

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

May 2004

Some A-B-C's of Exporting to South America:

- Argentina's appetite for value-added products and ingredients
- Brazil's kosher market
- Chile's hotel, restaurant and institutional sector





TRADE SHOW OPPORTUNITY

INGREDIENTS RUSSIA

MOSCOW, RUSSIA

The Show:

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Deadline:

May 30, 2004



Best Products:

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- Unequipped space: About \$335 (at April 2004 exchange rate) per square meter (minimum 9 square meters)
- Booth construction: \$40 per square meter

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U.S. Imports Making Comeback in Argentina



By *Kenneth Joseph*

Economic recovery and a stable exchange rate have set the stage for more food and beverage imports—about \$500 million worth—for Argentina in 2004. Imported ingredients and brand names will again top shopping lists for Argentine consumers who are enjoying more disposable income.

During most of the 1990s, the Argentine economy enjoyed stability and growth. However, economic recession in the late 1990s began a downward spiral that led to devaluation of the Argentine peso in 2002. Consequently, high-value food imports plunged to \$350 million that year, down from \$1 billion the year before.

The pinch was felt by U.S. exporters when U.S. consumer-oriented exports to Argentina dropped from \$61.6 million in fiscal 2001 to \$10.8 million in fiscal 2003.

Shopping Patterns Changed

During the economic downturn, thrifty consumers shifted from value-added products to more basic foods and less expensive brand names.

Shoppers who once patronized a favorite store began checking out bargains at several stores. Supermarkets lost market share to small groceries and warehouses. These smaller businesses, competitive in some products, also offered credit and proximity advantages.

With better times at hand in 2004, supermarkets are rebuilding inventories of imported food and beverage products to attract consumers with higher purchasing power.

Market Access Easing?

U.S. suppliers will find more buyers at the same time that Argentina has decreased its average tariff on high-value products from 35 to 19 percent.

Although compliance with overall import regulations and standards is relatively straightforward, the Argentine government occasionally imposes unexpected sanitary and phytosanitary trade barriers.

CAA, the Argentine Food Code, regulates local food production and marketing. But these rules are gradually being replaced by the standards of MERCOSUR, the trade bloc comprised of Argentina, Brazil, Paraguay and Uruguay. MERCOSUR standards are based on the norms of the European Union, the United States and Codex Alimentarius.

Three entities have specific documentation requirements and regulate and register food and beverage imports:

- SENASA, the National Sanitary and Agrifood Quality Service—fresh, chilled or frozen products and by-products of animal, plant or seafood origin; canned products with high percentages of these products
- INAL, the National Food Institute—processed food products, health supplements and all beverages except wines
- INV, the National Wine Institute—wines

Retail Sector Up

At nearly \$4.1 billion in 2003, Argentine food and beverage retail sales made up the largest food sector. With strong economic growth projected for 2004, sales are expected to total \$4.5 billion.

More than 70 percent of all imported food and beverage products are sold through hypermarkets, superstores and supermarkets. The U.S. share of imported

foods and beverages averaged 7 percent yearly from calendar 1997 to 2000. By 2003, it had decreased to 5 percent.

Along with the economy, other factors should help increase the U.S. market share of imports: the increasing influence of U.S. culture, a clear advantage in U.S. sanitary standards in comparison with those of other countries' products and improving competitiveness due to respective currency values.

Supermarkets often handle their own imports. Managers identify desirable products in international food shows and buying missions. They contact the foreign supplier or local agent and import directly. Due to small initial volumes of new products, it is common for them to use large wholesalers or consolidators in the United States.

Keys to Export Success

A successful trade venture in Argentina hinges mainly upon the commitment of the exporter. A long-term view and commitment of resources are needed to build a market. Helpful hints include:

- Appoint a reputable agent or importer.
- Always have a legally binding contract.
- Use Spanish, the official language, on printed materials.
- Provide attractive display samples.
- Contact top representatives in companies—the personal approach is essential.
- Persistence pays off; follow up with frequent visits.
- Assure service and delivery through constant attention.
- Offer flexibility in credit terms and volumes.
- Register trademarks, service marks, etc.



Large retail chains have saturated Buenos Aires, and they continue to expand slowly to the interior of the country. To accommodate a different population, they are employing a discount format, which offers lower prices, a higher percentage of private labels and second-tier brands and limited service in small stores.

The retail and food ingredients sectors offer the best prospects for marketing U.S. products in the near future.

HRI Rebounding

After shrinking somewhat in 2002, the HRI (hotel, restaurant and institutional) sector now accounts for 12 percent (\$2.2 billion) of Argentina's total food and beverage sales. The sector bought about 5 percent of Argentina's food and beverage imports in 2003. U.S. imports claim just a 5-percent share (\$1.2 million) of these imports. When the market slowed, direct imports dropped significantly.

Argentina considers tourism a key industry for its future. There are estimates that over \$3 billion was invested in the Argentine hotel sector during 1991-2001, mainly by well-known Western chains, such as Sheraton, Hilton, Hyatt and Holiday Inn. This sector has begun benefiting from the peso devaluation that makes it more competitive, particularly with other Latin American countries.

