The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

July 2002

Eastern Europe

- The lay of the land
- Hungary's food processing industry
- Balkan trends in poultry and seafood
- Retailing in the Czech Republic

TRADE SHOW OPPORTUNITY

HEALTH INGREDIENTS

JAPAN 2002

What: Health Ingredients Japan 2002

When: **Oct. 9-11, 2002** (Wednesday-Friday)

Where: Tokyo Big Sight Exhibition Center, Tokyo, Japan

Deadline: **June 20, 2002**

Who Should Attend: U.S. ingredient exporters that have targeted the rapidly expanding health, functional and organic food industries in Japan.

Why: This show attracts key buyers among food manufacturers in Japan and is the leading showcase for new ingredient ideas. More than 42,000 professional buyers of high-quality ingredients from food manufacturers, health institutions and other companies visited the 2001 show. The Japanese market offers significant opportunities for suppliers of innovative and unique ingredients.

The Market: A large proportion of the Japanese population is middle-aged or older. Consumer awareness of the importance of a healthy diet has led to a bourgeoning market for foods perceived as offering specific health or medicinal benefits, and for organic foods. The Japanese market for health foods is estimated at $25 billion, with strong prospects for future growth as more and more food manufacturers use health claims to promote their products.

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U.S. Agricultural Trade in a Changing Eastern Europe

*This issue of **AgExporter** contains several articles focusing on specific aspects of U.S. agricultural trade with East European countries. We begin with an overview of the re gion; what its growing economic integration with Western Europe means for U.S. agri cultural trade in the short and long term; and efforts to develop and maintain these markets for U.S. exports.*

By Jeslyn Kawabata

While the European Union (EU) allows each individual member state to maintain its sovereignty and unique identity, there is a uniform harmonization of some laws and policies among the members. The EU does not erase the politically drawn borders that define these countries. But in trade and economics, the harmonization of policies does soften the lines to provide for goods to flow through the borders of fellow members more freely.

The accession process requires countries to harmonize myriad complex and sensitive issues and policies across all sectors with those of the EU. Agriculture is no exception, and the acceding countries of Central and Eastern Europe (CEE) are required to amend their policies in a number of areas, such sanitary and phytosanitary measures, market and price supports, and animal welfare and rural development, just to name a few.

How will the harmonization changes help or hinder the flow of U.S. agricultural trade into CEE markets? What tariffs and technical barriers to trade will U.S. exports face?

Propelling EU Expansion Eastward

The trade bloc that eventually became the EU got its start in 1951, when the six founding countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) banded together to form the Common Market. Fifty years and four accession waves later, the EU has grown to 15 member states. At the end of the next accession wave, the EU will include many CEE countries.


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The Czech Republic, Estonia, Hungary, Poland and Slovenia began negotiating for EU membership in March 1998. In February 2000, the EU officially launched negotiations with Bulgaria, Latvia, Lithuania, Romania and Slovakia.

These negotiations include agreements called Association Agreements (also known as the Europe Agreements) that establish a timeline and structure for the changes candidate countries must implement, thereby helping to ensure a smooth transition into the EU.

The Zero for Zero Agreements (also known as Double Zero Agreements) abolished tariffs on some agricultural goods between the EU and the candidate countries. For some sensitive products, duty-free treatments still exist, albeit within the restrictions of tariff rate quotas. The final stage will be to finalize the Double Profit Agreements that aim to liberalize virtually all agricultural trade between the EU and acceding countries.

As CEE countries achieve EU membership, U.S. exports would enjoy a general reduction in tariffs, because most tariff rates applied to U.S. agricultural goods are higher in CEE countries than in the EU. Moreover, trade would be governed by stable, predictable and uniform regulations.

However, disadvantages of accession include tighter trade restrictions in some sectors. The United States and EU have longstanding disagreements over sanitary and phytosanitary regulations, biotechnology, growth stimulants and other technical issues. Some U.S. exports will therefore likely face new trade barriers in CEE countries if these issues are not resolved before accession.

The EU: Customer and Competitor

As one of the world's largest agricultural importers and exporters, the EU is a significant market for U.S. producers—and also a formidable competitor. The competition is exacerbated by the fact that the EU participates in numerous nonglobal preferential trade agreements, and over two-thirds of the trade bloc's agricultural imports come from countries with which it has such agreements. The United States is one of only 10 countries with no preferential trade agreement of any kind with the EU.

These agreements have hindered U.S. exports' access not only to the EU, but also to its preferential trade partners. The case of the CEE countries applying for EU membership exemplifies this scenario. Because the association and zero for zero agreements apply exclusively to trade between the EU and the candidate countries, they give the EU a comparative advantage over the United States.

It takes years for most countries to attain EU membership. In fact, although 2004 has been identified as the official target date for concluding the first wave of CEE accessions, many observers think the accessions are unlikely to be completed until 2006—an extended period of uncertainty for U.S. exports.

In the Meantime, Fruitful Negotiations

FAS is negotiating to alleviate the difficulties U.S. exporters would face during the interim period. These negotiations have reduced tariffs for some key agricultural exports from a candidate country's current applied tariff to the EU common external tariff. In some cases, the negotiations have produced increases in duty-free quotas. For those products that will see an increase in tariff rates post accession, FAS and the Office of the U.S. Trade Representative are working on negotiations for compensation.

Poland Agreement: In summer 2001, Poland and the United States reached an agreement that cut tariffs on several U.S. agricultural products: grapefruit (from 15 to 5 percent), almonds (from 16 to between 0 and 5.6 percent, depending on the product) and selected wines (from 30 to 20 percent minimum). Complementing this negotiation package, FAS worked to promote U.S. wine sales to Polish connoisseurs. California wineries have also organized product promotions.

Hungary Agreement: Earlier this year, a similar agreement was reached with Hungary that reduced tariffs for U.S. almonds (from 6.2 to 3.5-5.6 percent), pecans (from 15.5 to 0 percent) and grapefruit (from 28.8 to 2.4 percent). The agreement with Hungary also included increases in duty-free TRQs for baby chicks (from 100,5000 to 281,000 units) and bovine semen (from 34,000 to 165,000 units). Implemented on April 1, 2002, the agreement could boost U.S. agricultural trade in the products under negotiation to $1.2 million per year.

