

The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

May 2003



U.S.-Latin American Interdependence

How diverse FAS programs, policies,
activities and people at home and
abroad are strengthening ties

TRADE SHOW OPPORTUNITY

AGROEXPO 2003

BOGOTA, COLOMBIA

The Show:

With 28 years of history, AGROEXPO 2003 is the main agricultural and livestock event in Latin America. More than 10 countries exhibit their products and equipment in this show, including Germany, Italy, the Netherlands, Switzerland, Belgium, France, Canada and most of the Andean countries. The show concentrates on foodstuffs, agro industry, agricultural inputs and machinery, and livestock, including horses. AGROEXPO will take place July 31-Aug. 10, 2003, at the Corferias Fair Grounds, Bogota, Colombia.



The U.S. agricultural office in Bogota will rent a 42-square-meter space for an **American Café** display of U.S. agricultural products and information on U.S. exporters. The office will arrange with the consolidator "Just-in-time" in Miami to consolidate and ship your products. Information brochures should be sent directly to the Bogota agricultural office ahead of time.

The Market:

With a population of 40 million, Colombia is the largest importer of U.S. agricultural products in Latin America after Mexico, with total imports of \$485 million in fiscal 2002. It is a major importer of a broad range of processed food products and beverages, has one of South America's most modern, dynamic supermarket sectors and has a diverse, thriving restaurant sector.

Best Product Prospects:

Snack foods, dairy products, salad dressings, pre-mixes, wines, olive oils, balsamic oils, microwave-ready products, spices, condiments, confectionery candy, canned meats and produce, jams, jellies, cookies, crackers, pancakes and cake mixes, pastry, frozen foods, cereals, gourmet foods, pet foods, energy beverages, flavored teas, ready-to-eat foods, canned soups, refrigerated and non-refrigerated snacks for children, dried fruits, baby foods, extracts and powders (vanilla, almond, lemon, etc.), health foods, all edible nuts

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Programs and Activities in Latin America

This issue of AgExporter explores the interdependence of the United States and Latin America (Central America, South America, the Caribbean and Mexico). FAS personnel, programs and activities at home and abroad are strengthening cultural, social, political and economic ties. This story provides an overview of programs being employed to further this goal, with insights from W. Kirk Miller, general sales manager of FAS.

“The United States and Latin American countries have a tremendous amount of interaction based on mutual interest,” said Miller. “Latin America has been a major contributor to the mosaic of American culture.

“In agricultural trade, we have many complementary relationships. Since the seasons are reversed in North and South America—our winter is the South American summer—we produce many crops—fruits, vegetables, grains and oilseeds—that mature at different times of the year and provide a wider mix of alternatives for food industries and con-

sumers,” Miller noted. Proximity provides transportation cost advantages in trading with Western Hemisphere neighbors. Many of the world’s major trading companies find it logical to establish trading centers in both the United States and Latin America.

“Our markets also are complementary. In fiscal 2002, two-way trade in agricultural products between the United States and Latin America totaled \$23.7 billion (about \$12 billion in each direction),” Miller said. “If you add in fish and forestry products, there was another \$757 million in U.S. exports to Latin America



and \$4.2 billion in U.S. imports.” As in many regions, trade in bulk products has decreased while trade in consumer-oriented products has grown in both directions.

“FAS works on many fronts to promote U.S. agricultural exports, develop long-term markets and improve world food security,” Miller said. “A key objective is to reduce trade barriers—formal ones, such as tariffs and quotas, and others, such as use of unreasonable, protectionist requirements disguised as sanitary and phytosanitary concerns.”

Resolution of a trade issue can bring direct and indirect benefits. “For example, it is often closely linked with increased enthusiasm among international investors,” said Miller. “Freer, fairer, more transparent trading environments tend to spur foreign investment.”

Commercial Export Programs

FAS operates a number of commercial export programs that provide attractive financing for foreign buyers of U.S. farm products. The SCGP (Supplier Credit Guarantee Program) provides credit covering 65 percent of a sale for short terms (up to six months). The GSM-102 Export Credit Guarantee Program covers 98 percent of a credit sale for up to three years, and the GSM-103 Export Credit Guarantee Program covers 98 percent of a sale, typically for up to seven years. These programs are not export subsidies; they are a form of insurance, in place to protect U.S. exporters in markets where it may be difficult to obtain financing through conventional commercial channels.

The FGP (Facility Guarantee Program) helps to finance agriculture-related facilities linked to future imports of U.S. farm products in emerging mar-

U.S. Commercial Credit Program Allocations for Latin America

	GSM 102		GSM 103		SCGP		FGP	
	2002	2003	2002	2003	2002	2003	2002	2003
<i>\$ Million</i>								
Caribbean	350	350	10	0	10	10	10	10
Central America	400	400	0	10	50	50	30	30
South America	650	700	5	5	20	20	20	10
Mexico	500	500	35	35	300	500	50	50
Total	1,900	1,950	50	50	380	580	110	100

kets. The Emerging Markets Program helps public and private organizations provide technical assistance to develop markets for U.S. agricultural exports in low- and middle-income countries. In fiscal 2002, \$1.5 million was allocated for such efforts in Latin America.

FAS also employs the MAP (Market Access Program) and cooperator (Foreign Market Development) program to promote U.S. agricultural goods in Latin America.

Food Aid

FAS shares administration of food aid programs with USAID (the U.S. Agency for International Development). Some programs provide U.S. commodities directly to needy people, while others generate sales proceeds that are used to promote economic development in local communities.

“The programs, in many cases operating through the World Food Program and private voluntary organizations, help vulnerable people in countries throughout Latin America,” Miller said. Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua and Peru benefited from U.S. food aid in fiscal 2002. In Ecuador alone, FAS programs provided

loans to 8,000 entrepreneurs, primarily women, organized 320 village banking groups and provided business training.

Also in fiscal 2002, under the Food for Peace Program (Title I, Public Law 480), FAS provided \$21 million in commodities through long-term, low-interest loans to Latin American countries. Under Food for Progress, carried out using funds from Title I or available from USDA’s Commodity Credit Corporation, FAS provided \$20.4 million in food assistance to countries in the region to support economic development.