Food Processing

Multinationals now own many large food and beverage companies in Argentina. During the recession, demand for domestic processed goods fell by 30 percent, and most companies cut back production and used less expensive local or other MERCOSUR-origin ingredients. Several companies are beginning to

Best Prospects

Despite recent changes in currency values, the U.S. dollar remains relatively high compared to the Argentine peso. Most demand is for well-known brands and for products not available domestically. These include:

- Chewing gum
- Candy
- Salty snacks
- Confectionery items
- Sauces
- Alcoholic and energy drinks
- Pet foods
- Palm hearts
- Pineapple, canned
- Tuna, canned
- Tomatoes, canned
- Pepper
- Coffee
- Bananas
- Kiwifruit
- Pork and poultry, frozen
- Soup preparations
- Extracts
- Dairy ingredients
- Nuts
- Cocoa—paste, butter and powder
- Coffee products
- Starches

flourish again as domestic consumption improves and exports continue to expand, and as the devalued peso makes their products more competitive.

Despite the good reputation of U.S. ingredients, they face strong competition from European, MERCOSUR and Chinese products.

Know Your Urban Consumer

Only 10 percent of Argentina's 37-million population is rural. One-third of the population lives in the Buenos Aires metropolitan area—and accounts for roughly half of the country's total food and beverage sales. Cordoba, Rosario and Mendoza account for another 3 million in population.

Upper income groups make up 5 percent of the population. Middle groups claim 28 percent, and the poorer segment makes up a little over two-thirds.

The average family spends 42 percent of its income on foods and beverages; the richest spend 28 percent. Only about 4 percent of middle and upper class families have microwave ovens, but 75 percent have freezers.

Though 80 percent of shoppers are women and 75 percent are over 36 years

old, considerations for children have an important role in food purchases.

Dining out is reserved for social events during weekends and business engagements on weekdays. While fast-food restaurants became popular during the 1990s, food delivery is also desirable.

High-end consumers in Argentina tend to have certain characteristics:

- Older consumers are traditionally conservative and influenced by Europe.
- Younger groups are more open and oriented toward U.S. culture.
- Health foods are rising in importance.
- The majority still adheres to a diet of beef, fried potatoes, salad and pasta. ■

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Demand for Kosher in Brazil

By *Andrea da Silva Stevenson*

Brazil has a limited but significant kosher market. The Brazilian Jewish community is the seventh largest in the world and the second largest in South America, with an estimated 130,000 families. They buy 85 percent of all the kosher foods consumed in Brazil. Other ethnic and religious groups and vegetarians account for the remaining 15 percent. For example, Lebanese, Syrians and some Seventh Day Adventists are important consumers of kosher products.

Most Kosher Products Are Imported

Despite the small size of Brazil's kosher market, some of the country's food processors have begun manufacturing for it; however, most kosher products sold in the country are imported.

A few importers deal exclusively with kosher products. These companies have been in the market for several years and have gained the respect of Jewish organizations and individuals.

Consumers and merchants often consult rabbis about suppliers. Some mainstream importers also buy kosher foods, particularly during the Jewish holidays of Passover, Shavuot, Rosh Hashanah, Yom Kippur and Sukkoth.

Kosher foods are consumed mostly by people with high purchasing power. These customers are less price-sensitive than the overall population. Since local kosher food production is limited, Brazilian kosher customers look to imports for variety.



There is room for growth in the Brazilian kosher import market. Non-Jews who are health-conscious also form a key consumer segment. Promoting the quality and safety of kosher products may also represent an opportunity to develop this market and increase consumption.

Opportunities for U.S. Suppliers

Most imported kosher foods market-

ed in Brazil come from the United States and Israel. All major U.S. kosher certifications are accepted in Brazil. Israeli products usually cost less, but there is more variety in U.S. products.

Popular kosher imports in Brazil include fruit juices, red and white wines, sparkling wines, gefilte fish, matzos, soups, fish balls, seasonings, ketchup, mustard, jellies, cookies, chocolates, buns, canned

BRAZILIAN KOSHER CUSTOMERS LOOK FOR VARIETY FROM IMPORTS.

tuna, mayonnaise and pie dough. Locally produced kosher wines are often considered too sweet. Several of the preferred kosher wines are from California. Brazil offers significant opportunities for U.S. dry red and white wines, including sparkling wines, which are difficult to find in the local market.

Among Brazilian consumers, U.S.-made kosher foods have a good reputation. The primary U.S. kosher food brands in Brazil are Manischewitz, Tampree and Kedem.

Importers generally avoid purchasing perishable products from the United States. Kosher meats mainly come from domestic processors or from Argentina. Imports from Argentina tend to be fresher and are assessed low or no import duties, because Argentina is one of Brazil's partners in the MERCOSUR trade bloc. (The others are Paraguay and Uruguay.)

However, rib steaks, rib roasts and vacuum-packed meats represent a potential market for U.S. exporters. Frozen meats (including salami, pastrami and corned beef), smoked salmon, beef bologna and most types of dairy products (such as frozen whipped cream butter and cheeses) offer potential export opportunities.

Retail Outlets

Kosher foods and ingredients can be found at independent stores located near Jewish communities and in some high-end stores, mainly in São Paulo, Rio de Janeiro and Porto Alegre. Kosher products are also sold at a few supermarket chains such as Carrefour, Pão de Açúcar and Wal-Mart. Pão de Açúcar, one of the largest Brazilian supermarket chains, has a section for kosher foods.