And Elsewhere: The United States and Romania are working on a similar agreement. Tariffs on almond products have been reduced from 25 percent to duty free, and the tariff on wheat gluten has been cut from 14 percent to duty free. Similar discussions with the Czech and Slovak Republics are scheduled for the near future. ■

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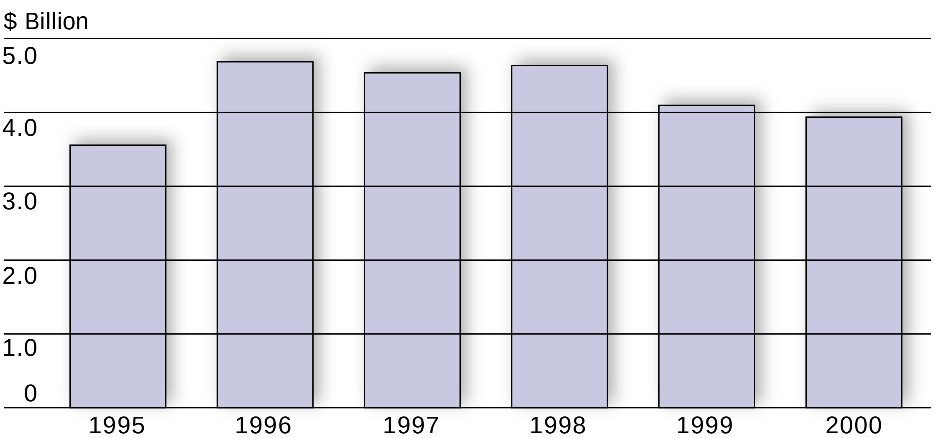
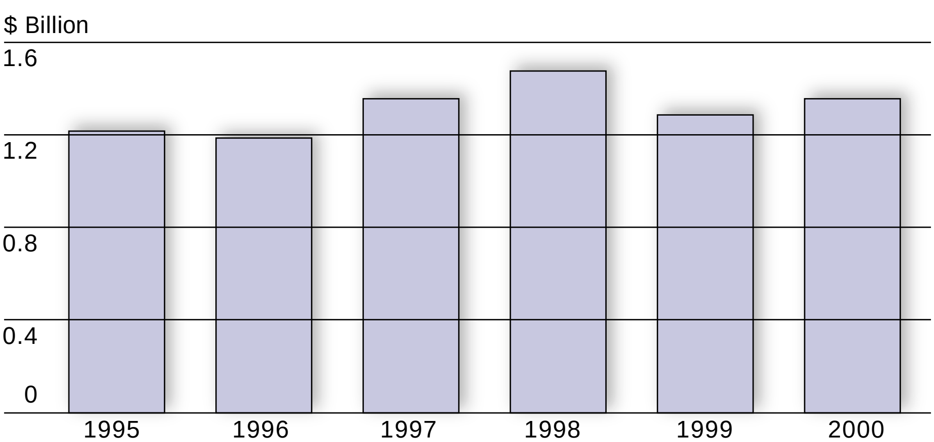
Poland Is a Substantial Market for Agricultural Imports



...And So Is Hungary



Quality U.S. Ingredients Score With Hungary's Food Processing Industry

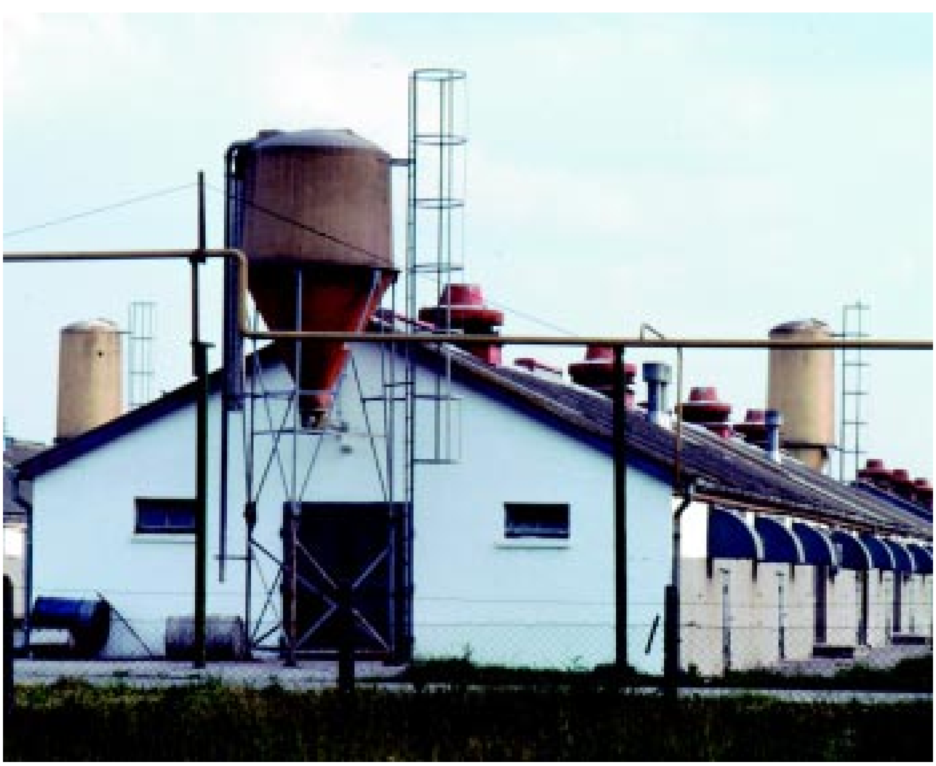
By Ferenc Nemes

Given Hungary's recent history, it is not any surprise that private industry now accounts for 80 percent of its gross domestic product. Hungary began shifting toward multi-party democracy and a market-oriented economy before the collapse of the Soviet Union in 1991. Since then, Hungary has pursued close political and economic ties to Western Europe. Hungary joined the North Atlantic Treaty Organization in 1999 and is on the short list for European Union (EU) membership.

