

The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

June 2001



Recognizing Excellence in Exporting: The Madigan Award

**Trans-World Genetics
Wins Madigan Award for
U.S. Agricultural Export
Excellence**

Check out our
fold-out calendar of
up-coming
trade shows!

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

June 2001

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Trans-World Genetics Wins Madigan Award for U.S. Agricultural Export Excellence

by Linda Habenstreit

Last December, USDA awarded the first Edward R. Madigan U.S. Agricultural Export Excellence Award to Trans-World Genetics Ltd. of Sheboygan Falls, Wis. Recently, AgExporter spoke with Trans-World Genetics's Chief Executive Officer Louis A. Prange about his company and how it came to be honored with this prestigious award.

AgExporter: What does Trans-World Genetics produce and export?

Prange: We produce, distribute and market products and services related to dairy livestock genetics. The primary products we export are frozen bovine semen and embryos, as well as live cattle.

What is unique about our company is that we have a multinational progeny testing program. We sell semen from U.S. bulls to several countries simultaneously and then regularly analyze the latest breeding data to see what traits the sires are passing on to their daughters.

For example, we use the breeding data to determine whether the bull has transmitted improved mammary systems, size, capacity or other traits by comparing the sires' daughters to the rest of the population. We may find that the daughters are producing more milk or a more desirable fat and protein content than the general population. We also look at the maternal side of the equation to see what cows are transmitting improved traits.

We use this information to meet our customers needs. Every breeder in the world has a different set of criteria based

on factors like what the cows are fed in a particular country or whether the milk produced goes to manufacture cheese, as in Switzerland, or fluid milk, as in Argentina.

AgExporter: It sounds like dairy livestock breeding has become very rigorously science-based.

Prange: Yes, it has. Breeding used to be more of an art form. To a certain extent it still requires that touch. Today scientific breeding tools give you the direction in which you want to travel, much like the rudder on a boat helps a sailor steer.

Ten years ago, international progeny test results were not a factor in determining the sires' ability to deliver improved production or other traits. Now, it's just as important to know how that sire performed in various populations as it is to know how he performed in just one. This knowledge can either enhance or reduce our marketing capabilities.

AgExporter: How did you get involved in this business and in exporting?

Prange: I grew up on a dairy farm and my grandfather was a breeder of dairy cows and my father specialized in production. When my father did some international work, we had a lot of visitors from Germany. In college, I was on a dairy cattle judging team and was exposed to people who exported.

In the early 1970s, I realized that the international market was vital, from a breeder's standpoint. I began working for the marketing arm of the Holstein Association, which at the time had a contract with the Foreign Agricultural Service to expand and develop markets for U.S. dairy livestock genetics. I traveled extensively for several years.



In 1974, I founded Trans-World Genetics. In 1978, we shipped between 4,000 and 5,000 head of cattle. Because the live cattle market became such a narrow, low-margin market involving substantial risk, we evolved from transporting live cattle to ship-

“...TO SAY WE ARE
'SPECIALIZED' IS AN
UNDERSTATEMENT.”

LOUIS A. PRANGE,
CHIEF EXECUTIVE OFFICER

done a lot of work in Asia, we certainly can supply product and services there when requested.

AgExporter: What have been your greatest exporting successes and toughest challenges?

Prange: Our greatest success was opening the first U.S. artificial insemination (AI) center in 1984 to meet Swiss health regulations requiring that all imported bull semen come from populations free of Infectious Bovine Rhinotracheitis (IBR). IBR is a virus that causes flu-like symptoms in cattle.

When the European Union (EU) harmonized its health standards to make them consistent among member countries, it adopted the Swiss health requirements. Since we already met this requirement, we had entry into the EU market—well ahead of other AI centers in the United States. This accomplishment probably accounts for the success of our business today.

On the flip side, exporting to the EU immediately after harmonization became one of our greatest challenges. Although harmonization greatly helped us in the long run, initial shipments regularly got held up in Customs either because the importing veterinarian did not recognize or was not aware that health standards had changed. It took a great deal of negotiating to help the veterinarian understand that the shipment did meet the standards and should be released.

AgExporter: What are your future goals for your company?

Prange: Right now our goal is to hold the course and maintain our market share in Europe as it deals with bovine spongiform encephalopathy (BSE) and foot-and-mouth disease.

These crises demonstrate how much globalization has affected and will continue to affect our business—and virtually all businesses—in the future. Although globalization has been very beneficial, it has also heightened competition and lessened differences among products.

For example, over the past 10 years, the direction of global breeding programs for dairy cattle has followed a much more parallel, common course. Breeding programs are being designed for very specialized purposes and those designs are fitting into many more places than they used to. As I mentioned earlier, some countries, like Switzerland, require a certain amount of fat and protein content for cheese production, while others, like Argentina, have a different set of criteria for fluid milk production.

Globalization has created a fast-paced, ever-changing landscape. We must remain flexible to keep up. If other countries change their selection criteria for dairy cattle genetics, we change ours to a certain degree as well. It's very interesting and challenging work.

AgExporter: What made you decide to apply for the U.S. Agricultural Export Excellence Award?

Prange: In 1999, we received the Wisconsin Governor's Export Achievement Award for small, high-technology businesses. The Governor and the Wisconsin Agriculture Secretary encouraged us to apply for the Madigan Award.

Needless to say, we were very gratified and surprised when we learned that we had won the U.S. Agricultural Export Excellence Award. We consider ourselves a very small part of the entire U.S. export market—to say we are “specialized” is an understatement.

ping frozen embryos and semen. Today, we ship a planeload of live animals every two or three years.

Shipping frozen embryos and semen requires careful handling and good documentation. The product is frozen in liquid nitrogen, which is a hazardous material. To ensure the best care and top standards, we work with highly professional export service providers in the areas of freight, insurance and international delivery.

AgExporter: What are your major markets?

Prange: We have a strong presence in South America and Europe with between \$2-3 million in annual export sales. We have livestock partners and regional representatives in Australia, Brazil, the Dominican Republic, Germany and Switzerland. They help us maintain international market potential, growth and expertise.

