

GLOBAL FOOD MARKETER™ NEWSLETTER

Export news from the Midwest and Northeast



JANUARY/FEBRUARY 2021 | VOL.27 NO.1

OPTIMISM FOR 2021

While 2020 has been a year of learning to adapt, Food Export has utilized this time to look at different ways to continue to help our U.S. Suppliers meet new foreign buyer contacts. We have introduced new virtual activities and – with great success – we have helped participating suppliers gain new contacts, new exports and explore new export market opportunities.

We are taking the pandemic in stride, continuing to research and introduce new ways for U.S. products to expand into international markets. Food Export is scheduling virtual activities for the first quarter of next year. In February and March, we have four scheduled Virtual Buyers Missions focused on the frozen food sector, feed ingredients, pet food and seafood. In April we have two Virtual Focused Trade Missions scheduled for suppliers of food preparations, snack foods, processed vegetables and pulses, prepared/preserved dairy products, dog and cat food, non-alcoholic beverages, prepared/preserved meals, chocolate and confectionery products.

What is a **Virtual Buyers Mission**? Conducted much like our past Buyers Missions, these one-on-one prescheduled meetings are arranged between U.S. Suppliers and our pre-qualified international buyers. Now done via Zoom, not in person. Suppliers review the provided listing of buyers and select buyers who they feel are a good match to purchase their products. From those selections meetings are scheduled. Suppliers prepare for the meeting by educating themselves on how to share product information via the Zoom platform by showing product packaging, pricing, and label information.

A **Virtual Focused Trade Mission** is formatted much the same way, but with buyers in attendance focused on a country or region (instead of the wide range of buyers at a Buyers Mission). Again, suppliers have prearranged private, virtual meetings with preselected qualified buyers with included interpreters (if needed). Product samples are pre-shipped and distributed to buyers, there is pre-event custom

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Market Focus: Southeast Asia



Food Export Helpline™ Q/A

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Northeast



MARKET FOCUS: SOUTHEAST ASIA

Focus Economics reported in February 2020 that the coronavirus sent shockwaves through the Association of Southeast Asian Nations (ASEAN) economies, leading many experts to downgrade their forecasts, particularly in Malaysia, Singapore and Thailand. Growth in several ASEAN countries was still projected to accelerate or stay stable in 2020, thanks to strong domestic demand. U.S.-China trade tensions remain a main factor for the outlook.

The Southeast Asian region remained the 4th largest market for U.S. consumer-oriented food exports in 2019. Through November, the total was nearly \$4.1 billion, growth of 7%. The region also passed the European Union – 28 to rank 3rd in the import of processed U.S. foods, totaling over \$4 billion in 2019, growth of 9% from the same period in 2018. The top two markets for consumer-oriented and processed food products from the U.S. as well as the fastest growing economies in the region are Philippines and Vietnam.

PHILIPPINES

Strong fiscal stimulus and accommodative monetary policy should propel the Philippine economy forward in 2020. However, U.S.-China trade negotiations and the severity of the coronavirus are important factors. Focus Economics panelists see GDP expanding 6.2% in 2020 and 6.3% in 2021

USDA's Office of Agricultural Affairs (OAA, hereinafter referred to as "Post") reports that the U.S. continues to be the Philippines' number one supplier of agricultural products with 28% of the market share. The Philippines has passed Netherlands to become the 9th largest U.S. export market in the world. In 2019, U.S. exports of agricultural products reached \$2.8 billion, a decrease of only 2% from 2018.

Consumer-oriented food & beverage products remain the best prospects for future export growth fueled by consumer familiarity with American brands and the steady expansion of the country's retail, foodservice and food processing sectors.

The Philippines is an active importer of U.S. processed foods and

is now the 6th largest U.S. market. Top 2019 U.S. processed food exports included food preparations, processed/prepared dairy products, processed vegetables and pulses, snack foods, prepared/preserved meats, chocolate and confectionery, condiments and sauces, dog and cat food and syrups and sweeteners.

Post reports that Philippines provides preferential access to its market through a number of bilateral and regional trade agreements, including those with ASEAN member countries, the European Free Trade Association, Australia, China, India, Japan, New Zealand, and South Korea. While U.S. products often face some disadvantages, the Philippines also generally maintains applied MFN rates applicable below its WTO bound rates.