The country's food and beverage industry sector reflects a flourishing economy. For U.S. exporters, this developing food sector translates to a market that needs a continuous flow of raw, intermediate and other materials to maintain its momentum. Baking ingredients, confectionery, dairy products and out-of-season produce are in demand from the United States.

In Hungary, large multinational companies dominate the sweetener, sugar, brewing, soft-drink, vegetable oil and tobacco industries, while smaller domestic companies tend to concentrate in the meat, poultry, dairy processing and canning subsectors.

Relatively few large companies account for 67 percent of the food sector's output. Conversely, 90 percent of the country's 8,300 processors employ 10 or fewer people and account for the remaining output. Regardless of size, the companies need a range of ingredients such as almonds, raisins, pork, tobacco and fish.



USDA/FAS

Gaining Entrance

All food imports, excluding fresh produce, must be registered and approved by the Hungarian food testing institute (OETI). Testing for approval, which usually takes 30 days, must be completed before the product is allowed on the market. Registration costs about $560 per product.

If the imported product meets Hungarian food regulations, it receives an OETI number that allows the product to be marketed for three years. After that time, the product must be re-tested and issued a new number.

Another barrier for U.S. exports is the relatively high import tariffs vs. the preferential tariffs given to a number of Hungary's free-trade partners. For example, sales of California wines and Florida grapefruit have been restricted by these high import tariffs.

There is light at the end of the tunnel, however. On Jan. 30, 2002, the United States and Hungary signed off on trade concessions in which Hungary will reduce or suspend $180 million yearly in tariffs on key U.S. agricultural and industrial exports.

New animal health regulations and the content rules for products derived from biotechnology may jeopardize imports of products containing soybean protein, as well as pet food and pet food ingredients.

The main competition for U.S. products comes from Germany, the Netherlands, Austria and Italy and, except for fruits and vegetables, neighboring countries such as Poland and Slovakia.

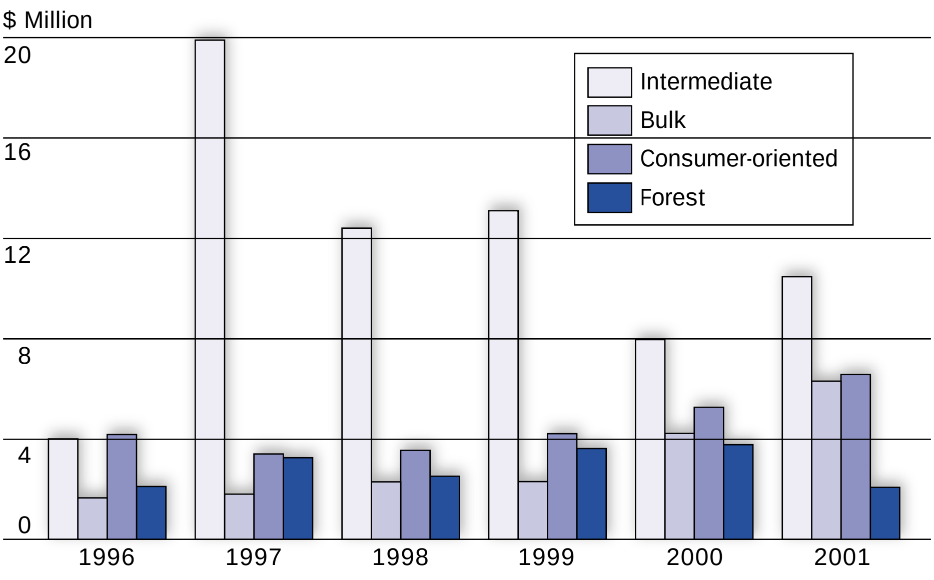
Size Determines Method of Sourcing

Basically, the Hungarian import industry uses three channels to reach the customer:

- Direct imports, usually by large, multinational firms
- Imports from other European importers

HUNGARY'S EXPORTS AND DISPOSABLE INCOME ARE INCREASING.

Ingredients Lead U.S. Exports to Hungary



- Shipments via local importer brokers or agents

Since bigger and multinational firms usually source their own ingredients, U.S. exporters should contact them directly. Smaller companies tend to work with import agents or importers.

Due to Hungary's size (it is slightly smaller than Indiana), processors buy directly from the importer, bypassing any middle distributor. Major supermarkets and hypermarkets buy directly from processors or through their own purchasing companies. They frequently outsource for both name-brand and store-brand products. Cash-and-carry companies often substitute as wholesalers in supplying smaller retailers and institutions.

There is a small but growing food service sector. Companies in this sector specialize in supplying the hotel, restaurant and institutional (HRI) market. In addition to their importer and distributor functions, they also often produce semi-processed and finished foods.

Most processors who sell to HRI customers deliver directly to their major purchasers, while wholesalers, cash-and-carry warehouses and club stores handle smaller accounts.

It is vital for exporters to promote a new product through visits to processors or educational seminars. Targeting receptive groups is helpful. Buyers who understand the quality standards, grades and different uses for U.S. ingredients will be more receptive to trying new products.

Population Down, Food Business Up

Though Hungary's population is slowly decreasing, continued growth in the food processing sector is expected, because exports and disposable income are increasing.

U.S. exporters should keep an eye out for value-added export opportunities as Hungary's economy develops. Only a few processed foods are being imported at this time. Hungarians don't eat out regularly, but lifestyle changes are leading to greater demand for convenience foods. A growing number of health-conscious people are eating more salads, breakfast cereals, seafood and low-fat items.

Hungarian consumers who do dine out are becoming increasingly receptive to Chinese, Mexican, Tex-Mex, Mediterranean and other foreign cuisines.

In the functional food category, vitamin-enriched products are now available at upscale supermarkets. Selenium and iodine supplements are used in salt, bread and beverages. Multivitamin, trace element and instant drinks are also popular.

Not Hungry for Organics, Yet

Hungry exported $8.2 million worth of organic crops (grains, pumpkin seed, millet, herbs and spices, paprika, frozen fruit, fruit preserves and wines) in 2001. Thus far, few Hungarians are interested in the perceived benefits of consuming organic products, and no U.S. certifier or supplier is registered in Hungary.

