

GLOBAL FOOD MARKETER™ NEWSLETTER

Export news from the Midwest and Northeast



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PLAN YOUR MARKET ENTRY STRATEGY: SELECTING INITIAL EXPORT MARKETS

As you develop your export plan and conduct international market research, you will be looking to narrow down your selection to the best foreign export markets. Narrowing your market research will help to identify specific differences in foreign markets that you should be aware of:

- Environmental factors
- Varying amounts of purchasing power
- Government import controls
- Social and cultural factors
- Availability of foreign exchange

A STEP-BY-STEP APPROACH TO MARKET RESEARCH

Once you have obtained your export statistics, your company may find the following approach useful. It involves screening potential markets, assessing the targeted markets, and drawing conclusions.

SCREENING POTENTIAL MARKETS

Step 1: Identify Potential Markets

- First, identify 5 to 10 large and fast-growing markets for your company's product. Look at trends over the past 3 to 5 years. Has market growth been consistent year-to-year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery?
- Then, take a look at some smaller, fast-emerging markets that may provide ground-floor opportunities. If the market is just beginning to open up, there may be fewer competitors than in established markets. To qualify as up-and-coming markets, these countries should have substantially higher growth rates. Burma (which recently opened its economy after years of economic sanctions) and Morocco (which entered into a free trade agreement with the U.S. in 2005) are good examples of such markets.

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Plan Your Market Entry Strategy



Market Focus: Vietnam



Food Export Helpline Q/A



2019 Activities

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MARKET FOCUS: VIETNAM

Vietnam is the 47th largest economy in the world by nominal gross domestic product (GDP), reaching US\$224 billion in 2017. GDP per capita in 2017 was estimated at US\$2,385, \$170 above the 2016 level. Vietnam's 2017 GDP growth rate was 6.8 percent and is forecasted to continue to grow in the coming years, reflecting strengthening domestic demand, strong inflows of overseas remittances, stable foreign direct investment (FDI), a strong manufacturing industry, and expanding exports. The urbanization rate has also increased in recent years and is expected to continue to rise. All of these factors have contributed to a dynamic commercial environment in Vietnam.

Vietnam is a major producer of food and agricultural products and has become a leading agricultural exporter. Producers, food processors, wholesalers, retailers, food service operators, and food importers and traders are all part of a developing and dynamic agribusiness sector.

Vietnam is also an important importer of many agricultural products. In 2017, imports of agricultural products reached US\$24 billion, an increase of 4.7 percent compared to 2016.

Vietnam is the 10th largest agricultural and related product export market of the U.S. In 2017, Vietnam imported US\$13.9 billion of consumer-oriented products, an 11.2 percent increase over 2016, mainly from China, India, and other ASEAN countries. In 2017, the U.S. market share for consumer-oriented products was 6 percent, with a total value of US\$806.7 million.

The food and beverage processing sector has experienced strong growth over past 5 years. Progress in food technology, marketing innovations, growing domestic demand, and exports of processed food have all contributed to Vietnam's increasing demand for food ingredients. Processed food product sales are a major focus in the domestic market for the retail and food service sectors. Market demand is growing, but so is competition. Reduced and eliminated tariffs for Vietnam's many free trade agreement (FTA) partners threaten the competitiveness of U.S. food and agricultural exports.

The Vietnamese food and beverage manufacturing industry was comprised of 8,820 registered companies in 2015. Approximately 84 percent of these companies have less than 50 employees. The food

and beverage processing sector has experienced strong growth over past 5 years. Progress in food technology, marketing innovations, growing domestic demand, and exports of processed food have all contributed to Vietnam's increasing demand for food ingredients. Processed food product sales are a major focus in the domestic market for the retail and food service sectors.