Import Regulations

Brazil treats kosher foods as it does other imports for customs duty purposes. Tariffs range from 11.5 to 21.5 percent, depending on the product.

Kosher products should be shipped to Brazil well in advance of targeted holiday sales dates in order to clear Brazilian customs and be delivered in time for final distribution. A period of 60 to 70 days must be allowed from the time a product is ordered to its availability for store shelves.

Due to the relatively higher prices of imports, small retail food packages that are within their price range are popular with Brazilian consumers. All foods and beverages must have labels that provide the

For information about Brazilian kosher-certified restaurants, catering services and hotels, a local Jewish organization maintains lists on its Web site at: www.BEITLUBAVITCH.org.br

consumer with precise, clear and easily readable information about the product in Portuguese, the official language. The label must include the name of the product, ingredients, country of origin, storage instructions, net contents in metric, production date and shelf life. The Brazilian importer is responsible for label translation and registration.

Imports of wines, beer and spirits, as well as animal-origin products such as meats, seafood and dairy items, must be handled by a Brazilian company registered with MAPA, the Brazilian Ministry of Agriculture, Livestock and Food Supply. All unprocessed products of plant origin such as fresh fruits and nuts must be accompanied by a Plant Protection and Quarantine Phytosanitary Certificate from USDA's Animal and Plant Health Inspection Service. Frozen fruits and vegetables do not need phytosanitary certificates. ■

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For details, see FAS Report BR3612. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



U.S.-Chile FTA Brings New Opportunities for U.S. Exporters

By *María José Herrera*

It may be due to Chile's extended length and mountainous terrain, but 6 million out of its 15 million residents are concentrated near Santiago. Consequently, as the U.S.-Chile FTA (Free Trade Agreement) goes into effect, this hub and capital remains the center of U.S. export activity in Chile.

The countries shared a \$2.63 billion two-way trading relationship in agricultural, fish and forest products in calendar 2003, of which only \$158 million were U.S. exports.

Chile has granted preferential access to its 16 other trade agreement partners. Under the new FTA that went into effect on Jan. 1, 2004, the United States also

gained preferential access. Within four years, three-quarters of U.S. products will be tariff-free; in 12 years, all will be tariff-free. Moreover, both sides have renewed a commitment to work on resolving sanitary and phytosanitary issues that inhibit trade.

Hotel Restaurants Introduce New Products

Most five-star hotels in the country—and high-end restaurants and institutional food service companies—are in Santiago.

Although hotel restaurants make up the smallest slice of the HRI (hotel, restaurant and institutional) pie at \$40 million worth of annual sales, they serve as a gateway for many new products that enter the Chilean marketplace.

The restaurant sector has experienced the most growth since 1999, even with a slow economy. Competition is fierce as many new outlets open. Estimates put restaurant sales at \$500 million yearly.

Best Prospects

- Cheeses
- Chocolates
- Ethnic foods—Japanese, Mexican
- Frozen and dry legumes
- Frozen fruits and vegetables
- Frozen potato fries
- Frozen fish and shellfish
- Hams
- Liquors
- Organic products
- Preserves and jams
- Sauces
- Specialty rice
- Spices
- U.S.-style cuts of beef, pork and chicken

The institutional sector, which is also very competitive, accounts for \$500 million in sales each year, and is expected to grow the fastest in the next few years. As with restaurants, the battle continues for market share, and companies sometimes



Benefits for U.S. Agriculture

Important tariff reductions that will make U.S. products more competitive include:

- Full liberalization of corn trade and elimination of Chilean tariffs on most distilled spirits in two years; potatoes and potato products, in four years
- Immediate Chilean tariff elimination on: pork and pork products, beef offal, durum wheat, barley, barley malt, sorghum, soybeans and soybean meal, pasta, breakfast cereals, cereal preparations and sunflower seeds
- Access for beef on both sides completely liberalized over four years, beginning with a 1,000-metric-ton quota, a 10-percent annual growth factor and a linear phase-out of the out-of-quota tariff rate
- Tariffs on U.S. and Chilean wines progressively harmonized down to the lowest wine tariff rate, and then eliminated in the 12th year of the agreement
- Access for poultry on both sides completely liberalized over 10 years, beginning in 2005 with an 8,000-metric-ton tariff-rate quota, a 5-percent annual growth factor and a linear phase-out of the out-of-quota tariff rate
- Chile's duties on many dairy products, including cheeses, whey and yogurt, eliminated in four years; duties on other dairy products eliminated in eight years

are willing to sacrifice margins to maintain their positions.

The four largest companies, which control 69 percent of the institutional sector, are expected to grow 15 percent annually in sales.

Local Production Wins Price War

Most vegetables, fruits and processed foods, poultry, pork and seafood consumed by the HRI sector are produced locally. Imports typically include legumes, red meats, baked goods, breakfast cereals, bakery and confectionery ingredients, some fruits and fruit juices and edible oils.

Top-level hotels spend 20-30 percent of their food budget on imports. Most spirits are also imported. High-end restaurants typically spend less on imports, 10-15 percent. Institutional companies buy mostly local products.

Convenience Coming of Age

Several factors are contributing to increased demand for convenience products in Chile's HRI sector: higher labor costs, heightened consumer expectations

and use of processed products to simplify food preparation. More women in the workforce are also tipping the scale toward convenience, upping the number of meals eaten outside the home and demand for easy-to-prepare foods.