We sell to Argentina, Austria, Canada, Colombia, Ecuador, France, Italy, Mexico, the Netherlands, South Africa and the United Kingdom. Although we have not



SHIPPING FROZEN EMBRYOS AND SEMEN REQUIRES CAREFUL HANDLING AND GOOD DOCUMENTATION.

AgExporter: Do you have any words of advice for aspiring U.S. agricultural exporters?

Prange: I received the following words of advice from a shoe salesman: “Provide your customers with the absolute best service.” I suppose the only thing his business and mine have in common is the hides of our cows eventually turn up in his shoes. Yet his philosophy can easily be applied to our business or to any other.

Good service builds customer relationships and helps solidify them. When we get a customer inquiry, the rule in our office is to reply within 24 hours. I think this rule has done as much to stimulate our business as anything else we could have done. When your customers tell you, “We enjoy dealing with you because you operate so professionally,” it’s like getting a pat on the back.

Naturally, giving the best service to your best customers is understandable. There are times when a market may not be particularly vibrant. That does not mean that you can stop servicing the market. Sometimes, your presence at a trade show or traveling with a trade mission helps you plant a seed for the future. I have learned that development of livestock export markets is a slow process—it does not always yield immediate results. People you meet will remember you because they saw you and shook your hand. They may not be ready for your product right now, but when the time comes, you may be the first one they call. ■

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The Edward R. Madigan U.S. Agricultural Export Excellence Award

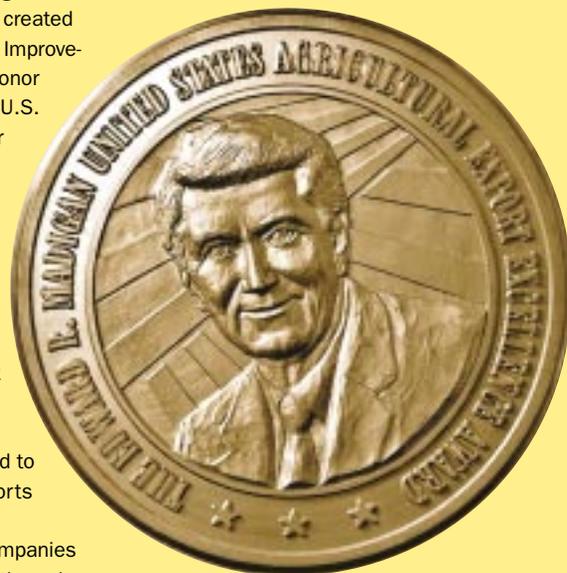
The Edward R. Madigan U.S. Agricultural Export Excellence Award was created under the Federal Agriculture Improvement and Reform Act of 1996 to honor entrepreneurial efforts to advance U.S. agricultural exports. It is named for the 24th U.S. Secretary of Agriculture, the late Edward R. Madigan, who, as an Illinois Congressman and later as Secretary of Agriculture, played a major role in re-shaping U.S. agricultural policy to enable farmers and ranchers to respond more effectively to market signals and pursue export opportunities.

The Madigan Award is designed to help increase U.S. agricultural exports by:

- identifying the efforts of U.S. companies to develop and expand markets through new products and services and innovative marketing techniques;
 - recognizing the achievements of those who have demonstrated or supported entrepreneurial efforts to expand and create new markets for, or increase the value or volume of, U.S. agricultural exports; and
 - disseminating information on successful methods for developing and expanding markets for U.S. agricultural exports.
- development of new agricultural export markets; or
 - creative marketing of products or services in these markets.

To qualify for the Madigan Award, companies must have exhibited significant entrepreneurial effort or provided significant assistance to others to create new markets for, or to increase exports of, U.S. agricultural products.

For more information, contact:
AgExport Services Division
Foreign Agricultural Service
U.S. Department of Agriculture
AgStop 1052
1400 Independence Avenue, SW
Washington, DC 20250-1052
Tel.: (202) 690-1148
Fax: (202) 690-0193



Companies may apply for award consideration in one of three categories by writing to the board of evaluators or by being nominated for the award by the governor of the state in which they are headquartered. The board, consisting of five members, may select up to 12 award recipients each year. The three categories are:

- development of new products or services for agricultural export markets;

A Perfect Fit: Vietnam's Leather Industry and U.S. Hides

By Henry Schmick and Craig Thomas

If you live in the European Union, United States or Japan, it is quite possible that you own a pair of shoes made in Vietnam. Footwear exports from Vietnam have skyrocketed from modest totals in the early 1990s, to a place among the country's top five revenue generating exports—and this growth is an opportunity for U.S. hides.

In 1999, Vietnam produced roughly 230 million pairs of shoes and sandals, resulting in \$1.3 billion in sales. That is an increase of 25 percent against 1998's figure. And 80 percent were sold to consumers outside of Vietnam.

The big question now is: where is Vietnam's shoe industry going to find enough leather to keep making that many shoes?

Vietnam's domestic cattle industry—the logical source of hides—finds itself dwarfed by such demand. Vietnam is without large-scale cattle farms; most domestic raw leather is purchased from slaughterhouses and rural households.

This scant supply means that Vietnam has to import some of the raw and semi-processed hides and skins used in its tanneries.

Corresponding to the outflow of shoes, hides are shipped in, mainly from Taiwan, Korea, Hong Kong and the United States, to the tune of \$92 million in 1999. Sales growth is expected to increase over the next 5-10 years as Vietnam's demand for leather continues to rise and domestic production remains static.

Hunting High and Low for Hides

Despite the significant demand for leather, Vietnam's tanning industry is hampered by outdated equipment and a lack of investment capital.

Domestic tanneries are currently unable to produce leather in any quantity approaching those required by shoe manufacturers.

As a result, when Vietnam consumed approximately 80 million square feet of leather in 1999, some 65 to 70 million square feet—more than 80 percent—were imported. There are ample opportunities for processed hides as well.