QUICK FACTS

Imports of Consumer-Oriented Products

\$13.9 billion **\$807 million**

Imports from the world

Imports from the U.S.
(about 6% market share)

List of Top 10 Growth Products in Vietnam

- Tree nuts
- Poultry meat and products (ex. eggs)
- Beef and beef products
- Prepared food
- Chocolate and cocoa products
- Dairy products
- Fresh fruits
- Non-alcohol beverages (ex. juices)
- Processed vegetables
- Processed fruits

Top 10 Vietnamese Retailers

- Aeon Mega Mart
- Co.op Mart
- Vinmart
- MM Mega Mart
- Lotte Mart
- Aeon Fivimart
- 7 Eleven
- Big C
- Auchan
- Circle K

GDP/Population 2017

93.7

Population (millions)

223.9

GDP (billions USD)

2,385

GDP per capita (USD)

Strengths

U.S. products are perceived as safe and premium quality

Opportunities

Growing market demand and increased focus on food safety

Weaknesses

U.S. products are still more expensive than their peers, partly due to higher tariffs and freight

Threats

Free Trade Agreements reduce tariffs on competitors' products

Sources: GTA; GATS; Vietnam's GSO, Vietnam Customs, Post Vietnam

ADVANTAGES AND CHALLENGES FOR U.S. EXPORTS IN THE FOOD AND BEVERAGE SECTOR

ADVANTAGES

Growing economy with low inflation, strong inflows of overseas remittances, and stable FDI.

Growing, young population with increasing disposable income, coupled with rapid urbanization and busier lifestyles is leading to eating out more, shopping in supermarkets and hypermarkets, and increased consumption of convenience and processed foods.

High-end shops, restaurants, and luxury hotels target niche consumer groups and tend to use higher quality imported food and ingredients.

More international food and beverage brands are entering Vietnam, increasing consumer awareness of new imported food and beverage products and flavors.

Vietnam has robust e-commerce sales, due to a young population and the growth of internet and smart phone penetration.

U.S. food and food ingredients are considered safe and of having high and consistent quality

Given Vietnam's geographical location advantage and more developed shipping infrastructure, transshipment via cross-border trade of some agricultural products has been increasing recently.

Growing popularity of U.S. fast food and restaurant chains supports use of U.S.-sourced food ingredients, such as bakery products, dairy products, meat, and poultry.

Private label brands with lower prices keep growing and getting more popular compared with famous brands in the market, leading to increased production in the food and beverage sectors.

DISADVANTAGES

Uncertainty of government regulations negatively impacts local importers of food and food ingredients.

Registration with Government of Vietnam (GVN) authorities for new food and food ingredient products, especially functional foods, is very costly and burdensome.

Increased sanitary and phytosanitary (SPS) barriers on animal and plant origin products persist.

The modern retail sector, although expanding rapidly in urban areas, has not grown as fast in rural areas.

Large number of small food processors only source their ingredients locally.

U.S. products are at a competitive disadvantage due to the large number of FTAs that Vietnam has negotiated with other trading partners.

Processed foods still are seen as inferior to fresh foods by many consumers in Vietnam, especially rural areas.

Strong competition in low-cost food ingredients from China and local products.

Limited infrastructure and distribution for perishable products in Vietnam (such as cold chain).

FOOD EXPORT ASSOCIATION OF THE MIDWEST USA® AND FOOD EXPORT USA®-NORTHEAST

We are non-profit organizations comprised of state agricultural promotion agencies that use federal, state, and industry resources to promote the export of Midwestern and Northeastern food and agricultural products.

Food Export-Midwest and Food Export-Northeast administer many services through Market Access Program (MAP) funding from the Foreign Agricultural Service (FAS) of the USDA.

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FOOD EXPORT HELPLINE™

Q: Our company makes a line of sauces, dressings and condiments (SDCs). We have been establishing export business for three years and have done pretty well (12% of our business), but are now considering pulling back, or even out of exporting. These trade wars look like they have shut off half the world market. Europe raised all its duties which were already high, now China has added more products and higher duties to their list and we have a new trade agreement with Mexico that excludes Canada? The world seems upside down, so we may just wait this one out. What are your thoughts?

A: Congratulations on your efforts to develop export business. Things do seem a bit off the rails right now, but it is time to stay the course lest you get left behind and need to re-establish. Overreacting has put us in this position. Let's break this all down, look at the facts, and see how to continue on.

The NAFTA markets, EU 28 and China actually imported 52.5% of total U.S. exports of agricultural, food and related products in 2017. That is more than half, but not all products have punitive tariffs, and some products that have may still be worth importing if the customers are willing to absorb the temporary increase. These disputes may find their way to a settlement, as the business is very valuable to exporters and importers as well as their customers, many of whom are making their frustrations known.