Section 416(b) channeled nearly \$3 million worth of food aid to the region. USDA has entered into a Section 416(b) agreement with Food for the Poor, Inc., to conduct a direct feeding program with USDA-donated nonfat dry milk (NFDM) in several Latin American and Caribbean countries. Such donations are analyzed to ensure that they will not reduce amounts of commodities traditionally donated to U.S. feeding programs or agencies, prevent the fulfillment of any agreement entered into under a payment-in-kind program or disrupt normal commercial sales.

In fiscal 2002, the pilot GFE (Global Food for Education) initiative provided \$10.6 million worth of food aid to Latin American children. (The McGovern-



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Dole International Food for Education and Child Nutrition Program will replace the GFE.)

Cochran Program

The Cochran Fellowship Program strives to increase the capacity of other countries to meet their food needs, and to strengthen and enhance commercial and agricultural trade linkages between other countries and the United States. “The Cochran Program offers training in the food and agricultural industry for people from both the public and private sectors around the world,” Miller said. “Participants meet with professionals in various fields, participate in field observations and industry tours, obtain on-the-job training or attend university courses or seminars.”

Hispanic Outreach Opportunities

To make these programs and others work, FAS relies on individuals of diverse backgrounds who bring many different talents to the workplace.

FAS continues to collaborate with Hispanic Serving Institutions (HSIs) on international projects for development, scientific research and exchanges. These international efforts link the unique capabilities and expertise of HSIs in agricultural training, research and technical assistance with countries worldwide. In addition, FAS has actively supported HSIs through the student employment programs and outreach activities with national Hispanic and Latino organizations.

FAS is collaborating on such activities as:

- New Mexico State University programs in environmental and natural

resource management, sustainable development and eco-tourism

- a project with Colegio Universitario Del Este, Puerto Rico, to reduce pollution in Jobos Bay

In addition, through the Student Career Experience Program, FAS affords Hispanic and other student trainees valuable work experience.

Another way in which FAS attracts individuals of diverse backgrounds and wide-ranging abilities is through the HACU (Hispanic Association of Colleges and Universities) National Internship Program. “The program gives us the opportunity to increase our workforce diversity by providing internship opportunities to high-achieving students,” Miller said. “While most of the HACU interns have been Hispanic, the program is open to all students.” ■

U.S.-Latin American Trade Policy Initiatives Beyond NAFTA

FTAA (the Free Trade Area of the Americas): This area will constitute the world's largest free trade area. It will transform 34 countries in the Americas with a population of 800 million into a single market. FTAA will benefit American producers by reducing high tariffs and trade barriers throughout the Western Hemisphere and promote regional economic growth and integration.

In February, the United States and the other FTAA participants tabled their initial tariff offers. The U.S. offer set the benchmark for the market access negotiations, demonstrating U.S. leadership as FTAA moves into a critical and substantive phase.

Under the U.S. proposal, about 56 percent of agricultural imports from the hemisphere would be duty-free immediately when FTAA takes effect. Other agricultural tariffs fall into staging categories of five years, 10 years or longer. The U.S. offer provides different rates of reductions to different country groups in recognition of the differences in economic size and levels of development among the FTAA countries.

Over the next several months, the United States and other FTAA countries will respond to each other's initial offers and begin negotiations for their improvement. In addition, negotiators will continue to bridge differences over the chapter texts of the FTAA agreement. Western Hemisphere trade ministers will meet in Miami in November for the first of two Ministerials to be co-chaired by the United States and Brazil to review progress of the negotiations. Launched in 1998, the FTAA negotiations are scheduled to be completed by January 2005.

To facilitate FTAA negotiations, the United States is providing assistance and coordinating trade capacity building throughout the Western Hemisphere. In fiscal 2002, the United States provided over \$102 million in trade capacity build-

ing activities to countries participating in FTAA.

Chile FTA (Free Trade Agreement): This agreement is ushering in a more comprehensive, transparent approach to trade, and also addresses labor and environmental concerns. The culmination of negotiations that began in 1995 and concluded in January 2003, the U.S.-Chile FTA has eliminated tariffs on more than 85 percent of trade between the two nations and will phase out remaining tariffs within four years.

Because Chile had already concluded trade agreements with Canada, Mexico and the European Union, U.S. companies are often edged out by foreign competitors. The new FTA will put U.S. agricultural products on a more equitable footing in the Chilean market.

CAFTA (the Central America Free Trade Agreement): The United States is also pursuing a free trade agreement with the five nations of the Central American Common Market—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. CAFTA would benefit U.S. agriculture by providing improved access to a combined market of 35 million consumers.

The elimination of duties is expected to enhance the United States' ability to capture increased market share in the region for certain commodities. It would also provide U.S. producers and exporters access to the region for many commodities that currently face high duties and other trade restrictions.

In 2002, U.S. exports of agricultural, fish and forest products to the five Central American countries totaled \$1.1 billion. U.S. imports of total agricultural products from that region in 2002 were \$2.3 billion. Looking at the region on an aggregate basis, the leading export categories for the United States in 2002 were grains and feeds (\$461 million), oilseeds and products

(\$195 million), cotton and products (\$173 million) and horticultural products (\$112 million).

Launched on Jan. 8, 2003, the CAFTA negotiations are scheduled to be completed by December 2003.

Generalized System of Preferences: The Trade Act of 2002 renewed the Generalized System of Preferences, which enables some 3,500 products from 140 developing economies to enter the United States duty-free. The United States is reviewing how to use this authority to expand imports from Argentina, and has invited others to submit petitions for the product review.

Caribbean Trade Partnership Act: The Act, passed in 2002, expanded the Caribbean Basin Economic Recovery Act to provide preferential tariff treatment for imports of certain products of beneficiary Caribbean and Central American countries.

Andean Trade Promotion and Drug Eradication Act: Signed in 2002, the Act extends and augments the Andean Trade Preference Act, first passed in 1991, by increasing the list of duty-free products to some 6,300.

Bilateral Concerns: The United States is working to address trade differences through regular forums, such as consultative committees. In April 2002, Mexico and the United States established a Consultative Committee on Agriculture that meets regularly to discuss trade concerns, prevent trade disruptions and resolve difficulties before they grow into larger, more intractable problems. The United States also maintains Consultative Committees on Agriculture with a growing number of other countries.

