

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

April 2003

Two Wood Markets Half a World Apart:

Indonesia's Re-export Industry
Means U.S. Opportunities

Dutch Domestic Demand
Necessitates More Imports

Agricultural Markets in Two Former Soviet Republics On Either Side of the Caspian Sea:

Azerbaijan's Agricultural and Food
Sectors Are in Sharp Transition

Uzbekistan's Consumer Food Market
Is Emerging



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The Market: Mexico, with its large and growing population, stable economy, liberalized import policy and ideal geographic location, is a dynamic market for exports of top quality U.S. food and agricultural products. From calendar years 1996 to 2002, the total value of U.S. exports of agricultural, fish and forest products to Mexico swelled from \$5.7 to \$7.7 billion. Sales of consumer-oriented products accounted for most of that impressive increase, surging from \$1.2 to \$2.8 billion, a gain of 133 percent.

Best Product Prospects: Beef cuts and variety meats
Dairy products
Seafood and products
Snacks
Food ingredients
Fruit and vegetable juices
Sauces and other condiments

Fresh and processed fruits and vegetables
Alcoholic beverages
Nonalcoholic beverages
Vegetable oils
Frozen products
Sugar and sweeteners
Herbs and spices

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Features



High-End U.S. Wood Products Make Music... and More...in Indonesia **4**

Economic slowdown or no, U.S. wood exporters can take advantage of the Indonesian wood re-export industry.



Environmental Concerns Become Priority for Netherlands Wood Trade **7**

Wood products with "sustainably harvested" credentials get the green light in the Netherlands.



Azerbaijan: Market at the Crossroads **9**

A small country in the Caucasus region offers U.S. exporters big opportunities in the retail and catering sectors.

Uzbekistan: Market-in-Waiting **11**

The personal touch is best when establishing a business relationship with an Uzbek importer.



Selling Kosher Foods to France **12**

France, already the biggest kosher food market in Europe, shows potential for continued growth.

Niche Markets Turn a Profit in Poland **14**

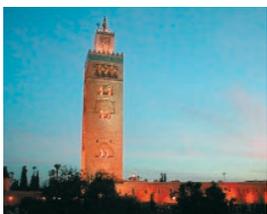
Poles like their wines red and sweet and their red grapefruit sour.

Marketing efforts have opened the door for these U.S. products.



New Roads to Morocco **16**

A developing consumer market and a U.S.-Moroccan free trade agreement should provide expanded opportunities for U.S. food exporters.



Trade Notes **19**

Trade Show Opportunities

ExpHotel 2003 **2**

IFIA 2003 **18**

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High-End U.S. Wood Products Make Music . . . and More . . . in Indonesia

In 2001, Indonesia imported a total of \$107 million worth of wood products. Over a third of the imports were from the United States. Indonesia exported more than \$1 billion in furniture (\$742 million), wooden floors (\$201 million) and musical instruments (\$100 million).

After U.S. exports of wood products to Indonesia peaked in 2000 at \$47.5 million, sales fell off to \$39.4 million in 2001. Because of a strong re-export trend, imports of woods were largely unaffected by the 1997 Southeast Asian economic

crisis that buffeted other U.S. exports. However, the furniture export industry in Indonesia was impacted by the 2001 global slowdown, as its biggest customers are the United States, Europe, Japan and Australia.

Accordingly, U.S. wood product exports to Indonesia dropped; however, a rebound in U.S. sales is expected as the economic recovery comes for primary customers.

Some U.S. Products From Europe

In 2001, the best selling U.S. wood entering the Indonesian market was hardwood logs, valued at \$14.2 million. This same year, U.S. hardwood lumber (\$8.4

million) and hardwood veneer (\$3.3 million) exports lost the most ground. Best selling veneers include oak, maple and softwood pine.

Other U.S. high-grade products enter Indonesia via European countries, adding maple, cherry, walnut and ash to the mix. European countries are able to offer high quality, precision thickness with competitive prices.

Two major importer/distributor firms import U.S. wood products for Indonesia's furniture manufacturers. Most U.S. products enter via Java Island, which has the infrastructure to handle the imports. Distribution to other islands has proven less reliable.



A major flooring company imports sawn lumber directly from the United States, mostly white oak, beech, red oak and cherry, but also some maple, walnut, pecan and pine. Several smaller flooring companies import mostly oak logs.

U.S. maple is used in necks of guitars made locally. Piano manufacturers use U.S. cherry. U.S. birch plywood is turned into drum parts.

Competition Is Worldwide

As with other markets, price and credit terms can be the determining factors for Indonesian wood product importers. Developing personal relationships with Indonesian importers and promoting

Market Entry Tips

For assistance in entering the Indonesian market, companies should work with a regional wood products organization such as AHEC (the American Hardwood Export Council) and the Jakarta-based FAS Agricultural Trade Office. Here are other activities that can enhance sales:

- Sponsor a U.S. tour and/or local seminars for Indonesian importers, distributors, contractors and furniture and wood floor manufacturers so that participants can learn the latest on U.S. wood product applications and gain knowledge of available U.S. products.
- Organize industry seminars that cover U.S. species, grades and applications for local architects, designers and contractors.
- Encourage Indonesian importers, distributors and furniture manufacturers to expand their upscale product sales by participating in trade shows outside Java and Bali.
- Investigate the potential for importers participating in FAS' Export Credit Guarantee Programs.