U.S. Hides Are a Shoe Thing

Opportunities abound for the United States—in fact, the value of U.S. exports of hides and skins to Vietnam reached more than \$8 million in 1999, an increase of 40 percent over 1998.

Estimates were for continued growth in the year 2000 with production targets set at 265 million pairs of shoes and sandals, and 30 million leather bags.

Moreover, these numbers account for only direct shipments. Much of the tanned leather coming from Korea and Taiwan originated on ranches in the United States and Australia.

In many cases, such tanned leather is imported into Vietnam under

a footwear production contract that stipulates use of designated leather, supplied by the purchasing firm.

Of the semi-processed leather imported for further tanning in Vietnam, leading suppliers are Australia, India, Thailand and New Zealand.

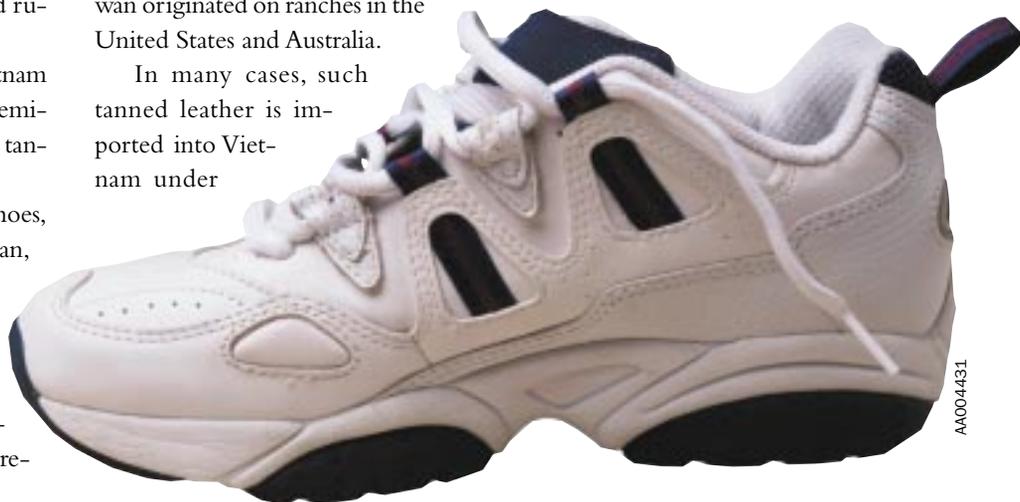
Trade Changes in Vietnam

Vietnam's exporters are eagerly awaiting the implementation of the recently signed bilateral trade agreement between the United States and Vietnam; they believe it will offer significant opportunities to export footwear to the U.S. market.

Continued growth in Vietnam's footwear production sector is likely to translate into even greater demand for imported hides and skins—as both finished leather and semi-processed products. ■

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Craig Thomas is a marketing specialist with Vietnam Market Analysis.

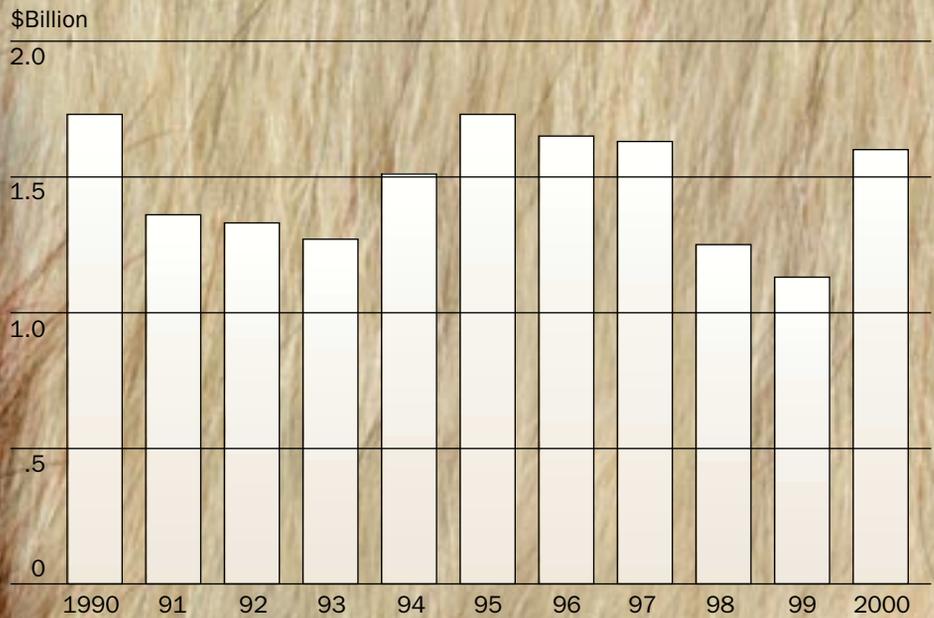


Hide Exports Respond to Love for Leather

U.S. animal hides and skins are favored for quality and durability worldwide. Last year, exports rebounded from a two-year slump, rising to \$1.6 billion—up 42% from 1999. Export value got a lift from significantly higher prices, reflecting a strong upturn in demand from tanners in South Korea and much of Asia. Automotive suppliers helped spur the stampede as they responded to the ever-growing consumer lust for leather seating. Industry sources also point to concerns about future cattle hide supplies as a result of BSE fears in Europe and the decline in meat-eating there. The United States is the world's largest hides producer and exporter. Much of it comes back as finished leather goods—upholstery, handbags, garments and some 1.4 billion pairs of imported shoes last year, the vast majority from China.

