

*Export  
News  
From the  
Midwest and  
Northeast*

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## GLOBAL GLUTEN-FREE MARKET TO REACH 6.2 BILLION BY 2018

More and more consumers around the world are choosing to buy products labeled gluten-free. In fact, it's becoming a staple for shoppers according to [researchandmarkets.com](http://researchandmarkets.com). In their report "Gluten-Free Products Market by Type, Sales Channel & Geography Global Trends & Forecasts to 2018," gluten-free products are moving from health food stores to supermarket shelves. And the variety of gluten-free products has grown significantly, from snacks and breakfast cereals to bakery and confectionery. Also included in the report is the projection that the global gluten-free product market will reach \$6.2 billion by 2018, a growth rate of 10.2% a year, with major demand anticipated to come from countries such as the UK, Italy, U.S., Spain, Germany, Australia, Brazil, Canada, and India. The growth is also expected due to increasing new product launches.

[ift.org](http://ift.org) reports that the gluten-free market has witnessed a revolution where these products were once seen as specialty niche products and today they are known as mainstream. The most important factor behind buying more gluten-free food products is that they are considered healthier than conventional products. A growing retail presence and continual improvements in new gluten-free product development are also factors leading to the growth.

### What Is Gluten?

Gluten is a protein found in foods processed from grains such as wheat, barley and rye. Gluten is used to give elasticity to dough which helps it to rise and keep its shape, as well as give the final product a chewy texture. Because about 1 in 133 people in developed nations have allergic reactions to gluten, gluten-free products are gaining popularity.

### Let Food Export Help You Export Gluten-Free Products

Food Export provides the support you need to effectively market your gluten-free products overseas: Market research through the Market Builder program in various countries around the world, including a customized report detailing products similar to yours being sold in your target market. The Food Export Helpline™ to help you with technical and logistical questions. Buyers Missions, Focused Trade Missions, and Food Show PLUS!™ tradeshow enhancements services to help you connect face-to-face with foreign buyers. And assistance through the 50%

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**LOOK INSIDE FOR THE  
2014 ACTIVITY CALENDAR**

