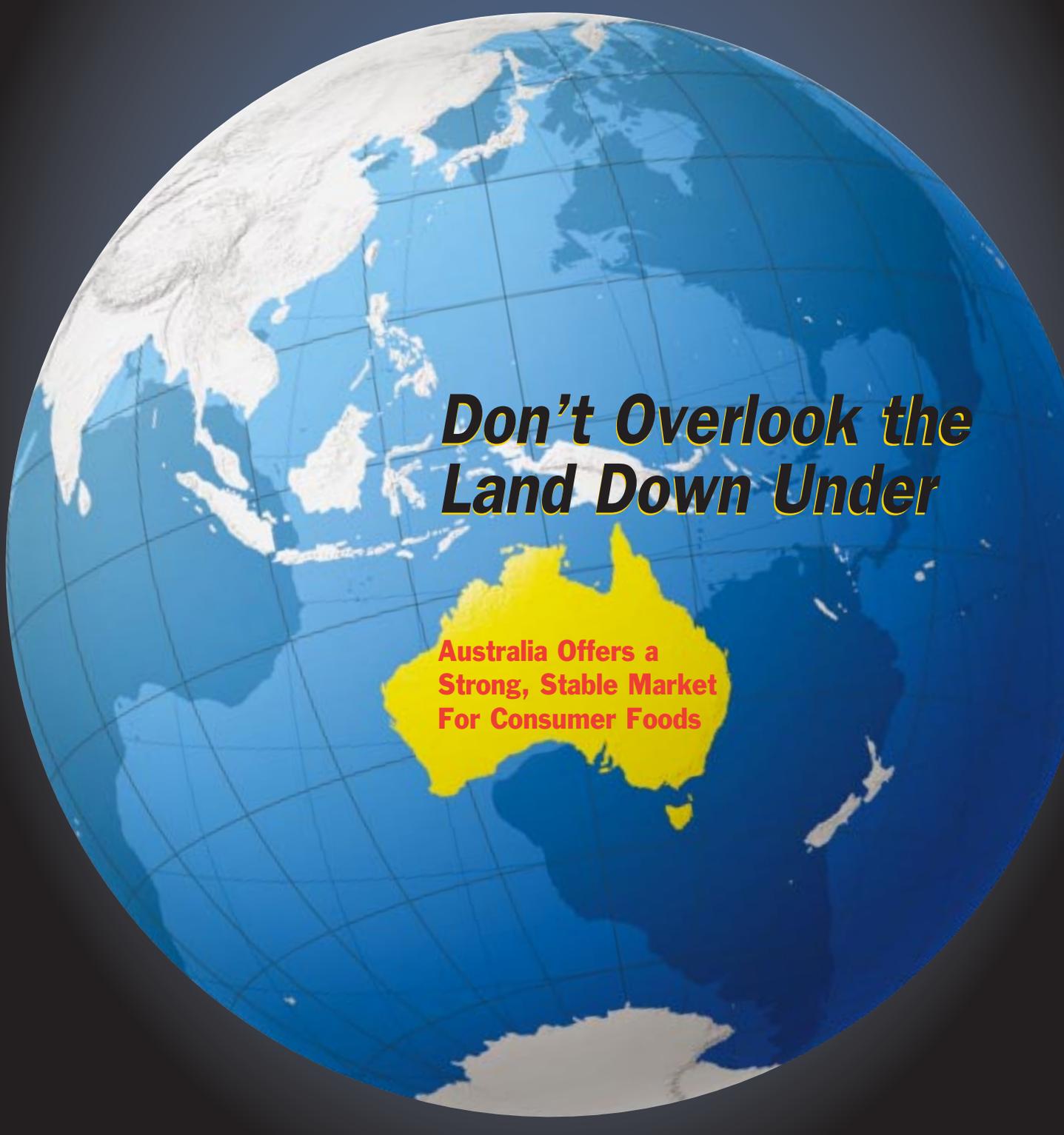


The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

December 2002

A large, semi-transparent globe of the Earth is centered on the Pacific Ocean. The landmasses are shown in a light tan color, and the oceans are a deep blue. A grid of latitude and longitude lines is overlaid on the globe. The continent of Australia is highlighted in a bright yellow color, making it stand out from the rest of the globe. The text is overlaid on the right side of the globe.

***Don't Overlook the
Land Down Under***

**Australia Offers a
Strong, Stable Market
For Consumer Foods**

TRADE SHOW OPPORTUNITY

POLFISH 2003

GDANSK, POLAND

The Show: PolFish is the largest seafood and seafood processing fair in Central Eastern Europe. PolFish 2003 is an ideal place for U.S. companies to get acquainted with Polish importers, wholesalers and processing firms.

Location: Gdansk, Poland

Dates: May 27-29, 2003

Deadline: Jan. 31, 2003

The Market: The Polish economy has been developing dynamically since the early 1990s. By participating in PolFish 2003, exhibitors can position themselves in Polish and other Central European markets. Fish consumption has been steadily increasing in Poland—and Polish fishing enterprises are not able to fully satisfy domestic manufacturers' demand. Polish firms process more than 387,000 tons of fish annually, some 231,000 tons of it imported. This situation, and the fact that Polish consumers consider U.S. products to be of high quality, are creating opportunities for U.S. exporters.

Contact: Sharon Cook
USDA/FAS Trade Show Office
Tel.: (202) 720-3425
Fax: (202) 690-4374
E-mail: Sharon.Cook@usda.gov



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Editor
Priscilla B. Glynn
(202) 720-9441

Writers
Harold Kanarek
Mary Rekas
Eric Van Chantfort
Donald Washington
Priscilla B. Glynn

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Finding Familiarity—and Sales— In the Australian Market

Seeking something familiar for turbulent times? Picture this as your next export destination: a stable, modern, industrialized democracy with close U.S. ties, a vast land mass and well-to-do consumers whose language, culture and tastes seem almost like home.

Besides our neighbor up north, where might you look? Try down under.

Sydney, Melbourne and Brisbane lack the proximity of Toronto, Montreal and

Vancouver, but many products that score with U.S. or Canadian shoppers find a similar welcome in Australia.

Despite its distant location and modest population of less than 20 million, Australia consistently ranks among the world's 15 or 20 largest export markets for U.S. consumer foods and beverages. For snacks, processed fruits and vegetables, and pet food, Australia is among our top 10 customers.

Bulk commodities generally account for less than 10 percent of total U.S. agricultural exports to this market—not surprising, since Australia is itself a leading agricultural producer and exporter. Soybean

meal and other value-added intermediate products play a larger role in U.S. sales, but consumer foods typically top the list.

Exports of U.S. consumer foods to Australia climbed to a record \$171 million in 2000, up by half since 1994. Then traders got a taste of the downside last year as U.S. sales slumped 16 percent to \$144 million. Sales this year remained subdued, the result of a strong U.S. dollar and the slow-down in the Australian economy, among other factors.

Despite the fluctuations, the underlying trend has been upward—especially for products offering value and quality at com-



petitive prices. For U.S. exporters comfortable with the changing demands and competitive pressures of a dynamic market, prospects for sales growth in coming years look promising.