U.S. EXPORTS OF SDCs TO MARKETS IN DISPUTE

According to the Global Agricultural Trade System (GATS) from USDA's Foreign Agricultural Service (FAS), U.S. exports of condiments and sauces totaled just over \$1.8 billion in 2017, growth of 3% from the prior year, so the "SDC" category is highly exportable. Canada imported 43%, Mexico imported 12% and the EU 28 imported just under 7% of the total. The largest EU markets for SDCs are U.K., Germany, Sweden and Netherlands. China imported \$18.2 million in 2017, about 10% of the total.

TARIFF ANALYSIS OF SDC'S TO DISPUTED MARKETS

Companies that want to confirm tariff rates and see if they have been impacted by punitive duties should check the reports provided by the FAS at www.fas.usda.gov. The Harmonized Code (HS) four-digit heading for the SDC category is 2103 so when searching, you can find out which products have been targeted, if any.

Mexico: Retaliatory tariffs announced May 31 in response to measures imposed by the U.S. under Section 232 include chilled and frozen pork cuts, hams, and cheeses (including fresh, grated or powdered, Parmesan, Edam, Gouda, Havarti), fresh apples, frozen French fries, cranberries and bourbon. No HS 2103 products are affected.

EU 28: New tariffs on approximately \$1 billion in agricultural products came into effect on Friday, June 22. EU tariffs will be effective as long as the U.S. measures are in place. The action laid down additional rates ranging from 10% to 25%, and confirms the list of U.S. products impacted include bourbon and whiskeys, corn, sweet corn, rice, kidney beans, orange juice, cranberry juice, peanut butter, and tobacco products. The EU 28 does not target products in HS 21.

Full Helpline response at:
<http://www.foodexport.org>

China: Since May, China has announced several rounds of retaliatory tariffs, starting with pork and pork products, both fresh and dried fruits and tree nut products, American ginseng, wine, and denatured ethanol, then adding seafood products. August's list included tariff increases of 20% on sauces and condiments and 10% on ketchup and mustard, but the revised list removed these products and hundreds of other consumer-oriented processed products.

Canada: Tariff countermeasures from Canada were 10%, but the targeted list was not very long. From HS heading 2103, however, they listed 2103.10.00 - Soya sauce, 2103.20.10 - Tomato ketchup, 2103.20.90 - Other tomato sauces, 2103.90.10 - Mayonnaise and salad dressing, 2103.90.20 - Mixed condiments and mixed seasonings, 2103.90.90 - Other sauces. With the exclusion of the soya sauce, the rest all are codes represented in your product line.

Rates get complicated when combined with Most Favored Nations (MFN) rates of duty used for members of the World Trade Organization (WTO). The total duties on your products are actually 22.5% for the ketchup and other tomato sauces, 21% for mayonnaise and salad dressing, 19.5% for other sauces and 18% for condiments and seasoning.

Based on the quick summary, it seems clear that now is not the time to back down from exporting. These trade wars have been devastating to many who both imported and exported and have interrupted supply chains that have taken years to develop and caused layoffs and tremendous harm. But in many instances it does not have the same effect. In Mexico and EU 28 your products are not affected at all and in China you got a reprieve, at least for now, although duties and taxes remain the same. Canada, especially with the application of MFN rates in addition to the punitive surcharge, represents the greatest challenge for now.



Food Export Helpline™ Counselor

Dennis Lynch, M.I.B.A., CGBBP, is a 34-year veteran of international trade who has held a variety of positions in the public and private sectors. He has been directly involved in monitoring, troubleshooting and facilitating export transactions for more than 25 years.

As the export counselor behind Food Export-Midwest and Food Export-Northeast's Food Export Helpline™ Dennis provides customized technical export assistance to a variety of food and agricultural firms. He is a dynamic and informative speaker who speaks regularly at educational seminars throughout our organizations' Midwest and Northeast regions. Dennis is a "Certified Global Business Professional" and a member of "NASBITE," the National Association of Small Business International Trade Educators.

