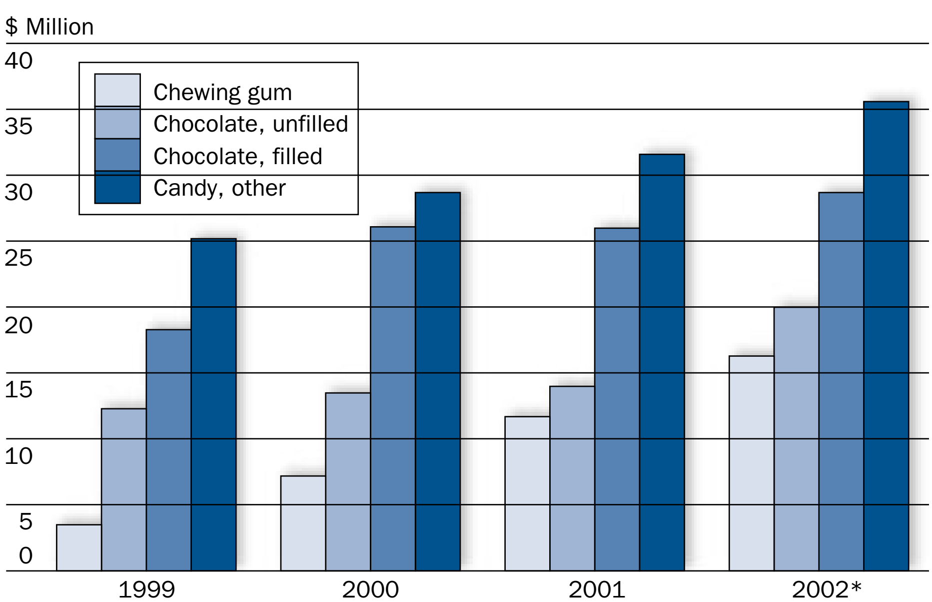
Mexican trucks cannot transport merchandise directly from the United States to Mexico. A U.S. truck transports the shipment to the border, where the trailer is transferred to a Mexican rig.

Cargo unloading fees in Mexico are slightly higher than in other countries, so check with more than one service provider to get a competitive rate.

Exporters often use bonded warehouses, pending customs release of a product for distribution. Any merchandise placed in a warehouse should be insured.

Warehousing costs vary, but generally follow market trends of supply and demand. Again, compare prices, facilities and reputations, and negotiate before contracting with warehouse owners. ■

U.S. Candy Exports to Mexico Topped $100 Million in 2002



*U.S. market import share at 65 percent.

Make It Personal

New suppliers should be prepared to provide support for in-store and media promotions to familiarize consumers with their products. But, foremost, there are three basic criteria to remember:

- Business is generally conducted in Spanish.
- Personal, face-to-face communication is critical.
- Importers and distributors play key roles in export sales in Mexico.

These promotional ideas remain effective:

- Participate in trade shows.
- Advertise via billboards, radio and TV.
- Use in-store promotions, free samples, recipe cards and other forms of direct marketing.
- Prepare brochures and other promotional materials in Spanish.
- Obtain a local sales representative.
- Host technical seminars for distributors, retailers and end-users of new technologies, innovations and product advantages.

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For details, see FAS Report MX3315. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

The Swelling Greek Wine Market

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By Danae Synodinou

Greece is an import-dependent country with a population of 11 million people. In addition, Greece is one of the world's most popular tourist destinations. Usually welcoming some 12.5 million visitors a year, the country expects to double that number when it hosts the 2004 Summer Olympic Games. Restaurants and hotels will therefore need to double their supplies in anticipation of the tourist onslaught that the Olympics will bring. Among the major items these institutions will be shopping for: all varieties of wines.

Wine Consumption Is Growing

Greece produces some high-quality wines, but recently production has declined. Compared to its European counterparts, Greece is a relatively small wine producer. As a result the country imports large quantities of wines, valued in calendar 2002 at $42.5 million.