Finding Success in a Crowded Field

Like most markets, Australia presents a mix of attractions and challenges. Aside from the commonalities in language and culture, U.S. exporters will find an educated and affluent society, with the infrastructure to support a vibrant commercial sector. This includes a modern legal and financial system; state-of-the-art transportation and communications systems; and a well-developed, economically diverse market.

Although Aussie consumers show a preference for local products, they rely on imports to provide the wide selection of foods they take for granted. An estimated 85 percent of products on Australian su-

permarket shelves are either imported or produced locally by foreign companies.

Despite a crowded field, U.S. products have an excellent image and are widely accepted. Their success reflects a number of factors, including quality, variety and a

AUSTRALIA PRESENTS A MIX OF ATTRACTIONS AND CHALLENGES.

good match with the tastes and lifestyles of Australian consumers.

Equally important are effective consumer promotions, the complementary timing of the growing seasons in the two hemispheres and the perception that U.S.



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products offer good value for the money. For high-quality convenience foods, the United States is seen as the trendsetter.

Tariffs on most imported foods already are low (generally 0-5 percent), with more tariffs scheduled to be reduced in the next few years. However, strict quarantine regulations limit imports of many fresh products, including fresh fruits and vegetables, meats and dairy products.

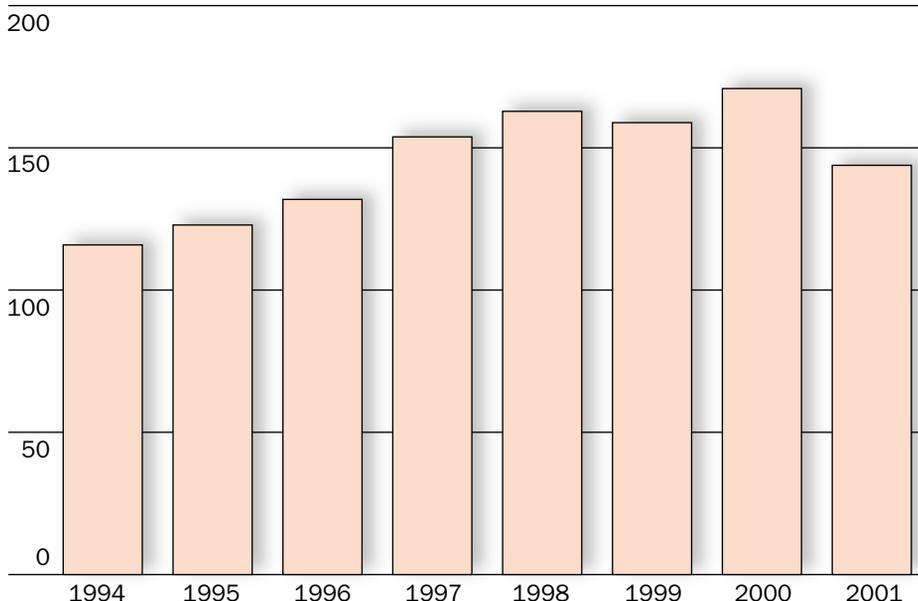
Another challenge for U.S. exporters comes from the major competitors in this market, including the United Kingdom and other European Union countries. Historic ties and common tastes in foods strengthen their position. As a neighbor and treaty partner in economic cooperation, New Zealand is the leading supplier in Australia's imported food market.

Brands manufactured in Australia, including a number of popular U.S. brands such as Mars and Gatorade, may enjoy an advantage over imports because of consumer familiarity with these brands. In addition, advertising campaigns sometimes capitalize on loyalty to locally produced products.

Of course, prices also influence a consumer's purchasing decisions, so exchange rates can be friend or foe to U.S. exporters. The current strength of the U.S. dollar relative to the Australian dollar adds to the challenge of maintaining competitive prices for many U.S. food products.

U.S. Consumer Food Exports to Australia Scored Steady Gains Through Most of Last 8 Years

\$ Million



Making the Sale: Best Bets on How, When and Where

For an exporter with truly global ambitions, missing a market may be an oversight. Missing a continent seems like downright carelessness. Australia is the world's only country occupying an entire continent.

It also has one of the most urbanized populations among developed countries. More than 85 percent of Australians live in large cities along the coast or in towns within 100 miles of the ocean. So, despite the small population and large land mass, the consumers aren't hard to find.

Here are a few tips, insights and information sources on getting products into the market and onto the consumer's table:

- Australian consumers have sophisticated tastes and are receptive to new-to-market products. At the same time, the increasingly diverse, multicultural population is opening more opportunities for ethnic foods.
- Because of their central role in servicing retail and other buyers, agents/distributors are often the best bet for exporters of consumer-ready foods. More than 90 percent of imported retail foods are distributed through agents/distributors, who can target specific food category managers at leading wholesalers and supermarket chains.
- Innovative packaging earns an advantage in this market.
- Exporters of unique and innovative products may benefit by joining forces with an established Australian company to manufacture under license.
- Most major Australian importers visit the United States at least once a year to check on product trends and place orders.
- Advertising pays, and product launches for supermarkets are popular and effective. Prizes, competitions, value-packs and in-store demonstrations work well for introducing new products, especially when coupled with advertising in major industry magazines and general media.
- Australians tend to take their annual vacations in December and January, combining Christmas and New Year's celebrations with the summer school vacation period. Business slows down, and appointments may be difficult to schedule.
- The joint Food Standards Code for Australia and New Zealand is on the Web at: www.foodstandards.gov.au
- Import regulations can be found in the FAS Food and Agricultural Import Regulations and Standards (FAIRS) report on Australia. Go to the FAS Web site at www.fas.usda.gov, select **Export Programs**, then **FAIRS** and then **Australia**.
- In December 2001, strict labeling requirements went into effect for genetically modified foods (where the introduced DNA or protein is present in the final product).
- Fine Food, a large food and drink (also supermarket, hotel, restaurant and equipment) exhibition, is Australia's leading international food show. It's held each year, alternating between Sydney and Melbourne. The 2003 show will be held September 9-12 in Sydney. See the exhibition Web site at: www.foodaustralia.com.au
- Population too small for your ambitions? Sink an anchor into the Australian market, and you may find a solid and convenient base for expansion into Southeast Asia.

The U.S. market share of Australia's total consumer food imports by value was estimated at 18 percent in 2001. This was second only to New Zealand, with a 32-percent market share.

Just Like Home, Convenience Sells

Convenience, perceived health or dietary benefits and strong flavors are three themes that help sell products in this market. Among the best export prospects are pasta sauces, fresh and ready-to-serve soups, Asian-style noodles, premium spices, confectionery products, seafood, sports/energy drinks and frozen meals.

Pasta sauces make up one of the fastest growing categories in supermarket sales, providing consumers with a key ingredi-

ent for a fast, easy-to-prepare, flavorful meal. Fresh and ready-to-serve soups continue to gain in popularity as consumers seek a convenient, low-fat product with a homemade taste. Asian noodles, with a variety of sauces to match, have become hugely popular, and high-quality, whole spices got a strong boost from the introduction of disposable grinders in 2000.