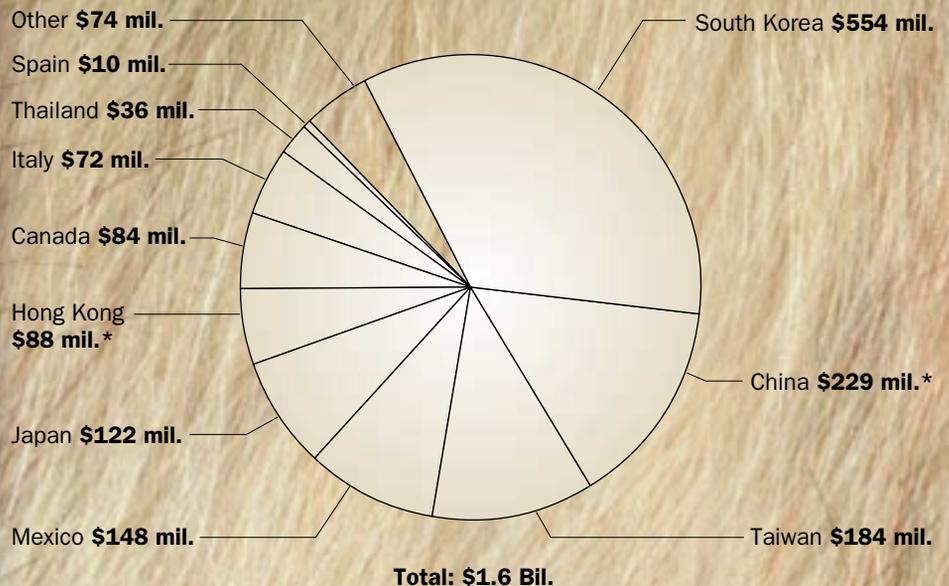
Among many customers, a few dominate. After two years of sluggish sales, U.S. hide exports to South Korea surged 61% to \$554 million in 2000. Credit goes to Korea's economic turnaround and the related recovery in its tanning industry, plus help from USDA export credit guarantees. The leather from South Korea goes into shoes and other finished goods made in China. But China is also expanding its own leather-making, boosting direct U.S. hide sales there by 137% to a record \$229 million in 2000. For the first time, China became our No. 2 market. Among other top markets, U.S. exports to Taiwan, also a leading footwear producer, rose 12% last year, while value fell 4% to Mexico for a second year of decline. Sales were up 45% to Japan and up 74% to Hong Kong, reaching a record \$88 million.

U.S. Hide and Skin Exports Recover From Two-Year Value Decline



Source: FAS from U.S. Census Bureau export data.

Top Three Markets Take 60% of U.S. Hide and Skin Exports in 2000

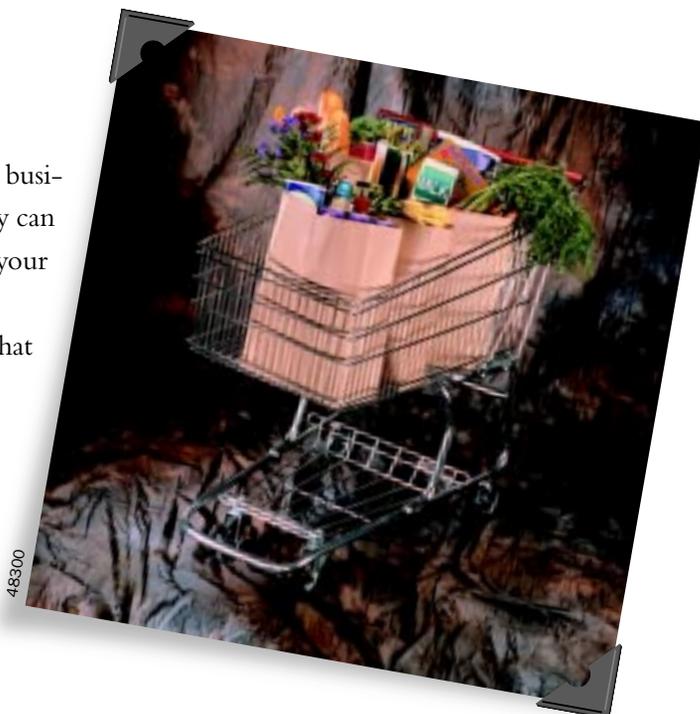


*New record for U.S. hide and skin exports to this market. Source: FAS from U.S. Census Bureau export data.

A Calendar of Upcoming Trade Shows

Trade shows provide a unique opportunity to expand your business into world markets. If you are new to exporting, they can be a safe and effective means of finding new markets on your own.

However, if you are new to exporting, you may not know what shows are available or which one is right for you.



You could try an FAS show—or you could participate in shows sponsored by regional trade groups; many of these groups are partners with FAS. Some of these groups even provide export training and financial assistance for their members.

Here, then, is a calendar of trade shows sponsored by some of FAS' partners, the state regional trade groups. You'll see that there is one for virtually every specialty.

If you see a show that sounds right, give the trade group a call. You can also learn about international trade shows by going to the FAS website: www.fas.usda.gov.

Happy hunting!



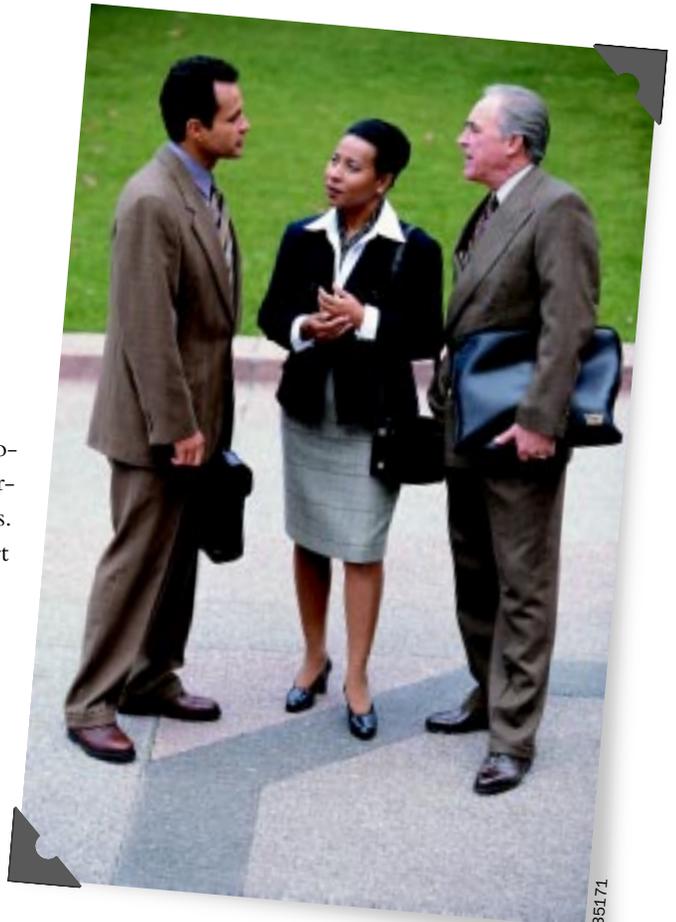
Why Should My Company Participate in a Trade Show?

