

The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

June 2004

From the Banks of the Seine
To the Avenues of Berlin,

European Retail Markets Beckon

■ France's changing
consumer market offers
fresh opportunities

■ Germany's shifting
retail structure is driven
largely by discounters



TRADE SHOW OPPORTUNITY

HOSTEX 2005

JOHANNESBURG, SOUTH AFRICA

**American
Café:**

The American Café at HostEx 2005 offers an excellent opportunity and cost-effective means for producers and suppliers of American food products to display their wares and gain maximum exposure at an international trade show.

The Venue:

Sandston Convention Center
Johannesburg, South Africa

Dates:

Mar. 13-16, 2005

Deadline:

Jan. 15, 2005

The Show:

HostEx is the leading food and catering hospitality showcase in the region. In 2003, this show had 367 exhibitors and 10,000 trade visitors. HostEx is the ultimate magnet for the buying power behind the region's leading hotels, restaurants, pubs, clubs and guesthouses, caterers, fast food establishments and a host of other prominent purveyors. HostEx demonstrates the opportunities for increased U.S. exports to certain niche markets. For a minimal fee of \$400, a company can have its product displayed and sampled without the full expense of having its own booth.



The Market:

Tourism, with an estimated average annual growth rate of 12 percent, is South Africa's fourth largest industry, supporting more than 700 hotels, 2,800 guesthouses and 10,000 restaurants. Tourism's total contribution to the national economy is estimated at more than \$10 billion annually.

**Best
Products:**

Pasta, chocolate candies, convenience foods, tree nuts and peanuts, frozen prepared foods for the food service sector, poultry, pet foods, Tex-Mex foods, consumer-ready rice, Greek foods, dairy products, popcorn, fresh fruits, sauces, fish and seafood, private-label products, cereals and whiskey

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Reaching France's Retail Food System

By Roselyne Gauthier

U.S. agricultural exports to France totaled just over \$560 million in fiscal 2003, and there is potential for this number to go up, given the fact that French per capita income is close to that of the United States, and consumers are increasingly interested in foreign and exotic foods. These factors, along with other positive developments in the retail food system, strongly suggest that U.S. exporters may want to take a new look at exporting to France.

In France, supermarkets and city center stores account for 75 percent of total retail food sales. These stores have experienced dynamic growth in recent years, offering a wider selection of international products. This translates into growth opportunities for U.S. exporters.

Although France is not a major destination for U.S. agricultural exports, it provides good opportunities for U.S. exporters given the French market's similarities to that of the United States.

Latest Trends in French Food Retail

Diverse and sophisticated describe France's retail distribution system, a network very similar to that of the United States. French food retailers can be grouped into six principal formats: hypermarkets, supermarkets, hard discounters, city center stores, department stores and traditional outlets, including cash-and-carries.

The first five represent 75 percent of the country's retail food market sales, with



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a total of 33,000 outlets; the sixth, which includes neighborhood and specialized food stores, represents the remaining 25 percent of sales, with 52,300 outlets.

The French retail food sector was relatively stable in 2002. Major chains expanded the size of their existing outlets rather than creating new ones. The French government limits the number of store openings in the hyper- and supermarket categories. Only the number of discount

outlets increased with the opening of approximately 100 new stores.

According to the French Institute for Statistics, French consumers spent \$115 billion on food and beverages in 2002, or 15 percent of their household budget.

France's major retailers—Carrefour, Intermarché, Leclerc, Système U, Auchan, Casino, Cora and Group Monoprix—account for 90 percent of total retail food sector sales. They are linked to four central buying offices.

For traditional stores, such as butcher shops, bakeries and groceries, sales increased by 5 percent in 2002 compared to 2001. These stores and their buyers and importers represent an opportunity for U.S. specialty suppliers. These outlets, located in downtown areas, offer a wider selection of more sophisticated products than supermarkets.

Food Import Trends

The largest and fastest growing imports are exotic and tropical fruits, including citrus, fish and seafood, horse-meat, pork and frozen foods, including ready-to-eat meals and items such as pizza and ice cream.

Opportunities also exist for wines, fruit juices and soft drinks, canned fruits,

Imports of U.S. Food and Beverage Products by Major Categories in 2002

Imports Over \$15 Million	Imports Between \$3 and \$15 Million
Stone, tropical and citrus fruits	Strawberries
Soybeans	Dried fruits
Fish and seafood	Peanuts
Animal feeds	Canned vegetables
Fruit juices	Canned fruits
Rice	Canned fish
Corn	Sauces
Horsemeat	Biscuits
Spirits	Wines
Dried vegetables	
Tobacco	

FRENCH PER CAPITA INCOME IS CLOSE TO THAT OF THE UNITED STATES, AND CONSUMERS ARE INCREASINGLY INTERESTED IN FOREIGN AND EXOTIC FOODS.

biscuits, cookies, chocolates, teas, coffee, sauces and other prepared foods, especially ethnic or regional foods with an American image, such as Alaska seafood, and items typical of Louisiana, California and Tex-Mex cooking.

Health concerns and numerous tax increases on alcoholic beverages have decreased French consumption of alcohol while increasing demand for nonalcoholic beverages, such as mineral water and fruit juices.

Demand is rising for organic, health and diet foods among the increasingly health-conscious French consumers. A desire to return to tradition is drumming up demand for soups. The growing number of pets has stimulated demand for conventional and organic pet foods. In addition, niche markets exist for chocolate

bars and other candies, wild rice and kosher foods, for which demand has been rising for several years.

A Road Map for Market Entry

To succeed in France, a U.S. exporter needs a reputable local agent or representative. Local representatives can provide up-to-date information on business practices and stay on top of trade laws and regulations, sales leads and marketing and distribution strategies. In many instances, they also serve as importers and distributors.

The FAS Office of Agricultural Affairs in Paris maintains a list of importers and distributors. Depending on the product, a U.S. exporter can penetrate the market through a retailer's central buying office or a specialized importer or distributor.

New-to-market and niche products usually enter through importers or distributors. U.S. exporters should submit product descriptions and price quotations; provide products for laboratory testing; and ascertain sanitary and health certification and other import document requirements.