Putting Programs and Policies Into Practice Throughout Latin America

t all comes down to individuals—even the best policies and programs would prove ineffective without people to carry them out. In this article, FAS attachés in Latin American countries offer highlights on how Post personnel are working to strengthen U.S.-Latin American ties.

Caribbean Basin

In 2003, the FAS CBATO (Caribbean Basin Agricultural Trade Office) is considering applicants for training in various procedures and techniques, such as produce handling, supermarket merchandising and new product introduction, the U.S. food safety program for consumer group representatives; the U.S. food safety program for government regulators; training in biotechnology for Caribbean scien-

tists and professors involved in local agricultural production; and meat and poultry inspection for government meat inspection officials.

“Our office has conducted numerous training courses through the Cochran Fellowship Program in such activities as supermarket management/food retailing systems, handling and marketing of produce, wines, meats and dairy products and HACCP [Hazardous Analysis and Critical Control Point] systems,” said Omar González, deputy director of the CBATO.

One group in the CBATO Cochran Program attended a two-week program at St. Joseph’s University in Pennsylvania that focused on current trends in consumer-ready foods and provided information on inventory control, quality control, customer service, handling, merchandising and promoting food items at the retail level. The group visited local supermarkets, distribution centers and processing

plants. The group also attended the annual FMI (Food Marketing Institute) show in Chicago and met with U.S. trade contacts.

Another group began with an intensive seminar at the University of California at Davis on the produce marketing system, which covered handling and distribution of produce from grower to packer-shipper to retailer, as well as processing, packaging and labeling, retailing and new technology. The participants then toured California, Washington and Oregon to meet fruit and vegetable growers, processors and suppliers. They also visited the Produce Marketing Association exposition in Monterey, California.

“Another CBATO Cochran Program effort targeted wine distributors, chefs of upscale hotels and restaurants and food and beverage journalists,” González said. “Participants went to vineyards in California, Washington and Oregon to



learn about wine production from vine to barrel.” A course at the University of California at Davis covered such topics as effects of aging on wine taste and value, pairing of wines with spices and sauces and marketing.

Still another Cochran effort gave participants an understanding of handling and marketing systems for meats, dairy products and fresh fruits. Participants traveled with a buyer education team from USMEF (the U.S. Meat Export Federation, an MAP and cooperator program participant), and attended USMEF’s foreign buyer conference.

Participants learned about pork and beef grading; beef use in the food service industry; computer software for underutilized cuts; and portion control. They visited processors and packers, and took a short course put on by Texas A&M University for an in-depth look at beef cattle evaluation; carcass grading; inspection and food safety; factors affecting leanness and palatability; meat cutting rules and methods; and wholesale and retail cut techniques.

Participants then studied dairy product handling and marketing through a program designed by the Wisconsin State Department of Agriculture, which covered quality, processing, storage and transportation of dairy products.

“A course on the U.S. HACCP system for importers, distributors and food inspectors and policy makers provides information on the distribution, handling and storage of meat and poultry products, and includes a tour of manufacturing and distribution facilities that have effectively implemented the HACCP system.

“The HACU [Hispanic Association of Colleges and Universities] intern program also has furthered CBATO’s mission,”



Omar González, FAS

At work in the CBATO: coop student Angel González and HACU interns Isabel Dávila and Roberto González.

González said. “HACU interns have conducted market research on exporting U.S. food and beverage products to the Caribbean, organized international conferences, arranged sales missions for U.S. exporters, participated in trade shows and managed computer systems and communications.” Through USDA’s Public Service Scholarship Program, the CBATO also has a Hispanic cooperative student from Puerto Rico.

Mexico

The Office of Agricultural Affairs at the U.S. Embassy in Mexico City oversees USDA activities in Mexico, with particular emphasis on government-to-government relations and trade policy.

“FAS also has ATOs in Mexico City and Monterrey that take the lead in market promotion, training and export credit activities,” said Bruce Zanin, director of ATO Mexico City.

Recent and planned marketing activities of FAS Mexican Posts include:

- a videoconference with agribusiness exporters from Fresno, California
- USA Pavilions at the Expocarne, Expohotel, ANTAD and ABASTUR trade shows
- an information booth at the Alimentaria trade show in Mexico City
- an in-store promotion in northern Mexico



Stacey Pecklins, FAS



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- restaurant menu promotion
 - buying missions to the United States
- Training activities include:
- a training session in Maine and a Boston Seafood Show visit for Mexican seafood importers
 - a trip to Michigan for Mexican chefs for training in use of apples, blueberries, cherries and cranberries in conjunction with the Mid-America International Trade Council
 - ATO staff presentations on the Mexican market at the FMI and NRA (National Restaurant Association) trade shows
 - training for feed suppliers, dealers and distributors from Mexico's border on U.S. cottonseed meal purchasing
 - training for hardwood importers in Ohio, West Virginia and mid-Atlantic states on U.S. hardwood varieties and their uses
 - training through USDA's Food Safety and Inspection Service for Mexican government officials on meat and poultry handling and safety
 - training through the Animal and Plant Health Inspection Service on animal health inspection for Mexican government officials
 - biotechnology training for Mexican government officials
 - training on the U.S. grain handling system for Mexican government officials

Costa Rica, Nicaragua and Panama

The FAS office in San José has oversight for Costa Rica, Nicaragua and Panama. Eight Foreign Service nationals serve in the three countries, all local hires.

The United States is working on CAFTA (the Central America Free Trade Agreement) with the Central American Common Market, which includes Costa Rica and Nicaragua, among others.

CAFTA is expected to increase market share of certain U.S. commodities and provide U.S. producers and exporters access to the region for many items that currently face high duties and other trade restrictions. “Throughout the year, there will be ongoing negotiations on CAFTA, which will alternate among the United States and the other countries involved,” said Alan Hrapsky, agricultural attaché in San José.

“Our major marketing work this year centers around recruiting for major U.S. food shows,” Hrapsky continued. “In addition, and the U.S. Embassy may host a large trade delegation from Louisiana.”