The United States is the market leader in the fast-growing energy/sports drink category. Industry observers suggest that strength in this category is partly a reflection of consumer interest in products that look good, taste good and "do good."

In general, ready-to-eat, ready-to-cook foods have not attained the same level of acceptance that they have in the United

States or Europe, mainly because of the abundance of affordable, high-quality take-out foods. Nevertheless, as people become busier, they increasingly view cooking as a time-consuming chore, so this is one area where opportunities are expanding. Among frozen meals, new varieties that emphasize nutritional value are often perceived to be healthier than takeout foods.

Other growth prospects include hot beverages, such as herbal teas, and chilled, frozen and canned seafood. In recent years, the United States has ranked as Australia's third- or fourth-largest supplier, by value, of imported fish and seafood products.

The majority of Australians are stay-at-homes when it comes to evening meals, although nearly 30 percent of consumers—

EXPORTERS ACTIVE IN THIS MARKET FIND THAT NEW OPPORTUNITIES EMERGE WITH SOME REGULARITY.

with younger age groups heavily represented—eat at least two evening meals per week away from home. Overall, according to a 2001 survey, 80 percent of evening meals come from supermarket or grocery store purchases. More than 90 percent of households have microwave ovens.

Big Players Dominate Grocery Sales

Two companies now dominate the Australian grocery sales picture—Woolworths and Coles. Both are national in scope and have been acquiring smaller independent chains to maintain or expand market share. In recent years, these retail

giants have also become their own importers for many foods, bypassing the more traditional importers.

Woolworths has a 38-percent share of the grocery market, and Coles about 28 percent. Each chain has more than 600 stores concentrated in the states of New South Wales, Victoria and Queensland. Metcash is the primary supplier/distributor to independent chains, controlling about 12 percent of the grocery market. It has a virtual monopoly on wholesale deliveries to independents on Australia's east coast and also runs its own chain of Jewell stores.

While their numbers remain very small

compared with the major chains, more organic supermarkets have opened up in the last few years, particularly in northern New South Wales and Queensland. For essentials and snack foods, gas mart convenience stores play a significant and growing role in the retail market.

Major supermarkets generally offer a variety of products and services in addition to frozen and dry grocery products. These include fresh fruit and vegetable sections, prepared salads and pasta meals, bakery products, fresh seafood, large dairy cases with gourmet cheeses and delicatessen products.





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Home shopping for food and groceries through the Internet is rapidly expanding. Australia reportedly has the highest level of home shopping in the world, with 14 percent of the population participating. Woolworths offers online grocery shopping in parts of Sydney, Canberra and Melbourne, and Coles offers this service in Sydney and Melbourne.

Exporters active in this market find that new opportunities emerge with some regularity. In July this year, California table grapes began arriving in Australia after a decade of negotiations over a phytosanitary ban.

On a much broader front, the United

States and Australia recently agreed to pursue a free trade agreement to expand market access and address phytosanitary and other trade barriers. For U.S. exporters, such an agreement could add significantly to the wide variety of U.S. foods that have already found a place at the Australian table.

If you've pictured Australia as a vacation destination but not as a prospective market, chew on this: The land of kangaroos, koalas and crocodiles is also the habitat for 19 million generally affluent, educated, urbanized, English-speaking consumers with a hearty appetite for imported, value-added foods. ■

For questions or additional information, contact Lindy Crothers, agricultural marketing assistant with the FAS Office of Agricultural Affairs, U.S. Embassy, Canberra, Australia. Tel.: (011-61-2) 6214-5854; Fax: (011-61-2) 6273-1656; E-mail: fas@optusnet.com.au

For additional information, see FAS Reports AS2027, AS1039, AS1030, AS1024 and AS1023. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



The Scoop on Navigating Guatemalan Customs

By *Daniel Orellana*

U.S. agricultural exports to Guatemala have been increasing steadily, up 26 percent from calendar years 1997 to 2001, when they reached \$300 million.

The 12 million people who live in this Central American country with ports on the Pacific and Gulf of Mexico are also buying more consumer-oriented products. During this five-year span, U.S. consumer-oriented exports to Guatemala almost doubled to reach a record \$102 million, surpassing both bulk and intermediate exports in calendar 2001.

Some good news for exporters—in 2000, copyright legislation was enacted that protects brands and trademarks registered thereafter in Guatemala. The country's automated electronic customs clearance system, introduced in 2001, has also created more transparency in import procedures.

This up-and-coming market has certain requirements that need to be understood by U.S. exporters to expedite sales. The first order of business is to find a reputable, experienced importer. If you already export to Guatemala, you are familiar with the two regulatory agencies that manage most of the country's imports—the Ministry of Health's Registration and Control of Medicines and Foods (Food Control) section and the Ministry of Agriculture's Norms and Regulations section.

Food Control upholds the food product norms set by Guatemala's Ministry of Economy's Commission of Standards. Norms and Regulations issues import licenses.



Recent legislation has led to some changes in the way imports are handled. The following requirements outline the steps and documents needed for smooth processing through customs in Guatemala.

Paper Trail Begins at Customs

All imported foods of animal or vegetable origin must be accompanied by the following documents:

- Sanitary and/or phytosanitary certificate
- Certificate of origin
- Commercial invoice
- Free sale certificate
- Bill of lading

Labeling in Spanish, Por Favor

Though the requirement for Spanish on labeling hasn't been enforced, it is recommended that exporters comply with this law to assure an easy exodus through customs now and in the future. Stickers in Spanish applied to original packaging are also acceptable.

Bulk-packed food products do not require labeling, unless sold at retail as individual units. Nutritional labeling is not required, but expiration dates are. However, almost all products now have nutritional information.

Labels must have the following information:

- Product description
- Product name
- Net weight or volume
- List of ingredients and additives by percentage
- Name, address and telephone number of Guatemalan distributor
- Food registration number along with sanitary license number
- Expiration date
- "Keep frozen" or "form of preparation," if applicable

- Packing list
- If a high-risk product (e.g., meats, dairy products, eggs and poultry), a microbiological certificate
- Sanitary registration number for packaged products

Import certificates are secured from these agencies:

- All products of plant or animal origin must be inspected by Norms and Regulations.
- For processed foods, signoff and stamp from Control de Alimentos is required.
- Once approval is secured from one of the above entities, inspection by the regional inspection entity in Central America is required.

After the import certificate is issued, the importer pays duties and usually picks up the items; however, a "red light" can require additional reviews of documentation and container contents. Number discrep-

ancies among the various import documents are the main culprits in these delays.