Most imports come from France and Italy, but more and more wines are arriving from Argentina, Australia, Chile, South Africa and the United States. Considering the limited local production and the high production cost, Greek wines cannot easily compete with inexpensive imports. In addition, there is a growing interest among Greek consumers in imported wines.

Wine consumption is on an upward trend in quantity and quality. Per capita consumption is 26 liters (1 liter=1.0567 quarts), with 86 percent of the Greek population drinking wine 3.2 times per week. Greeks consume a lot of locally produced wine, but they have gradually learned about imported wines, including the inexpensive products sold in discount stores.

Greeks purchase wines mainly from wine and liquor specialty shops and supermarkets. They generally prefer red to white wines.

Opportunity for U.S. Producers

U.S. wine producers have only a small portion of the Greek market. But the potential exists to increase sales, particularly during the Olympics. The 2004 Olympics will be the largest in history with 28 sporting events and more than 10,000 athletes from a record 201 nations.

The resulting growth in tourism will mean that restaurants and hotels will need more wines than ever to satisfy demand. Many of the tourists are expected to be from North America, and they will already be familiar with U.S. brands. The challenge for U.S. wine producers will be to increase consumer awareness among the Greek population. U.S. wine companies currently exporting to Greece include Ernest and Julio Gallo Winery, Wente Vineyards, Robert Mondavi Winery and Kendall Jackson Wines Estates, Ltd.

Importing Procedures

As a member of the EU (European Union), Greece complies with its import regulations. Products that follow EU regulations do not require special permits to be imported and marketed in Greece.

As for other food and beverage products, the key to success in the Greek marketplace is to connect with an experienced agent who will undertake the importing procedures and provide an extensive sales network. A duty of 2.8-percent is imposed on imported wines, and there is an 18-percent value-added tax on the retail price. ■

The author is an agricultural marketing specialist at the FAS office in the U.S. Embassy in Athens, Greece. For more information on the Greek wine market, contact that office at: Tel.: (011-30-21) 720-2233; Fax: (011-30-21) 721-5264; E-mail: AgAthens@usda.gov

For details, see FAS Report GR3017. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Plan **NOW** to be part of the USA Marketplace Pavilion at

CANADIAN FOOD AND BEVERAGE SHOW

TORONTO, CANADA

Who Should Attend: U.S. exporters of food, including catering products; beverages, wines and spirits for the hotel, restaurant and institutional trade should attend.

Why: This is the largest food and beverage trade show in Canada, drawing over 700 exhibitors and 11,000 trade visitors. FAS will sponsor a USA Marketplace Pavilion at the show, including cooking demonstrations, and a business center in which U.S. exporters can host one-on-one meetings with prospective brokers and importers.

When: Feb. 15-17, 2004

The Market: Canada bought $8.6 billion worth of U.S. farm products in calendar 2002. U.S. agricultural exports to Canada have shown an average annual growth rate of 5 percent in the last seven years. Consumer-oriented agricultural products accounted for 70 percent of total U.S. food and agricultural product sales to Canada in 2002, with fresh and processed fruits and vegetables, snack foods and red meat products as the category leaders.

U.S. products account for more than two-thirds of total Canadian agricultural imports. The magnitude of the Canadian market becomes apparent when looking at provinces alone: if Ontario, British Columbia and Alberta were countries, they would have ranked, respectively, as the 4th ($4.8 billion), 11th ($1.0 billion) and 20th ($565 million) largest individual markets for U.S. agricultural exports in 2002.

Best Prospects:

Healthy, Nutritious
- Organic foods
- Soy foods
- Portable foods to support a recreational lifestyle (bottled water, healthy snacks, energy bars, etc.)