By Maria Nemeth-Ek

U nsure if exporting is right for your company? Trade shows—both domestic and international—let you find out with less risk. Our center-spread calendar proves there's one that is just right for your business. Here are five really good reasons to try them as part of your export strategy.

1 Trade Shows Have Buyers. Ask any sales representative, the way to make business contacts is to talk to the customer face-to-face. Making the right impression is critical. With the right presentation, and plenty of business cards, you can go a long way toward promoting your product overseas. You might even make a sale right at the show, but don't count on it.

2 Trade Shows Have Distributors. Distributors build their reputations on providing their retail customers with exciting imports. They come to trade shows to find the best the world has to offer. Talk with them, find out what they need. It is a great way to get your product to customers in many countries worldwide.



35171



30047



48139



3 Trade Shows Are Cost-Effective.

In fact, they are among the best ways to maximize your overseas marketing budget. When you go to an international trade show, you meet potential clients from all over the world. Not even the wealthiest companies could afford to meet with so many potential clients from so many regions in a few days. If your company is targeting a particular region, there are several trade shows designed for regional markets, such as Europe or the Pacific Rim.

4 Trade Shows Provide Market Research.

This is the kind of market research you could not pay to have done. When you talk to potential clients, you find out what they are looking for—and what their customers want. You may discover that your preconceived notions about



BU000297



5 Trade Shows Provide Product Testing.

When you offer samples of your product to overseas buyers, they can give you their opinion on the spot. It will give you a chance to get reactions to flavors and ingredients.

You may learn from a buyer in a trade show that your key ingredients are restricted in some markets. If so, you can make adjustments in your formula prior to shipping to that customer—and avoid a big headache.

Trade shows also give U.S. exhibitors the chance to observe their competition and whether their techniques and products appeal to buyers. ■

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AgExporter's Calendar of Upcoming Trade Shows

2001

July

8-10 *The 47th International Fancy Food & Confection Show**

10-13 *China Food Service Education Initiative*

August

September

October

6-10 *The National Frozen Food Convention*

11-14 *Natural Products Expo East*

21-24 *The Food Industry Productivity Convention & EXPO*

28-31 *Snack Foods Association Management Workshop*

November

11-13 *"Store Brands Mania" Trade Show*

December

2002

January

February

March

April

May

June

Bookmark Your Key To Export Success!
www.fas.usda.gov

SNAXPO 2002
Navy Pier, Chicago, Ill.

Snack Food Association
Contact: Judi Barth
Tel.: (703) 836-4500
Fax: (703) 836-8262
www.sfa.org

Covers every aspect of the snack industry. Last year's conference included a special networking forum on the Latin American market.

November 11-13, 2001
"Store Brands Mania" Trade Show
Chicago, Ill.

Private Label Manufacturers Association
Contact: Debra Best
Tel.: (212) 972-3131
Fax: (212) 983-1382
www.plma.com

A great place to explore exporting. With its new sections on gourmet and specialty foods, this is just the show for you. Selling private labels for supermarkets and retail chains is a low-risk way to expand your product's reach.

2001

March 7-10, 2002

Natural Products Expo West
Anaheim Convention Center, Anaheim, Calif.

New Hope Natural Media
Contact: Donna Shoquist
Tel.: (303) 939-8440
Fax: (303) 939-9559
www.newhope.com

More than 1,400 exhibitors from the natural products, organic foods and food supplements industries. Provides a venue for U.S. firms to market their products to an increasing number of international buyers.



June 12-14, 2002

The 44th Annual American Pet Product Manufacturers Association Show

Chicago, Ill.
American Pet Products Manufacturers Association
Tel.: (203) 532-0000
Fax: (203) 532-0551
www.appma.org

This trade show is the premier pet industry event in the United States, and one of the key selling opportunities in the world. Check out the export training opportunities as well.

May 21-22, 2002

"World Of Private Label" International Trade Show

Amsterdam, The Netherlands
Private Label Manufacturers Association
Contact: Debra Best
Tel.: (212) 972-3131
Fax: (212) 983-1382
www.plma.com

The largest trade show in Europe dedicated entirely to retail brands. More than 5,000 visitors attend, including buyers from major retail and wholesale companies throughout Europe.



July 8-10, 2001
The 47th International Fancy Food & Confection Show*

Javits Convention Center
New York, N.Y.
National Association for the Specialty Food Trade (NASFT®)
Contact: Ron Tanner
rtanner@nasft.org
Tel.: (212) 482-0440, ext. 115
Tel.: (212) 482-0439
Fax: (212) 482-0439
www.fancyfoodshows.com

An exciting chance for members to promote specialty foods, ranging from smoked salmon to herb-infused olive oils.



October 21-24, 2001
The Food Industry Productivity Convention & EXPO

Houston, Texas
Food Distributors International
Falls Church, Va.
Contacts: Michael McCarthy, educational programs
Lucie Crosby, exhibits
Tel.: (703) 532-9400
Fax: (703) 538-4673
www.fdi.org

Learn about all sorts of equipment, from pallet and container supplies to warehouse management systems. A show with over 200 vendors who support the food industry.