Hungary's Biokultura Association deals with the organization of activities, education, professional training, development and promotion of organic production.

Biokontroll Hungaria Kozhasznu Tarsasag (Biokontroll Kht.) inspects and certifies most organic producers and products in Hungary. Biokontroll Kht. designates a public-use company akin to a U.S. nonprofit organization. Certifications by foreign organizations may be valid if their organic standards meet those of Hungary and if they are registered with the Ministry of Agriculture and Biokontroll Kht.

Organic imports have a simple approval process if the product is certified by an EU certifying organization or by an EU-approved third country organization. The United States is not on this list.

Once an organic market develops, suppliers would need to export products via a Hungarian importer that is a member of the Biokultura Association and is registered by Biokontroll Kht.

Continued Growth Expected

Hungary has a competitive, export-oriented food processing sector, based on several factors:

- Food processing is becoming more specialized and concentrated in Hungary and surrounding countries.
- High export subsidies from the EU aid the export sector.
- Preferential trade agreements with several countries support trade.
- Increasing presence of large, multinational food processing companies enhance Hungary's competitiveness.

In addition, the volume of agricultural and food imports increased by 50 percent over the last 10 years, and is expected to continue to grow as consumers want more variety and a continuous supply of seasonal produce.

Feed, Confectionery, Produce Lead Hungary's Imports

Food Processing Industry Subsector	Production Exported (Percent)	Imports (Percent)
Feed milling	23	52
Chocolate, candy & other confectionery	17.2	22.8
Fruits & vegetables	52	12.4
Dairy	15.3	6.2
Meat	33.3	5.4
Brewing	0.7	3
Wine	62	2.7
Soft drink	8.2	2.5
Tobacco	Negligible	2
Flour milling	13.5	1.5
Poultry	42.9	0.9

Future May Be More Consumer-Oriented

While the share of bulk and intermediate products, as a percentage of total imports, is gradually decreasing, imports of consumer-oriented, forest and fishery products are growing.

U.S. products already in the market that will keep having good sales potential include almonds and raisins, because of their high quality. Sales of U.S. peanuts may be enhanced in the long run by demand for better quality.

Other products with good sales potential include alcoholic beverages, pet food and tobacco. Some years, there is a market for pork and edible viscera.

Although the snack and confectionery market categories are dominated by domestic and EU products, U.S. exporters with innovative products and packaging could make headway.

Products with good sales potential not yet present among imports include high-quality U.S. beef and seafood for Hungary's better hotels and restaurants. ■

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Prospects Bright for U.S. Poultry Exports to the Balkans

By Holly Higgins

U.S. POULTRY EXPORTS INCREASED 35% IN FOUR YEARS.

Since 1998, U.S. poultry exports, particularly broiler leg quarters, have increased approximately 35 percent to the Balkans (Albania, Bulgaria, Macedonia, Romania and Yugoslavia), and in the first nine months of 2001 totaled more than $30 million. As this region undergoes recovery from the ravages of war in the 1990s, demand is expected to continue to grow. Already there is significant retail mark-up for poultry in urban markets, indicating strong consumer demand.

Market Constraints

High tariffs throughout the region pose a major constraint to legitimate customs-valued trade. In Bulgaria, for example, a 74-percent tariff on broiler leg quarters has driven a major portion of the international poultry trade into the black market.

Countries in the region also have preferential arrangements that in some cases leave U.S. companies at a competitive disadvantage. The Central European Free Trade Area, composed of Hungary, the Czech Republic, Romania, Bulgaria, Poland, the Slovak Republic and Slovenia, is the major free trade entity in the region. In addition, Bulgaria, Romania and Yugoslavia give preferential tariff breaks, including preferential import and export quotas, to European Union (EU) nations.

The majority of the poultry trade to the region arrives at the port of Thessalonika, Greece and then moves to the Balkans by truck. Most shipments to Romania, however, arrive by truck from

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Hungary. The lack of cold storage on the Black Sea coast has limited direct imports to Romania, Bulgaria and Moldova, although the situation is improving. The Romanian port of Tulcea has new cold storage facilities for frozen poultry. In addition, the Bulgarian port of Burgas is building new cold store warehouses.

And a Golden Opportunity

Despite these trade impediments, the entire region wants U.S. poultry. Not enough is produced locally to meet consumer needs. Hungarian chicken is often sold whole, frozen, while local product is usually consumed fresh packed. Only U.S. suppliers offer multiple products such as frozen leg quarters at competitive prices.

To garner a larger share of the market, U.S. poultry exporters can make their product more competitive in several ways.

Pricing is crucial. While U.S. poultry prices have been generally competitive throughout the region, they fluctuate widely. For example, during 2001 the price ranged from $700 to $1,200 per metric ton. These sharp oscillations, in some cases, prevent U.S. companies from becoming steady suppliers.

U.S. exporters would also benefit from improved packaging. Most U.S. poultry is exported in large bulk cartons (40 lbs.) that are difficult to handle. By contrast, poultry from EU states is packed in smaller boxes or in supermarket-style plastic bags. Improved packaging would enhance the chances of getting U.S. poultry to upscale markets, particularly in Bucharest, Sofia and other large cities throughout the region.

All U.S. poultry exporters shipping to the Balkans need to have dual language labels on individual packages—one in English and one in the language of the destination country. The label should include the product name, the name and address of the exporter and importer, production and expiration date, net weight and storage recommendations.

If U.S. poultry exporters and their local distributors improve their pricing, packaging and labeling, the volume of their products heading to the Balkans should continue to rise. ■

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Croatia Angling for More Seafood

By Andreja Misir

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When tourists visit Croatia with its 5,835 kilometers of gorgeous Adriatic coastline, they might reasonably expect a delicious seafood dinner caught fresh from the sea.

Unfortunately, overfishing in the Adriatic, an inadequate fishing fleet and a lack of infrastructure to transport and process seafood have left Croatia unable to meet the demand that a burgeoning tourist industry has placed on a dwindling supply.