*Start planning your 2014 export activities now.*

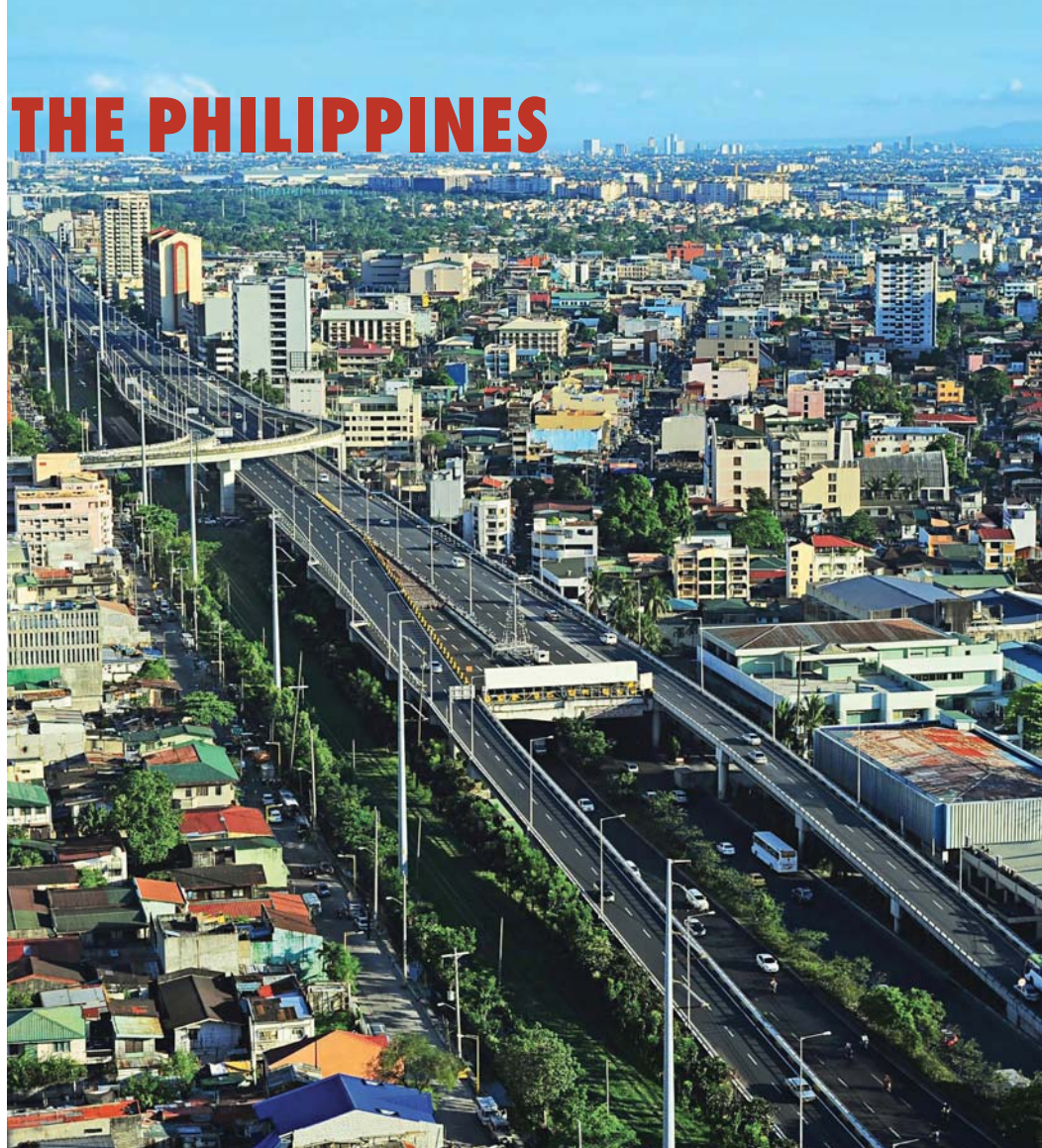
# MARKET FOCUS: THE PHILIPPINES

The Philippines is made up of 7,000 islands classified under three major island groups: Luzon, Visayas, and Mindanao. The land area of the combined islands of the Philippines is about the same size as Arizona with a population of roughly 102 million inhabitants.

According to the USDA, Foreign Agricultural Service, good sales opportunities still abound for U.S. exports because of the robust Philippine economy, steady growth in the country's retail, foodservice and food processing sectors, and consumer familiarity with American brands. U.S. exports of consumer oriented food and beverage products remain particularly strong and are the best prospects for future growth.

The Philippines continues to be the largest U.S. food and beverage (f&b) export market in Southeast Asia and one of the fastest growing markets in the world. Export sales of U.S. f&b products to the Philippines reached a record \$850 million by the end of 2012, up 12 percent from the previous year. In fact, the Philippines posted the fastest economic growth within the ASEAN region through the third quarter of 2012.

Due to Philippine consumer familiarity with American brands, the robust Philippine economy, and steady growth in the country's



## UPCOMING ACTIVITIES IN SOUTHEAST ASIA

### **Food Show PLUS!™ at Food and Hotel Asia**

*April 7-11, 2014, Singapore*

### **Focused Trade Mission to Taiwan for Retail and Food Service Products**

*May 9-10, 2014, Taipei, Taiwan*

### **Food Show PLUS!™ at Seoul Food and Hotel**

*May 12-16, 2014, Seoul, Korea*

### **Focused Trade Mission to Vietnam for Retail and Food Service Products**

*June 6-8, 2014, Ho Chi Minh City, Vietnam*

### **Food Show PLUS!™ at Food Ingredients Asia**

*September 24-26, 2014, Jakarta, Indonesia*

retail, foodservice and food processing sectors, export sales are forecast to reach \$1 billion in 2013. Top U.S. f&b exports in 2012 were dairy products, red meats, poultry meat, snack foods, and processed fruits & vegetables.

The bilateral relationship between the U.S. and the Philippines is unique because of the depth of historical and cultural ties between the two countries. Around four million Filipino-Americans constitute a major immigrant group in the United States, while 250,000 U.S. citizens reside in the Philippines.