Central buying offices can register and approve suppliers, apply tariffs and ensure that products comply with French regulations. Once a product meets all the import requirements, a central buying office can include it in its product catalog, offering it to supermarket buyers who can then order the product directly.

Central buying offices manage delivery of products according to store instructions. The importer is responsible for the delivery of products to distribution centers. The trend is toward a central buying office developing a network of distribution centers.

With its highly developed food sector, France is a major producer, processor and exporter of agricultural and other food products in the EU (European Union).

In 2002, France's top foreign suppliers of food and agricultural products were the Netherlands, Belgium, Brazil, Luxembourg, Germany, Spain, the United Kingdom and Italy. Along with France itself, these countries are U.S. exporters' main competitors in this market.

Most suppliers from within the EU conduct some form of market promotion in France. Products such as fresh or preserved fruits and vegetables, wines, beer, fish and meats are commonly promoted in trade shows, advertisements and supermarkets. Non-EU countries promoting food products in France include Norway, Israel, Morocco, South Africa, Argentina, Brazil and Canada, as well as the United States.

Large U.S. and multinational companies have been in the European and French markets for a long time, and have adapted products to these markets. U.S. exporters will find existing and new market opportunities for high-value products in France. ■

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For details, see FAS Report FR3058. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Discounters Driving Germany's Grocery Sector

By *Karina Ramos and Christel Wagner*

Competition from domestic and other EU (European Union) suppliers is formidable, but U.S. food and agricultural exports to Germany increased from \$869.4 million in fiscal 2002 up to more than \$1 billion in 2003. U.S. agricultural exports to Germany made up 17 percent of all our exports to EU nations that year.

However, according to official German import data, which includes imports from the United States transhipped through other countries into Germany, German imports of U.S. food and agricultural products totaled \$1.9 billion in 2003.

Bulk commodities made up half these exports, though U.S. consumer-oriented agricultural products—little more than a third of the total—are expected to be the future growth sector.

As the largest consumer market in Europe, Germany's huge retail food segment is a desirable marketplace for many exporters. Organized food retailers—supermarkets, hypermarkets, discount stores and small traditional retail stores—sold \$114 billion worth of food and beverage products in Germany in calendar 2002.

These retail statistics do not include sales from bakeries, butcher shops, farmers markets, farms, wineries, drugstores, gas stations and kiosks, which added an estimated \$52 billion the same year.

Competition Stiff, In and Out of EU

Germany imports about \$45 billion



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worth of agricultural products a year, of which two-thirds comes from other EU countries. Major competitors for U.S. suppliers in this market include the Netherlands, France, Italy and Spain.

The increased preferential access to the EU market of the 10 new EU members provides even more competition for U.S. products.

The United States is the second largest non-EU supplier of consumer-oriented products to Germany, following Turkey. Significant competition also comes from other non-EU countries in Eastern Europe, North Africa, Latin America, the Caribbean, and from South Africa and Israel. Imports from these countries consist mostly of meats, poultry, bananas, pistachios, processed fruits and vegetables.

Entry Strategies for U.S. Suppliers

Regardless of the sector, U.S. exporters must rely on local representation and personal contact for product introduction and promotion. Specialized importers normally handle the import and marketing of food and beverages sold in German stores, and they frequently distribute nationwide.

A local representative should provide market information, guidance on business practices and trade-related laws, sales contact with existing and potential buyers, as well as expertise in market development and the distribution system.

Each of Germany's leading retail groups has a different business structure and purchasing and distribution system. Leading retailers can have multiple chains, varying from hypermarkets to discount

and small neighborhood stores, or even beverage and deli outlets.

Few retailers import directly. For a retailer to consider buying from a U.S. supplier, something must pique the interest—uniqueness of a product, or a significant quality, price or financial promotional support available only through direct importing.

Consolidation Marks Retail Sector

As in many countries, food and beverage retailing in Germany is increasingly dominated by a handful of large retailers. In 2000, the top five retailers accounted for 62.5 percent of sales. By 2010, this share is expected to have reached 75 percent.

Due to growth in the discount segment, the majority of traditional retailers like SPAR, REWE and Tengelmann are developing their own discount store formats. Many retailers have also begun using private labels, to reduce prices for consumers while maintaining quality. The top

three discount retailers are Aldi, Lidl (Schwarz Gruppe) and Penny (REWE) with 49 percent, 18 percent and 11 percent of the German discount market, respectively.

Discounters Grow at Expense of Traditional Shops

The discount segment is the most dynamic and has prospered as consumers have become more price-conscious. Discount stores, which tend to be small in size, have also benefited from German laws favoring small retailers.

Currently, sales from discount stores comprise 37 percent of the retail food market, up from 24.3 percent a decade ago. During the past 10 years, the number of discount stores has grown from 9,300 to 13,400. Discount stores are increasingly widening the variety of products they carry to include fresh baked bread, fresh meats, a wider selection of seafood, and fresh fruits and vegetables.

Best Prospects

Germany's 82.4 million inhabitants have one of the highest income levels in the world. U.S. foods are popular, particularly with an affluent younger generation. U.S. products with a proven track record include:

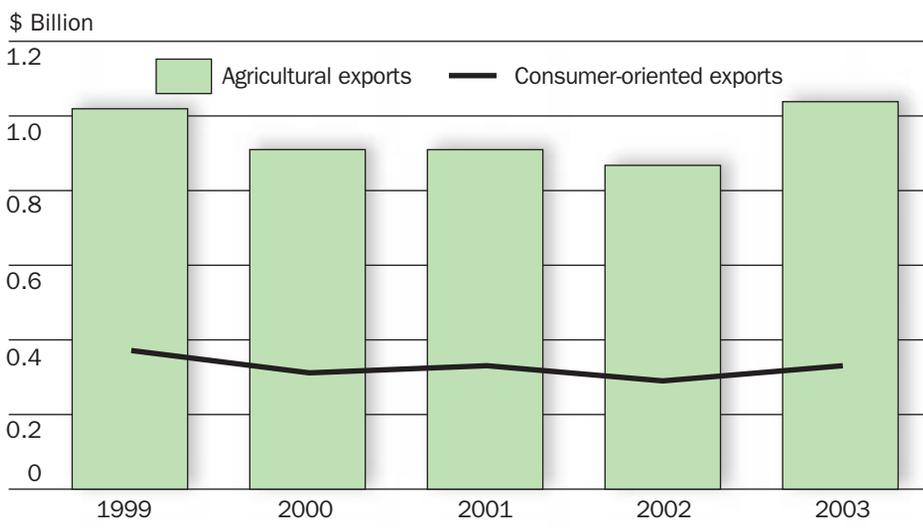
- Snack foods
- Fresh fruits and vegetables
- Dried fruits and nuts
- Organic products
- Alcoholic beverages
- Fitness foods and beverages
- Frozen fish
- Pet foods

Despite efforts by the German government to protect small retailers, their market share continues to drop. In 2002, small traditional shops comprised less than 13 percent of sales in the food retail market.