U.S. suppliers have begun stepping into the breach and upped their sales of fish and seafood to Croatia from $85,000 in 2000 to $588,000 in 2001. This amount may seem a drop in the bucket when compared to the $3 billion worth of fish and seafood exported by the United States in 2001, but it is almost 11 percent of the total $5.4 million worth of U.S. agricultural exports to Croatia that year.

Future Catch Limited

While Croatia is still a net exporter of seafood, exports have been declining yearly. A reduced catch by the country's fleet has prompted the Croatian government to take steps to remedy the seafood shortfall and lack of infrastructure in its seafood industry.

Stricter oversight and enforcement of smaller annual quotas for fishermen are expected. Catches for some species and in some areas will be banned altogether.

In contrast to shortages from the sea, past efforts to develop a Croatian fish farming industry led to overproduction of a few species—such as sea bass and sea bream—and sinking prices. The Croatian aquaculture industry wants to introduce new fish and shellfish species that will appeal to consumers and modernize existing facilities that specialize in breeding blue fin tuna, sea bass and sea bream.

Infrastructure Outdated, Underutilized

Seafood collection points for processing and refrigerated transportation are widely dispersed. There are no private warehouses or shipping centers. Also, private companies, though numerous, are not investing in the sector, and the six main seafood processing facilities are working at only 35 percent of capacity.

Investment in Croatia's cold chain and processing infrastructure could enhance future sales.

Prospects for U.S. Exporters

As Croatia's tourism industry grows, its 7-kilogram-per-capita consumption of seafood is expected to increase dramatically and imports will be needed to meet increased demand. Currently, there is a demand for hake, squid (Patagonia and California), grouper, salmon, shark fillets and swordfish fillets. Demand is also developing for convenience and processed fish products for use in both the hotel, restaurant and institutional sector and the retail sector. U.S. seafood suppliers looking for opportunities in Eastern Europe should research this growing market to take advantage of new export opportunities. ■

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For details, see FAS Report HR2002. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Market Potential Strong In the Czech Republic

By Petra Chotěborská

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Strategically located astride some of the oldest and most significant land routes in Europe, the Czech Republic is one of the most stable and prosperous of the former Communist states. Its central location makes it an excellent hub for product shipments to Hungary, Poland, Slovakia, Slovenia, Bulgaria, Romania and Russia.

The government is preparing to join the European Union (EU) in 2004 and is harmonizing Czech laws and standards to meet EU requirements. At the same time, the nation is busily upgrading its telecommunications and transportation infrastructure. Projects include modernization of the rail system, repair and extension of the highway network and plans to expand the river transport system to accommodate containerized cargo.

A Growing Market

The Czech Republic is becoming a wealthier market, with economic growth for 2002 expected to be around 3 percent. The standard of living is rising, and the per capita disposable income is the highest of any of the EU accession candidates.

Due to improving economic conditions, demand for luxury products is increasing. In addition, the rising number of single households have more disposable income for convenience foods. Recently, frozen, chilled, ready-made meals have become popular. Moreover, with the boom in hypermarkets and larger home refrigerators, once-a-week food shopping is quickly replacing daily purchases of fresh items.

Czechs typically spend between 21 and 31 percent of their average per capital income of $12,900 on food. And in recent years they have shown a willingness to try new food products.

The Czech retail food sector is continually undergoing consolidation. The number of hypermarkets surged from 2 to 105 between 1996 and 2001, driving many small retailers out of business.

Large international chains have enlarged the range of products available in retail outlets. For example, most hypermarkets have large food departments with live fish in tanks. As a result, consumption of fish and seafood has increased.

There are many tourists and expatriates in the Czech Republic, especially in the capital city, Prague. They come mainly from Germany, Austria, the United States, Italy and France. They like to shop in large supermarkets and hypermarkets and often purchase familiar foreign products. The large retail chains emphasize marketing and promotion, including product sampling and big sales after holidays.

In addition to the growing retail food sector, the hotel and restaurant market in the Czech Republic offers businesses tremendous opportunities. This sector is comparatively untapped. Tourism is beginning to expand as the country has become integrated into world markets. About 80 percent of restaurants and institutions prepare meals themselves and buy ingredients from "cash and carry" suppliers. There is no wholesaler specializing in the institutional food sector. In general, catering companies do not import directly, but through large importers.

Throughout the Czech Republic, but particularly in urban areas, there is a trend toward healthier eating. More and more frequently, the typically heavy Czech cuisine is being replaced with various lighter international cuisines. Italian, French, Chinese, Indian and Mexican restaurants are gaining popularity in Eastern Europe as more varieties of fruits and vegetables become available.

The Czech Republic's large food processing industry accounts for some 20 percent of total industrial output. In recent years, production of pasta, cheeses and vegetable oils has seen the largest growth. In order to compete with international exporters of value-added foods, Czech food processors are busily improving equipment and technology.

High-value food items that have the best prospects in the Czech market include almonds, citrus, distilled liquor, dried plums, frozen meals, juice concentrates, live lobsters, peanuts and peanut butter, raisins, rice and rice mixes, sauces and salsa, smoked salmon, Tex-Mex products and wines.

Export Requirements

In general, the Czech system of duties on imports is stable, and the customs system respects the country's obligations under the World Trade Organization. Agricultural products are protected by higher tariffs ranging from 50 to 200 percent. However, to preserve competition in the Czech market and expand the range of products, some kinds of agricultural goods can be imported at lower tariffs within the tariff rate quotas (TRQs). Quotas are set for each calendar year.

CZECHS TYPICALLY SPEND 21–31% OF TOTAL DISPOSABLE INCOME ON FOOD.

Information on current TRQs is published regularly and may be found on the Internet at: www.cs.mfcr.cz

All imported products must comply with Czech food safety regulations. An English version of these rules is available on the Web at: www.czpi.cz

The Czech State Veterinary Administration has stringent import requirements for poultry, beef and horsemeat. These products must be accompanied by appropriate USDA certificates. Additional certification requirements may be found on the Internet at: www.fsis.usda.gov/OFO/export/explib.htm

A law in effect since September 1999 requires administrative fees for veterinary checks on imported animal products and fodder.