Retail Sector Highlights: According to Euromonitor, retail sales in the packaged food market in the Philippines had been estimated to reach nearly \$12.3 billion in 2019 and \$17.2 billion by 2024. Post reports that modern food retail markets such as supermarkets, hypermarkets, convenience stores, and warehouse clubs have become essential, especially to those living in urban areas, as customers demand convenience and flexibility. **Best Prospects:** Consumer-oriented food and beverage products: health food, mainstream grocery, snack foods etc. Dried and processed fruit: cranberries, raisins, prunes, wild berries, Nuts: almonds, peanuts, pecans, pistachios, walnuts. Fish and seafood: cod, pollack, salmon, scallops and other fish products. Fresh fruit and vegetables: apples, grapefruit, pears, potatoes, table grapes, meat: special cuts of beef and pork products. Dairy: gourmet cheese products, yogurt, ice cream. Drinks: craft beer, spirits, and wine.

Foodservice Sector Highlights: The Philippine food service sector will continue its steady growth over the next three to five years, propelled by consumers' stronger purchasing power, a larger middle class, higher urbanization, and increasing dining options. **Best Product Prospects:** convenience, gourmet, and "healthy, natural, and organic" categories.

Food Processing Sector Highlights: Post reports that Philippines'

rapidly expanding production of processed foods and beverages presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients.

Best Product Prospects: Poultry cuts, mechanically deboned meat, trimmings and beef offal, milk and whey powder, and cheese and other dairy products.

VIETNAM

The Vietnamese economy is set to remain one of ASEAN's top performers in 2020 thanks to strong domestic demand. However, the coronavirus will hamper momentum in the short-term. A possible escalation of the viral outbreak, domestic banking vulnerabilities and possible U.S. tariffs – in response to Vietnam's considerable trade surplus with the U.S. – pose further risks to the outlook.

OAA in Hanoi reports that Vietnam's increasing global economic integration and market-oriented reforms have generated broad development gains over the past two decades. Vietnam has Southeast Asia's fastest-growing middle class. Urban dwellers have fared particularly well during Vietnam's economic transformation. Citizens living in first and second-tier cities have income about two to three times higher than the national average and are more open to new and high-value food products than shoppers in rural areas.

Vietnam is the 2nd largest U.S. export market for consumer food products in Southeast Asia. Top 2019 processed food exports to Vietnam included food preparations, processed/prepared dairy products, processed vegetables and pulses, snack foods, prepared/preserved meats, chocolate and confectionery, condiments and sauces, and dog and cat food.

Retail Sector Highlights: According to Euromonitor, retail sales in the packaged food market in Vietnam had been estimated to reach nearly \$13.1 billion in 2019. That represents a period growth rate of 38% or nearly \$3.6 billion since 2015. By the year 2024, retail sales in the packaged food market in Vietnam is expected to reach over \$22.8 billion. **Best Product Prospects:** Fresh produce, meat and meat products, poultry, seafood, milk and dairy products and condiments and sauces.

Foodservice Sector Highlights: Strong GDP growth, rising per capita income, rapid urbanization, increasing global economic integration, higher awareness of food safety, and growth in the tourism sector have all contributed to strong growth in the Hotel, Restaurant and Institutional (HRI) food service sector. **Best Product Prospects:** Dairy products, chilled & frozen beef products, frozen poultry, fresh fruit, dried fruit and nuts, snack foods, confectionary products, packaged foods (canned fruit & vegetables, canned meat), condiments and sauces, juices, seafood, and alcoholic drinks (wine, beer, and spirits).

Food Processing Sector Highlights: Vietnam's domestic food ingredient production sector, especially for meat, poultry, fish, fresh produce, and sugar, offers many competitive prices. Leading multinational food processors have also established food processing operations and are able to offer a range of western-style products at reasonable prices. **Best Product Prospects:** Soybeans, fish products, tree nuts (almonds, pistachios, walnuts, and hazelnuts), peanuts, potatoes, dairy products, soy flour, poultry meat and products, beef and beef products, fresh fruits (apples, cherries, table grapes and pears), prepared food, processed fruit, and non-alcoholic beverage (excluding juices).