U.S. Wood Products Have Multiple Uses in Furniture, Flooring and Musical Instruments

Type of U.S. Wood Product	End Product	Species (Common and Scientific Name)
Logs	Fancy plywood	Cherry (<i>Prunus serotina</i>) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>) Red oak (<i>Quercus</i> spp.) White oak (<i>Quercus</i> spp.) Walnut (<i>Juglans</i> spp.)
	Furniture Flooring Veneer	Cherry (<i>Prunus serotina</i>) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>) Red oak (<i>Quercus</i> spp.) White oak (<i>Quercus</i> spp.) Walnut (<i>Juglans</i> spp.)
Lumber/ Sawn timber	Complement for furniture edge, doors, cabinets, vanities, fireplace mantels, as hand-crafted accessories*	Cherry (<i>Prunus serotina</i>) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>) Red oak (<i>Quercus</i> spp.) White oak (<i>Quercus</i> spp.)
	Flooring	Cherry (<i>Prunus serotina</i>) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>) Red oak (<i>Quercus</i> spp.) White oak (<i>Quercus</i> spp.) Pecan (<i>Carya</i> spp.) Pine (<i>Pinus</i> spp.) Walnut (<i>Juglans</i> spp.)
	Musical instruments	Cherry (<i>Prunus serotina</i>) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>)
	Piano keyboard	Spruce (<i>Picea</i> spp.) Poplar/Tulip (<i>Liriodendron tulipifera</i>)
	Guitar neck Guitar top/front board	Maple (<i>Acer</i> spp.) Spruce (<i>Picea</i> spp.) or Alder (<i>Alnus</i> spp.)
Veneer	Furniture*	Red alder (<i>Alnus rubra</i>) Ash (<i>Fraxinus</i> spp.) Beech (<i>Fagus grandifolia</i>) Birch (<i>Betula</i> spp.); White & Red Birch Cherry (<i>Prunus serotina</i>) Elm (<i>Ulmus</i> spp.) Maple (<i>Acer saccharum</i> , <i>Acer nigrum</i>) Red oak (<i>Quercus</i> spp.) White oak (<i>Quercus</i> spp.) Pecan (<i>Carya</i> spp.) Pine (<i>Pinus</i> spp.) Oregon Pine (<i>Pseudotsuga menziesii</i>) Sycamore (<i>Platanus occidentalis</i>) Black walnut (<i>Juglans nigra</i>)

*Furniture accessories include horizontal friezes, vertical pilasters, carved corbels, rosettes, scrolls and swags.

U.S. Wood Product Sales to Indonesia Peaked in 2000

Wood Product	1996	1997	1998	1999	2000	2001
<i>U.S. Dollars</i>						
Hardwood logs	21,327,000	21,341,000	18,156,000	12,940,000	16,763,000	14,245,000
Hardwood lumber	6,085,000	8,740,000	8,186,000	11,286,000	13,005,000	8,396,000
Softwood logs	310,000	330,000	795,000	511,000	265,000	7,954,000
Softwood lumber	2,355,000	1,664,000	3,132,000	5,484,000	9,431,000	2,736,000
Hardwood veneer	3,011,000	3,584,000	2,961,000	6,157,000	6,499,000	3,257,000
Softwood veneer	54,000	19,000	120,000	12,000	674,000	732,000
Others	2,538,000	1,895,000	2,472,000	2,149,000	867,000	2,112,000
Total	\$35,680,000	\$37,573,000	\$35,822,000	\$38,539,000	\$47,504,000	\$39,432,000

products are also important in making sales.

U.S. exporters usually require 30-day cash terms upon delivery, compared to more lenient terms from other countries.

They also require a minimum order large enough to fill a 40-foot container. European countries often consolidate products for Indonesian importers.

China provides the most competition

for U.S. hardwood lumber products. The United States is third in supplying hardwood veneer products, after Japan and China.

As technology for veneer production develops, local industries do expect to import more U.S. solid wood directly and process their own veneers, a development that may limit U.S. wood products imported through Europe.

Other products with opportunity in this market include medium-density fiberboard and surplus cuts from U.S. processing. ■

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Environmental Concerns Become Priority for Netherlands

By Marcel Pinckaers

The Netherlands currently imports 94 percent of its forest product needs, which totaled \$2.92 billion in 2001. With output from its national forests declining yearly, domestic wood industries are becoming more dependent on imports.

Besides decreasing domestic resources, government initiatives and pending legislation will bring significant changes to Dutch production of wood products.

Environmental Requirements More Stringent

As a part of its commitment to the Kyoto Protocol to the U.N. (United Nations) Framework Convention on Climate Change, the Netherlands has taken steps to significantly reduce its carbon dioxide emissions. Promoting the use of natural products—part of the Dutch strategy to achieve this goal—is increasing demand for wood products.

Other government initiatives are also having a direct effect on future imports. Under the 20 Percent More Wood in the Construction Industry Program, launched two years prior to the Kyoto Protocol, the Netherlands pledged to use wood only from forests under responsible, long-term management programs. This initiative disadvantaged some tropical hardwoods.

In 2000, the Dutch government further enhanced its promotion of sustainable wood products with the Use Durable Produced Wood 2000-2004 Program.

Ironically, this initiative has produced



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a quandary for the country's wood industry. Since imports of tropical hardwoods are limited, softwood has been used to fill the durable wood gap. Lacking the natural weathering characteristics of tropical products, softwood used in place of tropical hardwoods has been chemically treated with CCA (copper chromium arsenic) preservative. There has been controversy surrounding the use of treated wood products, and attempts to ban or restrict usage.

What Sells Now

Exports of U.S. forest products to the Netherlands—mostly white oak, other tempered hardwoods and softwood plywood—amounted to \$38.7 million in 2001.

More than three-quarters of the wood products imported into the Netherlands is from fellow members of the EU (European Union), mainly Sweden, Finland and Germany. North America has a 20-percent share; about 5 percent is imported from tropical countries.