Innovative, Specialty
- Meal solutions
- Foods-to-go
- Home meal replacements
- Sauces & salad dressings
- Ethnic foods (kosher, Mexican, Asian, Middle Eastern, Indian, etc.)
- Value-added seafood
- Snacks

Produce
- Exotic fruits & vegetables
- Organic
- Value-added (pre-cut salad mixes, etc.)

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For more information, visit: **www.fbshow.com**

TRADE SHOW OPPORTUNITY

HOFEX 2004

HONG KONG

Venue: HOFEX 2004 will be held in the Hong Kong Convention and Exhibition Centre in the heart of Hong Kong Island.

Dates: Feb. 10-13, 2004

Market: Hong Kong has a population of 6.8 million and per capita gross domestic product of over $24,000, the second-highest in Asia. Hong Kong's demand for high-quality foods, strategic location near mainland China, modern infrastructure and extensive port handling facilities continue to make it an exciting and viable market for U.S. agricultural exports. Hong Kong is also a major tourist attraction, and many U.S. suppliers could benefit from the grand opening of the Hong Kong Disney World, scheduled for the near future.

Best Market Prospects: Beverages (nonalcoholic), canned and processed foods, confectioneries, dairy products, food ingredients, fresh produce, frozen and chilled foods, gourmet foods, health foods, meats and poultry, seafood, snack foods, wines, spirits and beers

Booth Space: The USA Pavilion offers:

1) Full booth design and construction
2) Free listing and photo entry in the U.S. section of the Advanced Buyers Guide
3) Free listing and photo entry in the Show Directory and U.S. Pavilion Directory
4) Access to the U.S. business lounge
5) Free exhibitor passes and 100 visitor tickets
6) Daily booth cleaning

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TRADE SHOW OPPORTUNITY

FOOD AND HOTEL KOREA

SEOUL, SOUTH KOREA

The Market: Economically and industrially, Asia is the fastest growing region in the world. Asia has more than one-half of the world's population, with a projected growth of 44 percent over the next 50 years. South Korea is one of the world's largest food importing countries, relying on imports for almost three-quarters of its food supply. Within the Asia Pacific region, it is the third largest market for imported consumer food and beverages, valued at almost $5 billion per year. Its total 2003 agricultural and fishery imports are forecast at $13.5 billion, a 5-percent increase from 2002.

Location: Agro-Trade and Exhibition Center

Dates: March 3-5, 2004

Why Attend: 1) Trade-only exhibition; 2) Exposure to thousands of buyers from hotels, restaurants, fast food/quick service outlets, supermarkets, hypermarkets, grocery stores, as well as food and drink importers, wholesalers, distributors and purchasing officers in industrial catering sectors; 3) Test marketing of your products; 4) Opportunity to obtain agent and distributor agreements; 5) Onsite sales; 6) Chance to conduct first-hand market research and experience the South Korean market for yourself

Best Prospects: Fruits and vegetables, processed foods, meats and poultry, confectioneries, snack foods, convenience foods, seafood, nonalcoholic beverages, wines and spirits, dried fruits and nuts, dairy products and grains

U.S. Pavilion: 1) Full booth design and construction; 2) Daily booth cleaning; 3) Free listing and photo entry in U.S. section of Advanced Buyers Guide; 4) Free listing and photo entry in the Show Directory and U.S. Pavilion Directory; 5) Access to U.S. Business Lounge; 6) Free exhibitor passes and visitor tickets

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TRADE MISSION

CENTRAL AMERICA TRADE MISSION

What: FAS is sponsoring a trade mission to Central America, where participants will have the opportunity to meet with buyers from six countries–Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Eligible expenses are reimbursable through the Market Access Program branded effort, administered by commodity organizations and state-regional trade groups. The mission will help U.S. exporters of high-value food products find sales opportunities. Come and learn how the Central America Free Trade Agreement is opening doors for U.S. exporters. Activities include site tours, industry speaker presentations, a product display and one-on-one meetings with importers. Space is limited to 12 participants.