At the same time, the concentration of giant retail organizations in Germany, with their varying formats, has increased

In Fiscal 2003, U.S. Agricultural Exports to Germany Jumped 20 Percent From 2002 to About the Level of 1999

Consumer-oriented exports climbed 14 percent in 2003 from the previous year.



dramatically (68 percent of sales in 2002), though they lag behind some other EU countries in market share.

With relatively flat retail sales, Germany's retailers have sought to expand their sales beyond Germany. Many generate a significant portion of their income outside the country and are increasingly investing in the new accession countries and Russia.

Convenience Still Important

Besides quality and price, German consumer spending patterns are also influenced by convenience. Despite their higher prices, small neighborhood stores are still popular stops, particularly if they are open for longer hours. However, the new laws that allow all retail food stores to stay open until 8 p.m. on weeknights and 6 p.m. on Saturdays might impact convenience sales.

Currently, there are about 48,000 snack stands and kiosks in Germany, which make up about half the sales in the convenience store category. Convenience stores in gas stations make up most of the remainder in sales turnover, with considerably fewer outlets.



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Know Your Deutsch Retail Formats

Each of Germany's leading retail groups has a different business structure and purchasing and distribution system.

Organized retail stores (excluding convenience formats) tend to follow these profiles:

- **Hypermarkets**, with 25 percent of market share. Large retail stores between 1,500 and 5,000 square meters of sales space, with an emphasis on self-service; significant amount of nonfood products
- **Supermarkets**, with 25 percent of market share. Self-service food stores between 400-800 square meters; nonfood items make up less than 25 percent of sales

- **Discounters**, with 37 percent of market share. No-frills, self-service food stores that concentrate on a limited range of products with high turnover rate; low prices are main attraction
- **Traditional shops**, with 13 percent of market share. Small independent food stores that concentrate on a limited range of products, and may emphasize quality, including specialty or gourmet products or convenience products with high turnover

Popular items at these outlets include fruit juices and drinks, soft drinks, beer, wines, confectionery, snacks and convenience items. Prices are usually 30-70 percent higher than in conventional outlets. These outlets usually source their imports from specialized importers.

Alternatives to Large Retailers

For independent retailers, buying associations and groups play an important role. The largest—Markant—had a sales turnover of \$47.5 billion in 2002.

Comprised of more than 100 members, the company provides wholesale purchasing and marketing for its products and services for medium-sized merchants throughout Germany and Europe.

Home food delivery, mail-order and Internet sales also offer consumers choices beyond the traditional shopping formats. Internet sales were estimated at \$8 billion in 2002. Home delivery has long been an option, especially for frozen products. ■

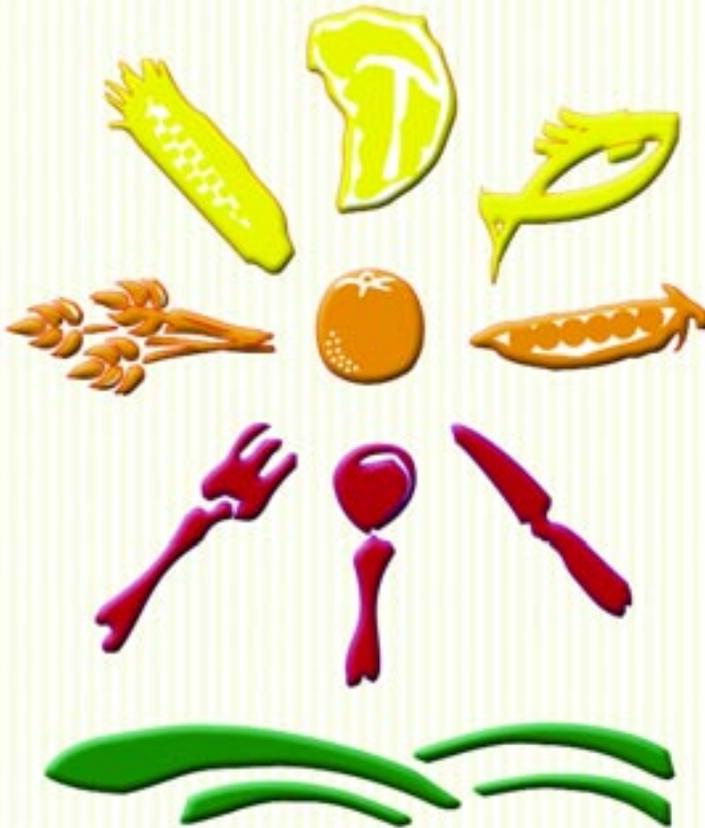
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For details, see FAS Report GM3049. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



2004-2005

Trade Show and Mission Calendar



USA



Anuga 2003—U.S. Pavilion



AAHAR 2003
American Café



Foodex 2003 Internet
Café—U.S. Pavilion

United States
Department of
Agriculture

Foreign
Agricultural
Service

Trade
Show
Office

www.fas.usda.gov

2004

All shows are food and beverage events unless otherwise indicated.