Though the domestic market is larger by far, some of the imports are re-exported as semi-manufactured products or finished products to neighboring countries. These exports were worth \$129 million in 2000.

Flooring Leads U.S. Product Sales

Flooring is the main market for U.S. hardwoods. Demand is good for wide board solid flooring, with white oak a leading variety. Cherry and hard maple are also popular. In the parquetry market, demand for U.S. red oak is increasing, as is demand for ponderosa and white pines in the boarded floor market. Increasing competition for U.S. hardwoods is expected from European hardwoods.

Though the **housing** industry has been in the doldrums due to an economic slowdown, construction is expected to increase again between 2003 and 2007, driven by renovation and maintenance activities.

The most popular U.S. wood in Dutch construction is Western red cedar,

mainly for exterior wall paneling and window framing. Opportunities also exist for this product as roofing shingles. Douglas fir and California redwood are being used increasingly in home construction.

Of note to U.S. exporters—the EU recently passed a new EU fire classification system for wood, which will probably prohibit use of Western red cedar untreated for fire retardation in home construction. In addition, this past January the Netherlands renewed its own fire prevention requirements, which prohibit use of untreated Western red cedar in public buildings and gables.

Fir is the most common wood used in Dutch home construction, though it has to be treated for durability for outside use. The use of U.S. oak is small but increasing. So far, it is used mainly for stairs and platforms.

Investments in **commercial buildings** for offices and hotel and catering businesses are increasing, as are school building and public health sector projects.

Several large **transportation** and **infrastructure** projects are underway in the Netherlands—a high-speed train track to Belgium, improved freight links to cities in Germany and other countries, plus upgrades for light or commuter rail systems. Also, the Dutch telecommunications sector is being revamped. Timber is an essential component of these projects.

Project Wood, an effort to boost the use of wood products in the road construction and hydraulic sectors, is underway. Wooden sheet-pile walls account for a 28-percent share of the wood used in road construction.

U.S. sales to the **furniture** industry are expected to level off in the next few years because of increasing competition



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from East European countries, China and Indonesia. European oak is in vogue, while darker wood varieties are slowly becoming more accepted.

Of the light woods, white oak, beech, cherry, alder and birch are used the most in furniture. Darker varieties like walnut and dark oak, however, are becoming more popular. Imports of U.S. temperate hardwood veneer are displacing those of solid wood, because of short supplies.

Sales in the Dutch **interior** products industry are increasing. Manufacturers of yacht and store interiors prefer wood veneers to synthetics, with oak, ash, walnut and beech being the most sought-after.

Although sales for Dutch **garden** wood products had leveled off, they are expected to have increased in 2002. Preserved softwood and tropical hardwood are used the most in garden applications. Potential restrictions on use of CCA will impact this sector until a substitute is approved.

Softwood is replacing hardwood for pallets, crates and other uses because of the increasing expense of hardwood. Most-used species for **packaging** include

pine, poplar and beech. Wooden sheet materials for construction include chipboard, hardboard and plywood.

Interim measures to prevent spread of the pinewood nematode require that U.S. wood used for pallets be fumigated, chemically impregnated or heat-treated before use. These measures will be valid until new standards are finalized under the U.N. International Plant Protection Convention.

Labeling To Include Environmental Concerns

The Dutch government supports “green” labeling of wood, and the Dutch Ministry of Agriculture is developing a new internal system for wood certification. Under this system, wood that meets certain requirements will receive a quality mark and be given a green label.

So far, U.S. wood products marketed as sustainably harvested have been doing well in this market. With labeling requirements imminent, U.S. producers who supply home improvement businesses might consider certification by a recognized certification body. ■

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Azerbaijan: Market at the Crossroads

By Robert Hanson and Rauf Mekhtiyev

As one of the newly independent countries of the former Soviet Union, Azerbaijan is strategically located at the crossroads of the Middle East, Asia and Europe. Azerbaijan borders the Caspian Sea, where oil and gas reserves are enormous. Its neighbors include Turkey, Georgia, Russia, Iran and Armenia. About the same size as Maine, its population numbers a little more than 8 million.

Despite being energy-rich, Azerbaijan's per capita gross domestic product is under \$700 a year. While low income levels prevail throughout the country, Baku is a vibrant city that is home to the energy sector workforce and a large expatriate community. With the introduction of GSM-102 Export Credit Guarantee and Supplier Credit Guarantee Programs in early 2002, FAS is working with the U.S. Department of Commerce's Foreign Commercial Service in the U.S. Embassy in Baku, Azerbaijan, to generate opportunities for American food and agricultural exporters. For 2003, the GSM-102 and Supplier Credit programs were increased to \$7 million each. The terms of the GSM-102 program were also increased to three years. Importers have already expressed interest in these favorable terms.

A Market in Early Development

Azerbaijan remains a difficult place to do business, due to arbitrary tax and customs administration, a weak court system and monopolistic market regulation. The



future, however, has potential. Through an international oil consortium, the country is developing its valuable energy resources.

Agriculture is the largest employer in Azerbaijan, and the country could become an important regional exporter of cotton, grapes, tea, tobacco, fruits and nuts. However, imports are essential to feed the population. In 2001, Azerbaijan imported some \$236 million worth of food and agricultural products including poultry, wheat flour, rice and nonfat dry milk—much of the last three arriving as food aid.

While U.S. agricultural exports to Azerbaijan still remain small (anywhere from \$5 million to \$20 million a year), projections of economic growth are extremely promising, providing opportunities for savvy businesses to benefit from a relatively untapped market.