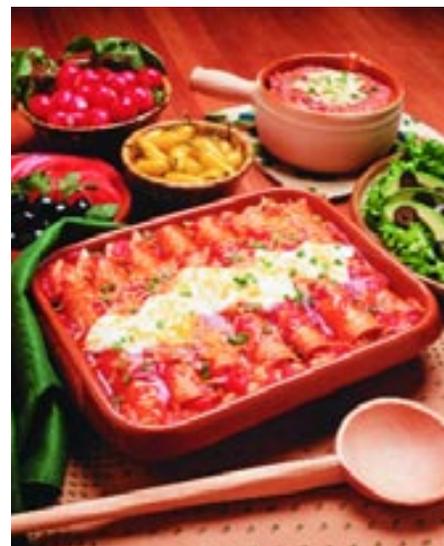
Eating patterns are changing too. Breakfast is becoming more important compared to lunch, with demand for heavy meals giving way to lighter, healthier foods.

Road Map for Entry

U.S. suppliers entering this market should differentiate their products from others by stressing quality control, uniformity and reliability—traits for which U.S. products are renowned.

Suppliers should be aware that timely delivery and consistent quality are key to breaking into a market that is dominated by domestic producers. An efficient distributor that provides timely delivery, consistent quality and overall dependable service is critical.

Promotions of new products cannot be overestimated. While many end-users



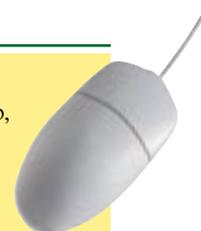
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are unfamiliar with foreign products, those who do purchase imports currently have a preference for the perceived cachet of European products. It is important to promote an image of U.S. products that compares favorably with higher visibility European products, and to persuade business managers and owners that the benefits of better products and service often offset higher prices.

Don't forget that trade shows provide excellent venues to secure market presence. ■

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Austrians Acquire Taste for Convenience

By Roswitha Krautgartner

Though Austria's near-term outlook for economic growth is lackluster (an estimated 1.2 percent in 2004), consumer spending remains on the rise. And food expenditures, at \$17.1 billion in calendar 2002, were no exception—up 1.2 percent from the year before, and with expectations of 2-percent yearly growth.

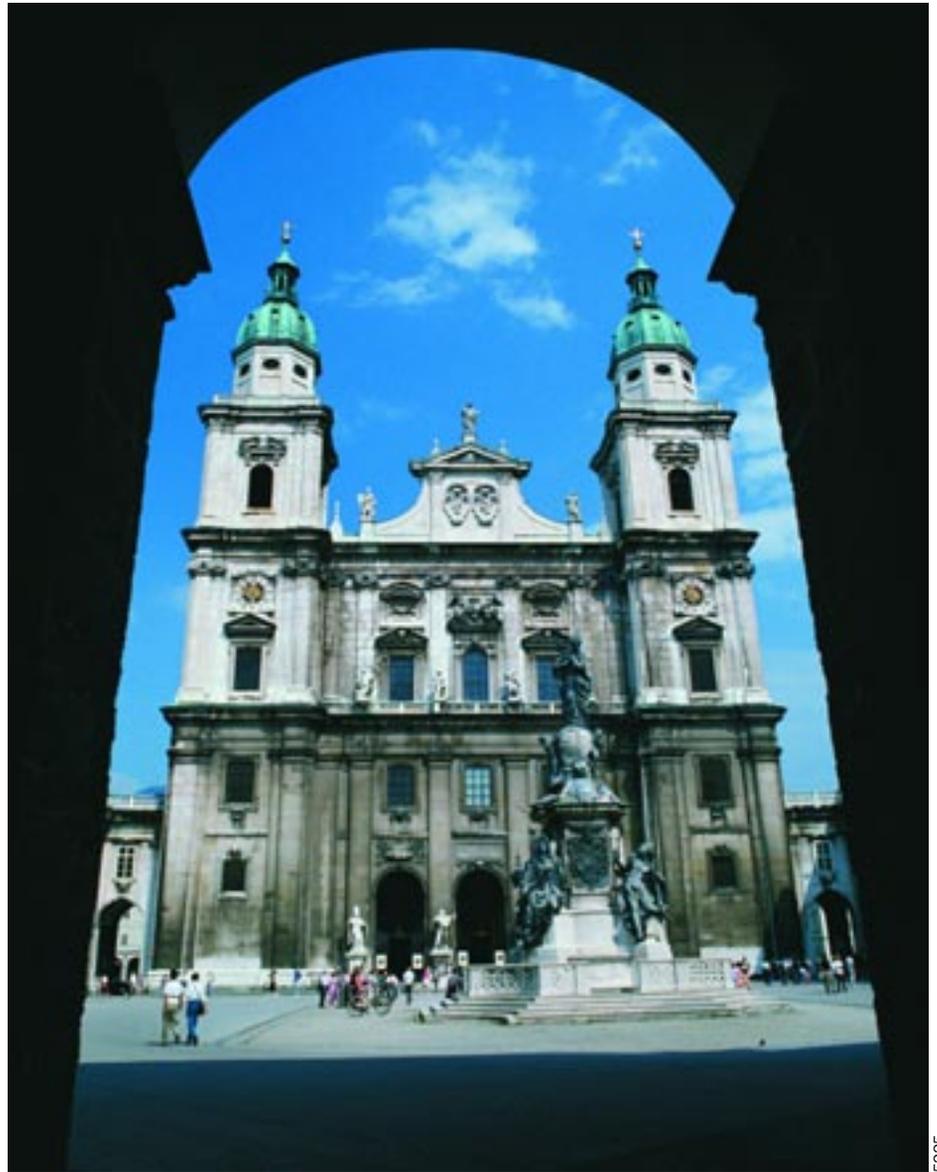
This highly developed country, with strong ties to fellow EU (European Union) countries, ranks 12th worldwide in per capita income and serves as a crossroad between Central and Eastern Europe.