Packaged Goods Need Registration

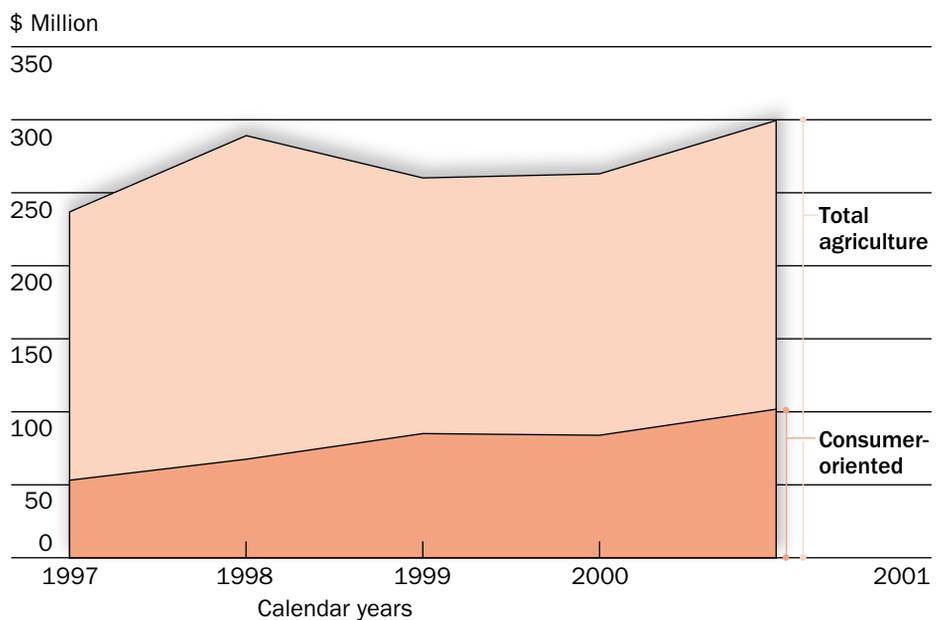
Though unprocessed foods, raw materials and food additives do not require registration, each packaged product must secure a registration number from Food Control, good for five years. The registration and the required laboratory analysis cost about \$150.

The importer or a Guatemalan legal representative must initiate the registration process, which takes about six weeks. What is needed to complete the registration process?

- Application
- Certificate of free sale
- Receipt for payment of the lab analysis at the National Laboratory
- Samples
- Example of label
- Spanish translations of all paperwork

2001 U.S. Exports to Guatemala Reach Record \$300 Million

Consumer-Oriented Sales Account for One-Third



Codex for Additives, Pesticides

Though additives approved by Codex Alimentarius were used in creating the originally approved additives, Guatemala goes through a six-month approval process for additions even if approved by Codex.

Guatemala also keeps a list of prohibited pesticides, based on similar lists maintained by Codex, the U.S. Environmental Protection Agency and the United Nations Food and Agriculture Organization. And Guatemala has adopted Codex tolerance level standards.

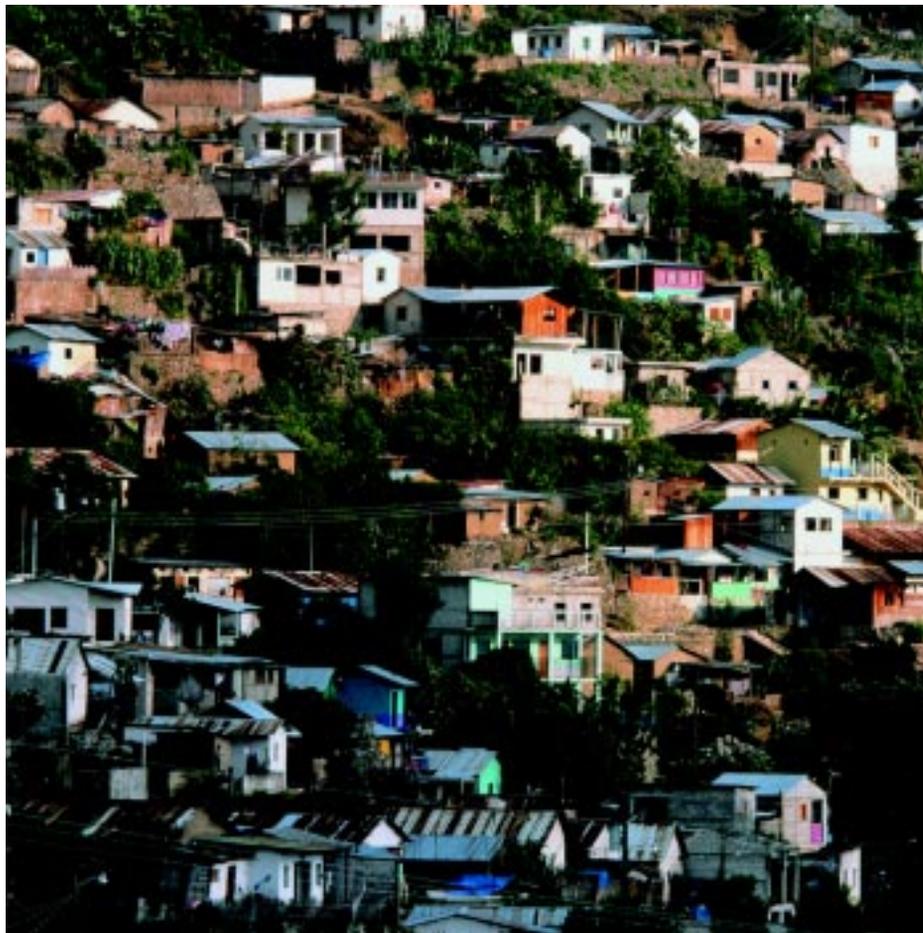
To assure the wholesomeness of packaged products, further inspections may be conducted at the point of entry, and at wholesale and retail levels.

The United States does have an agreement with Guatemala allowing samples used for exhibitions, special events and promotions to bypass the lengthy registration process. Permission must be obtained from Food Control to bring samples into the country. A free sale certificate is needed and samples cannot be over 2 kilograms per product (although weight exceptions are allowed in some instances).

Sanitary Import Certificate Process

All products of plant or animal origin are required by law to have sanitary import certificates from the technical director of Sanitary Inspection and Control of Food Products. To secure an import certificate, an exporter must submit an application plus this paperwork:

- Articles of incorporation and registration certificate of business of importer
- Official appointment document naming legal representative
- Commercial license
- Sales tax collection permit



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- Import and export licenses from the Bank of Guatemala
- Appointment of veterinarian as regent (professional technically responsible for product wholesomeness), acceptance by veterinarian and statement from veterinarian verifying sanitary conditions of product storage area

The regulations require a visit by a Guatemalan official to ascertain the imported product's sanitary condition, but this requirement has not yet been enforced. Also required are an inspection of the local storage warehouse prior to the first shipment and an environmental impact study, if the product is to be used in a processing plant. ■

The author is an agricultural marketing specialist with the FAS Office of Agricultural Affairs, U.S. Embassy, Guatemala City, Guatemala. For lists of government contacts and importers who can help with the import process or for other information, contact that office at: Tél.: (011-502) 332-4030; Fax: (011-502) 331-8293; E-mail: agatt@guate.net

For details, see FAS Report GT2016. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Bosnia-Herzegovina: Beginning Anew

By *Sanela Stanojic*

Bosnia-Herzegovina now imports around 60 percent of its food needs. Almost all its food-producing capability was destroyed by the war that lasted from 1992 to 1995, and that also disrupted the supply of raw materials and the functioning of sales channels.

So it's no surprise that investment is the priority not only for agriculture, but also for the industrial sector. Outdated, inefficient facilities need to be brought up to standards acceptable to trading partners.