U.S. products have a good, strong image, and U.S. tastes are welcomed by younger consumers. Currently, best prospects include poultry products and other meats, and high-value consumables for the retail and catering sectors.

The country's food retailing sector is in sharp transition, moving from state-owned to privately owned outlets. Many small retailers buy goods on consignment and in very small quantities. Larger supermarkets and a food service sector are emerging, especially those catering to oil and gas production workers. But they are still few in number, and most Azerbaijanis purchase foods at bazaars that offer low prices. Existing supermarkets cater to the affluent Azerbaijani and expatriate communities.

In general, the Azerbaijan consumer prefers fresh foods prepared in the home. The country has one of the world's high-

est bread consumption rates. Fresh fruits and vegetables are also very popular. Meat and fish consumption tends to be limited to higher income households, and beans and grains are the primary protein sources for many people.

While a wide variety of crops are grown in Azerbaijan, in general, processing and storage facilities are outdated. In the early stages of development are several joint processing ventures—for example, Nabran (which produces fruit juices) and the Caspian Fishing Company (which processes caviar, sturgeon, fish oil and fish meal). Local milk production has also been on the rebound, with a local company recently producing the first tetra-pack milk found in Azerbaijan. Tetra-pack milk comes in little boxes; if the product has been heat-treated, it doesn't require refrigeration.

The biggest change in the last five years has been the rapid development of the institutional food service and the fast-food industries. Catermar and Aramark are among the largest catering companies. They purchase some foods at bazaars and import the rest directly or purchase it from local importers and wholesalers.

Best High-Value Product Prospects

Meat and poultry
Rice
Butter and margarine
Vegetable oils
Breakfast cereals
Pineapples, avocados and mangos
Coffee substitutes containing caffeine
Milk
Ground nuts
Protein meal
Sausages
Sugar
Chocolate and other cocoa products

AZERBAIJAN HAS ONE OF THE WORLD'S HIGHEST BREAD CONSUMPTION RATES.

Catering services supply food directly to Azerbaijan's oil and gas workers. Local restaurants specializing in Azerbaijani and Turkish-style foods provide most fast-food services. McDonald's only recently opened its second restaurant in the country.

The Import Process

Azerbaijani food regulations are based on slightly updated rules from the government standards of the former Soviet Union. The Azerbaijani food regulation agency is closed pending a complete reorganization.

The state veterinary committee and the state plant quarantine inspection, together with the Ministry of Agriculture, regulate all food and agricultural imports. Final import approval of any product is subject to the importing rules and regulations as interpreted by border officials at the time of product entry. Local contacts are essential for success.

Information on the label must be in the official language, Azerbaijani, including name and brand of the product, address of the producing company, country of origin, expiration date, nutritional and caloric values, net weight, list of ingredients and additives, usage instructions, name and type of packing material and special warnings as appropriate.

To import any food into Azerbaijan, an importer must first submit a written

application to the Ministry of Agriculture. Attached to the application letter must be a completed import permit form, a certificate of origin, a certificate of quality, a copy of the purchase contract and a copy of the importer's company charter.

For customs clearance, the importer must submit an import license from the Ministry of Agriculture, a certificate of origin, a certificate of quality, a veterinary certificate for animal products, a phytosanitary certificate for plant products from the country of origin and an analysis report from the exporter on the physical content of the product.

While this process sounds a bit arduous, developing contacts with experienced importers in Azerbaijan is key to entering the market. ■

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The Foreign Commercial Service, U.S. Embassy, Baku, Azerbaijan: Tel.: (011-99-412) 98-0335, Ext. 4244; Fax: (011-99-412) 98-6117

For more details on exporting to Azerbaijan, see FAS Reports AJ2004 and AJ2005. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Uzbekistan: Market-in-Waiting

By Nizam Yuldashbaev

With 25.2 million residents, Uzbekistan is the most populous country in Central Asia. Although gradual reforms are harbingers of a transition to a free market economy and imported products are available, its food and beverage market is not well developed.

The state continues to be a dominating influence in all sectors of the economy. Poor implementation of economic reforms has not encouraged the market development and foreign investment that would aid privatization.

U.S. Exports on the Rise

Despite the restraints in place, U.S. agricultural exports under P.L. (Public Law) 480, Food for Progress—mostly soybeans and rice—helped sales rise from \$799,000 in 2000 to \$26.6 million in 2001. During the past three years, a few sales of soybeans and wheat were arranged under the GSM-102 Export Credit Guarantee Program, which helps exporters arrange competitive financing with less risk.

The value of U.S. consumer-oriented product sales rose more than fourfold, from \$100,000 in 2000 to \$455,000 in 2001. Though just a fraction of the total \$200 million Uzbeks spent on value-added imports in 2001, reports show U.S. sales for 2002 rose substantially.

Railways May Provide Best Transport

Tashkent's international airport is the most modern in the Central Asian region,

but other airports in the country are small and lack the facilities for transporting and storing products.

Uzbekistan's highways, together with the railway network, form the backbone of the country's transport system. However, most of the roads are poor, and there are few refrigerated trucks. Railroads are often a more efficient means of transporting items.

Supermarkets Growing, But Slowly

A few large state, joint-stock companies, such as Uzbeksavdo, the major buyer and distributor of wheat flour, sugar, rice and vegetable oil, and private companies are the major players in the food distribution system. Food importers and commissioned agents place orders with foreign suppliers and distribute to supermarkets, smaller groceries, hotels and restaurants in the cities and to small retail stores in rural areas. Some of the larger supermarkets import items directly.

Modern stores command around 8 percent of total retail sales. They are usually located in major urban centers. More than 60 percent of the population, however, lives in densely populated rural communities. This partially accounts for the slow growth of larger retailers and slow increase in demand for convenience foods.