FOOD EXPORT–MIDWEST AND FOOD EXPORT–NORTHEAST ACTIVITIES

Branded Program: Did you know that you might be eligible for up to 50% reimbursement on travel and exhibition fees for some of these activities? Visit www.foodexport.org for more information. **ERD** Early Registration Deadline **RD** Registration Deadline

BUYERS MISSIONS

Buyers Missions bring buyers from all over the globe to U.S. cities. U.S. food and beverage suppliers meet one-on-one with pre-qualified, international buyers to generate sales leads. Imagine meeting with numerous buyers from multiple countries all in one day.

Specialty Food Buyers Mission at the Winter Fancy Food Show

Jan. 12-14, 2019 San Francisco, CA
ERD Nov. 9, 2018 **RD** Nov. 30, 2018

Northeast Buyers Mission – Boston, New York, Philadelphia

Jan. 28, Boston, MA; Jan. 30, New York, NY;
Jan. 31 Philadelphia, PA
RD Dec. 14, 2018

Value-Added Feed Ingredients Buyers Mission at the AFIA IPPE

Feb. 13, 2019 Atlanta, GA
ERD Dec. 19, 2018 **RD** Jan. 11, 2019

Frozen Food Buyers Mission at 2019 AFFI-Con

Feb. 23-25, 2019 San Diego, CA
ERD Dec. 21, 2018 **RD** Jan. 11, 2019

Natural Products Buyers Mission at Natural Products Expo West

March 7-8, 2019 Anaheim, CA
ERD Dec. 5, 2018 **RD** Jan. 25, 2019

Pet Food Buyers Mission at the 2019 Global Pet Expo

March 19, 2019 Orlando, FL
ERD Jan. 15, 2019 **RD** Feb. 5, 2019

Beer Ingredients Buyers Mission at Brew Expo 2019

April 9, 2019 Denver, CO
ERD Feb. 5, 2019 **RD** Feb. 26, 2019

Pet Food Buyers Mission at Petfood Forum

May 1, 2019 Kansas City, MO
ERD Feb. 27, 2019 **RD** March 20, 2019

FOCUSED TRADE MISSIONS

Focused Trade Missions bring small groups of U.S. suppliers to a country with the goal of building participants' export businesses. You're able to see the market dynamics first-hand, meet and build relationships with interested importers, and discover your products' potential in that market.

Focused Trade Mission to Taiwan for Retail Products

March 11-12, 2019 Taipei, Taiwan
ERD Dec. 5, 2018 **RD** Dec. 19, 2018

Focused Trade Mission to Toronto for Specialty and Natural Products

April 1-5, 2019 Toronto, Canada
ERD Nov. 19, 2018 **RD** Jan. 18, 2019

FOOD SHOW PLUS!™

Food Show PLUS!™ provides the logistical assistance you need to be a more effective exhibitor. Services may include registration assistance, pre-show product research, translations of booth and sales materials, technical interpreters at your booth, local industry tours, on-site show assistance from food marketing experts, and much more!

Food Show PLUS!™ at Expo ANTAD & Alimentaria

March 4-7, 2019 Guadalajara, Mexico
RD Nov. 16, 2018

Food Show PLUS!™ at FOODEX Japan

March 4-8, 2019 Tokyo, Japan
ERD Dec. 5, 2018 **RD** Dec. 19, 2018

Food Show PLUS!™ at VIV Asia **NEW**

March 12-15, 2019 Bangkok, Thailand
ERD Dec. 18, 2018 **RD** Jan. 11, 2019

Food Show PLUS!™ at SIAL Canada

April 30 – May 2, 2019 Toronto, Canada
ERD Feb. 1, 2019 **RD** Feb. 22, 2019

SEAFOOD ACTIVITIES

Food Export-Northeast is widely known for the foreign market development activities and cost-share assistance we provide to the region's seafood industry. We also provide a variety of support activities on behalf of the industry to continuously uncover new market opportunities and to create greater foreign market awareness and demand for the region's seafood products along with our Seafood Export Promotion Program that includes market briefs provided by our in-market representatives in Brazil, France, Germany and China.

Seafood Buyers Mission at 2019 Seafood Expo North America Boston, MA

March 16, 2019 Boston, MA
ERD Jan. 11, 2019 **RD** Feb. 1, 2019

Seafood Trade Show at Seafood Expo Global

May 7-9, 2019 Brussels, Belgium
Register online as soon as possible. Space is Limited.