Colombia

Colombia is the largest market for U.S. agricultural products in South America; U.S. exports to that country totaled \$484.8 million in fiscal 2002, up 10 percent from a year earlier.

The FAS office at the U.S. Embassy in Bogota has five Colombian employees.

“Colombia is very interested in free trade with the United States,” noted attaché David J. Mergen. “Negotiations on the Free Trade Area of the Americas are closely followed, and the local industry is actively preparing for its eventual implementation.”

Renewal last year of the Andean Trade Promotion and Drug Eradication Act [ATPDEA, formerly the Andean Trade Preference Act] reduced to zero the tariffs on numerous products exported to the United States, and is expected to generate a substantial increase in employment, particularly in the textile sector. Colombia recently requested a bilateral free trade agreement with the United States.

Colombia is active in the Cochran Program, sending 31 participants to the United States for training in fiscal 2002. “We support marketing activities, and had a budget of \$55,000 last year,” Mergen continued. “We focused on sending Colombian buyers to U.S. food shows like the FMI, NRA, Food and Beverages of



Stacey Peckins, FAS

the Americas and Fancy Food events.”

The Post organized a seminar on river transportation. Its goals were to lower the cost of exporting U.S. grains to Colombia and foster economic growth by improving the transportation infrastructure.

“We are also encouraging Colombia to participate in the McGovern-Dole International Food for Education and Child Nutrition Program to increase overall food availability and improve nutrition for the large number of extremely poor students,” Mergen said.

“Approval last year of the ATPDEA expanded duty-free access to the U.S. market for Colombian textiles, which is generating growth in Colombian employment and increased opportunities for U.S. cotton and yarn exports,” Mergen continued. “We are encouraging firms to use USDA’s GSM-102 Export Credit Guarantee Program to ensure that local companies have the credit necessary to expand and to ensure that the United States remains Colombia’s main supplier of cotton.”

Argentina, Paraguay and Uruguay

The FAS office in Buenos Aires covers Argentina and oversees Uruguay and Paraguay. “These three countries have a combined population of roughly 45 million, and cover an enormous geographic



Stacey Peckins, FAS



Stacey Peckins, FAS

area approximately the size of an area stretching from Cuba to the Hudson Bay in northern Canada,” said agricultural counselor Philip A. Shull.

The office has several Argentines on staff. “Comprising most of the fertile and extremely competitive Southern Cone of the continent and three of the four countries of the free trade association of MERCOSUR, it is a key Latin American post for trade policy, marketing and reporting,” noted Shull.

“Our trade policy efforts have focused on expanding our alliance with Argentina and Uruguay in biotechnology, and trying to convince the Paraguayan government to rescind its prohibition on planting biotech varieties,” Shull continued. The office is pursuing the latter goal through sponsoring seminars in all three countries, and taking some of their key officials to the United States.

“In our continuous efforts to open markets with this region, we have sponsored food safety and handling programs to familiarize officials and traders with the U.S. regulatory system,” Shull said. “Establishing excellent contacts throughout government and the private sector, through individual meetings and through public speaking, is essential to this work.”

To expand markets for U.S. food and agricultural products, the Post has employed buying missions, taking

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For technical assistance and training available to U.S.-based small- and medium-sized food processors and other U.S.-based businesses interested in doing business with Latin American countries, contact:

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Roger Minami
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importers to the United States to meet exporters and to attend trade shows, and menu promotions. “The current economic crisis in this region and the comparatively high value of the U.S. dollar have produced incentives for development of a local food industry, and created new opportunities for U.S. food ingredient exporters,” Shull noted.

“We have therefore designed several activities to educate importers and processors about these products, and to introduce them to U.S. suppliers. While the American officers provide overall guidance and supervision, the implementation and success of these efforts depend upon the contacts, skill and professionalism of the local staff,” Shull concluded. ■



El Salvador Offers a Balmy Climate for U.S. Agricultural Exports

By Miguel Herrera and
Ana Elizabeth Iglesias

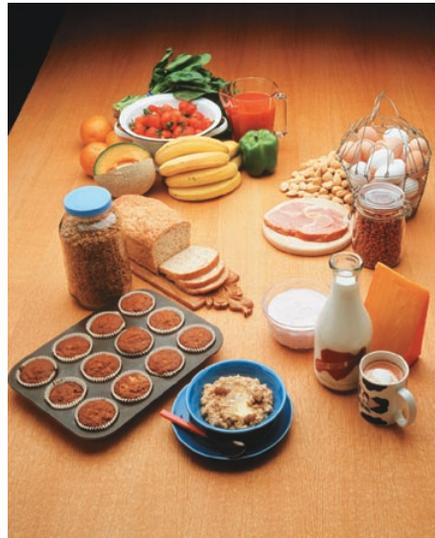
El Salvador is a unique, dynamic market that has one of the most transparent business climates in all of Latin America. Other positive business features include a currency pegged to the U.S. dollar, free trade agreement negotiations under way with the United States, rising international reserves, a low debt burden, continuing tariff reductions and streamlined customs procedures.

The government is also modernizing its ports and is planning to construct a new container facility on the Gulf of Fonseca. El Salvador has the most modern airport in the Central American and Caribbean region, offering excellent facilities for shipment of products to the local market.

With the reduction of import tariffs and the removal of almost all nontariff trade barriers, the climate for successful business in El Salvador has improved significantly during the last few years. The privatization of the banking system has created an array of financing options for local importers. Business practices in El Salvador are very similar to those in the United States.

The Salvadoran Consumer

The average Salvadoran consumer is very familiar with U.S. products and is an avid purchaser of quality goods. In addition, almost 2 million Salvadorans reside in the United States, and they send both money and consumer tastes back home to their relatives and friends.



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BUSINESS PRACTICES IN EL SALVADOR ARE VERY SIMILAR TO THOSE IN THE UNITED STATES.

Many consumers believe U.S. products are of superior quality, and they are generally willing to pay a premium price. Nevertheless, the relatively high price of most U.S. products can be a constraint to increased market share. U.S. suppliers face stiff competition in El Salvador from other Central American countries, Mexico, Chile and the EU (European Union). El Salvador has signed free trade agreements with Mexico, Chile, the Dominican Republic and Panama. In addition to CAFTA (Central America Free Trade Agreement) deliberations with the United States, El Salvador is currently negotiating free trade agreements with Canada and the EU.