Urban stores cater to upper income locals, foreign visitors and Western diplomats. They offer high-quality, branded goods sourced locally and via imports. In an effort to attract more customers, larger stores are adding services such as bakeries, cafés and prepared meals.

Besides the few major supermarkets, Uzbekistan's traditional stores include provision and grocery shops, farmers markets, commercial food stores and other

retail outlets that sell a limited range of products on a small scale. Commercial shops sell food products as well as other consumer goods. Provision shops sell mainly food items. Retail outlets usually sell local as well as imported products.

Food Processing Decentralized

The food processing industry is composed of small- and medium-sized companies. Almost two-thirds are small family-owned businesses or one-person operations.

In 2000, investments in Uzbekistan's food processing industry approached \$200 million. By 2001, the industry was estimated to have processed over \$250 million worth of products, with almost half (\$120 million worth) being exported. Canned vegetables and fruits, fruit juices and tomato paste number among the most popular exports.

Further liberalization of trade and resolution of local currency conversion problems will help attract needed foreign investment. As the domestic food processing sector expands, so will future market opportunities for U.S. ingredients. ■

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Selling Kosher Foods to France

By Roselyne Gauthier

Ten years ago, kosher foods in France were considered an ethnic niche market. Today, France is a major consumer of, and international trading center for, kosher foods.

Booming Market

France's Jewish community numbers about 700,000 people, and 80 percent are of Sephardic origin, which is heavily influenced by a Mediterranean-style diet. Almost half live in Paris and its suburbs, 15 percent are in Marseille and the remainder in large cities such as Lyon, Strasbourg and Toulouse.

The European kosher market is estimated at \$5 billion. In 2001, the French portion of this market was \$2.2 billion; it is expected to have reached \$2.5 billion in 2002. Adding to the potential of this market is the fact that kosher foods also are consumed by many non-Jews who consider kosher products to be healthy, high quality, natural and good tasting. For example, large companies such as Kellogg's, Haagen Dazs and Ben & Jerry's sell kosher products that are not restricted to kosher sections of supermarkets.

Among the Jewish community, the religious calendar drives kosher food consumption, with increased sales during the holidays of Passover, Shavuot and Sukkoth and the high holy days of Rosh Hashanah and Yom Kippur. Also, family events such as births, weddings, bar mitzvahs and bat mitzvahs contribute to increased kosher food consumption.

The non-Jewish community buys about 60 percent of all kosher foods sold in France. This group's consumption remains even throughout the year rather than seasonal. Vegetarians and consumers who are lactose-intolerant purchase significant amounts of kosher foods that do not contain meat or dairy products. Other consumers like the quality assurance provided by the kosher certification.

France is now the European center for kosher food sales, with more than 5,000 institutions buying kosher foods. The 10 largest French kosher food manufacturers distribute their products all over Europe. In general, locally manufactured kosher products are more price-competitive than imports.

However, both imported and domestic kosher products are found in kosher food sections of local supermarkets throughout Paris, Marseilles and Lyon. In



THE GALLIC MARKET OFFERS POTENTIAL FOR INCREASING SALES OF U.S. KOSHER FOODS.

addition, numerous retail chains and specialty shops carry imported and domestic kosher items. France has two major kosher food chains, Naouri Cash Casher with 25 stores and HyperCasher with 5 stores.

Plethora of Products

In the Paris metropolitan area, a typical kosher store carries a variety of pastries, condiments, cheeses, olives and wines. France's Jewish community consumes significant amounts of wines, and there are more than 160 kosher wines produced and sold in France.

American brand products found in kosher stores include Kedem grape juice, Rokeach gefilte fish, Pasksez candies and snack foods and Gefen grocery products. Producers are launching kosher versions of biscuits, dairy foods, candies and even organic, health and specialty ethnic foods.

U.S. kosher foods with good sales prospects in France include matzos, sauces, snacks, soups, crackers, vegetarian items, citrus products and wines.

Retail prices for kosher foods generally run about 15-20 percent higher than prices for non-kosher products. Most imported kosher foods are from Israel, but there is potential for increasing sales of U.S. kosher foods.

In France, the food service industry is booming, and kosher catering in some large establishments, including Servair, France's dominant airline caterer, represents 10-12 percent of overall business. In addition, kosher food has become so popular in France that a glossy kosher food magazine called *Le Cachère* now reaches more than 30,000 people.

A good way for a U.S. company to promote the sale of kosher foods in France and the rest of Europe is to display



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products at the EuroKosher or SIAL food shows. EuroKosher, the only kosher food show in Europe, is held every two years, with the next one tentatively scheduled for Paris in June 2004. SIAL Paris is held every even year in October.

Kosher Product Requirements

The Beth-Din Jewish Community Court of Law controls the certification of kosher foods in France. This institution identifies and verifies the products and also inspects the manufacturing establishments.

Kosher products also must comply with all French import regulations in the areas of packaging, labeling and customs duties. Labels must be in French. Kosher in that language can be translated as *kasher*, *casher*, *cashère* or *cacher*.

In order to be recognized as kosher, products must have the "K" identification on the label with the name of the rabbi who certified the product. Labels also must include the following information:

- Product definition
- Shelf life
- Usage instructions
- Weights and volumes of ingredients in metric

- All additives, preservatives and color agents, with their specific group names
- Country of origin and name of importer in the European Union
- Manufacturer's lot or batch number

For delicatessen products, there are additional requirements: the word *casher* must appear in both French and Hebrew, plus the name of the certifying rabbi and his city of residence.