U.S. agricultural exports to Austria were \$15.8 million in fiscal 2003, but there is considerable market potential for value-added foods. Also, official numbers do not include substantial amounts of U.S. products, such as almonds and pistachios, that are transhipped from other EU ports.

Tourism contributes about 4 percent of Austria's gross domestic product and plays an important role in the country's economy and in what foods are in demand. The majority of tourists, who are from Germany, prefer local Austrian cuisine, but other ethnic and seafood restaurants are becoming more popular.

Selective Consumers Covet Convenience

Since the 1960s, the key demographic that has propelled consumer spending in Austria has been a doubling in the number of single adults and childless working couples. Numbering 1 million, this group



makes up one-third of all Austrian households and boosts demand for convenience products, meals eaten away from home and high-end, gourmet foods.

Two characteristics of the average Austrian consumer have limited demand for higher-end products. Pricing is a critical factor for the general population, though many still opt for high-value

products for special events. A fondness for traditional cooking has restrained many Austrians from sampling convenience foods.

However, younger people and singles, looking for new and timesaving alternatives, are buying prepared meals that retain freshness and high quality. The growing singles segment includes not only young

urban workers, but also retirees. This graying population, with its attendant disposable income, has created additional demand for health and dietetic foods and for pet foods.

U.S. Exporter Tips

Generally, retailers buy domestic and imported products from Austrian and German wholesalers, with only large supermarket chains importing products directly.

It is important that, once introduced, new products be promoted. The most efficient advertising medium is television, which is more expensive than in the United States. Supermarkets and hypermarkets have weekly or biweekly flyers that advertise products. In-store promotions are also very successful and highly recommended.

Since Austria's EU accession, food industry mergers have accelerated. Many smaller Austrian food processing companies, in order to survive, have partnered

Best Sellers Now and Later

Austrians have conservative tastes that are reflected in their cuisine, production methods and marketing. They prefer foods without additives and reject products of biotechnology.

While sales of organic products are now low, consumer interest has been piqued. Organics are eventually expected to make up 10 percent of the total food market.

Beef consumption has been declining, while pork, poultry and lamb are on the upswing. Cheese consumption is expected to continue rising.

With fruit juices, acidity is preferred (as it is in wines). Jams and marmalades hold more appeal than jellies, especially if they are not too sweet. Crunchy cereals sell best.

Popular convenience items below are expected to grow:

- Ready meals and chilled pizza
- Sugar confectionery, chewing gum and chocolate
- Nonalcoholic drinks, including bottled water
- Seafood—frozen cod, hake and flat fish, and canned tuna and sardines
- Pet foods

U.S. products with great promise include:

- Alaska salmon, catfish, lobster and shrimp
- Pecans, walnuts, pistachios and almonds
- Dried fruits, including cranberries
- Cranberry juice
- Wines
- Tobacco



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with larger national or foreign firms, and the trend is continuing.

Throughout this restructuring of the food processing industry, beverage sector sales, especially areas devoted to beer and fruit juices, have been the strongest.

Import Procedures

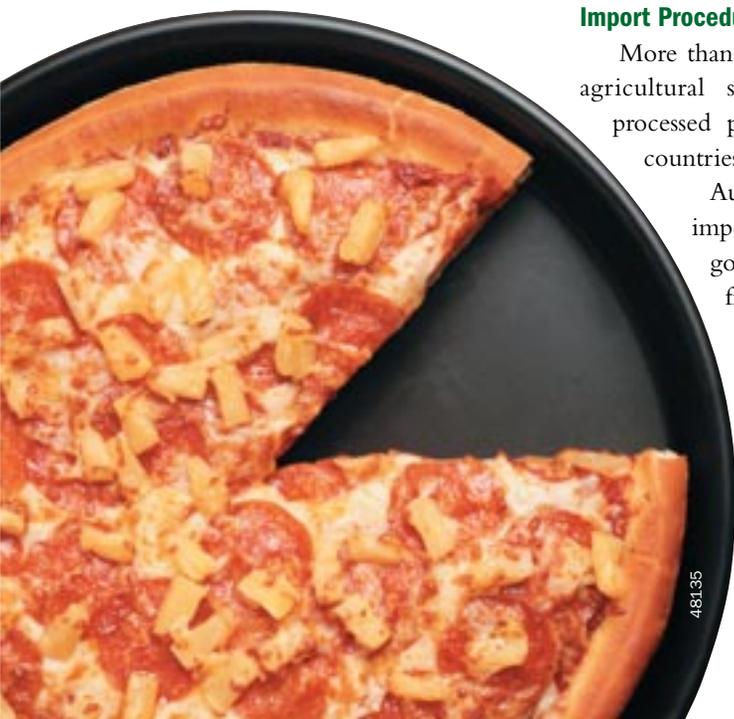
More than three-quarters of Austria's agricultural supplies (90 percent of processed products) come from EU countries.