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: 2020 – That was the year that was. I guess U.S. agricultural and food exports survived the global pandemic. But what is the forecast for 2021?

A: The “Outlook for U.S. Agricultural Trade” published by USDA’s Economic Research Service (ERS) and Foreign Agricultural Service (FAS) is a “Situation and Outlook Report” that provides U.S. agricultural export forecasts and global economic analysis for the Fiscal Year (FY) which runs between October 1 and September 30 of each year.

U.S. agricultural exports in (FY) 2021 are projected at \$152 billion, an increase of \$11.5 billion from the August 2021 forecast. This will also help the U.S. trade balance in agriculture, the surplus having dropped to as low as \$2.7 billion in 2020, with many months actually ending in a deficit. That means we imported more food and than we exported. The August 2020 forecast reported the surplus in 2021 as \$4.5 billion and the November report adjusted the trade surplus to \$15 billion.

The report indicates this is largely driven by higher soybean and corn export values: soybean exports are up \$5.9 billion, corn exports are forecast up \$4.2 billion, cotton exports are forecast up \$300 million, wheat exports are projected up \$200 million. Commodity export increases add billions to the overall export forecast, but also swing significantly based on global economic conditions where consumer-oriented and processed foods do not.

The report indicates that overall major agricultural bulk commodity exports are forecast to increase 24% from the previous projection. Livestock, poultry, and dairy exports are forecast unchanged at \$32.3 billion. Horticultural exports are forecast down \$500 million due to expected decreases in miscellaneous products. Agricultural exports to China are forecast at a record \$27 billion, an increase of \$8.5 billion, largely due to strong soybean and corn demand.

U.S. AGRICULTURAL EXPORTS – YTD OCTOBER 2020

Through YTD (October) 2020, U.S. exports of agricultural products are up 2%, to \$114.4 billion. This is the first month of YTD growth all year, attributed to increases in China, now as the 2nd largest market from the U.S. The increase is largely due to record volumes of animal proteins, including meats, dairy and pet food. Other market growth includes Philippines up 10%, Colombia, up 7%; Singapore, up 12%; and Brazil, up 22%. Loss leaders include Mexico, down 8%; Taiwan, down 12%; Hong Kong down 34%; India down 27%; Spain down 22%; and UAE down 20%.

The ERS export forecast for China is raised \$8.5 billion from August to \$27 billion, primarily as a result of strong soybean and corn

demand and reduced competition from other exporters. Forecast exports to Japan and South Korea are increased by \$600 million and \$500 million, respectively, due to higher expected corn and beef exports. Exports to Taiwan are forecast \$300 million higher on improved corn and soybean prospects.

Top U.S. agricultural exports include pork and products up 16% to \$6.3 billion YTD, with China at \$1.9 billion – up 124% and 30% of the U.S. total. U.S. exports of dairy products are up 12% to \$5.4 billion, with top market Mexico at \$1.1 billion. China ranks 3rd at \$445 million, an increase of 46%. Other high-growth dairy importers include China, Philippines, Malaysia, Indonesia, Thailand and Vietnam.

In 2020 YTD, East Asia has become the largest U.S. agricultural export market, totalling \$37 billion, nearly 15% of the U.S. agricultural export total. The export forecast for Southeast Asia increased by \$500 million, mostly as a result of higher unit values of soybeans and soybean meal, with export forecasts to Indonesia, Thailand, and Vietnam up \$100 million each, and Philippines up \$200 million.

The “EU 27 + UK” is down 7% YTD, but that decrease should accelerate now that they imposed punitive 25% tariffs on hundreds of U.S. value-added food exports, including seafood, cheese, sweet potatoes, fresh and dried fruits, coffee, food ingredients, cooking oils, chocolates, flavored syrups and liquors such as rum and vodka.

ECONOMIC RECOVERY AND UNCERTAINTY IN 2021

The report advises that despite recent improvements in many regions in the world, the pandemic has already inflicted major setbacks to countries’ gross domestic product (GDP). Forecasts of real GDP numbers have improved from the drastic contraction of the initial lockdowns, but recovery forecasts are still marked by uncertainty and subject to future setbacks. Overall, global real GDP growth is expected to fall by about 4.4% in 2020.