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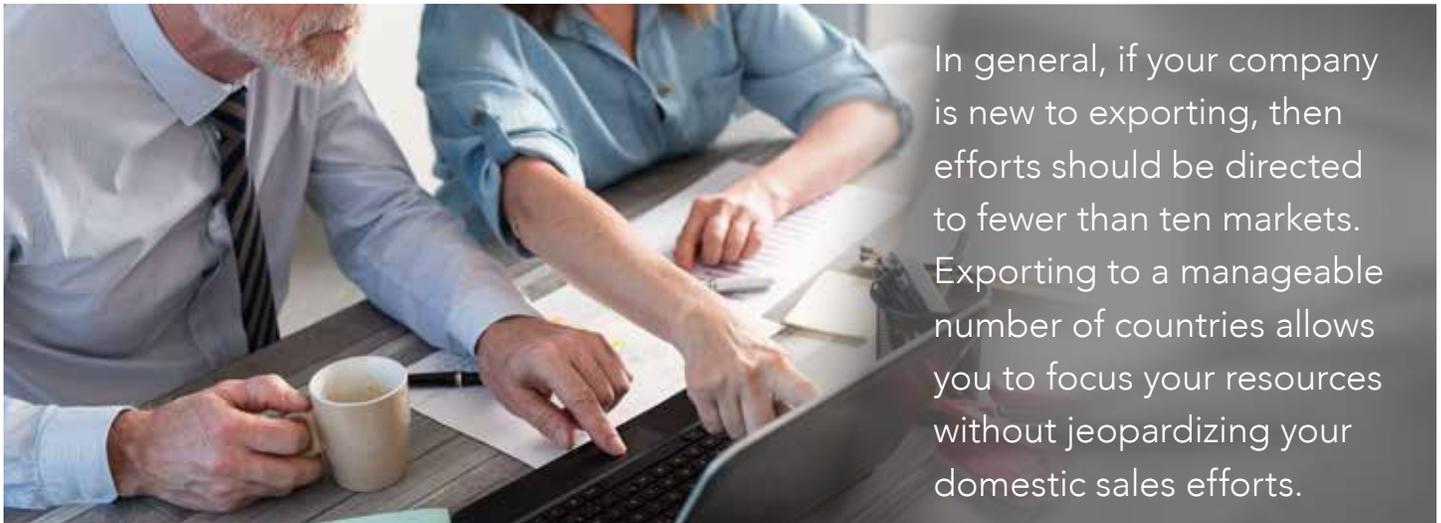


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In general, if your company is new to exporting, then efforts should be directed to fewer than ten markets. Exporting to a manageable number of countries allows you to focus your resources without jeopardizing your domestic sales efforts.

PLAN YOUR MARKET ENTRY STRATEGY (CONTINUED)

Step 2: Target the Most Promising Markets

- Of the markets you have identified, select three to five of the most statistically promising for further assessment. Consult with a U.S. Commercial Service trade specialist, business associates, freight forwarders, and others to further evaluate targeted markets.

ASSESSING TARGETED MARKETS

Step 1: Examine Product Trends

- Look at your products as well as related products that could influence demand. Calculate overall consumption of the product and the amount imported.

Step 2: Research the Competition

- Sources of competition include the domestic industry in each targeted market and competitors from other foreign countries. Look at each competitor's U.S. market share, as well as its share in the targeted market.

Step 3: Analyze Marketing Factors

- Analyze factors affecting the marketing and use of your product in each market, such as end-user sectors, channels of distribution,

cultural idiosyncrasies (for example, when translated into the local language, does your product's name mean something inappropriate?), and business practices.

Step 4: Identify Any Barriers

- Foreign barriers to imports can be tariff or non-tariff. U.S. barriers could include export controls.

Step 5: Identify Any Incentives

- The U.S. or foreign government may offer incentives that promote exporting of your particular product or service.

DRAWING CONCLUSIONS

- After analyzing the data, you may conclude that your marketing resources would be applied more effectively to a few select countries. In general, if your company is new to exporting, then efforts should be directed to fewer than ten markets. Exporting to a manageable number of countries allows you to focus your resources without jeopardizing your domestic sales efforts.
- Your company's internal resources should determine what choices you make.