Austria generally follows EU import rules. Incoming goods go to customs storage or to a freight forwarder's facility at a transport terminal. After customs officers supervise the storage and removal of products, an invoice for import duty is issued. Food inspectors may sample packaged foods at the port of entry.

Veterinary and customs import documents must be in German. Veterinary certificates are usually bilingual. Decisions by the customs office or the veterinary service may not be appealed. If an importer objects to the quality of the product, the case can be brought to an arbitration center. ■

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Key contacts and further information about the Austrian marketplace are available from the FAS Office of Agricultural Affairs in Vienna and FAS report AU3015. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



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Focus on Emerging Chinese Market: Kunming

By Ross G. Kreamer

Yunnan Province may be a bit off the beaten path for imported food products in China, but remoteness has not lessened consumer eagerness for new products in the provincial capital city of Kunming.

This is an enticing thought for U.S. exporters who are finding tremendous market opportunities for agricultural trade with China.

From less than \$1 billion in fiscal 1999, U.S. agricultural exports to China more than tripled by fiscal 2003, reaching almost \$3.5 billion.

Growing Pains Not Stunting Growth

In calendar 2002, Yunnan Province ranked 10th among China's provinces in per capita disposable income (\$880). The average consumer in Kunming spends about 40 percent of income, or \$293, each year on food, compared to 43 percent for Shanghai residents. (However, more affluent Shanghai consumers average 50 percent more income.)

In some areas of Kunming, urban planners have been hard-pressed to keep pace with development. Modern skyscrapers often crowd narrow streets, creating traffic snarls.

Population growth in Kunming is continuing too; migration from surrounding areas is expected to swell the city's current 4.5 million population to 5 million within a few years.

To free up a large downtown area for commercial development, the city government plans to move its offices from the



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city's center to Dian Chi Lake, several kilometers south of town.

Though the market requires due diligence—more promotions, more outreach—of new entrants, Kunming's healthy economy should provide ample incentive for exporters. Over the past five years, the city has benefited from yearly economic growth of 6.8 percent, which should continue for the next few years.

Golfing in China?

Kunming has become a hub for foreign and domestic tourists because of its natural beauty and climate. Perpetually snow-capped Mount Yulongxue and nearby traditional villages hold great potential for more development of tourist attractions.

For example, with six months of sunshine each year and mean temperatures ranging from 46 °F in January to 68 °F in July, Kunming has attracted foreign investment in golf course development.

Yunnan's sunny climate also supports a range of tropical and temperate horticultural products—fruits, mushrooms, cut flowers and high-value orchids. Kunming's flower market is a must-see destination for tourists.

Modern Retailers a Recent Phenomenon

Modern retail stores have sprung up over the past four years. Several hypermarkets and supermarket chains, along with proliferating convenience stores,

Proven U.S. Products

Imported items from the United States already on Kunming retail shelves include:

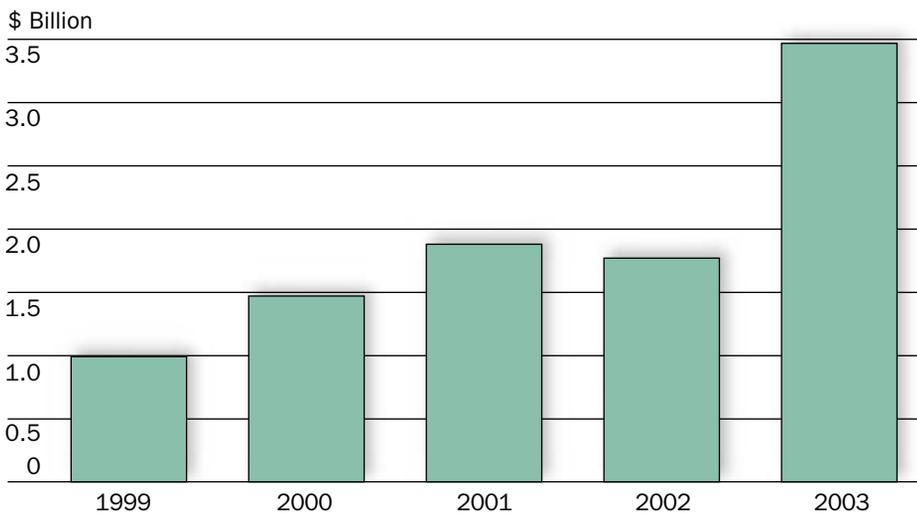
- Snack foods in small packs
- Canned foods
- Frozen and smoked salmon
- Milk powder
- Beef
- Wines
- Oranges, apples and table grapes



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China Has Emerged as the Fourth Largest Market for U.S. Agricultural, Fish and Forest Products

At \$3.5 billion, U.S. sales in fiscal 2003 almost doubled from 2002.



have taken root. Stores are supplying a full range of services to meet the demands of families that often shop together.

In these outlets, imported foods make up only 2 percent of total food products. However, retailers are willing to test new products. They are always looking for an edge to help them survive rigorous competition. And their razor-thin margins require high-volume sales and in-store promotions. ■

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For details, see FAS Report CH3831. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



Japan: Swelling Prospects for U.S. Wines

By Mark Dries

After several years of stagnation, the Japanese wine market is on the rebound. Imports of U.S. wines are once again rising.