Some 20 percent of El Salvador's population regularly purchases U.S. food items. In calendar year 2001, U.S. agricultural and fish products exported to El Salvador were valued at almost \$250 million. With more women joining the labor force and fewer domestic employees to assist in food preparation, the demand for convenience and fast foods is increasing. The positive image of U.S. brands is a major advantage over counterparts from other countries. In the Salvadoran consumer, brand loyalty is strong.

The four basic foods for the vast majority of Salvadorans in order of importance are tortillas from white corn, beans, eggs and rice. Bread, milk, meats, fruits, vegetables, snacks and juices are consumed in varying quantities depending on income level. Generally, people living in urban areas consume more bread and meats than tortillas and beans.

Urban Salvadorans are very familiar with U.S.-style food, and most U.S. fast-food franchises have outlets in El Salvador. Food courts in shopping malls are popular and viewed as a perfect place to socialize. Delivery service is also catching on.

U.S. foods such as hot dogs and hamburgers are preferred by the younger generation. Ramen-style soup has filled a niche among construction workers as a quick and inexpensive lunch.

Market Structure

With the growth in the number of supermarkets in El Salvador, the market for U.S. value-added food products is expanding. Consumers are switching from open-air markets and mom-'n'-pop stores to U.S.-style supermarkets. In 1995, there were 57 supermarkets in El Salvador. By the end of 2002, this number had climbed to 139.

Best High-Value Product Prospects

- Processed fruits and vegetables
- Breakfast cereals
- Pet foods
- Meat sausages
- Wines
- Ramen-style soups
- Dairy products
- Fresh and frozen potatoes
- Salad dressings
- Fresh fruits—apples, grapes, stone fruits
- Pork and beef
- Sardines
- Snacks
- Cookies
- Food processing ingredients—e.g., potato flakes, raisins, concentrated juices

El Salvador's corporate hotel industry is also growing, increasing the demand for high-quality U.S. foods and wines. The U.S. Meat Export Federation has successfully introduced U.S. beef and pork cuts into this market through various promotions, festivals and cooking demonstrations.

In food processing, the Diana Company in El Salvador is the largest snack producer in Central America. Other local snack producers are Bocadeli and Ideal. These companies are working hard to increase market share and offer a wide variety of snacks. They eagerly seek U.S. ingredients for their products.

Meat processing is also growing in El Salvador. Salvadorans are large consumers of sausage products, and imports of U.S. pork have grown tremendously over the last two years. Dairy processors and bakeries are also expanding to supply the supermarket chains, and their demand for ingredients is on the rise.

In order to attract new customers, a U.S. supplier needs to employ an effective marketing campaign that includes both

sampling and easy-to-read instructions in Spanish on how to use the product. Tasting before purchasing is still the norm in this market.

In El Salvador, distributors usually handle products on an exclusive basis. It is essential for U.S. suppliers to develop strong relationships with distributors because they can assist in ad campaigns, promotions and in-store displays. A good place to get acquainted with local distributors is food and beverage shows. Salvadoran distributors like to keep up to date on developments in the food industry and find food shows an excellent way to accomplish this and do business at the same time.

What Exporters Need To Know

Salvadoran business relationships and meetings are, at first, formal. One is expected to use proper titles, shake hands before and after the meeting and refrain from using a person's first name until a relationship has been solidified. It is also important to have business cards in Spanish.

Breakfast meetings beginning around 7:30 a.m. are common. Lunches and dinners can last as long as two or three hours, so it is a good idea not to plan a tight schedule around them.

The Salvadoran Ministry of Public Health and Social Assistance regulates food safety. The Ministry of Agriculture is in charge of assuring the safety of dairy and meat products. The Ministry of Economy has a consumer protection agency that ensures products are safe for human consumption.

Most foods are inspected for safety at the port of entry. In addition, there is random testing at wholesale and retail outlets. Labeling requirements include prod-

uct name, net content in metric measurement, ingredients, additives, lot identification and manufacturing date, expiration date, preservation instructions, manufacturer's name, country of origin and name and address of the importer in El Salvador. While not strictly enforced at this time, regulations stipulate that labels be in Spanish. Since most Salvadorans do not speak English, having labels in Spanish is essential for successful sales.

English, however, is the commercial language used for import documents. In general, it takes approximately three to five days to clear a product through customs. Most importers use a customs agent to expedite the process. All plant and animal products must have an import license from the Ministry of Agriculture.

The customs process in El Salvador has improved since 1998, when a new system was introduced that allows importers and exporters to submit commercial invoices, bills of lading and airway bills to the Salvadoran customs office electronically, 24 hours a day, seven days a week. ■

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For details on exporting to El Salvador, see FAS Report ES2007. To find it on the Web start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



U.S. Exporters Bask in Clement Costa Rica

By Illeana Ramírez

Costa Rica embodies a Central American success story. The country's social and economic well-being has proven a bonanza for U.S. agricultural exporters, who enjoy a healthy 52-percent share of all Costa Rican agricultural imports; and there's room for growth.

High-Value, Fast Food Sells

High-value food, beverage and meat products rank high on shopping lists for higher income residents. Working people are buying increasing quantities of canned and frozen convenience foods.

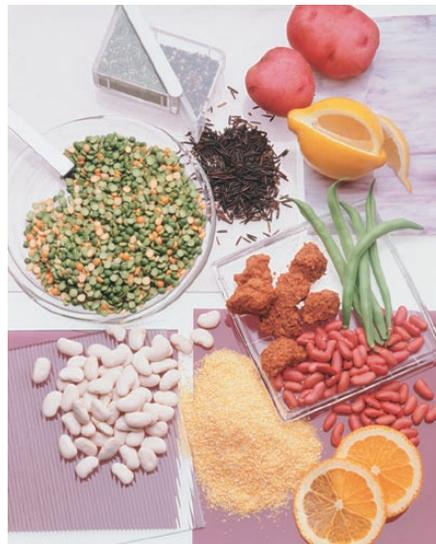
Fast-food restaurants are growing, with express service being in great demand for business lunches and weekend family dinners. Weekend dining out is also popular with those who can afford it.