Event

Date

Place

Western Hemisphere

Canadian Food & Beverage Show	February 15-17	Toronto, Canada
Sales <i>Mission</i> to El Salvador & Panama	March 8-12	San Salvador, El Salvador & Panama City, Panama
ANTAD	March 13-15	Guadalajara, Mexico
U.S. Food Export Showcase (Food Marketing Institute/FMI)	May 2-4	Chicago, Illinois
APAS	May 10-13	Sao Paolo, Brazil
American Food Fair (National Restaurant Association/NRA)	May 22-25	Chicago, Illinois
Brazilian Buying <i>Mission</i> to New York Fancy Food Show	June	New York, New York
Sales <i>Mission</i> in conjunction with Alimentaria	June	Mexico City, Mexico
EXPHOTEL	June 9-11	Cancun, Mexico
ABASTUR	September 29-October 1	Mexico City, Mexico
Boa Mesa	September 29-October 3	Sao Paolo, Brazil
Americas Food and Beverage Trade Show	December 2-3	Miami, Florida

Asia

HOFEK	February 10-13	Hong Kong
Food and Hotel Korea	March 3-5	Seoul, Korea
FOODEX Japan	March 9-12	Tokyo, Japan
Food Ingredients Asia China	March 23-25	Shanghai, China
SIAL China	March 31-April 1	Shanghai, China
Food and Hotel Asia	April 20-23	Singapore
Sales <i>Mission</i> to Malaysia (following F&H Asia Show)	April 24-27	Kuala Lumpur, Malaysia
Sales <i>Mission</i> to Thailand (following F&H Asia Show)	April 24-28	Bangkok and Phuket, Thailand
World's Finest Foods	April 27-28	Manila, Philippines
International Food Ingredients & Additives Exhibition (IFIA)	May 26-28	Tokyo, Japan
Taipei International Food Show	June 17-20	Taipei, Taiwan
Food and Hotel South China	June 23-25	Guangzhou, China
Japanese Food Ingredients Buying <i>Mission</i>	July	TBD
Food Ingredients Asia	September 15-17	Bangkok, Thailand
Health Ingredients Japan	September 28-30	Tokyo, Japan
Food and Hotel Vietnam NEW!	December 2-4	Ho Chi Minh, Vietnam

Europe

BioFach (Organic)	February 19-22	Nuremberg, Germany
Alimentaria	March 8-12	Barcelona, Spain
Olympic Sales <i>Mission</i> to Greece (Food and Wine)	March 28-April 1	Athens, Greece
Vinitaly (Wine and Spirits) NEW!	April 1-5	Verona, Italy
European Seafood Exposition	May 4-6	Brussels, Belgium
International Food, Drink & Hospitality Exhibition NEW!	May 18-20	Warsaw, Poland
SIAL Paris	October 17-21	Paris, France
Health Ingredients Europe	November 16-18	Amsterdam, The Netherlands
European Buyers <i>Mission</i> to KoshersFest	November	New York, New York

Newly Independent States

PRODEXPO (American Café)	February 9-13	Moscow, Russia
Ingredients Russia 2004	November 23-26	Moscow, Russia

Africa/Middle East

AAHAR <i>Sponsored</i> (American Café)	March 11-15	New Delhi, India
International Franchise Exhibition (tentative) NEW!	May 6-8	Johannesburg, South Africa
American Café (tentative)	June	Lagos, Nigeria
American Café	June	Casablanca, Morocco
Sales <i>Mission</i> to Egypt	September or October	Cairo, Egypt
Great American Food Fest	September 22-28	Cairo, Egypt
ISRAFOOD NEW!	November 23-25	Tel Aviv, Israel



Thailand Floating Market



Thailand's Emerald Palace



Brazil Mission at a Sao Paolo Supermarket



Thailand Open Market



2005

Event	Date	Place
Western Hemisphere		
Canadian Food and Beverage Show	February 20–22	Toronto, Canada
ANTAD	March 12–14	Guadalajara, Mexico
SIAL Montreal	April 13–15	Montreal, Canada
U.S. Food Export Showcase (Food Marketing Institute/FMI)	May 1–3	Chicago, Illinois
American Food Fair (National Restaurant Association/NRA)	May 21–24	Chicago, Illinois
EXPHOTEL	June 8–10	Cancun, Mexico
Sales <i>Mission</i> to Caribbean	September	TBD
Boa Mesa Show	September	Sao Paulo, Brazil
Great American Food Show	September 6–7	Santo Domingo, Dominican Republic
ABASTUR	October 5–7	Mexico City, Mexico
Expo Retail Show	October	Santiago, Chile
Americas Food and Beverage Show	December 1–2	Miami, Florida
Asia		
Food Ingredients Asia China	March	Shanghai, China
Food and Hotel Korea	March 2–4	Seoul, Korea
FOODEX Japan	March 8–11	Tokyo, Japan
SIAL China	March 16–18	Shanghai, China
World's Finest Foods	April	Manila, Philippines
Food and Hotel Indonesia (tentative)	April 5–6	Jakarta, Indonesia
HOFEX	May 10–13	Hong Kong
International Food Ingredients and Additives (IFIA)	May 25–27	Tokyo, Japan
Taipei International Food Show	June 15–18	Taipei, Taiwan
Food and Hotel China	September 14–17	Shanghai, China
Health Ingredients Japan	October 5–7	Tokyo, Japan
Food and Hotel Vietnam	December	Ho Chi Minh, Vietnam
Europe		
SIRHA NEW!	January 22–26	Lyon, France
BioFach (Organic)	February 24–27	Nuremberg, Germany
International Food & Drink Exhibition (IFE)	March 13–16	London, UK
International Food, Drink, and Hospitality Exhibition (tentative)	April 19–21	Warsaw, Poland
European Seafood Exposition	May	Brussels, Belgium
EuroKosher (tentative)	June	Paris, France
ANUGA	October 8–12	Cologne, Germany
Food Ingredients Europe	November 29–December 1	Paris, France
Olympic Sales <i>Mission</i> to Turin, Italy (tentative)	TBD	Turin, Italy
Newly Independent States		
PRODEXPO (American Café)	February	Moscow, Russia
Ingredients Russia 2005	November	Moscow, Russia
Africa/Middle East		
Gulf Food Show - Sponsored	February 20–23	Dubai, United Arab Emirates
AAHAR - Sponsored	March	New Delhi, India
HOSTEX (American Café)	March 13–16	Johannesburg, South Africa
American Café (tentative)	June	Casablanca, Morocco
Great American Food Fest	September	Cairo, Egypt
Fish Africa 2005 (tentative) NEW!	October	Cape Town, South Africa
ISRAFOOD	Nov. or Dec.	Tel Aviv, Israel

Notice on Product Origin Requirement:

Products exhibited in the U.S. Pavilion must be at least 50 percent U.S. origin computed on a value or volume basis. Product labels must indicate that the products were either produced or processed in the United States. The Organizer has the authority to remove any non-U.S. products.