### **Doing Business in the Philippines**

Filipino businessmen value trust and personal relations. U.S. exporters are encouraged to maintain close contact with their Philippine importers. Regular market visits are favored by Philippine importers and regarded as a show of support.

Some Philippine importers maintain buying offices in the United States and

consolidate their shipments through third-party consolidators on the West Coast.

Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.

Filipino consumers generally prefer smaller packaging sizes. In addition, due to insufficient cold chain infrastructure in the Philippines, products should be packed to withstand extreme heat and humidity.

### **Is the Philippines the Right Market for You?**

Food Export-Midwest and Food Export-Northeast provide the services and activities you need to help determine if the Philippines is the right market for your product. If you're interested in developing potential sales, market education, meeting global buyers, or qualifying for funding assistance in marketing your products overseas, contact us.

## SUCCESS STORY

### PENNSYLVANIA COMPANY MAKES FIRST-TIME EXPORT SALE TO CANADA



T.F. Silly Good, located in Narberth, Pennsylvania, used Food Export-Northeast's 50% cost-share Branded Program, made possible by the Market Access Program, to exhibit at the 2012 Summer Fancy Food Show where they met a buyer from Canada. According to Holly Adams, Chief Chef for T.F. Silly Good, "This was our first ever export sale! The buyer placed an initial order about six months after the show and we shipped about \$5,000 of our Indian sauces to them in January. We expect these sales to grow to about \$15,000 per year. But even more importantly, this sale gave our products

more exposure and led to new sales in the U.S. as well."

The company also participated in the 2013 Summer Fancy Food Show using Branded Program funds where they met a buyer for a large wholesale chain in Canada. "The buyer contacted us after the show and requested samples. We are hopeful this will open the doors across Canada for our company," explained Holly.

The Pennsylvania company is focusing their efforts in Canada before looking at other countries for export. They participated in the Food Export-Northeast-sponsored 2013 Northeast Buyers Mission in Philadelphia, Pennsylvania, where they met one-on-one with pre-qualified buyers. Holly added, "We were introduced to a Canadian broker at the Northeast Buyers Mission. We're hoping to establish a relationship with them to help us further market our products in Canada."

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.

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## IN THE NEWS

### FLAUNT YOUR PRODUCT'S ASSETS THROUGH CREATIVE PACKAGING

Understanding the need to communicate your brand both outside the store and in-store is essential according to [foodbev.com](http://foodbev.com). Although many companies focus on forms of marketing such as advertising, this may increase awareness of the product but rarely results in a call to action at the store. Packaging design that touts your product's biggest assets, however, can be used to persuade purchasing behavior at the point of purchase. Get your message right on the package and your product will be jumping off store shelves.



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## COVER STORY CONTINUED

cost-share Branded Program to help stretch your overseas marketing dollars.

1-2-3 Gluten Free, Inc, a Cleveland, Ohio, company that produces a line of gluten-free baking mixes, took advantage of assistance with exporting their gluten-free products through Food Export-Midwest's Branded Program, to exhibit at the 2012 SIAL Canada tradeshow. The company also participated in Food Export's Food Show PLUS!™ tradeshow enhancement services during the event.

“The Branded Program funds helped us with travel and booth costs, translating and printing our company flyer, and bilingual label changes. During the one-on-one buyer meetings arranged through Food Show PLUS!™, we met new distributors in the region and, to date,

### CANADA BOASTS OPPORTUNITIES FOR GLUTEN-FREE PRODUCTS

The Canadian gluten-free market was valued at more than \$450 million in 2012 after experiencing a compound annual growth rate of 27 percent between 2008 and 2012, according to the report “Gluten-Free Foods in Canada” from Rockville-based Packaged Facts. Celebrity endorsements of a gluten-free lifestyle combined with growing awareness of celiac disease and gluten intolerance are responsible for the growth.

have grown our export sales to Canada by \$80,000,” explained Kimberlee Ullner, Founder and President of 1-2-3 Gluten Free, Inc. The company expects this number to grow each year by 30% for the next few years. Kimberlee continued, “We would not have been able to concentrate both manpower and funds to developing foreign markets to the extent we have without the support of Food Export through programs such as Focused Trade Missions and Food Show PLUS!™, as well as funding programs such as the Branded Program.”