October 11-14, 2001
Natural Products Expo East

Washington Convention Center
Washington, DC
New Hope Natural Media
Contact: Donna Shoquist
Tel.: (303) 939-8440
Fax: (303) 939-9559
www.newhope.com

A domestic show for natural and organic products; international buyers as well.

Don't forget to bring samples!!!

October 28-31, 2001
Snack Foods Association Management Workshop

Charlotte, N.C.
Contact: Judi Barth
Tel.: (703) 836-4500
Fax: (703) 836-8262
www.sfa.org

An important conference for learning about technical aspects of manufacturing and selling snacks both domestically and overseas.

July 10-13, 2001
China Food Service Education Initiative

Shangri-la Hotel Pudong, Shanghai
The Culinary Institute of America
Contact: Sarah Goan
Tel.: (707) 967-2421
Fax: (707) 967-2410
The institute provides seminars worldwide to educate staff in other restaurants about the countries and quality of U.S. agricultural products, specifically, foods and wines. These events, by invitation only, are heavily booked in advance; inquire about future opportunities.



Food For Export: FAS' New Partnership With Food Industry Associations

By Valerie Bowles and Jim Warden

In early 2000, the AgExport Services Division of FAS began cultivating relationships with select food trade industry associations. The pay-off will be expanded future market opportunities for U.S. producers of processed foods.

The goal of these partnerships is twofold. First, FAS seeks to strengthen its ties with the U.S. food processing industry. It also serves to make the associations' member firms more aware of FAS programs and services.

The groups the AgExport Services Division has been working most closely with are the American Frozen Food Institute, American Pet Product Manufacturers Association, Food Distributors International, Grocery Manufacturers Association, National Association for the Specialty Food Trade, National Food Processors Association, Private Label Manufacturers Association, and the Snack Food Association.

A History of Building Bridges

These new partnerships are just the latest in a 25-year history of cooperative efforts. Over the years, FAS has built and maintained productive relationships with other non-profit associations. Most significant are four state regional trade groups (SRTG) that work hand-in-hand with state

departments of agriculture in promoting exports of high-value processed foods.

By region, they are the Mid-America International Agri-Trade Council (MIATCO); the Southern U.S. Trade Association (SUSTA), the Western U.S. Agricultural Trade Association (WUSATA) and Food Export USA Northeast. The AgExport Services Division also has partnerships with the National Association of State Departments of Agriculture (NASDA), the Intertribal Agriculture Council and the Chocolate Manufacturers Association. These partnerships have resulted in hundreds of small companies successfully exporting high-value food and agricultural products.

New Partnership Begins at Forum

Most exporters agree that the United States needs to expand its market share overseas. The dramatic increase in world trade in processed foods has spurred the creation of the partnerships with these food trade associations.

At the 2000 NASDA mid-year meeting, FAS sponsored a forum where food trade industry associations could meet face-to-face with FAS and SRTGs and to hear firsthand about world trade trends in processed foods and competitor country marketing efforts.

For their part, the food trade associations responded enthusiastically, and generated a list of needs and ideas related to market access and market promotion.

Staffers from AgExport Services Division

agreed to participate in the food trade associations' meetings, as well as to sponsor a presence at select trade shows.

FAS has already facilitated a food trade association's participation in a major international trade show, which was included in a SRTG activity supported by FAS' Market Access Program (MAP).

A Partnership That Pays

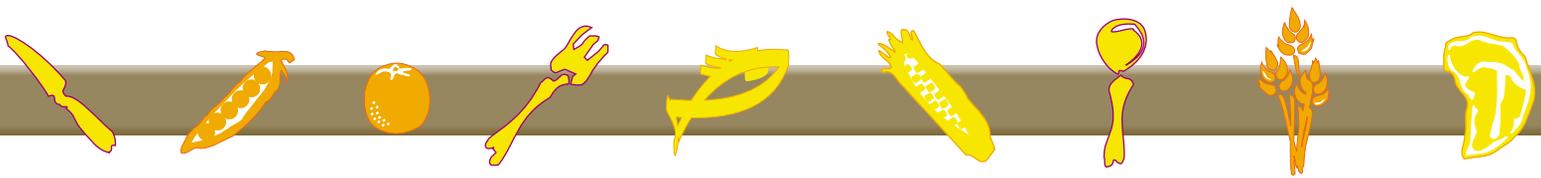
This alliance paid off handsomely in October, at the SIAL trade show in Paris. There, FAS and the National Association for the Specialty Food Trade (NASFT) collaborated to fund a Fancy Foods Pavilion within the USA Pavilion, which was organized by MIATCO.

Market research clearly indicated that the European market offers U.S. speciality food suppliers an attractive export market opportunity.

A total of 81 companies, all members of the NASFT, participated in the pavilion. For 97 percent of the companies this was the first time they had exhibited at the SIAL. The pavilion generated over 100 information requests for more than 600 products.

NASFT plans a similar presence at the October 2001 ANUGA Food Show in Cologne, Germany, again assisted by FAS' MAP program. ■

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Focus on East European Retail Food Markets

The Czech Republic Offers U.S. Exporters a Window on the Region

By Priscilla B. Glynn

With the collapse of Soviet authority in 1989, Czechoslovakia gained its autonomy through a peaceful change of government, called the "Velvet Revolution" to distinguish it from the armed upheavals that brought about many changes in the rule of East European countries over the past century. On Jan. 1, 1993, the country underwent a "velvet divorce" that divided it into two separate nations, the Czech Republic and Slovakia. Each country is now a parliamentary democracy.

Both nations have made steady progress toward greater integration into world political, social and economic affairs. They are members of the United Nations and the World Trade Organization, as well as applicants for membership in the European Union. The Czech Republic is also a member of the Organization for Economic Co-operation and Development.

With a developing economy and a conveniently central location in the European landscape, the Czech Republic offers interesting prospects to U.S. consumer food exporters.

The Czech Republic is a bit smaller than South Carolina, has a population of 10.3 million, a labor force of 5.2 million and an unemployment rate of 9 percent.