American Café: Allows U.S. companies to test overseas market with minimal investment. FAS displays and offers samples of participants' products at overseas trade shows within the U.S. Pavilion. Prices and rules may vary.

Fliers detailing these shows are available online at: www.fas.usda.gov. You can find out more by visiting our Website, or calling a trade show specialist—their numbers are listed on the back of this calendar.





Your Global Connection

Making international trade work for you...

You Need a Presence

FAS staff know how critical meeting the customer can be to making the sale. That's why we've got you covered with shows and missions in almost every part of the world. China, Poland and France are just a few of the locations. The USA banner draws crowds because it is a world-recognized sign of high quality and safe foods that are fresh, flavorful and fun. The broad range of products stimulates buyers' interest and expands their knowledge of what is available.

You Expect a Good Deal

When USDA links its name with a show, it's your assurance of high standards at a fair price. You can expect a full-service booth with electric hook-up and a business lounge. You'll get marketing services, including reports on the country and its buyers and even limited public relations help. Your company will also be listed in our show catalog.

You Want Experience

No other organization can offer USDA's decades of expertise in promoting U.S. food and agricultural products overseas. Our trade show experts can help you make the most of your overseas experience. FAS attachés and staff, stationed at U.S. embassies worldwide, will give you invaluable insight as you seek new markets.

Get Started: Here and Now

If you know which country is right for you, give our trade show experts a call. They are ready to help you make your connection to the world.



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Organics Earning Respect on Taiwan



By *Welly Liu-Chen and Jeff Miller*

Taiwan residents consumed an estimated \$49 million in organic products in 2003. Although this is a 75-percent increase over 1999, it is relatively small in per capita terms—\$2.17. The low consumption, however, points to significant room for growth in this niche market. More affluent consumers, interested in health and environmental issues, also bode well for continuing upward demand.

Taiwan grows about 40 percent of the organic foods it consumes, consisting mostly of rice, tea, fresh fruits and vegetables.

Other organic products sold on the island tend to be imported, processed items. Major suppliers include Germany, the United States, France, Australia and Italy. Almost all organic nuts, dried fruits, juices, cooking oils, seeds, beans, grains and food supplements are imported.

Taiwan Certification Revamped

Because of past nebulous definitions of what constitutes an organic product, Taiwan consumers have been somewhat skeptical about “certified organic” products grown at home.

To help instill public confidence and resolve confusion about the validity of organic claims for domestic products, Taiwan’s Council of Agriculture revised the island’s National Organic Standard last year.

The revisions incorporate internationally accepted standards and tighten guidelines for domestic organic farmers. They

not only clarify the domestic use of organic claims and labels, but confer an authenticity that had been lacking. Also planned is the creation of a national certification seal that replaces multiple private seals.

The new certification requirements along with the new seal are prompting more producers to invest in organic production. The trend toward organic crops also aids an ongoing initiative by the Taiwan government to encourage sustainable agricultural practices to replenish the island’s cropland.

The standards distinguish between “organic” and “adjusted organic” categories of crops. The adjusted category applies primarily to perennial crops such as fruits and tea, and allows limited use of chemical fertilizers and pesticides at specific times of the year.

No Special Import Requirements

Taiwan currently accepts other countries’ organic certification labels and requires no domestic recertification before a product is marketed and sold on the island.

However, the Department of Health’s Food Sanitation Bureau must approve health or nutritive benefit claims for any food (including organic) prior to sale.

Though Taiwan does not apply specific requirements for imports designated as “organic,” these products must follow the same inspection and quarantine rules that apply to non-organic products.

Fresh fruits and vegetables must meet all phytosanitary and pesticide residue standards. They are subject to pesticide residue inspection by the Bureau of Animal and Plant Health Inspection and Quarantine.

Meat and fishery products are also subject to inspection to verify adherence

to Taiwan’s sanitary requirements. Processed foods must follow specific labeling and food additive requirements.

Since import requirements change often, U.S. exporters should contact Taiwan importers directly to ensure that product specifications and labels meet current requirements.

Exporters of branded organic foods are encouraged to register their trademarks with Taiwan’s trademark and patent authorities.

Best Entry Strategies

As Taiwan’s consumers read product labels carefully, it is very important to provide clear details on ingredients and manufacture and expiration dates.

U.S. producers should emphasize the safety and high quality of their products, and clearly state that they meet the U.S. national organic standard and are certified by USDA.

Organic foods are sold primarily through health food, organic and specialty stores. Some supermarkets have organic sections. Wet markets seldom carry certified organic products, but informally designated “organic” produce and eggs are offered by some vendors. ■

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For details, see FAS Report TW4002. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Opportunity Knocks for Organics in Singapore

An estimated 50,000 consumers in highly urbanized Singapore paid \$4.7 million in calendar 2002 for organic products. Most were imports, since only a limited selection of organic vegetables is supplied through domestic production.

Low tariff barriers encourage U.S. exports to Singapore. While Australia and New Zealand dominate the organic fresh produce import market in Singapore, the United States has captured most other organic food product sales. Due to their proximity and developing organic certification programs, however, Thailand and Malaysia promise to be future alternative sources of organic produce.

Who Buys Organics?

While most Singapore residents are emerging as potential customers for organic foods, certain groups have been long-time consumers. The large expatriate community, made up of Western and Japanese professionals and their families, buy organic products regularly. A second group of buyers consumes organics for health reasons.

Top Sellers

Brown rice, a key staple in the Asian diet, is the most-purchased organic product. Other popular items include grains like whole flour, corn flour, barley and soybean products as well as cereals like oatmeal, corn flakes and wheat bran, and vegetables and fruits.

Asian processed foods such as noodles, seafood and some varieties of cereal flours offer good growth opportunities for



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organic suppliers. Also, for consumers with allergies, gluten- and wheat-free organic foods provide options.