As always, it is advisable for U.S. exporters to develop a close working relationship with a reputable French importer to facilitate the customs process. ■

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For details, see FAS Report FR2044. To find it on the Web, start at www.fas.usda.gov, select **Attaché** Reports and follow the prompts.



Niche Markets Turn a Profit in Poland

By *Jolanta Ganczewska and Michelle Gregory*

In the past decade, Poland's 38.5 million citizens have managed to develop the most robust economy in Central Europe. Poland has attracted foreign investors, and its retail food sector is growing. Burgeoning affluence provides ample opportunity for sales of products not always available before the early 1990s.

Two U.S. products—wines and grapefruit—have carved out niches in this developing economy, benefiting from organized marketing and policy efforts.

EU Membership To Lessen Tariffs

Poland will likely join the EU (European Union) in 2004. Though EU accession means duty-free access to the Polish market for wines and grapefruit from other EU members, import duties will decrease for U.S. products as well.

U.S. wine tariffs (for wines with alcohol content of 13 percent or less) have just been reduced from 30 to 20 percent and will fall further after Poland joins the EU. U.S. grapefruit also benefited from a tariff reduction and now enjoys the 5-percent tariffs that Turkish and Israeli products are assessed. These tariffs are expected to drop further to 2.4 percent after EU tariffs become applicable in 2004.

Bottled Wine Sales Up

If it's red, medium-dry or sweet and the right price, chances are good your wine will sell in Poland. U.S. bottled wine sales have just seen dramatic gains,



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swelling 65 percent from 1999 to 2001, to \$2.5 million.

Several Polish firms have been importing wines for the past decade. Most of the 10 largest importers have their own wholesale operations and distribute throughout Poland. Importers also sell their products to independent wholesale firms with distribution channels. The largest retail stores do not yet import wines.

Though the most affluent 5-10 percent of the population can afford high-quality wines, most buy cheaper brands with prices equivalent to beer. As the population's standard of living increases, its taste for quality wines is expected to increase—rivaling popular beer and vodka products.

U.S. Wines Rank Fifth

Competition in Poland's wine market is growing each year. U.S. wine exports rank fifth in value, after France, Bulgaria, Italy and Spain.

Retail prices of a bottle of wine vary by type, country (and region) of origin, as well as perceived quality. "Word of mouth," media messages, trade shows and

tasting events all contribute to the popularity of wines. Currently, Polish consumers prefer wines they perceive as exotic, yet produced using sustainable viticulture practices, and those bottled by vintners rather than imported bulk wines bottled in-country.

Aware that consumption is expected to increase 10-15 percent yearly and that Poles enjoy exploring new products, the Wine Institute organized its first promotional events in Poland in 2002.

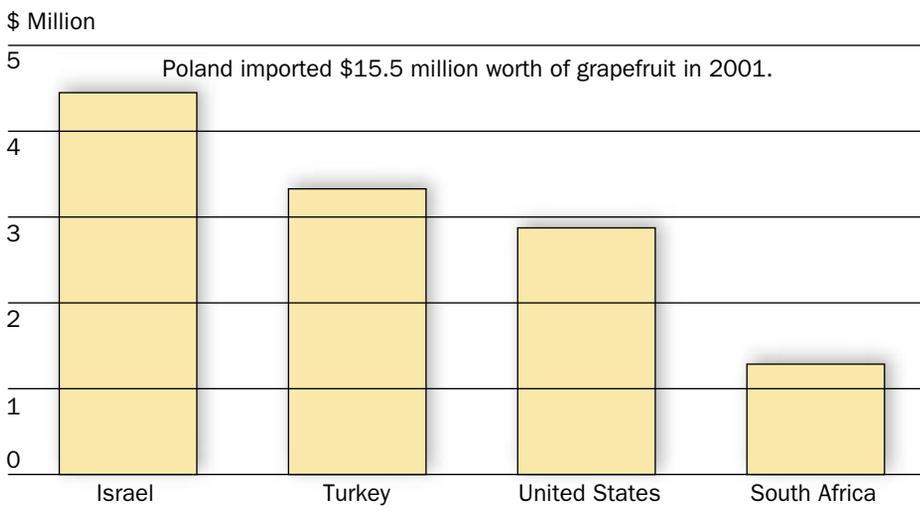
California wine tastings in Warsaw in May and Krakow in November featured over 300 California wines, generating positive media coverage and commercial links.

But wines haven't been the only U.S. product to benefit from organized promotional efforts.

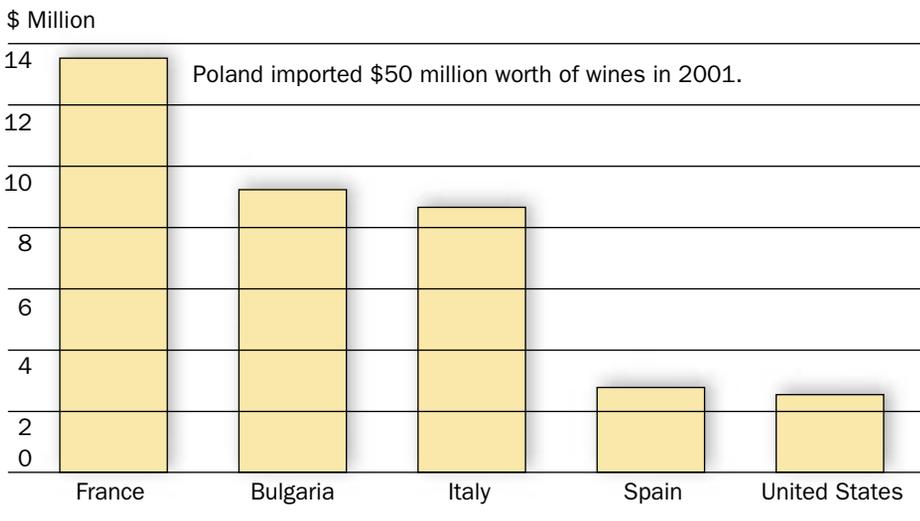
Grapefruit Bounces Back

After tumbling sales in 2000 due to an economic downturn, U.S. grapefruit exports to Poland rebounded dramatically in 2001, showing a 60-percent recovery, up to 7,164 metric tons. The 5-percent duty (down from 15 percent) now being applied to U.S. grapefruit is expected to

In 2001, the United States Ranked Third in Grapefruit Imports in Poland



In 2001, the United States Ranked Fifth in Wine Imports in Poland



boost sales as much as 15-20 percent a year.