It has a diversified, growing economy that is more developed and resilient than those of many former Communist states. Its per capita gross domestic product reached \$11,700 in 1999; its inflation rate hovers around 2.5 percent.



Concentration Is the Name of the Game

The Czech retail sector is comparable to many West European nations in its standards for quality, management and diversity of products, as well as in its merchandising sophistication. The value of overall retail food sales amounts to roughly \$8 billion—with imported foods accounting for 25 percent of the total.

The most significant trend in the Czech food retail sector is the concentration that began several years ago. The trend was kicked off by the arrival of some international food retail chains, such as Ahold (from the Netherlands), Tesco Stores (the United Kingdom), Globus (Germany), Delvita (Belgium) and Carrefour (France), which have set up hypermarkets and supermarkets.

Here's a statistic to demonstrate the Czech market's intensifying concentration: in 1999, the 10 largest companies racked up sales of \$3.4 billion, up a whopping 50 percent from the previous year.

This market is also growing rapidly. In 1989, the Czech Republic had 15,000 food retail outlets with a total shopping area of 1.1 million square meters; by 1999, there were nearly 35,000 outlets occupying 2.6 million square meters. Nonexistent in 1989, food-product marketing has skyrocketed in the last few years, including the appearance of house brands, flyers and extensive promotions.

Another big change has been the emergence of the gas mart, a combination service station and convenience store, usually open 24 hours a day.

Expanding Shopping—and Selling—Horizons

All of the above factors, plus the Czech Republic's improving economy, are altering the market. Consumers are changing their buying habits from daily purchases to once-a-week supermarket shopping. Small, traditional grocery stores are disappearing from the scene as the appeal of other out-

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lets—especially supermarkets and hypermarkets—grows.

Consumers have less time, more disposable income and better equipped households boasting microwaves and freezers. Although price remains the critical factor in purchasing decisions, these other factors are boosting demand for prepared meals, convenience foods and greater product choice—a trend that will continue.

In the short run, the strong U.S. dollar renders U.S. products more expensive than counterparts from other countries. While the dollar has remained strong, competitor currencies have fallen in value, making their products cheaper relative to U.S. offerings and thus undermining the competitiveness of U.S. products.

On June 13, Tesco is beginning a two-week promotion showcasing U.S. products in its hypermarkets and supermarkets across the country. Promotions such as this can help U.S. exporters overcome the challenge of relatively higher prices.

Tourism is also increasing sales: the Czech Republic draws millions of tourists each year who provide a steady market for

THE CZECH MARKET FOR RETAIL FOODS AMOUNTS TO ABOUT \$8 BILLION A YEAR.

a wide range of consumer foods. Furthermore, 7,000 Americans live in the Czech Republic year-round, and in summer the number doubles to about 15,000. For the nation as a whole, cultural influences, such as movies, are heightening awareness and consumption of foods considered typically American. ■

Petra Chotěborská, an agricultural specialist in Prague, contributed to this article. For more information or assistance in exporting to the Czech market, contact the Office of Agricultural Affairs, U.S. Embassy, Trziste 15, 118 01 Prague 1, Czech Republic. Tel.: (011-420-2) 5753-1170 or 5753-1171; Fax: (011-420-2) 5753-1173; E-mail: agprague@compuserve.com

How the Czech Republic and Slovakia Fit Into The



Road Map for

Thanks to their strong market positions, international chains like Ahold, Tesco, Carrefour and Delvita can impose various concessions on their suppliers; for example, some chains have shifted many retailing costs onto them.

Most supermarket and hypermarket chains use importers and wholesalers to import products. Tesco imports U.S. products directly from Wakefern, a New Jersey-based wholesaler and exporter. Some wholesalers also are growing very fast, and are providing a broader range of services to their customers.

In the Czech market, shopping malls with fast food restaurants, specialty stores and movie theaters are being built around the largest hypermarkets. Shopping malls are spreading from large to medium-sized cities.

In Slovakia, the recent expansion of large multinational retail chains means that U.S. suppliers can now avail themselves of



Multinationals Are Storming the Slovak Market

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Market Entry

improved distribution channels to include it in their regional marketing efforts. For example, Tesco, Carrefour and Delvita conduct their distribution and marketing activities from the Czech Republic.

Most retailers charge slotting fees to place products on the shelf, and most require the supplier to give credit (often up to 90 days). Retailers may use purchasing associations, wholesalers or their own import divisions to obtain U.S. products.

Suppliers usually have to register their products with the company headquarters. Individual stores are then able to contact suppliers and purchase products directly from the supplier.

For practical, nuts-and-bolts information, including contacts at FAS posts, attaché reports, foreign buyer lists and trade leads, visit the FAS home page at:

<http://fas.usda.gov>

The economic boom seen in much of Eastern Europe in the 1990s has arrived later in Slovakia than in neighboring countries like the Czech Republic, Hungary and Poland. But arrive it has.

In the past two years, a new kind of revolution has gripped Slovakia. Foreign firms have responded to Slovakia's improving economic and political climate by engaging in an all-out market invasion.

Economic Hurdles

This landlocked country, about twice the size of New Hampshire, has a population of 5.4 million and a labor force of 3.3 million. Unemployment remains high (roughly 20 percent), as does inflation (about 14 percent).

As in many countries, the unemployment problem in Slovakia originated with its transition from a centrally planned to a modern market economy. The removal of price controls and subsidies, along with the opening of the economy to foreign trade and competition, induced rapid restructuring and consequent dislocations that led to declines in output, income and employment.

In view of these obstacles, what is making Slovakia an attractive market to food wholesalers and retailers?

The Political Climate

Slovakia is making great strides in stabilizing, modernizing and expanding its economy. The government is trimming deficits and grappling with such fundamental structural problems as inefficient enterprises, a struggling banking sector and lower tax revenues.