Consumer Tastes Are Changing

Since 1965, wine consumption in Japan has risen more than threefold. Wines still account for only 6.3 percent of the alcoholic beverages purchased in the country, but tastes are changing.

Beer, which accounts for more than half of Japan's total alcohol consumption, and sake, the traditional Japanese rice wine, are slowly declining in popularity. Consumers, particularly young adults, are gravitating to wines. In urban areas, wines are becoming the drink of choice; 60 percent of all premium wines are consumed in Tokyo alone.

Although beer and sake are preferred in rural areas and regional cities, there is still market potential for U.S. wines there, particularly for lower priced labels. If lower end wines can build a presence in these areas, overall demand for wines in Japan will expand significantly.

There was an explosion of consumer interest in red wines in the 1990s, driven by scientific reports touting their health benefits. During the period, consumption of red wines more than doubled. White wines are still popular; however, the early Japanese preference for sweet, fruity wines has been eclipsed by interest in red wines, which now account for almost 60 percent of consumption. Rosé has failed to catch on in Japan.

As Japanese consumers have become more familiar with wines and more discriminating in their tastes, price has become slightly less important in the choice of which wine to buy. In this climate, domestic wine sales have suffered, appealing primarily to consumers looking for a bargain.

Competition for the Market

More than half of all wines consumed in Japan are imported. Although France remains synonymous with wine for many, the rising popularity of New World wines, including those from the United States, Australia and South Africa, reveals that Japanese consumers are willing to experiment.

Recovering from the stagnation that followed the wine boom of the 1990s, U.S. wine exports to Japan are now enjoying expanding sales. In calendar 2003,

exports of U.S. bottled wines to Japan jumped 20.7 percent by volume compared to 2002, recovering some of the market share lost in recent years.

U.S. wines predominantly target the lower end of the market, particularly at retail. Three major California wines are the primary drivers of Japan's market for less expensive wines. They are popular in supermarkets and discount and convenience stores. These mass-market wines are taking market share from domestic competitors.

U.S. wines in the middle price range account for roughly 20 percent of sales. They face stiff competition from French, Italian and Chilean wines, which dominate this segment. In addition, demand from mid-priced restaurants appears to be falling.

On the other hand, sales of U.S. premium wines are rising steadily. It appears



U.S. WINE SALES ARE ON THE REBOUND IN JAPANESE MARKET.



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that the “California Wine by the Glass” campaign, in which about 300 Japanese restaurants served California wines, is helping to build and expand awareness of these products. Other wine-producing states, including Washington and Oregon, are also attracting market interest. Indeed, U.S. wines can now be found at Chinese, Japanese and even French restaurants, in addition to those that serve American cuisine. In retail stores, however, U.S. wines still have limited shelf space.

Deregulation Presents Opportunities

In September 2003, the Japanese government loosened restrictions on the granting of liquor licenses. This long-awaited deregulatory measure is certain to boost the number of liquor-selling retailers throughout the country and will have

a profound impact on the way alcoholic beverages are sold in Japan. As supermarkets and convenience stores find it easier to get licenses and sell wines, U.S. wines are likely to find new outlets, particularly given their strength in the inexpensive product segment.

In addition, the decline in the value of the dollar versus the yen and the euro has enhanced the position of U.S. wines compared to their European counterparts. The rise in the euro versus the yen since 2000 translates into a 25-percent increase in the price of European wines in Japan.

Import duties on wines exported to Japan have gradually been reduced since the implementation of the Uruguay Round Agreement under the General Agreement on Tariffs and Trade. The final reduction was in April 2000, when the

tariff rate on bottled wines fell from 21.3 to 15 percent. However, in May 2003, Japan increased its liquor tax rate by 30 percent. So far, this tax has hurt domestic wines more than imports. ■

The author is the agricultural trade officer in the FAS Agricultural Trade Office in Tokyo, Japan. For more information on the Japanese wine market, contact that office at: Tël: (011-81-3) 3224-5115; Fax: (011-81-3) 3582-6429; E-mail: ATOTokyo@ni.bekkoame.ne.jp

For details, see FAS Report JA3536. 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:

Sharon Cook
FAS Trade Show Office
Washington, DC
Tel.: (202) 720-3425
Fax: (202) 690-4374
E-mail: Sharon.Cook@usda.gov



TRADE SHOW OPPORTUNITY

HI EUROPE

AMSTERDAM,
NETHERLANDS

The Show:



Health Ingredients Europe is the only exhibition and conference in Europe this year dedicated solely to the health food ingredients industry. As the health, organic and functional foods markets are taking off across Europe, this three-day event offers a platform for suppliers to exchange ideas, discuss new developments and sell products.

Location:

Amsterdam, Netherlands



Dates:

Nov. 16-18, 2004

Deadline:

Sept. 30, 2004

The Market:

Worldwide demand for health and natural foods, diet foods and food supplements has triggered an explosion of demand for natural aromas, colorings, spices, plant extracts, vitamins and minerals, as well as fat and sugar substitutes. In addition, the worldwide call for organic and functional foods has fueled the demand for health and organic food ingredients among European product manufacturers.