For more information on how Food Export programs and services can help grow your gluten-free export sales through Exporter Education, Market Entry, and Market Promotion, visit our website at [www.foodexport.org](http://www.foodexport.org).



## FOOD EXPORT HELPLINE™: CREATING A PROFORMA INVOICE

**Q:** As a result of a recent Buyer's Mission, a distributor in Belgium has asked me to quote him a trial pallet to the port of Antwerp. This would be consolidated in an intermodal container. Your webinar on trade terms said the most appropriate quote would be "CIP Port of Destination," but also added to be very careful about the specific destination to avoid additional charges. I assumed that meant "on board vessel." I got a quote from a forwarder I use that read "CFS" instead. Attached is the quote. Can you help me break this down and issue the proper proforma invoice?

**A:** First of all congratulations on your new export business. It is nice to see an "SME" (small and medium size exporter) be able to compete for shelf space in the EU. Your question is also timely as this comes up a lot, so a good time to address it. You are correct in that "CFS" is not an Incoterm® but it is one of the many abbreviations and acronyms you will come across in international trade. It stands for Container Freight Station.

These locations are where ocean freight consolidation shipments are gathered for loading. At destination they are unloaded the same way to make available for the importer or their customs broker to clear and deliver out of the port. There are literally dozens of international trade glossaries available online. If you type in that string, you will find some that work best for you. Let's take a look at Incoterms® overall, then define CIP specifically, review how CFS fits into the quote, and then do the math and create the correct value for your proforma.

### Incoterms® 2010

Incoterms, which stands for International Commercial Terms, were first formulated by the International Chamber of Commerce (ICC) in 1936. They serve as a set of standardized guidelines that entities in different countries use for structuring the logistical elements of selling and buying goods. The emphasis is on outlining sales transactions of tangible goods, including the risks and costs between the seller and the buyer via determining a specific place and time for delivery of the goods. As delivery can mean different things to different people around the world, the recommendation is for all to use the same definitions, as long as all parties understand and agree to them.

ICC used to revise Incoterms as needed but has been updating them every 10 years since 1990, then 2000, and now the 2010 revision. This version reflects



a number of new realities in trade in the post 9/11 world, as well as accounting, mode of transport, cargo insurance, and electronic communications. One major difference is now they are also being used domestically, replacing many old and outdated terms still floating around with no specific reference to turn to if there is a real problem with the shipment. You can access Incoterms® products at the ICC website at [www.icc.wbo.org](http://www.icc.wbo.org).

### CIP Defined

Four of the eleven Incoterms® start with the letter C. They are referred to as "Main Carriage" terms as they are used when the seller is pre-paying the freight and other charges to get the shipment to a specific destination, usually a port of import. Those charges are then added on to the seller's invoice on a line item basis. "CIP" is short for "Carriage & Insurance Paid" named place of destination. Of course it is very important to specifically name the named place using all terms of sale, as without this being agreed upon there can be additional charges which might not be recoverable from the buyer. CIP does not specify unloading, customs clearance and on carriage, so this needs to be made clear if there is a contract or a purchase order.

CIP is recommended for all modes of transport, but especially for intermodal traffic, which is how most high-value food products are shipped. It is not recommended for non-containerized sea freight; instead the recommendation is to use "CIF" which stands for Cost Insurance and Freight. Many exporters and importers use CIF anyway, as there is no law against it and it has been around a lot longer and is more recognizable. With CIP the seller is responsible to deliver the appropriately packaged (and documented) goods to the first carrier, which is where the risk transfers.

The seller is also required to obtain at least minimum cover cargo insurance and provide export customs clearance of the goods, but again no reference to unloading, clearance, or on carriage. Proper documentation would include commercial documents, (invoice, packing list, certificate of origin) transport documents, (bill of lading or air waybill) insurance certificate, and export clearance documentation, such as the Exporter Electronic Information, EEI, filed on the Automated Export System, AES.