The dual governments of the country, charged with administering internal matters since 1995, are the Bosnian/Croat Federation of Bosnia and Herzegovina (Federation) and the Bosnian Serb-led Republika Srpska (RS).

The creation of a single economic entity is needed to regenerate the Bosnian economy, to help transform it into a market economy and integrate it into European and world trade. Once a workable market economy is in place, there will be many opportunities for investment and new sales.

In general, the food industry is still too small and inefficient to compete with large foreign industries. Domestic food production meets only about 30-35 percent of total needs.

Two Economies Still Distinct

Significant barriers to trade and foreign investment must be overcome. Laws and regulations regarding competition, public procurement, financial services and other essential services are still weak.



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The transformation to a market economy has been sluggish—privatization efforts have been successful mainly for small and medium-sized businesses. Larger industries, which employ 30-45 percent of the labor force, have tended to remain state enterprises.

First Steps

Despite these challenges, once the dust settles following phase-out of food aid and other humanitarian programs to Bosnia-Herzegovina, opportunities will rapidly emerge for U.S. exporters.

In contrast to the usual pattern in developing markets, where early demand is typically for bulk and intermediate products, it is U.S. consumer-oriented products that are apt to be the starting point here.

There is already a small but growing market for value-added products that will increase as the economy improves. The expatriate community, mostly around Sarajevo, buys high-value consumer foods.

A degree of stability has been achieved via International Monetary Fund programs with the introduction of a central bank and

the creation of a single currency (the marka) linked to the euro. Also, food import tariffs are low compared to other countries in the region, and inflation has remained a relatively low 4 percent per year.

The first item of business for a U.S. exporter is to find a distributor. Because of the lack of harmonization between the two governing entities, it may be necessary to find one for each part of the country. Distributors are usually wholesalers that also provide transportation, storage, market information, financing and some insurance.

The imported food products with the biggest sales in 2001 were bottled mineral water and carbonated and noncarbonated beverages; alcoholic beverages; milk and other dairy items; and meats and meat products.

Import procedures are generally the same for the two government entities:

- Prior approval is needed for imports of live animals and products of animal origin. These import permits are processed at the veterinary departments of the respective Ministries of Agriculture.
- Food products must be accompanied



with standard documents (translated into Bosnian) and health certificates, and are subject to veterinary and phytosanitary inspections.

- All food is visually inspected for sanitary wholesomeness, and samples are taken for laboratory tests prior to customs clearance.
- Market inspectors at the customs point issue quality certificates.

Typical Fare

Bosnia-Herzegovina has a population of 3.7 million, and the average household is made up of 3.6 people. Just over 1 in 10 households is headed by a single parent. The population growth rate was about 3.6 percent in 2000.

There are no official statistics for consumption patterns, but it is estimated that a four-person family spends about \$2,400 a year on basic food products. With the average monthly income less than \$200, and unemployment around 40 percent, many still have limited funds to buy food.

For those with the means, consumption of beef and veal is higher than poultry, pork or lamb. Pork consumption is much higher in the RS than in the heavily Muslim Federation. Other buying preferences

include:

- Nonperishables tend to be purchased in bulk at supermarkets once or twice monthly.
- Pork consumption is higher in the RS than in the largely Muslim Federation.
- Typical meals consist of red meat or poultry, potato and another vegetable. Rice is eaten often; apples are the favorite fruit.
- Demand is low for organic foods.
- Freshness is a priority.
- Frozen and ready-to-eat foods are considered overpriced.

Food Sectors

In general, small retailers are losing out to large wholesalers with developed retail operations, such as the Bosnian-owned VF Commerce, Slovenian Mercator and French Interex. These centers have a wide variety of product choices with good service, often with restaurants. In-store promotions are popular—tastings, small gifts for certain purchases and discounts for loyal customers.

The hotel, restaurant and institutional sector prepares meals instead of using catering services. Businesses tend to buy ingredients from many suppliers.

Fast-food restaurants have not gained a foothold yet.

Trade Shows Ease Access

Trade events and fairs are probably the best way for prospective exporters to market products and to locate partners and distributors. These trade events are held throughout the country, with the Sarajevo Agrifood and the Banja Luka food and beverage fairs the most notable.

Television, radio and newspapers are the leading advertising media. In-store promotions and informal gatherings are often used for product presentations.

Dual Governments New to Job

U.S. exporters need to be aware of the role of the dual governments set up by the Dayton Agreement of 1995. The Federation and the RS are charged with overseeing internal functions within their respective jurisdictions.

While the national multi-ethnic and democratic central government is charged with conducting foreign, economic and fiscal policy, these second-tier dual governments play a more immediate role in the future of trade for the country, since their unity is needed to provide a climate conducive to trade.

Despite separate jurisdictions and differing trade regimes, the governments have found a meeting point: an active campaign for World Trade Organization (WTO) membership. Their foreign trade memorandum, which begins the process toward accession, was recently submitted to the WTO.

Several larger U.S. companies such as Coca-Cola, Wrigley, Kraft and Sara Lee have found niche markets and developed good distribution channels. ■

The author is an agricultural specialist with the Office of Agricultural Affairs in the U.S. Embassy, Sarajevo, Bosnia-Herzegovina. Tl.: (011) (387-33) 44-5700; Fax: (011) (387-33) 21-2692; E-mail: AgSarajevo@fas.usda.gov

For details, see FAS Report BK2005. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Turkey Is Hungry for U.S. Oilseeds and Products

By Robert Hanson and Ibrahim Sirtioğlu

Despite recent economic woes, Turkey's imports of U.S. oilseeds and products had already reached a record level through the first 11 months of fiscal 2002. Local oilseed production will be up from last year's drought-reduced level, but growing demand from the crushing, refining and poultry feed industries must be met by imports—and the United States is a key supplier.

Turkey was mired in an economic crisis for most of 2001. Nevertheless, a drought significantly reduced its production and necessitated higher sunflower, corn and soy oil imports. Soybean and soybean meal imports also surged that year, and U.S. exports of these items continued to grow during the first half of 2002.

Turkey is slowly pulling out of its economic slide, and more sophisticated feed and oilseed crushing industries continue to drive the upswing in its demand for oilseeds.

Turkey's Crushing Industry

With 180 plants and a total crushing capacity of over 3 million metric tons per year, Turkey's demand for oilseeds is strong and growing. While a majority of crushing facilities specialize in processing cotton or sunflower seeds, there is continued expansion of soybean processing for varieties of soybean meal, including full-fat soybean meal—key feed ingredients for the poultry industry, which is returning to a growth phase. A recent increase in the tariff on crude sunflower seed oil, bringing all unrefined edible oil import tariffs to 30 percent, should stimulate further growth.

Helping Turkey Serve Its Customers

Turkey's total vegetable oil production capacity is 3 million tons, 2.5 million tons of which is used to produce liquid oils, and the remainder to make margarine. The country, located in a position that for centuries has been a trading crossroads, is ideally situated to export its oils to many other countries—and it does. Turkey has many customers in North Africa, the Middle East, Central Asia and the Black Sea region.