Costa Rican Economy Still Growing

This stable economy, based on tourism, agriculture and electronics exports, has substantially reduced poverty over the past 15 years. Costa Rica's 4 million inhabitants enjoy a high standard of living and widespread land ownership. Literacy is 95 percent, and a strong social safety net is in place.

Leaders have liberalized the economy, promoting domestic industry and nontraditional exports (such as electronics) and enhancing global trade via bilateral and multilateral agreements.

The economic growth of the last few years has been accompanied by changing patterns—tourism is rivaling the tradi-



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tional agricultural economy and is fueling an ever-changing society for the Costa Rican population.

Per capita income is rising and more women work outside the home. Consumer tastes are becoming more sophisticated.

However, some factors are impeding growth: a large deficit; rising debt, unemployment and inflation; and outdated, state-owned electricity and telecommunications sectors. Recent low coffee prices and a glut on the banana market have added to these problems.

Even with these negative indicators, the country's gross domestic product is still expected to have increased about 3 percent in 2002. The outlook for Costa Rica continues to promise increasing markets for U.S. products.

Local Importer Recommended

Though U.S. firms can export directly to Costa Rican companies, it is recommended that a local representative or sales office be used—one that not only markets successfully with the private sector, but is also familiar with Costa Rica's government procurement system.

Since importers do not need commercial licenses, U.S. firms should carefully evaluate potential partners before making a commitment and should avoid exclusive representation contracts. It's best to have an attorney familiar with Costa Rican law review any written agreement.

Imports Must Be Registered

Before entry, imported food products must be registered at the Department of Food Control in Costa Rica's Ministry of Health. Importers and suppliers usually share this cost. Agricultural imports are classified and marketed as a food product, additive or raw material.

Pluses and Minuses in the Costa Rican Market

Advantages for U.S. Exporters	... and Challenges
Urban growth is promoting sales of high-value products.	Consumers have lingering concerns over pesticides.
Food processors are looking for new food ingredients.	Domestic producers receiving foreign investments are upgrading production efficiency and product quality.
Distribution infrastructure is efficient.	Marketing costs are high.
Costa Ricans identify readily with U.S. culture and foods.	Exchange rate fluctuations greatly affect competitiveness of U.S. products.

Labeling Requirements in Spanish

- Product name
- Net content and drained weight
- Any artificial colors and flavors
- List of ingredients in decreasing order by weight or volume
- Name and address of importer
- Lot number and expiration date
- Country of origin
- Storage and use instructions

Dairy and meat products, seafood and infant formulas require laboratory testing to assure compliance with country standards.

Registration of a product requires:

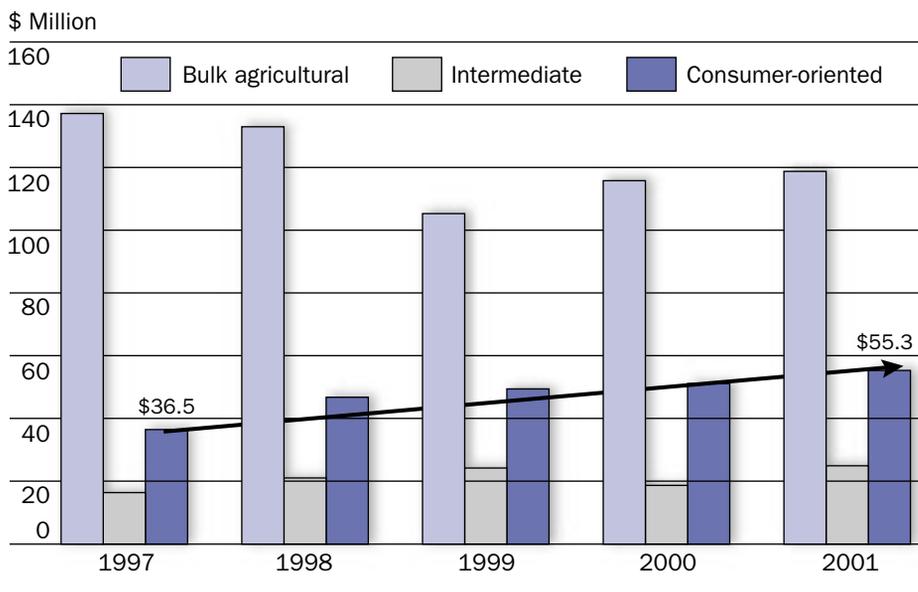
- Registration request form—typed original and copy
- Certificate of qualitative composition of ingredients and any additives, issued by manufacturer or recognized sanitary authority from country of origin
- Sanitary certificate from country of origin
- Receipt for payment for laboratory analysis
- Two product samples, 100 grams or larger

Malls Support Consumer Product Sales

Consumer foods are imported by private firms that distribute to supermarkets and smaller stores. A few larger supermarket chains import directly.

The habit of buying from neighborhood convenience stores is waning as middle class shoppers patronize more shopping centers and supermarkets. Ten big shopping malls in the Central Valley area where San José is located attract customers who value convenience. This is good news for exporters whose products are distributed more readily to larger retail outlets.

After Bulk Products Like Grain and Soybeans, Consumer-Oriented Products Are the Biggest U.S. Agricultural Sellers in Costa Rica



Competitors Aim for Supermarkets

Supermarkets stock a number of brands from Mexico and Chile. Marketers from these countries have been aggressively competing with local products. Mexico has established factories for bread, corn derivatives, canned fruits and vegetables. Chile markets a wide variety of candy, seafood and fruit products.

While U.S. items stocked by supermarkets continue to be perceived as better quality, they need more exposure to ensure growth in market share.

Letter of Credit Most Common Payment

Costa Rican public and private banks provide full trade servicing, but at a price. In 2001, the average lending rate was 25 percent for local currency loans and 11 percent for U.S. dollar-denominated loans.

Since 1996, private banks have forced state-owned banks to be more competi-

tive. Just one U.S. bank is in operation, the local Citibank Costa Rica, S.A.