### How CFS Fits Into the Quote

With container shipments there has been

.....continued on back

some confusion that CIP includes offloading, but it really depends on where the point of delivery is. With a full container it is usually on board the vessel at the port of import. Consolidated cargo, such as with this shipment, has multiple orders in it, so the Less than Container Load or "LCL" pricing is usually done from door to CFS at destination. The charges for offloading the container are in the LCL rate, which is based on a weight or measure basis, indicated as "W/M" on your quote. The weight is a metric ton or 2,204 pounds, and the measure is a cubic meter, or 35.314 cubic feet. Once the container is in the CFS, it is broken down, or what is referred to as "de-vanned". The individual shipments are then made available to each consignee or their agent. Your quote is from Union Illinois or "door" to CFS Antwerp, or "Port." It is still a CIP quotation, but your delivery is in the CFS and not on board the vessel.

### Do the Math – Create the Invoice

You pack 12 bottles of "Ginger's Baked" BBQ Sauce in a case. Each case weighs 10.5 kilos. You load 105 cases on a pallet which measures 48 inches in length, 40 inches in width and 59 inches in height. If you take the sum of the inches (48x 40x 59) and divide by 1,728 (a cubic foot), you get 65.55 cubic feet. To convert that into cubic meters you divide it by 35.314, which is 1.856 cubic meters. The pallet

weight is 1065.942 kilos. Since LCL ocean freight charges are "W/M," your charge will be based on measure and not weight since you have nearly 1.1 tons but 1.856 cubic meters.

So your quote is added up as shown in the box below, based on your factory price as well as the quote from the freight forwarder.

In order to arrive at the correct amount for insurance, you need to add all this up and get a "CPT" Antwerp price. CPT means Carriage and Insurance paid and is also an Incoterm<sup>®</sup> based on the same as CIP but without the insurance. You don't have to line item all this on the proforma. For example, you can consolidate all the document fees under "Documentation & Handling." That includes AES, Bill of Lading, Documentation, ENS and courier. That adds up to \$156.50. The inland freight can remain a line item as well as the ocean freight. By adding EXW \$2,700.00, \$156.50 with \$172.15 and \$180.03 you get CPT CFS Antwerp of \$3,208.58.

Usually CIP is arrived at by raising the CPT value by 10% and then adding insurance.

$\$3,208.58 \times 10\% = \$3,529.44$ . Insurance is Minimum \$25.00 or \$.45 cents per \$100.00 of value.  $\$3,529.44 \times .0045 = \$15.88$  so you would pay, and quote the minimum of \$25.00. Be sure to delete the increased value which is only done

to ensure you have insurance as well and cover any unforeseen increases in transit that add to the invoice value.

CPT (CFS) Antwerp was \$3,208.58 and \$25.00 for insurance. The correct CIP (CFS) Antwerp value is \$3,233.58. All you need to do is line item the above and show how you arrived at your insurance value. If you divide the CIP value by the bottle, it comes out to \$2.56 per bottle or only \$.22 cents per bottle from Union Illinois to CFS Antwerp. That is a very competitive price and should make the buyer happy.

**Export Essentials Webinars:** We have a number of recorded webinars for more details on these subjects including the ABCs of Export Pricing, Understanding International Terms of Sale, and Understanding How to Work with Freight Forwarders. You can view them at [www.foodexport.org](http://www.foodexport.org) on the Seminars and Webinars page under Programs & Activities.

### FOOD EXPORT HELPLINE™ FOR YOU

For custom export assistance, including a report on your product's top markets, contact Food Export—Midwest and Food-Export—Northeast at [info@foodexport.org](mailto:info@foodexport.org)

Ex-Works (EXW) Union Illinois Pallet Price: \$2,700.00  
105 cases at \$28.10 or \$2.34 per bottle 1065.924 kgs and  
1.856 Cubic Meter.

The quote from the forwarder includes:

AES Fee:	\$21.50 – This is the customs clearance document.
Bill of Lading Fee:	\$13.00
Documentation Fee:	\$80.00
International Freight:	\$180.03 – This is \$97.00 per "W/M" based on measurement. The origin is CFS Chicago and destination is CFS Antwerp Port.
Inland Freight:	\$172.15 – This is for the origin pick up to Chicago and services.
Europe ENS Fee:	\$7.00 – This is an advanced manifest filing for risk assessment in The European Union.
International Courier:	\$35.00 – This is an option but they can send the documents for you.