The Czech Agricultural and Food Inspection Service regulates the safety of food products sold in stores and restaurants. This agency reviews various product characteristics, including shelf life, expiration dates and prices.

The Czech Republic has two value-added tax rates–5 percent on food and 22 percent on tobacco, alcoholic beverages and seafood. In April 2000 this tax was reduced for public catering from 22 to 5 percent.

What To Look For

In assessing the potential of the Czech market, keep these consumer tastes and preferences in mind:

- The typical Czech dinner consists of meat and dumplings with a sauce. There is a trend, however, toward healthier eating that is increasing consumption of fruits, vegetables, fish, poultry, vegetable oils and margarines.
- Fish consumption is relatively low in comparison with meat consumption. However, as in much of Eastern Europe, Czechs love to eat carp at Christmas.
- Although organic foods are available in supermarkets and specialty stores, there is not yet a significant consumer demand for these goods.
- With the arrival of international retail chains, ethnic cuisines are becoming well-known and popular. ■

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For details, see FAS Report EZ1017. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Building a Bridge to Taiwan's Timber Market

By Doreen Chen-Moulec

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U.S. glue-laminated timbers have been used to construct Taiwan's longest wooden bridge. Measuring 1.8 meters wide and 40 meters long, it will be used as a pedestrian crossing in Shikong, near the epicenter of a serious earthquake in 1999. But the structure is more than just a long wooden bridge. It demonstrates how the partnership between government and industry has benefitted U.S. glue-laminated timber exports in this key market.

The Work of Many Hands

The bridge was constructed through the concerted and coordinated efforts of FAS cooperators in the forestry product industry, the American Plywood Association (APA), the Engineered Wood Association and the Softwood Export Council (SEC); the State of Idaho's Trade Office in Asia; FAS staff in the Agricultural Trade Office (ATO) in Taipei, Taiwan and Washington, DC; and private firms. Funding was provided through FAS' Foreign Market Cooperator Development (FMD) Program.

Western Wood Structures of Portland, Ore., provided the materials. The glue-laminated timbers, made of Douglas fir from the Pacific Northwest, were manufactured by American Laminators, Inc. of Swisshome, Ore., an APA member. The timbers were treated with a wood preservative made by Permapost Treaters (a member of the Western Wood Preservers Institute). Yi-Tsai Wood Co., Ltd. and Yang's Designing and Planning Company undertook the bridge's importation and construction, at a total cost for labor and materials of approximately $140,000.

The project had its genesis in a November 2000 trade mission sponsored by the state of Idaho and ATO Taipei. During the mission, representatives of Yang's Design and Planning Company traveled to the Pacific Northwest and met with U.S. manufacturers of glue-laminated beams. They also toured public structures in Washington, Oregon and Idaho made from such timbers.

APA presented information on commercial use of the timbers; SEC on foreign market development; the Western Wood Products Association (also an SEC member) on carpentry techniques; and the American Institute of Timber Construction on fire rating standards.

In May 2001, 125 individuals from Taiwan's industry and government, including the head of Yang's Design and Planning, attended a seminar sponsored by APA, the Western Wood Products Association and SEC on the attributes and durability of timber and wood frame structures.

Laying a Foundation

The bridge construction is indicative of the upward trend in U.S. exports of fabricated wood structural parts to Taiwan. These exports surged from $8,000 in 2000 to $568,000 by 2001.

And the outlook for future sales is promising. Taiwan building codes and regulations are being changed to allow more use of glue-laminated timbers, and Taiwan's Construction Planning Association is helping to promote the use of wood-frame construction technology to rebuild homes and other buildings damaged by the 1999 earthquake. ■

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In Canada, U.S. Catfish Sales Are Jumping

By Joel Chetrick

Canadians are catching on to U.S. farm-raised catfish, a relatively new-to-market fish north of the border.

Market development efforts of The Catfish Institute (TCI), a participant in USDA's Market Access Program (MAP), and enterprising U.S. catfish processors have helped build sales in Ontario's retail and food service sectors. With MAP support, TCI began promoting catfish fillets in Canada in 1999, developing a new market for this popular fish from the South.

Following a broad-based marketing strategy, TCI undertook a variety of activities, including market research, in-store promotions with product sampling, culinary school demonstrations, restaurant promotions and trade show participation. TCI also worked with journalists to generate articles about the high quality and versatility of U.S. farm-raised catfish.

TCI

Assessing a Future Fish Market

In 2001, U.S. exports of catfish fillets to Canada (as reported by processors) totaled 228 metric tons valued at $1.4 million, up from 2000 exports of 202 tons valued at $1.3 million. Export value increased by just 7.7 percent in 2001, as overall catfish prices were suppressed by increased product availability in North America. However, actual sales to Canada are likely higher than the figures indicate, since some catfish products are shipped to Canada labeled as non-specified fish.

In conjunction with TCI marketing activities, FAS staff recently visited several supermarkets in Ontario and met with buyers of major Canadian retail chains to assess the market situation for catfish. Retailers were very positive about the outlook for U.S. farm-raised catfish and forecast increasing sales for 2002 and beyond.

"OUR RETAILER EDUCATION, CUSTOMER SAMPLING AND FLYER ADS ARE NETTING BIG REWARDS FOR THE INDUSTRY."

—KEN BERGER, TCI REPRESENTATIVE IN CANADA

Just One Taste . . .

A major challenge facing exporters is getting people to try U.S. farm-raised catfish. Product demonstrators at retail promotions reported that once Canadian consumers try U.S. farm-raised catfish, they like it.

In addition, retail sales data indicate that when shoppers sample the fish and learn about its health benefits, they buy it. While the data show sharply higher sales during promotions, sales following promotions have also increased over previous non-promotion periods—evidence of sustained sales growth.