Most precooked organic foods tend to be Western-style or vegetarian. Products that are routinely found in the organic sections are pasta and fresh and dried fruits and vegetables. Some U.S. manufacturers offer a few sauces and oils with Asian flavorings—salad dressings, ketchup, tamarind sauce and sesame seed oil.

Prices Limit Appeal

Organic products are usually sold in smaller packages due to their usually limited shelf life and higher cost. They command premium prices ranging from 100 to 300 percent of non-organic equivalents. So far, the average Singaporean deems traditional fresh foods to be the nutritional equals of organics and is not willing to pay a stiff premium for an organic product. Local restaurants, too, have largely bypassed organic menus.

Promotion, Pricing Paramount

It is important to have a good relationship with an established importer who has knowledge of the market. Given the low awareness of the average Singapore consumer for organic products, an effective marketing and promotional effort to differentiate organic products and reasonable pricing must be part of a successful sales campaign.

To encourage increased consumption of organic food, the premium over non-organics should be kept below 50 percent. In order to expedite product acceptance, the importer needs to be aware of the benefits of organic products and have product information at hand.

Co-sponsoring workshops with importers, wholesalers and retailers helps reinforce the advantages of organic products.

With improved certification requirements in place, domestic organic farms, which sell fresh produce, could complement the offerings of U.S. exporters.

Packaging is critical too. It should be attractively designed and properly sealed to protect against Singapore's hot, humid environment.

Specialty Retailers

Specialty stores that carry a wide range of organic products tend to locate near areas where expatriate families live. These stores usually buy in sizeable quantities, dividing products into smaller packages before putting them on shelves.

Super- and hypermarkets carry a limited range of organic products. But as demand picks up, more of these stores are beginning to expand their organic offerings.

Singapore Policy Re: Organics

Singapore has no immediate plans to set up an organic certification process. The AVA (Agri-Food and Veterinary Authority of Singapore) assures the safety

Gateway to Southeast Asia

This highly industrialized economy operates one of the world's busiest ports, gateway to Southeast Asia.

Consequently, Singapore is exceptionally dependent on trade.

In 2002, Singapore's trade in goods equaled 273 percent of its gross domestic product. Imports and exports of all goods added up to an impressive \$249 billion. Agricultural imports alone registered a total of \$3.3 billion per annum for the last three years.

Singapore's 4.6 million population is comprised mostly of Chinese (77 percent), Malays (14 percent) and Indians (7 percent). This multi-racial population fosters a variety of ethnic and foreign cuisines.

Some ethnic groups have specific dietary requirements. The Malays, who are mostly Muslim, follow *halal* slaughter requirements and abstain from eating pork and drinking alcoholic beverages. Most Indians avoid eating beef. Strict Chinese Buddhists refrain from eating meat on religious holidays.

and quality of foods imported into the country.

However, the Food Control Department of the Ministry of Environment and the Consumers Association of Singapore monitor the labeling on organic foods.

Organic products that make health claims are categorized as either pharmaceutical or foodstuffs. Pharmaceutical

products face strict regulations with regard to sale and promotion, while health claims for foodstuffs on product packaging are banned.

Labeling Requirements

Although not mandated by law, most organic food labels also display the logo of the certifying group. AVA does require food suppliers to Singapore to clearly label their products with:

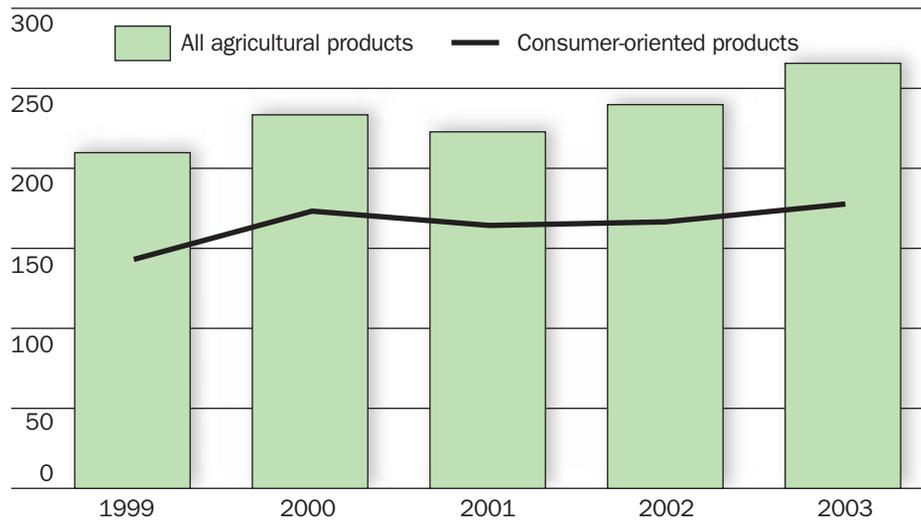
- Names and addresses of manufacturer and importer
- Ingredients
- Weight (in metric)
- Dates of manufacture and expiration

This article was based on a report prepared for the Office of Agricultural Affairs at the U.S. Embassy in Singapore. Tel.: (011-65) 6476-9120; Fax (011-65) 6476-9517; E-mail: ato.sing@pacific.net.sg

U.S. Agricultural Exports to Singapore Continue Upward Trend

In calendar 2003, consumer-oriented food products made up two-thirds of U.S. export sales in this market.

\$ Million



For details, see FAS Report SN4001. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



U.S. Wheat Sales Up, Corn Down in Egypt

By Ali Abdi and Sherif Ibrahim

At a time when wheat consumption in Egypt is expected to increase 6.2 percent, up to 12.8 million metric tons in MY 2003/04 (marketing year July 2003-June 2004), the traditionally unsubsidized wheat sector has been beset with high prices.