Due to its scarcity in the Polish market in the 1980s, grapefruit's exotic (and healthy) qualities made it a desirable, and expensive, gift during holidays. Today, with a plentiful supply, Poles consume an average 2-3 kilos (1 kilogram = 2.2046

pounds) per capita a year of the juicy orbs, for breakfast or in salads.

Increasing consumption is due in part to the work of FDOC (the Florida Department of Citrus), which has encouraged sales of Florida citrus during winter months. From 1996 through 2000, FDOC developed promotional literature

in Polish and conducted very successful in-store tastings.

Importers Are Main Distributors

As with wine imports, importers have established distribution channels through which most retailers buy fresh produce.

Poland is also the recipient of trans-shipped grapefruit. Industry representatives estimate as much as 50 percent of the U.S. grapefruit imported into Poland comes through other European countries, mostly the Netherlands, Belgium and Germany.

There are five large importers of fruits and vegetables to the Polish market. Unlike the more restricted wine import system, some of the larger super- and hypermarket chains have begun to organize their own import and distribution channels.

One important point to remember is that Poland's fruit market is price-driven. Large retailers that dominate the fruit trade are forcing Polish importers to concentrate on the cheapest products, while at the same time requiring high quality. ■

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New Roads to Morocco

By Aziz Abdelali

U.S. and Moroccan negotiators are working to develop a free trade agreement that should result in a significant reduction of import duties on U.S. food and agricultural products going to Morocco. There should be new marketing opportunities for U.S. food suppliers when an agreement is finalized, and now is the perfect time to begin exploring the steps necessary to meet the needs of Moroccan consumers.

Looking West

Located in the northwestern corner of Africa, Morocco is only a few miles from Europe, with lengthy Mediterranean and Atlantic coastlines. It has a population of some 30 million. About half of the population lives in rural areas, and about 55 percent is under the age of 25. The nation's middle class has been growing, and family size is becoming smaller (with only three or four children).

The illiteracy rate of 55 percent is still high and is worse in rural areas. While Moroccans use local Arabic dialects in daily conversation, French is the language of business.

For the most part, Moroccan home cooking remains traditional, but change is coming, especially in large cities where there is a tendency for young families to adopt a Western lifestyle. The number of women working outside the home is steadily increasing. This results in higher income for families, but also prompts

them, when they can afford it, to turn to ready-to-use food products instead of traditional, time-consuming, home-cooked meals.

Distribution channels for convenience foods have grown rapidly in the major cities of Casablanca, Rabat, Marrakech, Fez, Agadir and Tangier. Moroccan officials estimate that about 10 percent of the population, around 3 million, can afford to buy imported food products.

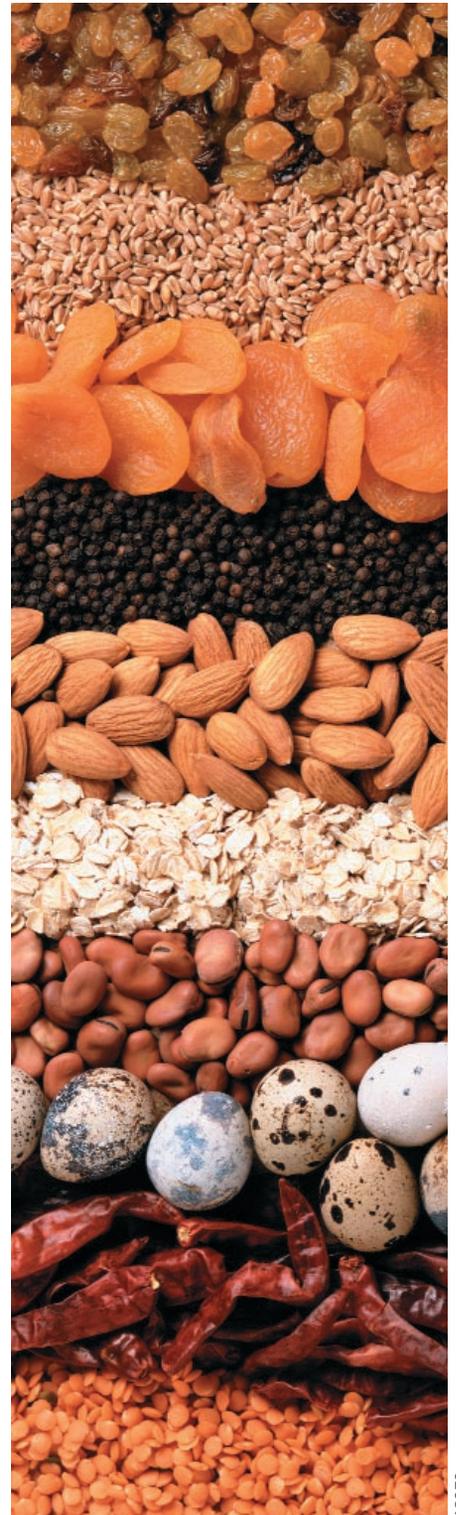
Moroccans are regularly exposed to Western culture, especially through television from Europe and the United States. This steady Western influence on Moroccan lifestyles is expected to increase demand for consumer-oriented convenience foods.