When: March 7-10, 2004—San Salvador, El Salvador
March 10-12, 2004—Panama City, Panama

The Market: The six countries form a market of 30 million consumers. In 2002, they purchased $336 million worth of high-value food products from the United States. With increasing numbers of women joining the work force, demand for convenience foods will only grow. The retail sector is consolidating, and supermarkets now account for 39 percent of retail sales. Consumers view U.S. products as wholesome, high-quality and innovative.

Best Products: Dairy products including cheese and cheese curd, snack foods, breakfast cereals, flour and other food ingredients, spices, cooking oils, soups, preserved meats, red meats, salmon, upscale ready-to-eat products, wines, beer, processed or preserved fruits and vegetables, tree nuts and pet foods

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Trade Notes...

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TV Series to Feature U.S. Hardwoods in U.K.-EU Markets

In October, a British television series began featuring U.S. hardwoods. The show is on a Discovery "Home and Leisure" channel, and could reach up to 30 million homes in Europe. A well-known British craftsman-designer will demonstrate and describe basic manufacturing processes for different pieces of furniture made from American hardwood species, such as black walnut, maple, cherry, oak, elm and ash. This TV series, the "Cutting Edge Woodworker" will also feature visits to two leading U.K. distributors that import U.S. hardwoods. The series will be supported by U.S. suppliers, and wood product information will be provided on television show's Web site. The series, which is expected to significantly increase the awareness of U.S. hardwoods in Europe, is part of AHEC's (the American Hardwood Export Council) MAP (Market Access Program) strategy to raise the profile of U.S. hardwood products.

USDA to Promote Exports at Food Show in Japan

USDA will host a USA Food Pavilion, March 9-12, 2004, at the FOODEX Japan 2004 trade show in Tokyo. FOODEX Japan is the largest food and beverage trade show in Asia and third largest in the world after SIAL in Paris and ANUGA in Cologne. More than 75 countries and about 89,000 trade vis itors attended FOODEX 2003, including key decision makers from restau rants, supermarkets, hypermarkets, grocery stores, hotels, fast-food outlets and convenience stores, as well as distributors, agents, brokers and whole salers. U.S. sales as a result of last year's show are projected to top $32 million. In 2004, USA Pavilion exhibitors will benefit from a strong U.S. identifi cation package and enhanced services, including a dedicated business center and Internet café, as well as personalized product presentations and access to services offered through two state-regional trade groups, the Mid-American International Agri-Trade Council and the Western United States Agricultural Trade Association. For more information on exhibiting products in the USA Pavilion at FOODEX 2004, or for information on other USDA-endorsed shows, contact Khaliaka Meardry at 202-720-3065, e-mail: Khaliaka.Meardry@.usda.gov.

FAS Trade Mission Promotes Export Sales in Brazil

In September, the FAS São Paulo Agricultural Trade Office sponsored a trade mission to São Paolo and Rio de Janeiro. Seven U.S. companies with high-value products such as wines, pudding, pretzels, dietetic products, fish spreads and Asian-style cooking sauces participated. In São Paulo, activi ties included a product display, presentations on retail structure, market trends, import regulations and supermarket tours. Participants had 23 pre-arranged one-on-one meetings and projected 12-month sales of $365,000, as a result of the mission. Participants also exhibited their products at the SIAL Mercosul trade show in Rio de Janeiro.

SUSTA Receives E-Award

In September, SUSTA (the Southern United States Trade Association) received the U.S. Department of Commerce E-Award. The E-Award recog nizes persons, firms or organizations that contribute significantly in the effort to increase U.S. exports. SUSTA participates in several FAS export programs.

Also in This Issue:

- Once-obscure Chinese cities offer new markets
- Spain's market for fish, Greece's thirst for wines, Mexico's markets for planting seeds and candy
- Trade show opportunities in several markets

And Next Time, Turn to AgExporter for:

- NAFTA at 10: an in-depth look at the trade agreement's record serving the three country partners and numerous commodity sectors

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