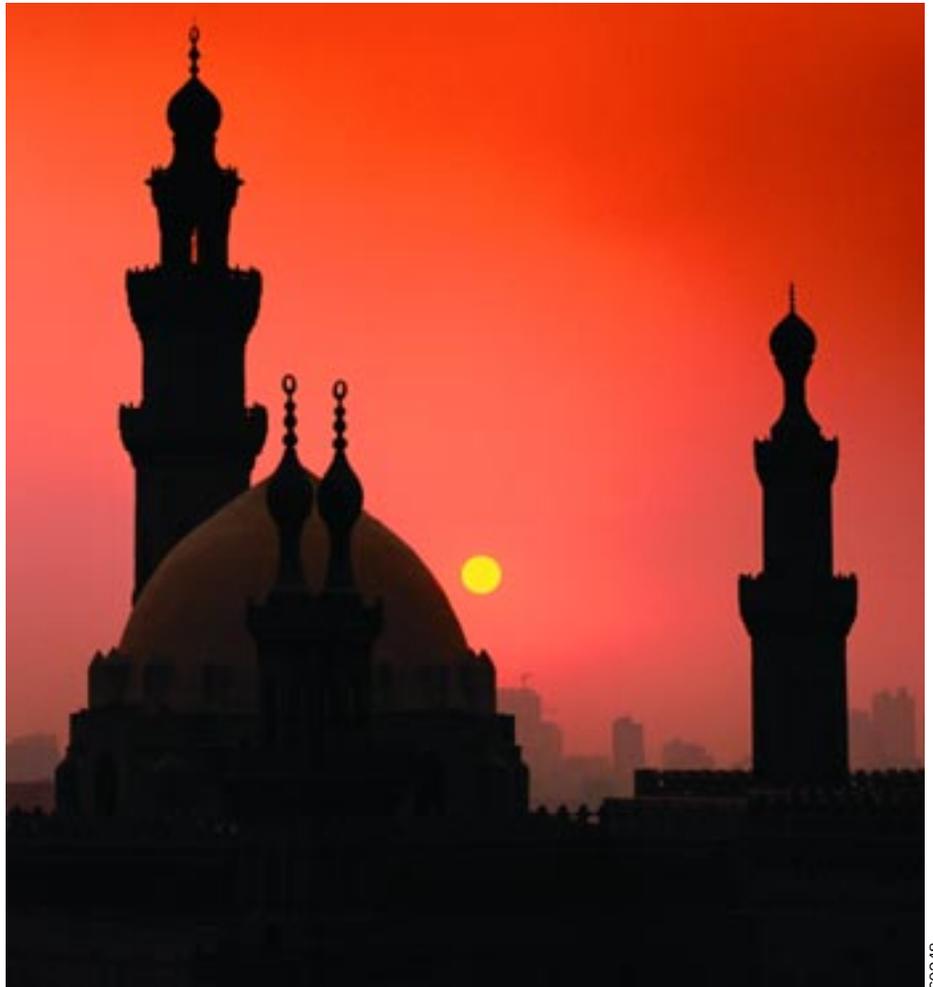
Recent devaluation of the Egyptian pound, extreme fluctuations in the exchange rate and tightened foreign exchange availability that limits credit at banks have led to lower imports of U.S. wheat by the private sector.

Tight money plus high international prices have contributed to a 100-percent increase in unsubsidized wholesale flour prices since late summer of 2003. The price of unsubsidized bread has risen 25 percent; most of this increase occurred in the last quarter of 2003.

Imports of wheat flour are limited to international donations, including the 30,000 tons donated by the EU (European Union) and about 10,000 tons from the World Food Program in 2003/04.

Egyptian Government Steps In

In November 2003—for the first time in 12 years—Egypt's Ministry of Supply authorized the GASC (General Authority for Supply Commodities) to purchase 120,000 tons of wheat imports per month. The Ministry of Supply also initiated bread production by the government's FIHC (Food Industries Holding Company).



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U.S. Leads Wheat Sales

The United States is expected to dominate the Egyptian import wheat market this year, after two years of declining sales, when relatively expensive U.S. wheat had been edged out of the market by ample low-cost supplies from the Black Sea region and the EU. Now, the United States and Australia have recaptured the supply niche vacated by nontraditional suppliers in the Black Sea basin and EU, where production dropped substantially.

The United States sold almost 3 million tons of wheat to Egypt in calendar 2003,

compared to Australia's 800,000 tons. Since the beginning of MY 2003/04, the U.S. market share has been just shy of 66 percent of Egypt's total wheat imports and 81 percent of government imports. This compares with 23.4 and 34 percent market shares, respectively, in 2002/03.

The U.S. Wheat Association has been providing trade services and quality seminars for high-quality U.S. wheat to Egyptian millers, buyers and traders. The Association's quality seal is widely used to promote products containing U.S. wheat.

Private Mills Struggle

As the government uses public money to alleviate high consumer prices for flour, private mills are struggling to buy wheat and sell their products. Many are operating at 20-30 percent capacity; others have ceased operations.

FIHC-produced bread is underselling the private sector by 50 percent. The government is expected to retain control of most of the milling industry for the near term—which means that more private mill closures are likely.

Domestic Wheat Production Up Slightly

Rising import prices have led to a small increase in production of domestic wheat. In 2003/04, production is expected to reach 6.5 million tons, compared to 6.3 million the year before.

Most producers either sell their crops to the GASC or retain them for on-farm consumption. In 2004/05, GASC plans to purchase 3 million tons of local wheat, though most industry analysts expect the purchases not to exceed 2.3 million tons.

Egypt has one of the highest per capita wheat consumption levels in the world. In 2002/03, per capita consumption was estimated at 183 kg (1 kilogram=2.2046 pounds), up from 175 the year before.



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Rising consumption can be traced not only to prices reduced by government support, but also to inefficiencies in the government mills that require more grain to produce the same product.

The Egyptian government prefers to maintain a 4- to 6-month supply of wheat strategic stocks. Due to limited storage capacity (approaching 1 million tons), wheat import purchases in the pipeline are now counted as part of the country's reserve.

Prices Impact U.S. Corn

The double blows of the devalued Egyptian pound and the lack of foreign exchange have hampered Egypt's corn imports. U.S. corn exports to Egypt during calendar 2003 reflected the decrease, falling to \$362.9 million, down from \$381 million the year before.

Egyptian import estimates for MY 2002/03 (October 2002–September 2003) fell to 4.86 million tons, about 1 percent lower than the year before. Large and commercial end-users and feed mills rely on imported yellow corn to meet their processing requirements. A shortage of animal feed has had a domino effect, forcing some poultry producers to reduce production or shut down.