A major Canadian retailer reported that its 13 Ontario stores sold 381 pounds of catfish during its first TCI-sponsored in-store promotion, in mid-March 2000. Nearly a year later, in February 2001, the stores sold 586 pounds during a week-long promotion. A February 2002 promotion generated sales of 1,109 pounds—a gain of 191 percent from the first promotion. The chain's seafood buyer also reported that following its first activities with TCI, store sales soared by 400 percent during non-promotion weeks.

In addition to retail promotions, TCI has conducted activities targeting decision

TCI

TCI

makers in Canada's hotel, restaurant and institutional trade. TCI has worked with culinary schools to educate student chefs about U.S. farm-raised catfish. Cooking seminars and contests have generated new users among future chefs and consumers, and raised the profile of the fish in the food service industry.

In January 2002, Toronto's George Brown College Chefs School and TCI teamed up for their second annual cookoff, where finalists competed against the clock and each other to create new appetizers, soups and entrées with U.S. farm-raised catfish. The finalists prepared a three-course meal of original dishes for guests and a panel of well-known industry experts that judged the competition. The first-place winner, Seungwoo Seo, created an Oriental-style catfish consommé, a Cajun-style catfish satay (a fish kabob dish) and a poached catfish fillet.

"The competition was fun as well as educational for our culinary students," said Roger Romberg of the Chefs School. "We're very impressed with the high caliber of dishes and look forward to more competitions like it!"

In 2002, TCI is continuing its activities to reach consumers, as well as retail and food service trade. In addition, TCI is planning new retail activities for western provinces to expand sales throughout Canada. Ken Berger, TCI's Canada representative, has high hopes for increased sales of U.S. farm-raised catfish.

"It's exciting to be associated with a product that's generating interest in every sector of the food industry," said Berger. "We can see positive results reflected in culinary school cookoff competitions and instruction, customer satisfaction at Ontario's restaurants and extensive coverage on the radio and television and in print media. Our retailer education, customer sampling and flyer ads are also netting big rewards for the industry." ■

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Algerian Markets May Be for You

By Nabila Hales

20256

Recent adjustments in Algeria's customs duties and taxes could be the key to expanding accessibility for U.S. agricultural exports—bulk and other ingredient products now, and consumer products in the future.

Agriculture represents 12 percent of the gross domestic product of this second largest African country and provides a livelihood for 22 percent of its 30-million population. Nevertheless, Algeria still imports 75 percent of its food, or $2.5 billion per year, more than any other African country. Demand for imported products is expected to improve as the economy strengthens.

Know the Constraints

To fully grasp the ins and outs of its import market, U.S. exporters need to understand Algeria's current economic condition. Petroleum dollars still drive the economy, with 90 percent of the country's export earnings coming from the energy sector.

Best High-Value Prospects

- Pulses (lentils, peas, chickpeas, beans)
- Dried fruits (prunes, raisins)
- Nuts (almonds, peanuts, pistachios)
- Canned fruits (tropical)
- Canned corn
- Confectioneries
- Honey
- Whiskey and beer
- Cereal derivatives
- Skim milk powder
- Condiments

Algeria has moved to a largely market-oriented economy, thanks to the foresight of leaders who understand the need for reforming outdated policies and diversifying the economy. The International Monetary Fund lent its support to a far-reaching macroeconomic reform plan that began in April 1994. Algeria completed a four-year structural adjustment program in May 1998 that included comprehensive fiscal and monetary reforms, as well as major social programs.

However, other than joint ventures with parastatals (state-owned companies), long-term financing for large-scale projects is still limited. While the banking sector has six state-owned banks, six private sector domestic banks and nine foreign banks, most monetary transactions are strictly cash-based. Banking services do not go far beyond retail services and small-scale trade financing.

Overall economic growth is still constrained by this lack of modern financial services, a 30-percent unemployment rate and outdated telecommunications systems. A reform initiative effective July 2001 is tackling financial services and communications issues.

The government has taken steps to revitalize small- and medium-sized agribusinesses that are competitive. Local private investments have risen sharply, with the result that the private sector owns and manages 80 percent of the agricultural industry.

What's Cooking?

Since the economy was liberalized in 1997, private importers have surfaced, and consumers have become more accustomed to seeing imported products and semi-processed products in little stores and small private supermarkets. Consumers can find both bulk and packaged products, local and imported, though imports are a little expensive for households with small or moderate incomes.

Business Notes for Algeria

- Codex Alimentarius standards apply. U.S. grades and standards are being introduced in grain and pulse regulations.
- Some products such as dairy require sanitary certificates to clear customs.
- Imported goods are subject to customs duties (5-40 percent), value-added taxes (7-17 percent), and local taxes.
- New economic reforms are reducing old taxes for high-value products. In 2002, the maximum rate will be 30 percent.
- Metric measurements apply.
- Arabic is the country's official language, so Arabic labeling and promotional materials are the most effective. French promotional materials edge out English versions, since French remains the most prevalent second language.
- Most importers are located in the bigger cities and import through the main ports of Algiers, Oran, Bejaia and Jijel.

Doubtless, the limiting factor for consumer-oriented imports has been the combination of low incomes and high prices. Since privatization, imported products are sold without state subsidies and carry higher prices. (Like many developing countries, Algeria provided consumer subsidies rather than producer subsidies to keep food prices low.) Coming adjustments in customs duties and taxes will allow more affluent consumers to purchase some luxury goods at lower prices.

For the most part, Algerians continue traditional cooking habits, but changes are occurring in the cities where young households tend to adopt the Western lifestyle. Since 60 percent of the population is urban, the trend toward convenience foods will become significant.

For now, an unusual convenience food market has developed. Affluent, time-strapped consumers often buy their home cooking directly from housewives who need to supplement family income.

U.S. SUPPLIERS CAN HELP FULFILL DEMAND FOR RAW MATERIALS IN THE MILLING AND DAIRY INDUSTRIES.

Gaining Market Entry

Since most consumers are unable to afford high-value items, suppliers should look to the food processing and hotel, restaurant and institutional (HRI) sectors for market entry.

With the country's processing sector improving, many food processors can offer products with lower prices by importing raw materials and processing them locally. U.S. suppliers help fulfill the demand for raw materials for quality-conscious processors, particularly in the milling and dairy industries. Some larger processors prefer to import their raw materials directly rather than buy them locally from importers, if import conditions allow.