In 1998, Slovaks elected a government with more open-market policies, which helped give foreign wholesale and retail investors greater confidence in the market's future. Before this time, Slovak retailers had faced very little competition, and abused this position by charging excessive profit margins and providing poor customer service.

Expanding Outlets and Consumer Choices

The introduction of hypermarkets changed shopping behavior in Slovakia, almost overnight. Low prices, long store hours (often 24 hours a day), large parking lots, promotional sales and diverse product selection have attracted Slovak consumers who previously patronized only small local stores. Today, a hypermarket may draw regular customers in a radius of 20-30 kilometers.

However, many new hypermarkets are being built, so store density—the number of stores in an area—will increase dramatically in 5-10 years. Consequently, retail food prices will decline, as they have in Hungary and the Czech Republic. Sales for small local retailers will continue to drop.

The market share of foreign-owned hypermarkets will increase to 15 percent by 2003. Tesco Stores (a United Kingdom retailer) plans to open four new Slovak sites just this year. Industry sources also report that Slovakia has the highest hypermarket sales per square meter of any East European country—indicating the market remains under served.

The number of convenience stores, gas marts and kiosks has grown tremendously in the last 10 years—from a handful in 1990 to almost 3,000 by 2000. The number of gas stations has increased more than five-fold, and most of the new stations are

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coupled with convenience stores. However, most industry observers agree the market for convenience stores is nearing the saturation point, and that future expansion will therefore be modest.

The most common specialized stores in Slovakia are meat/butcher shops, bakeries and poultry stores. Many are broadening their product ranges, but it remains to be seen what role they will play in the face of competition from hypermarkets, which usually feature their own bakery, butcher and fish sections.

Franchising in Slovakia is just beginning to grow and includes hotels, fast food operations, gas stations and business services.

FOREIGN RETAILERS WILL LIKELY CAPTURE 15 PERCENT OF THE MARKET BY 2003.

American franchisees are limited, but do include such well-known names as McDonald's and Pizza Hut. However, franchisers should be prepared to offer creative financial programs. Some of Slovakia's

ablest entrepreneurs do not have the capital to pay traditional franchising fees.

Between 80 and 90 percent of food products sold in hypermarkets are produced in Slovakia. The main advantage of domestically produced products is price, and in some cases, such as local beers, exceptionally good quality. Outlets turn to imports for items in short domestic supply (such as seafood and some produce), and to satisfy demand among consumers looking for a wider array of products. ■

For more information or assistance in exporting to the Slovak market, contact the Office of Agricultural Affairs, U.S. Embassy, Boltzmanngasse 16, A-1091 Vienna, Austria. Tel.: (011-43-1) 31-339-2249; Fax: (011-43-1) 310-8208; E-mail: agvienna@compuserve.com



Most Promising Products

Here's a run-down of U.S. products with strong potential in the Czech and Slovak retail food markets:

- **fish and seafood**
- **bourbon and whiskey**, especially when supported by an in-store promotion
- **snack foods**
- **dried fruits and nuts**, especially almonds
- **Tex-Mex items**, like salsa and corn chips
- **fruit juices**, especially concentrates
- **canned sweet corn**
- **pet food**
- **rice**
- **citrus fruits**
- **peanut butter**
- **baking mixes**, such as pancake and muffin mixes
- **microwave popcorn**
- **syrops**, especially specialty syrups such as maple or fruit-flavored

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A Hoagie to Go and Hold the Mayo

The second French edition of the European Sandwich Show took place in Paris in March. The show had 140 exhibitors, mainly from France and other European countries. Three U.S. companies were represented by importers. More than 3,800 potential buyers from 28 countries visited the show, with sandwich recipe demonstrations offered by Norway, the United Kingdom, France and the United States.

The UK has taken the lead in sandwich sales in Europe and the sector is very developed in supermarkets. These locations reportedly account for 29 percent of total sandwich sales in the UK. With 660 million sandwiches sold in France each year, this sector represents a billion-dollar market growing at a rate of 6 percent a year. It accounts for some 50,000 tons of food ingredients, including 15,000 tons of bread, 8,000 tons of ham and 4,000 tons of poultry. In France, supermarkets account for only 5 percent of sales, but this sector is increasing at a rate of 15 percent a year.

Much Snacking in France

80 percent of French consumers now snack and snacking accounts for 10 percent of adult food consumption and 14 percent of what young adults eat.

Each year in France more than 150 snack foods are introduced. From mini-carrots to specialty bottled mineral water, this represents a \$500-million market. Snack products need to be easy to consume and packaged in small-sized, individual portions, since 27 percent of French consumers snack on public transportation, 33 percent on the street and 32 percent at work. The price of a snack needs to be moderate. Many diet-conscious French consumers seek healthy or low calorie snacks. Opportunities for U.S. exporters exist for a wide variety of these high value products.

Sales in the Millions at Gulf Food Show

Thirty-five U.S. companies and 53 booths projected sales of \$50 million at the Gulf Food Show, in Dubai in February. Some of the U.S. products were poultry, honey, bakery products, juices, dairy, fruits and nuts. Many buyers pursuing further trade in the Gulf expressed strong interest in the U.S. foods on display.

Argentina Agrees to Expand U.S. Citrus and Stone Fruit Market Access

Argentina recently committed to changing its agriculture legislation to remove the current impediments to the entry of California citrus. Argentina accepted the widely used "Caribbean fruit-fly protocol" as providing adequate safeguards for the export of Florida citrus, and agreed to change its entry requirements. Argentina also agreed to amend the requirements for California stone fruit to improve access for peaches and nectarines. The estimated market potential could reach as high as \$3 million for U.S. citrus and \$5 million for U.S. stone fruit.

Organic Wines Now Available at French Supermarket Chain

In addition to organic meat, fish, fruits and vegetables, Carrefour, France's largest supermarket, and the second largest worldwide, is now selling organic wines. Carrefour has signed a partnership with French organic wine growers for organic Cotes de Provence, Anjou and table wines. The unprecedented exposure that organic wines are getting demonstrates consumers interest in organic products.