The letter of credit is the most common and secure method of payment and strongly recommended for U.S. exporters. Under the terms of the letter of credit, the importer may not have access to the goods until the exporter receives payment. ■

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For details, see FAS Report CS2009. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Dominican Market Remains Strong

By Carlos Suarez and Wagner Mendez

Sustained economic growth in the Dominican Republic has increased the demand for U.S. foods, resulting in greater opportunities for U.S. suppliers. Overall, the Dominican economy has maintained an annual growth rate of more than 7 percent for the past five years—pretty impressive compared to the doldrums of many countries' economies in the last two years, and especially so when you consider that the Dominican Republic's economy was hit hard by Hurricane Georges in 1998.

What's Driving the Market Higher

U.S. culture significantly influences Dominican consumer tastes. More than 1 million Dominicans live in North American cities. The influence of these expatriates, combined with messages from cable TV, music and movies, has resulted in U.S. culture being incorporated into Dominican society.

In addition, the Dominican Republic is a growing tourist destination in the Caribbean, with more than 50,000 hotel rooms and a yearly hotel room growth rate of almost 10 percent. The high tourist activity and the growing number of fast-food restaurants are contributing significantly to increased import food demand.

Throughout the country, supermarkets are becoming more important as major distributors of food. They are more likely to sell imported products than the traditional smaller grocery stores. Several foreign supermarket chains such as



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PriceSmart from the United States and Carrefour from France have outlets in the country.

At the same time, small local supermarkets are designing strategies to compete with the giants. In 2001, the owners of a group of smaller supermarkets created an association to procure their prod-

ucts directly from suppliers in order to take advantage of lower prices and better compete with large supermarkets.

The Dominican food processing industry is also expanding, creating demand for imported ingredients. There are approximately 105 major food processing companies, of which 25 percent

THERE IS A TREND OF SWITCHING FROM STAPLES TO MORE READY-TO-EAT FOODS.

process flour; 19 percent, milk and its byproducts; 13 percent, fruits; and 10 percent, vegetables.

Consumer Choices Changing

The traditional Dominican diet includes three meals a day, with the mid-day meal usually the largest. Among the middle class, a typical breakfast includes bread, eggs, ham, fresh fruits, salami and vegetables. Low-income consumers eat vegetables with eggs, milk, salami and coffee. Lunch usually consists of rice, beans, meat (chicken, beef or pork) or pasta and salad.

However, in most urban areas, Dominicans are changing both their number of daily meals and the types of foods they eat. Office workers usually do

Best High-Value Product Prospects

- Alcoholic beverages
- Red meats
- Seafood
- Frozen vegetables
- Fresh fruits
- Dried fruits and nuts
- Dairy products
- Chocolate
- Instant coffee and tea
- Fruit juices
- Pet foods

not go home for lunch, and they prefer to eat lighter meals with snacks or eat at fast-food restaurants. Some employers subsidize their employees' lunches so they do not have to leave the work area. In Santo Domingo (the capital), because of the distance and traffic, very few workers have lunch at home. There is a trend of switching from staples to more ready-to-eat foods.

Dominicans are also becoming more health-conscious in their food choices. Many supermarkets now have special sections featuring foods lower in saturated fat, cholesterol and sugar.

Exporter Business Tips

Although not currently enforced, regulations call for all products entering the Dominican Republic to be labeled in Spanish, the official language. A complementary label may be used when the original label is not written in Spanish. It must specify the brand name, the precise name of the product, the ingredients and the net weight of the final product. It must also specify the name and address of the producer and importer, the country of origin, the identification of the production batch code, the expiration date and instructions for using the product.

Consumer foods must be registered with the Dominican Department of Health, which issues a sanitation certificate that must be printed on the product label. The trademark must also be registered with the Ministry of Trade and Commerce. It takes two to four months to process registrations. Employing a local expert can smooth the process.

All shipments valued at more than \$100 must include a bill of lading, consular invoice, insurance certificate and import permit from the Central Bank. A sanitary certificate from the Ministry of Agriculture is necessary for importing animals, plants and products such as fresh dried fruits and vegetables.

Tariffs range from 0 to 40 percent on most agricultural products. However, there is a tariff rate quota (TRQ) on some basic food items such as beans, chicken, corn, garlic, milk, onions, rice and sugar. Above the TRQ, tariffs range from 74 to 162 percent of the cost, insurance and freight value. ■

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For details, see FAS Reports DR2022 and DR2028. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.





CARIBBEAN TRADE MISSION & SHOW OPPORTUNITIES

JAMAICA-SAINT LUCIA

TRADE MISSION



Wondering how to get your feet wet in the Caribbean market? Join the FAS "Taste of the USA" trade mission to Kingston and Montego Bay, Jamaica and Castries, Saint Lucia. FAS is sponsoring a Caribbean region sales mission on June 8-14, 2003. The June 8-10 segment focuses on Jamaica, with country briefings, product showcases and one-on-one meetings in Kingston and Montego Bay. In 2001, the Caribbean Islands purchased \$1.6 billion in U.S. food and beverage products. The June 11-14 segment takes place in Saint Lucia, where you

can meet buyers from Saint Lucia, Haiti and the Dominican Republic. In addition to the tabletop exhibit and one-on-one meetings in Saint Lucia, you can also participate in a virtual tasting videoconference with buyers from Antigua, Barbuda and Trinidad and Tobago. The mission costs \$600 per segment, or \$1,100 for both segments. The event is MAP-approved. For information on each market, visit www.cbato.gov. For general information on the trade mission, contact Shani Zebooker, tel.: (202) 720-2075; e-mail: Shani.Zebooker@usda.gov



GREAT AMERICAN FOOD SHOW 2003

SANTO DOMINGO, DOMINICAN REPUBLIC



Don't miss this unique opportunity to promote your food and beverage products in the Dominican Republic and other major Caribbean islands. This year's Great American Food Show will be bigger and better than ever. It will be held in the exclusive Renaissance Jaragua Hotel on the central Santo Domingo waterfront. The show will run Sept. 30-Oct. 1, 2003, with attendance limited to trade only, and with targeted one-on-one appointments arranged for each exhibiting company. To add a regional focus to the show, representatives of key

importer/distributors and supermarket, hotel, restaurant and tourism companies from Jamaica and Haiti will attend, giving you access to three markets that bought over \$225 million in U.S. processed food products last year. For more information, contact Wagner Mendez, U.S. Embassy, Dominican Republic, tel.: (1-809) 227-0112, ext. 279, fax: (1-809) 732-9454, e-mail: Wagner.Mendez@usda.gov; or Teresina Chin, tel.: (202) 720-9423, fax: (202) 690-4374; e-mail: Teresina.Chin@usda.gov