The expected economic recovery in 2021 will be shaped by both regional and overall global success in containing COVID-19, which should result in increased consumer spending. The promising vaccine developments have provided increased optimism, pushing global equity markets higher. Despite upward revisions to 2021 growth projections, projected real GDP in many countries may remain below pre-pandemic levels.

The ERS advises that these forecasts still hold an unusually large margin of error, particularly on the negative downside, since the forecasts rely on public health and economic variables that are difficult to predict.

FOOD EXPORT–MIDWEST AND FOOD EXPORT–NORTHEAST ACTIVITIES

We have six new virtual events planned for early 2021! Register today, space is limited!

ERD Early Registration Deadline **RD** Registration Deadline

VIRTUAL 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 – through virtual meetings.



Frozen Food Buyers Mission

February 22-24, 2021

ERD Dec. 18, 2021 **RD** Jan. 8, 2021



Feed Ingredients and Additives

March 2-4, 2021

ERD Jan. 11, 2021 **RD** Jan. 29, 2021



Pet Food Buyers Mission

March 16-18, 2021

ERD Jan. 11, 2021 **RD** Feb. 8, 2021



Seafood Buyers Mission

March 22-25, 2021

ERD Jan. 20, 2021 **RD** Feb. 12, 2021

VIRTUAL FOCUSED TRADE MISSIONS

Virtual Focused Trade Missions allow U.S. suppliers to meet with buyers from specific countries with the goal of building participants' export businesses. You're able to see the market dynamics, meet and build relationships with interested importers, and discover your products' potential in that market.



Focused Trade Mission to Peru for Foodservice & Retail

April 6-9, 2021

ERD Dec. 28, 2021 **RD** Jan. 29, 2021



Focused Trade Mission to Chile for Foodservice & Retail

April 12-15, 2021

ERD Dec. 28, 2021 **RD** Jan. 29, 2021

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Please note: Dates and locations are subject to change and upcoming activities are pending funding from the Foreign Agricultural Service (FAS) of the USDA. Visit our website for more event information.



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OPTIMISM FOR 2021 (CONTINUED)

product research that includes a market overview, importation and distribution analysis. Registered suppliers also are invited to a virtual market briefing conducted by the in-market, local, United States Department of Agriculture (USDA) Foreign Agriculture Service (FAS). Also included is a virtual retail store presentation showing participants the true look and feel of stores in the featured market. Companies are included in a digital Trade Mission brochure that contains a company profile, contact details and available products for export. All this and the assistance from Food Export's staff to make sure your experience is successful.

Food Export is continuing to focus and look at new ways for U.S. Suppliers to utilize their allocated **Branded Program** funding in lieu of traveling to domestic and international trade shows. The expansion of in-store promotions has helped many companies continue to build brand awareness in international markets. This is a great example of fund utilization. Repositioning funds with a simple change in your Branded Program application country marketing plan allows companies to actively utilize funds while growing exports.

Another example of fund utilization changes was adapting plans and focusing on online promotions and international website development. Developing online advertising has helped many U.S. Suppliers gain online presence and take advantage of allocated Branded Program funds. Increasing social media posts

has helped many suppliers continue to gain brand awareness in international markets despite the lack of travel and exposure at trade shows. Many costs related to the effort of building online presence are reimbursable, so suppliers should continually reach out to Branded Program staff or their liaison to confirm funding is approved for these activities.

The Branded Program also continues to reimburse for foreign-compliant packaging and label expenses. Suppliers sometimes overlook this expense, but updating labels/packaging to be compliant with import regulations is an eligible expense and a great way to utilize funding!

Suppliers should consider revisiting the Food Export Branded Program Manual to refresh themselves about all of the eligible ways they can utilize allocated funding. There may be ideas that were overlooked in the past that could be dynamically impactful in this new pandemic environment.

Food Export also continues to expand their educational platforms for suppliers. Education is key in learning to export and is also a great tool for seasoned exporters. The wide range of available recorded Webinars, In-Market Representative field updates on our YouTube channel, and Food Export Helpline™ articles continue to help companies learn about markets and gain information.