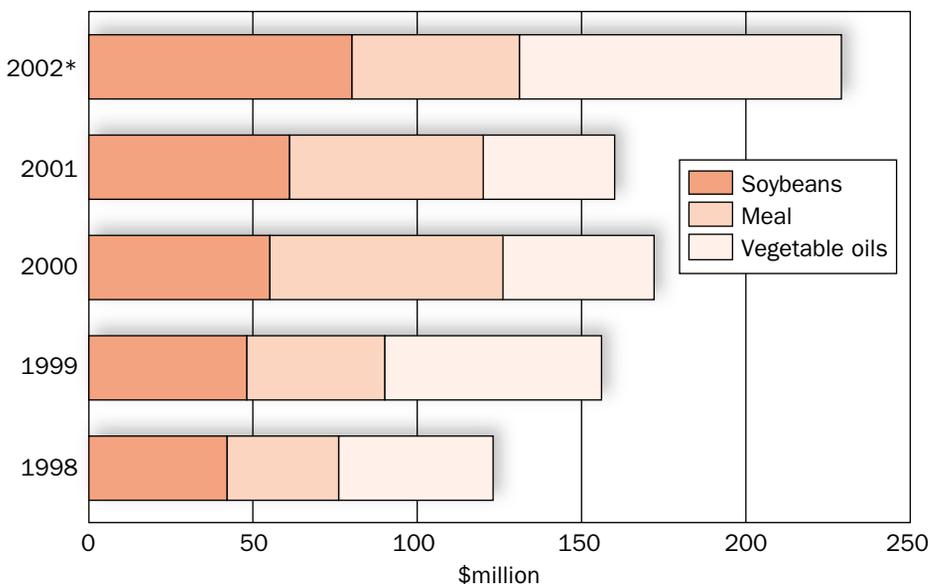
Turkey imports some sunflower seed from the Black Sea region to satisfy the crushing demand for a share of its refined oil exports. Sunflower seed supplies and exports from this region, however, have been inconsistent. To meet the demand, Turkey imports vegetable oil for refining. In 2002, the United States exported over 200,000 metric tons of soy, corn and sunflower oil to Turkey valued at nearly \$100 million.



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In 2002, sunflower production in Turkey and the Black Sea region appears to have rebounded from the previous year's low level. However, the price spread between sunflower and soybean oil has grown significantly and could presage more soybean oil exports for the United States. As usual, the tariff policies of the Government

U.S. Exports of Oilseeds and Products to Turkey Are Expanding, With Sales for the First 11 Months of Fiscal 2002, Surpassing the 2001 Total by More Than 40 Percent



*Through August.

of Turkey will have a big influence on the mix of oilseed and oil imports.

The Power of Poultry

As Turkey's economy recovers, so will its poultry sector. There are indications that poultry production in 2002 reached pre-crisis levels. During 2001, poultry production and consumption of protein meals decreased 15 to 20 percent as the economy contracted. In 2002, it is expected to have rebounded to even higher levels. Before the economic crisis, annual growth rates of 8 percent in the poultry sector were not uncommon.

Meanwhile, other livestock producers are taking interest in soybean meal-based feeds. Turkish dairy and aquaculture industries usually use cottonseed and sunflower seed meals. Some of these operations, however, are trying soybean meal now that the poultry sector has found this feed's advan-

tages. Rising numbers of aquaculture farms are also contributing to the increased imports and usage of soybean meal.

USDA and ASA Help Trade Grow

USDA's Export Credit Guarantee Program (GSM-102) facilitates exports of U.S. commodities to buyers who need credit but may not be able to obtain financing without such credit guarantees. As of the end of September 2002, nearly \$225 million in oilseeds and products were registered under GSM-102.

The Supplier Credit Guarantee Program, which guarantees short-term credit extended by U.S. exporters directly to foreign customers, is also well known in Turkey. These programs, combined with competitive prices for U.S. soybeans, are facilitating sales in Turkey's soybean and soybean meal market.

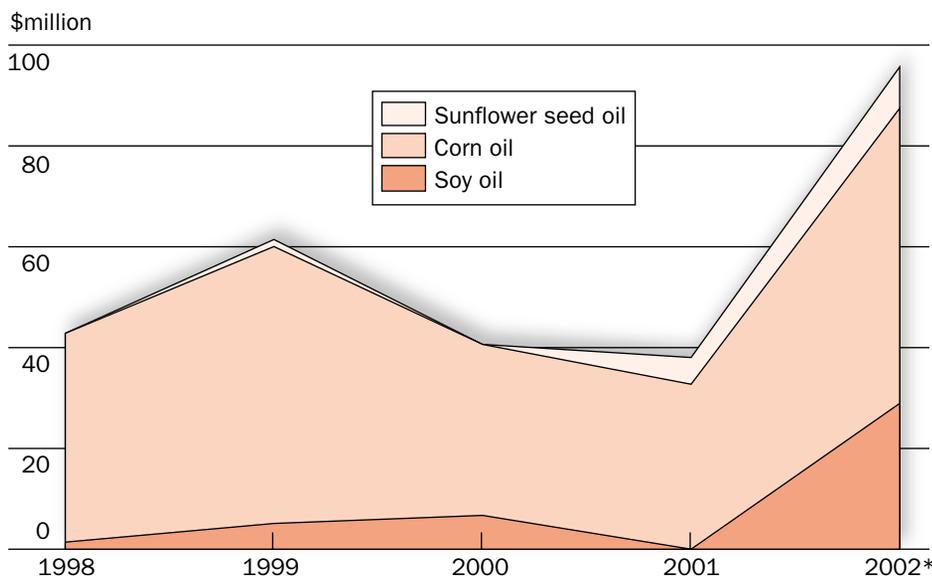
In 1998, the American Soybean Asso-

ciation (ASA) opened a regional office in Istanbul to promote U.S. soy products. With the help of FAS market development funds, ASA assists customers in Turkey on technical and marketing issues. For example, ASA works with poultry producers to demonstrate the benefits of using high-quality, high-protein soybean meal in feed rations. ASA provides poultry producers with assistance on disease control and marketing of their final products. ASA is working with oil crushers to improve the quality of their end products.

ASA has also been effective at promoting non-traditional soy applications in Turkey. For instance, ASA has encouraged the poultry sector to use full-fat soybean meal to produce high-energy, high-protein feeds. ASA also promotes soy food and soy flour consumption in Turkey. It has worked with a local media firm to place articles in trade and consumer magazines to inform end-users about the benefits of soy products.

So, despite a shaky economy and less-than-ideal market conditions, USDA programs and the efforts of ASA are fostering a growing market for U.S. soybeans and products in Turkey. ■

U.S. Vegetable Oil Exports Are Surging Also, With Sales for the First 11 Months of 2002 Exceeding the Previous Year's Total by Over 150 Percent



Robert Hanson is an agricultural attaché and Ibrahim Sirtiolu is an agricultural marketing specialist. For more information or assistance in entering Turkey's oilseed market, contact the U.S. Embassy, Ankara, Turkey at: Tél.: (011-90-312) 455-5555; Fax: (011-90-312) 467-0056; E-mail: AgAnkara@fas.usda.gov

For details, see FAS report TU2015. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



More Russians Are Drinking Wines

By Jeffrey Hesse

There is no question about it: wines are becoming more and more popular with Russian consumers. In 2001, Russia imported 256 million liters of wine, up from a low of 188 million liters in 1999 that was the result of the 1998 economic crisis and ruble devaluation. Wine imports are sure to continue to grow. Domestic wine production fell by 80 percent during an anti-alcohol campaign in the mid-1980s, and has never recovered. Now, with younger, more affluent Russians switching from vodka to other alcoholic beverages, the possibilities of expanding into this market are real.