Areas of Potential

Morocco's retail market is dominated by small grocery stores. Supermarkets are a recent phenomenon, and only about 20 stores are comparable in size to those in the United States. During the last few years, a number of modern self-service retail outlets (including convenience stores) have opened in major cities, and this trend is likely to continue.

Morocco's food processing sector, which is dominated by small family enterprises of 50 or fewer employees, has a growing interest in U.S. products such as milk powder, cheese, processed nuts and other ingredients. To penetrate this segment, U.S. exporters should go through local suppliers of ingredients to use their distribution networks. Few processors purchase ingredients directly from exporters.

Exporting to local distributors who supply hotels restaurants in Morocco's big cities also has potential for U.S. suppliers. Most of the more than 2.2 million tourists



EXPORTERS WHO SPEAK FRENCH AND USE FRENCH IN PROMOTIONAL MATERIALS HAVE A DISTINCT ADVANTAGE IN THE MOROCCAN MARKET.

visiting Morocco each year are from Europe or the United States.

Although Morocco is a net fish exporter, there is a window for some U.S. seafood. The demand comes primarily from upper class hotels and restaurants. The seafood distribution system is still developing, and few importers have appropriate facilities and refrigerated trucks to supply seafood to supermarkets. In addition, only 38 percent of Moroccans have refrigerators in their homes.

U.S. exporters should work closely with the few established frozen food importers. The volume of seafood used by hotels and restaurants is still relatively small, but there is potential, in conjunction with local distributors, to carry out promotional activities.

One of the fastest growing and most successful businesses in Morocco in recent years has been the U.S. fast-food restaurant. McDonald's, Pizza Hut, Domino's Pizza and KFC have all opened franchises in the past five years. More are scheduled to open in the near future. They all

require ingredients that cannot be found locally and must therefore be imported on a regular basis.

Exporter Business Tips

U.S. exporters should work primarily with importers who are located in Casablanca. Imports in containers are done mostly through this port. To clear customs, all animal products and fresh fruits and vegetables must have sanitary certificates. New and unfamiliar products may also require testing by a local laboratory.

Often Moroccan importers are not familiar with products and ingredients that are common in the United States. In addition, many importers are not used to U.S. grades, standards and appellations. Prospective exporters should provide pictures, brochures and samples in order to make a sale. It is also important to note that Moroccans use only metric measurements.

While an increasing number of Moroccan importers can communicate in English, exporters who speak French and

Best High-Value Product Prospects

Dried fruits, especially prunes, raisins and apricots
Almonds and pistachios
Lentils, peas and chickpeas
Canned vegetables, especially canned sweet corn
Canned tropical fruits
Unsalted butter
Skim milk powder
Fresh apples and pears
Beef
Popcorn
Candies
Honey
Wines and beer
Cereals
Sauces and condiments

use French in promotional materials will have an important advantage.

Current tariffs on U.S. products are high. Typically, imported foods are subject to an import duty of 50 percent, an export promotion tax of 0.25 percent and a value-added tax of as much as 20 percent computed on top. But the prospect of a U.S.-Moroccan free trade agreement means exporters could see significant reductions in these duties in the next few years. ■

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IFIA JAPAN 2003

T O K Y O , J A P A N

What: Eighth presentation of Asia's largest food, ingredient and additive event and the first annual Healthy Foods Expo

When: June 11-13, 2003

Where: International Exhibition Center
Tokyo, Japan

The Market: Japanese consumers are increasingly interested in eating a well-balanced and healthy diet, and they are looking for specific characteristics in nutritional foods. Consumers consider taste, packaging and safety. American food, beverage and ingredient producers and processors should find incredible market opportunities in Japan as they ride the current nutritional food boom.

Japan is one of the United States' largest trading partners. It also ranks as the world's third-largest market for food additives and ingredients. Total sales to food manufacturers in Japan reached \$246 billion in 1999, with an annual import growth rate of 8 percent.

Best Product Prospects: Antioxidants, acidulates, additives, cereal products, confectionery ingredients, dairy products, dietetic foods, egg products, emulsifiers, enzymes, fats and oils, fibers, food colorings, food supplements, frozen foods, fruits and vegetables, health foods and beverages, hydrocolloids, juices, low-calorie foods, malt extracts, nutraceuticals, organic products, preservatives, proteins, seasonings and spices

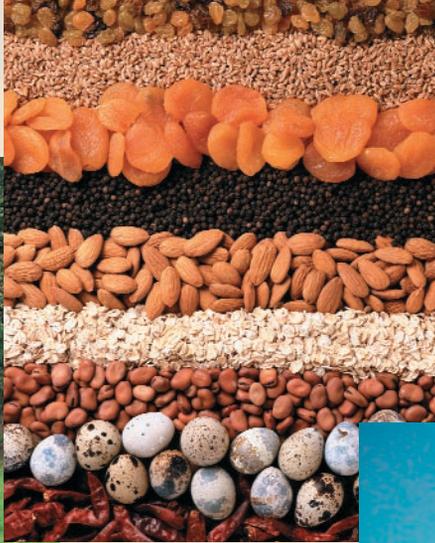
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USDA To Promote
Exports at Food
Show in Germany



Also in This Issue:

- Niche and not-so-niche—Poland's taste in wines and grapefruit
- France's appetite for kosher foods
- The road to Morocco's export market
- Trade show opportunities in Mexico and Japan

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