TRADE SHOW OPPORTUNITY

GREAT AMERICAN FOOD SHOW

MANILA, THE PHILIPPINES

The Show:

The Great American Food Show 2003 will be part of the **"World's Finest Foods"** on June 3-4, 2003, at the Edsa Shangri-La in Manila, the Philippines. World's Finest Foods is organized by the embassies of the United States, Australia, Canada and New Zealand. This event will showcase a large and unique collection of high-quality foods and beverages. This is a low-cost opportunity to promote your products to key retail and food service buyers in one of the most promising growth markets for U.S. foods.

The Market:

Filipinos have a strong preference for American brands. The U.S. exported over \$200 million worth of consumer-ready food and beverage products to the Philippines in 2001, making it the largest market for consumer foods in Southeast Asia.

The country's supermarket industry continues to modernize and expand. The number of modern, Western-style supermarket outlets jumped 12 percent in 2002, with Rustan's, Robinsons, Price Club and other major chains all adding stores. This is good news for U.S. exporters, since modern chains tend to rely more on imported products than traditional Philippine corner stores and wet markets.

The Philippines also presents a ready market for new American products. To attract shoppers, supermarket chains regularly feature American products in their "new items" sections, gondolas, advertisements and mailers.

Dates:

June 3-4, 2003

Best Product Prospects:

Products with the best sales prospects in the Philippines include: breakfast foods, cheeses, meat products, condiments, confectionery items, fresh vegetables, fruit and vegetable juices, nuts, salty snacks and wines.

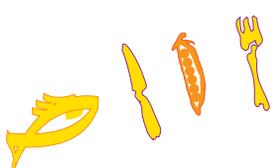
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THE WORLD'S LARGEST FOOD AND BEVERAGE INDUSTRY TRADE EVENT



ANUGA 2003

COLOGNE, GERMANY

The Show:

ANUGA 2003 will be the key international food and beverage trade show this year, bringing exhibitors and buyers from almost all countries in the world together in one place.

The USA Pavilion:

In 2001, 123 companies participated in the USA Pavilion, exhibiting a wide variety of ingredients, processed foods, and beverages. Exhibitors in the USA Pavilion benefit from the general publicity that this large and attractive pavilion receives. Despite the enormous size of the ANUGA trade show, almost all importers and buyers interested in foreign foods will make it a point to visit the USA Pavilion. At ANUGA 2001, 164,440 buyers from 148 countries visited the show.

New Advantage In 2003:

At ANUGA 2003, **U.S. exhibitors have a new, cost-effective option: workstations, grouped in a marketplace setting and sharing common meeting/conference space with other workstation exhibitors.**

The marketplace will be incorporated in the USA Pavilion and include the same design and services as those available to purchasers of a 12-square-meter booth package or 6-square-meter booth package.

Location:

KoelnMesse
Cologne, Germany



Dates:

Oct. 11-15, 2003



Deadline:

June 1, 2003

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Trade Notes...

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FDA Proposes New Regulations To Protect Food Supply

The FDA (Food and Drug Administration) is proposing two new regulations to protect the U.S. food supply against terrorist acts and other threats. The first regulation would require domestic and foreign facilities that manufacture, process, pack or hold food for human or animal consumption in the United States to register with the FDA by Dec. 12, 2003. The second proposal would require U.S. purchasers or U.S. importers or their agents to submit to the FDA prior notice of food shipments, also starting December 2003. All products within each shipment must be identified, as well as the name of the manufacturer and the growers, if known. The proposed regulations implement the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (the Bioterrorism Act). Registration is one of several tools that will help the FDA act quickly in responding to a terrorist attack on the U.S. food supply. In the event of an outbreak of food-borne illness, such information will help the FDA and other authorities to determine the source and cause of the problem. In addition, the registration information will enable the FDA to quickly notify the facilities that might be affected by the outbreak. Under the proposal, all domestic food facilities would be required to register. Except for specific exemptions, the new regulation applies to all food and feed facilities regulated by the FDA. The entire Act may be viewed on the FDA Web site: www.fda.gov/oc/bioterrorism/bioact.html

Olympic Trade Mission to Athens Wins Export Sales

FAS sponsored a trade mission to Athens, Greece, to introduce U.S. companies to the unique marketing opportunities presented by the 2004 Summer Olympic Games. Mission activities included presentations on the Greek market and on the Olympic catering bidding process, site visits to supermarkets and a visit to the opening ceremony of the International Food and Drinks Exhibition. The four participants included a fruit and vegetable processing company, a grocery products trading company, a company selling ready-to-serve seafood entrées and dips and a catering services company. The participants had 24 one-on-one meetings with importers. They expect \$50,000 in sales over the next 12 months and an additional \$5 million in sales during the 2004 Summer Olympic Games.

China Becomes Largest Importer of U.S. Dried Whey

In 2002, China imported 39,074 tons of U.S. dried whey, valued at \$16 million, surpassing Canada to become the largest importer of this U.S. product. USDEC (the U.S. Dairy Export Council) has used FAS export marketing programs, such as the Market Access, Foreign Market Development and Emerging Markets Programs, over the past eight years to conduct trade missions, seminars and other activities to increase awareness of food and feed applications for U.S. whey in China. From 1998 to 2002, exports of U.S. dried whey to China increased 243 percent. Currently, most dried whey is used to produce swine feed. The total Chinese feed market is expected to grow by 50 percent over the next eight years.



Also in This Issue:

- Market profiles of El Salvador, Costa Rica and the Dominican Republic
- Marketing opportunities in Colombia, the Caribbean, the Philippines and Germany

And Next Time, Turn to AgExporter for:

- Italy's demand for a variety of agricultural goods
- A guide to exporting in Denmark
- Malaysia's food processing sector

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