Contact:

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E-mail: Sharon.Cook@usda.gov



TRADE SHOW OPPORTUNITY

GREAT AMERICAN FOOD

CAIRO, EGYPT

What: The 5th Great American Food Festival

Why: The objective of the festival is to promote American cuisine, to increase demand for American products at five-star hotels and restaurants and to acquaint Egyptian consumers with the high quality and diversity of American food products.



To add a festive atmosphere to the event, we will highlight various types of American cuisine from different regions of the United States. An American band and a local band will entertain festival participants.

Show Profile:

- U.S. suppliers introducing new-to-market products to the Egyptian market
- Egyptian companies importing U.S. products
- Egyptian companies manufacturing under license from U.S.-origin companies
- Franchisees, travel agencies, banks, airlines and other service providers

Best Products: Beef bacon, frozen fruits, almonds, hazelnuts, pecans (in small quantities), Tex-Mex items, specialty flour, muffin mix, canned fruits, cheeses (jack, cheddar), seafood (scallops, soft crabs, saltwater fish), herbs, pancake syrups, wines, beer (alcoholic and nonalcoholic), and root beer

Location: Cairo Marriott Hotel
Cairo, Egypt

Dates: Sept. 22-28, 2004

Deadline: June 13, 2004

Contacts: Manal L. El Masry
FAS Office of Agricultural Affairs
Cairo, Egypt
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Fax: (011-20-2) 796-3989
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Trade Notes...

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China Approves Final Safety Certificates for U.S. Biotech Products

In February, the Chinese Ministry of Agriculture completed its biotechnology regulatory review and granted safety certificates for Roundup Ready soybeans, two corn products and two cotton products. This is the first time China has granted permanent approval for imports of food products derived from biotechnology. This should assure continued U.S. access to this important market. China is the top foreign customer for U.S. soybeans and cotton. In fact, so far this year, more than one-third of total U.S. soybean sales exports are expected to have gone to China. In fiscal 2003, U.S. agricultural exports to China reached a record of nearly \$3.5 billion, in large part due to the best ever exports of soybeans, which reached nearly \$1.8 billion, exceeding total U.S. agricultural exports to China for the previous year. U.S. cotton sales to China also rose significantly, amounting to more than \$419 million, compared to \$67.9 million the previous year.

USDA Opens Registration for Export Directory of U.S. Food Companies

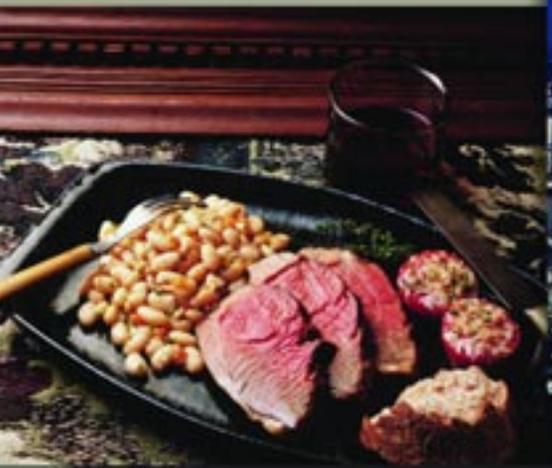
U.S. companies may now register to be included in the Export Directory of U.S. Food Distribution Companies. The directory provides information on U.S. suppliers of mixed containers of grocery and/or food service products. The project targets emerging markets that cannot support large single-product shipments. The directory is used by foreign buyers and FAS offices worldwide. Inclusion in the directory is free of charge; however, only U.S. companies that offer mixed containers will be allowed to register for this service. The directory will be updated periodically, and registration is an ongoing process. The registration form can be downloaded from the FAS Web site at: www.fas.usda.gov/agexport/Directory/Main.html

Russia Updates Import Standards and Guidelines

The Russian Federation has put in place a clearer process for food imports that could help U.S. exporters. The revised regulations have clarified documentation and testing requirements for many agricultural imports. Nutritional labeling requirements are now less stringent for some items, and caloric value is no longer required. Detailed hygiene and nutritional requirements have been added for foods for infants and children and for diet products. Labeling is required for biotechnology products. Hygiene norms are simplified for some product groups, reducing required testing. Amended trademark, service mark and labeling regulations ensure better protection for companies. There are also updated limits for pesticide residues and other contaminants in foods. For more information, contact the FAS Office of Agricultural Affairs, U.S. Embassy, Moscow, Russia; Tel.: (011-7-095) 728-5222; Fax: (011-7-095) 728-5133; E-mail: mcmacklet@state.gov

First European Buyers Mission to Hawaii

In January, the FAS Office of Agricultural Affairs in Paris, France, organized a French buyers mission to Hawaii sponsored by the Western United States Agricultural Trade Association. The mission, which generated estimated sales of \$1.25 million, included seven buyers. French buyers were looking for products such as fresh and frozen seafood, tropical fruits, cut flowers, fresh herbs, coffee, dried fruits and gourmet foods. The Hawaii Department of Agriculture organized meetings for the buyers with producers and processors.



Also in This Issue:

- Austria's convenience food sector
- Thriving markets for consumer foods in Kunming, China, and wines in Japan
- Trade show opportunities in Russia, France, the Netherlands and Egypt

And Next Time, Turn to AgExporter for:

- An in-depth look at retail markets in France and Germany
- The outlook for organics in Singapore and Taiwan

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