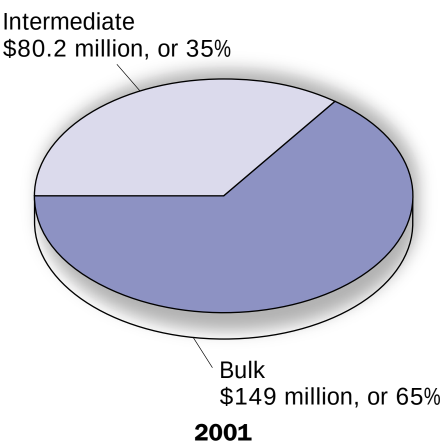
At this time, five upscale hotels and ethnic restaurants in Algiers buy most of their products locally. U.S. suppliers interested in this market should work with distributors that supply the hotels and restaurants.

Algeria is also looking for partners to improve its seafood and fishing sector. Fresh seafood, sold mostly in local markets, is very expensive and out of reach of many households. Supermarkets tend to carry canned tuna (mostly imported), as well as frozen fish and seafood. Some private canners are beginning operations and need raw materials.

Algerians are fascinated with American culture and fast food because of movies and TV. Some have made inquiries about opening fast food franchises in the country.

Recently, private businesses bought some buildings throughout Algeria once occupied by the state-run supermarkets that were closed in 1996. Plans are underway to reopen them as private chains. These chains might be receptive to U.S. consumer-oriented products.

U.S. Bulk Products Opening Door to Algeria



The FAS Office of Agricultural Affairs at the U.S. Embassy in Algiers provides trade servicing and information about the Algerian market. Free services include market briefings, market tours, lists of importers, setting up agendas and meetings, hotel reservations and in some cases providing translation and transportation. ■

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For details, see FAS Report AG1007. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

TRADE SHOW OPPORTUNITY

FOOD & HOTEL AFRICA 2002

JOHANNESBURG, SOUTH AFRICA

The Show:

The American Café at Food & Hotel Africa 2002 will help U.S. food companies gain substantial exposure to local and international buyers of food products. South Africa, with an expanding middle class and relatively stable economy, presents growing opportunities for U.S. exports, especially of niche food products.

With its well-developed transportation infrastructure, South Africa serves as an export hub to markets throughout the region. U.S. food companies can showcase their products at the American Café, a USDA-sponsored pavilion. In 2000, Food and Hotel Africa attracted 6,000 buyers.

Location: **Sandton Convention Centre, Johannesburg, South Africa**

Dates: **Sept. 29 – Oct. 2, 2002 (Sunday-Wednesday)**

Deadline: **July 30, 2002**
Booth space cannot be guaranteed after this date.

American Café:

U.S. food companies can showcase their products at the American Café, a USDA-sponsored pavilion. Exporters can save travel expenses by sending their products rather than representatives to USDA's American Café. The cost to display products is only $350. USDA arranges to have them displayed, prepared and demonstrated at the show.

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Trade Notes...

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Philippines Approves Biotechnology Guidelines

On April 3, the Philippine Secretary of Agriculture signed guidelines for field-testing and commercial sale of biotechnology-derived corn seed. The Philippines is the first country in Southeast Asia to pass such regulations. The guidelines ensure continued access to the Philippines for an estimated $400 million worth of U.S. commodities and products from biotechnology.

EU Begins Pork Promotion in Japan

Pork exporters from the Netherlands, the United Kingdom and Denmark have received $650,000 from the European Union (EU) for bacon promotions in Japan, according to the U.S. agricultural attaché in the Hague. However, due to foot-and-mouth disease status, only Denmark is currently eligible to export pork to Japan. This is the first EU-funded pork market promotion outside the EU. It is generic, but products carry an EU logo. The United States and Denmark compete head-to-head in the Japanese market, each exporting about $2 million worth of bacon in 2001.

U.S. Horticultural Trade Increase

From 1991 to 2001, U.S. exports of horticultural products expanded by 66 percent, rising from $6.6 billion to $11 billion. By contrast, U.S. imports of horticultural products doubled from $8.6 billion to $17.2 billion. Key factors behind the rise in imports include the relatively open U.S. market, a strong dollar during part of the period, U.S. population growth and rising incomes.

New Standard for Wood Packing Material

In March, the International Plant Protection Convention (IPPC) agreed to a new standard for wood packing material used in international trade. The standard describes phytosanitary measures to reduce the risk of introduction or spread of pests associated with packing material made of either coniferous or non-coniferous wood. Wood packing material that has been treated with one or more approved measures and bears the specified mark would normally be accepted by all national plant protection organizations. Measures approved in the standard include heat treatment and fumigation with methyl bromide. Adopting and complying with the new standard is a significant undertaking as it requires countries to establish an official monitoring and compliance system for wood packing material. The United States may be able to adapt a system developed last year to address EU emergency measures for non-manufactured wood packing material. In 2001, the United States traded more than $1.8 trillion worth of goods internationally, much of which was shipped using packing material covered by the IPPC standard. Reference information on the standard is available at: www.aphis.usda.gov/ppq/swp

Japan Still Number One, But Canada Gains Ground

Final 2001 export data show that Japan ranks number one for U.S. agricultural exports at $8.9 billion. Behind Japan was Canada, which bought $8.1 billion in U.S. products. Though Japan is the dominant export market for U.S. agricultural products, its overall imports decreased from 2000 by $385 million, while Canada's rose $484 million. From 1996 to 2001, Canada's gross domestic product (GDP) continued to grow while Japan's GDP remained flat. The United States' third-largest market in 2001 was Mexico, with exports to that market totaling $7.4 billion.

Also in This Issue:

- Promoting U.S. catfish in Canada
- Capitalizing on Algeria's market promise
- Bridging Taiwan's timber market
- Taking advantage of trade show opportunities

And Next Time, Turn to AgExporter *for:*

- NAFTA's continuing importance
- Canadian food and wine markets
- Mexico's tastes in alcoholic beverages
- Brazilian import procedures

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