The challenges include high tariffs, restrictive and/or confusing labeling requirements and lengthy inspection procedures. In addition, Russian consumers are still unaware of the variety, quality and affordability of U.S. wines. Generally, U.S. products enjoy a good reputation with Russian consumers. Effective marketing by U.S. wine producers could build on this favorable perception and have a significant impact on Russian wine preferences.

Market in Its Infancy

The Russian wine market is in its infancy. Only slightly more than 10 percent of Russians drink wine one or more times per week. However, more than 50 percent of all consumers claim to drink wine one or more times per month, and this could bode well for the development of a larger market for U.S. wines.

Overwhelmingly, Russians prefer semi-dry red wine. But this is sure to change as

more people sample different varieties and their tastes diverge.

Currently, the Russian wine market is dominated by low-end wines from Moldova, Georgia and other East European countries, and priced at about \$2.55 per bottle. Such wines account for about 85 percent of the market. Higher priced wines typically come from France, Hungary, Italy and Spain. Meanwhile, Argentina, Australia, Chile, South Africa and the United States are all trying to increase their market shares.

Distribution Channels Key to Market Flows

Distribution is the key to success in the Russian market. The bulk of all wine sales are made through specialized wine stores, kiosks and supermarkets. There are some 50 wine traders who import wine into the Russian Federation. Nearly all have their headquarters in Moscow or St. Petersburg; there are virtually no direct imports to the

other regions of the Russian Federation. Most importers have established trading houses that serve as wholesalers and distributors of their wines. In general, a trading house has two departments—one in charge of distribution to the specialty stores and supermarkets, and the other responsible for supplying the hotel/restaurant business.

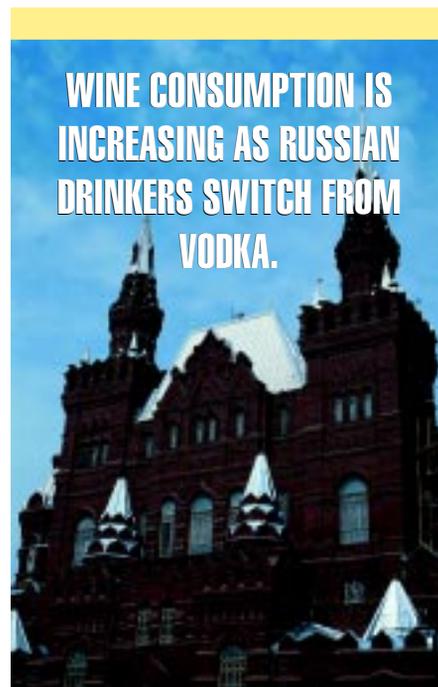
Labeling Requirements

It is essential for U.S. wine exporters to review label and documentation requirements with their Russian importers prior to each shipment. In fact, it is advisable to have Russian customs authorities approve the label before the first shipment.

Labels should be in Russian and must contain the following information:

- Name of the producer
- Legal address of the exporter
- Name of the importer
- Legal address of the importer
- Origin of the product
- Type of the product
- Description of the product
- Date of production
- Date of expiration
- Requirements for storage
- Volume of contents ■

The author is the director of the Agricultural Trade Office at the U.S. Embassy, Moscow, Russia. For more information on the Russian wine market, contact that office at: Tel: (7-095) 728-5560; Fax: (7-095) 728-5069; Email: ATOMoscow@fas.usda.gov



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For details, see FAS Report RS2307. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Pacific Northwest Suppliers: Working To Meet South Korea's Rising Demands for Milling-Quality Wheat

By Joani Dong

South Korea is a vibrant market for milling-quality wheat. According to the Korea Flour Mills Industrial Association (KOFMIA), it is used mostly to make noodles (48 percent of total wheat flour use), bread (13 percent), confectionery products (9 percent) and homemade wheat-based products (8 percent).

In calendar year 2001, South Korea imported 2.4 million metric tons of milling-quality wheat, of which 1.3 million tons or 54.5 percent, valued at about \$178 million, came from the United States. Australia shipped about 1 million tons; Canada accounted for the rest.

U.S. hard red winter wheat is used for noodles, wheat-based products prepared in restaurants and homes, soy sauce and other industrial uses; hard red spring and dark northern spring varieties for bread; and soft white wheat for confectionery products.

Hard wheat contains more protein—and therefore more gluten strength, which is better for bread making because it offers more bite resistance. Soft wheat has less gluten and more starch and therefore a more sticky texture, which is appropriate for confectionery products and Asian noodles (when blended with hard wheat).

Sizing Up the Competition

The United States competes mainly with Australia and, to a lesser extent, with Canada in South Korea's milling-quality wheat market. The United States primarily hopes to wrest market share from Australia by producing the right type of wheat



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for noodles. South Korea sourced all of its wheat from the United States until 1985—when Australia began aggressively promoting its noodle wheat, which fully meets South Korean noodle manufacturers' specifications at a favorable price.

South Korean millers want to be able to extract consistently high levels of flour. Noodle manufacturers want a protein level of about 10.5 percent, good starch characteristics to promote quick cooking, good texture, low ash content (so there's no bitter taste), good color (creamy yellow), color stability (little or no brown discoloration) and brightness.

To make noodle flour from U.S. wheat, hard red winter and soft white varieties are blended to get the desired protein level of 10.5 percent. Hard red winter wheat usually has a protein level of 11-13 percent; soft white of 9-10 percent; and hard red spring typically 14 percent. However, the color of the blended U.S. product is not quite what Koreans want.

By contrast, Koreans don't need to blend Australian wheat, which arrives already segregated and blended to ensure the 10.5 percent protein level.

For making bread and rolls, some bakers and millers prefer Canadian Western red spring wheat, with its gluten characteristics, to U.S. hard red spring or hard red winter varieties.

Meeting the Marketing Challenge

The United States is working on several fronts to satisfy customers in South Korea. In the research arena, breeders are developing wheat to compete with Australia and regain market share, including the noodle market.

In the Pacific Northwest, club, a subclass of soft white, optimal for cake making and with high flour extraction, is often mixed with common soft white wheat to create a blend called Western white. There is also potential to market 100-percent club rather than sell it as a blend, since it has

higher flour extraction, low gluten strength and, for some uses, may be an improvement over the Western white blend. Some straight club shipments have already occurred.

The industry is working on waxy wheat, which consists mostly of a soft wheat that has a starch make-up of 100-percent amylopectin, which speeds up noodle cooking times. (Currently, expensive modified potato starch is normally used to cut the cooking time for cup noodle items.)