Along with this overall decline in imports, the U.S. share of corn imports fell to about 60 percent in 2002/03, compared to 87 percent the year before.

This decrease in exports is mainly due to competition from Latin American suppliers, which combine corn and cheaper soybean meal in one shipment to reduce shipping costs. Freight rates from Argentina are also cheaper. Egyptian corn consumption for 2003/04 is expected to be 10.7 million tons, about 1.8 percent lower than the year before.

In 2003/04, domestic corn production, mostly white, is expected to increase slightly, to 6.15 million tons from 6 million, and will help offset higher import prices. Most of the local corn crop is used for animal feed.

Corn used for feed is expected to increase slightly in 2004/05 due to increases in the number of dairy and beef farms. Livestock production is expected to improve slightly due to anticipated increase in demand for beef and dairy products.

About 1.5 million tons of local production is used for food. The GASC bought 350,000 tons of locally produced white corn in 2002/03 to make subsidized *baladi* bread.

Corn Products Diversifying

A small but growing demand for snack foods made from corn and for corn oil has also contributed to increasing demand. In 2003/04, estimates of imported yellow corn usage include: 250,000 tons for starch and sweeteners, 2.2 million for poultry feed and 1.7 million for ruminant feed. ■

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For details, see FAS Report EG4003. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



TRADE SHOW OPPORTUNITY

SIAL
2004

PARIS, FRANCE

The Show:



The SIAL International Food Products Exhibition in Paris, France, a biennial event, is one of the world's largest food and beverage expositions. SIAL 2002 welcomed 5,240 exhibitors from five continents, and attracted more than 135,000 buyers and 1,300 journalists from 58 countries.

Dates:

Oct. 17-21, 2004



Location:

Parc des Expositions de Paris Nord Villepinte

New Feature:

At SIAL 2004, U.S. exhibitors have a new, cost-saving option: **workstations** grouped in a **Marketplace** setting and sharing common meeting/conference space with other workstation exhibitors. The Marketplace will be incorporated into the USA Pavilion and include the same design and services as those available to exhibitors purchasing 12-square-meter or 6-square-meter booth packages.

Join Us:

Exporters of U.S. agricultural products have always enjoyed participating in this show, and we hope you will consider joining us in Paris at this USDA-endorsed event!

Contact:

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E-mail: Sharon.Cook@usda.gov



Trade Notes...

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U.S. and Morocco Reach Agreement on FTA

In March, the United States and Morocco reached agreement on a comprehensive FTA (Free Trade Agreement) designed to strip away barriers and facilitate trade and investment between the two countries. The agreement is expected to expand a \$206-million, two-way trade relationship in agricultural, forest and fish products. The United States currently exports mostly wheat, soybeans and corn to Morocco. The agreement will reduce and eliminate barriers to trade and investment, and improve market opportunities for U.S. agricultural products, goods and services. The FTA will give U.S. agricultural exporters the same or better access to Moroccan consumers as other countries have, including Canada and the European Union. With Congressional approval and the enactment of implementing legislation, the FTA will provide America's farmers, ranchers, food processors and the businesses they support with improved, and in many cases new, access to Morocco's 32 million consumers. Morocco is an emerging market at the geographic and cultural crossroads of Europe, Africa and the Middle East that imports \$11 billion worth of goods each year. The continuing liberalization of Morocco's economy and trade is leading to rising demand for consistent, high-quality products. This will present new opportunities for U.S. agricultural exporters.

BioFach 2004 Generates Sales for U.S. Organic Products

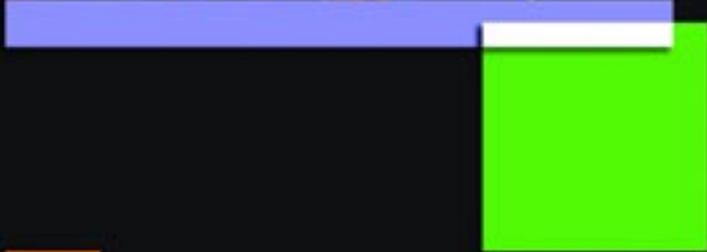
In February, 21 U.S. companies exhibited in the USA Pavilion at the BioFach show in Germany, the world's largest organic products trade show. U.S. participants project \$4.6 million in sales over the next 12 months. Products represented included sugar, dried fruits and nuts, wines, processed foods and specialty foods, ingredients for processing, soybeans and grains.

Japan Eases Chemical Residue Restrictions on Imports of U.S. Citrus

Japan's MHLW (Ministry of Health, Labor and Welfare) increased the MRL (maximum residue level) for chlorpyrifos on citrus fruit, effective Feb. 25, 2004. Chlorpyrifos is one of the most widely used organophosphate insecticides in the United States. It is currently used on more than 40 different agricultural crops, including citrus. The new MRL level, which is the same as that in the United States, applies to oranges, grapefruit and lemons. Concurrently with the MRL revision, MHLW removed its testing-by-order (100 percent hold and test) imposed on certain fresh U.S. oranges since April 3, 2003. MHLW will return to normal monitoring procedures involving random inspections.

FAS Backs Health Food Show in the Netherlands

FAS will support a USA Food Pavilion Nov. 16-18, 2004, at the Health Ingredients Europe 2004 trade show in Amsterdam. Health Ingredients Europe is the only exhibition and conference in Europe this year solely dedicated to the health food ingredients industry. Worldwide interest in health and natural foods, diet foods and food supplements has triggered an explosion of demand for natural aromas, colorings, spices, plant extracts, vitamins, minerals and fat and sugar substitutes. The show will offer seminars on different segments of the health ingredients business. For further information on exhibiting products at the USA Pavilion at Health Ingredients Europe 2004, or for information on other USDA-supported shows, contact Sharon Cook at: Tel.: (202) 720-3425; Fax: (202) 690-4374; E-mail: Sharon.Cook@usda.gov



Inside This Issue:

- Organic markets in Asia demand numerous products
- South Africa trade show

And Next Time, Turn to AgExporter for:

- The EU accessions of Slovenia, Slovakia and the Czech Republic
- Turkey's retail market

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