Pacific Northwest wheat breeders are also developing the hard white wheat class. Washington State breeders have developed a variety named Macon, which can be used to make bread as well as noodles. The Pacific Northwest wheat industry expects to

be able to produce hard white varieties that can meet particular protein level needs, including the protein specification of 10.5 percent for noodles, although so far several factors have constrained production.

Farmers have been reluctant to grow such wheat unless they are assured of a profitable, reliable market. On the other hand, prices must be affordable enough to entice South Koreans to try a different wheat class. Elevators and exporters, meanwhile, want to avoid offering premiums, while millers need to know that U.S. hard white wheat varieties will meet their needs and consumer preferences.

For crop years 2003-05, the Farm Security and Rural Investment Act provides

\$20 million in incentives to encourage U.S. production of hard white wheat meeting certain quality specifications; details of the provision are still being worked out. The Export Credit Guarantee Program (GSM-102) for fiscal 2003 has allocated \$180 million in guarantees to encourage wheat exports to Korean buyers who need credit but may not be able to obtain financing without credit guarantees.

The U.S. Wheat Associates, a participant in USDA's Market Access Program, has also undertaken activities to promote U.S. wheat sales, including:

- financing travel of South Korean trade teams to the United States
- collaborating with the Wheat Market-



Taking Stock of South Korea's Top Three Suppliers of Milling Wheat Imports

Country	Variety	Calendar 2000		Calendar 2001	
		Metric tons	Market share (%)	Metric tons	Market share (%)
United States	Western white/ Soft wheat	611,400	24.4	658,000	27.3
	Hard red winter	327,100	13.1	312,800	13.0
	Dark northern spring	390,700	15.6	342,400	14.2
Subtotal		1,329,200	53.1	1,313,200	54.5
Australia	Australian soft	117,900	4.7	22,900	0.9
	Australian standard white	814,100	32.5	825,600	34.3
	Australian hard	103,700	4.1	108,000	4.5
Subtotal		1,035,700	41.3	956,500	39.7
Canada	Canadian Western red spring	140,200	5.6	140,400	5.8
Grand total		2,505,100	100	2,410,100	100

Source: Korea Flour Mills Industrial Association.



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ing Center, a public/private, nonprofit corporation in Portland, OR, that conducts training and research on making Asian bread and noodles using U.S. wheat

- supporting travel of U.S. technical experts to South Korea
- emphasizing the importance of writing contract specifications that help South Korean processors source the types of wheat they need

In addition to these efforts, U.S. plant breeders and milling experts need to spend time in South Korea to fully understand the market and its technical requirements, and to relay this information back to the farmer and exporter.

Growing Concerns

In July 2002, import directors from the Daehan, Cheiljedang, Dongah and Shinhan flour mills (representing about 76 percent of South Korea's total milling capacity) trav-

eled through the states of Montana, Washington and Oregon. They emphasized that South Korea would not permit importation of wheat derived from biotechnology and expressed concerns about weed seeds in grain shipments.

The import directors encouraged the wheat industry to continue its collaboration, communication and technical exchanges with the Korean flour milling industry.

From U.S. Farmer to Korean Retailer

Wheat produced in the Pacific Northwest is generally shipped to the Columbia River export terminal, where it is examined by a federal or state grain inspector to ensure that it meets contract specifications for quantity and quality—i.e., weight, grade, moisture, dockage (waste content), and optional factors such as protein, aflatoxin and vomitoxin levels and falling number

(an indicator of wheat soundness—the higher the score, the better the wheat for bread making). U.S. wheat is usually transported to South Korea on handymax vessels (with a capacity of 20,000–40,000 tons), but Korean ports can also handle panamax-size vessels (50,000–70,000 tons).

South Korea's eight private mills may issue requests for bids to purchase roughly three months before wheat is needed. The mill then selects one of the 15 trading companies registered to KOFMIA to contract for the wheat, generally on the basis of the lowest price that meets contract specifications. ■

The author is an agricultural economist with FAS' Grain and Feed Division. Tel.: (202) 720-1135; Fax: (202) 720-0340; E-mail: Joani.Dong@usda.gov

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Darlene Maginnis or Marilyn Bailey

U.S. Embassy, Ottawa, Canada

Tel.: (613) 688-5267; Fax: (613) 688-3124

E-mail: maginnisd@fas.usda.gov

E-mail: baileym@usda-canada.com

Teresina Chin

FAS Trade Show Office, Washington, DC

Tel.: (202) 720-9423

Fax: (202) 690-4374

E-mail: Teresina.Chin@usda.gov

For more information on the Canadian/International Food & Beverage Show, visit the show organizer, the Canadian Restaurant & Foodservice Association, at: www.fbshow.com



Agricultural Outlook Forum 2003



Arlington, Virginia
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A photograph of a vast agricultural field with rows of young green plants stretching towards a farm with several buildings under a clear sky.

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USDA and National Restaurant Association Team Up

USDA and the National Restaurant Association are working together to expand exports of U.S. food products. The hotel, restaurant and institutional food sector is experiencing rapid growth in many countries. Under a new agreement, FAS and the association have identified potential areas in which to work together, such as promoting participation in trade shows and trade missions, educating potential exporters about the opportunities in various export markets, identifying and reducing trade barriers for U.S. products and researching overseas markets. The National Restaurant Association's 52,000 member companies represent more than 254,000 restaurant establishments. For more information on the agreement between FAS and the National Restaurant Association, contact Mark Smith, FAS AgExport Services Division, at: Tel.: (202) 690-2494.

U.S. Wood Exports to Middle East Stable

U.S. wood product exports to the Middle East region remain stable. Total U.S. exports of agricultural and industrial goods to the region have dropped 13 percent since January 2002, and sales of certain high-profile American products have fallen further. However, U.S. wood product exports to the Middle East grew 22.5 percent during the first six months of 2002 compared with the same period of 2001. U.S. exporters shipped more than \$37 million worth of solid wood products to the Middle East from January to June 2002, compared with \$31 million during the first six months of 2001.

U.S. Pear Exports Hit Record

During the 2001/02 marketing season (July-June), the United States exported more than 170,000 tons of pears, valued at \$98 million, setting records. Mexico, with nearly half of purchases, remained the top destination for U.S. pears, even though levels were down slightly from the previous year. Shipments to Canada, the second-largest buyer of U.S. pears, totaled 50,000 tons, for \$34 million or 35 percent of the value exported. Combined, Mexico and Canada accounted for three-quarters of the volume and 80 percent of the value of U.S. pear shipments abroad. Exports are vital to the success of the U.S. pear industry, generating a significant and growing share of pear producers' income. Ample supplies of good-quality, fresh pears, along with the diversion of more processing pears into the fresh market and continued promotional efforts, have kept U.S. pear exports strong.

USDA Launches Production, Supply and Demand (PSD) Database Site

A new online database Web site provides current and historical USDA data on production, supply and distribution of agricultural commodities for the United States and key producing and consuming countries. The PSD online site can be found at: www.fas.usda.gov/psd



Also in This Issue:

- Advice on navigating Guatemalan customs
- The future of U.S. agricultural trade with Bosnia-Herzegovina
- Turkey's big appetite for U.S. oilseeds

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