

IMPORTERS BUYING PREFERENCES TOWARDS
SMALL TO MID-SIZE FOOD
PRODUCT EXPORTERS

By

STEWART MICHAEL KENNEDY

Bachelor of Science

Oklahoma State University

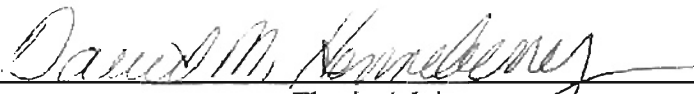
Stillwater, Oklahoma

1995

Submitted to the Faculty of the
Graduate College of the
Oklahoma State University
in partial fulfillment of
the requirements for
the degree of
MASTER OF SCIENCE
December, 1997

IMPORTERS BUYING PREFERENCES TOWARDS
SMALL TO MID-SIZE FOOD
PRODUCT EXPORTERS


THESIS APPROVED:



Thesis Adviser







Dean of the Graduate College

ACKNOWLEDGMENTS

I want to express my undying gratitude to Dr. David M. Henneberry for his unwavering support and encouragement. His positive attitude and patience have given me the chance of a lifetime. I am truly honored to have had the opportunity to work with such a wonderful person. He has given me more than I can ever hope to repay. My thanks also go to Dr. Phil Kenkel and Dr. Fred Rayfield for serving on my graduate committee and for their suggestions and support during this project.

I would also like to thank my family and wonderful wife Casey. My wife, Casey, has listened to my frustrations, put up with my travel and given me her constant support and love. My parents, Tony and Sheryl, were always ready to listen to my crazy ideas, encourage me to keep striving, given me the prayer and the love for Christ to keep me going forward.

My special thanks go to Barbara Charlet, Haidar Haidary, Bill Lilly and Dan Duran, for dancing in Chile, the tour of Hong Kong Bay, the endless idea sessions and the Wells Blue Bunny ice cream. My first child goes to Linda Byford, for her desperately needed help and advice. And to Jerry Kennedy, thank you for your advice and encouragement. The "Real World" has gotten a lot bigger. You are all very special to me and have made this past year one that I never will forget, thank you.

PREFACE

Importer Buying Preferences Towards Small to Mid-Size Food Product Exporters is a contract project which has extended the research focus on export market development into primary data collection (interviewing import buyers at foreign trade shows) for a specific clientele (small to mid-size food product exporters). The product and marketing attributes, which most influence buyers decisions have been identified through a survey, conducted at foreign trade shows. The project focused on food product industry buyers and will be disseminated to small to mid-size food product exporters. The results will be used to modify their product and marketing activities to more effectively enter the export market and compete successfully with larger firms.

To reach the objectives, this research project surveyed foreign importers/distributors of high value food products; specifically those directly involved in the food industry. The first objective was accomplished by asking questions that identified specific product and marketing attributes that would increase the purchase of U.S. high value food products by the food sector. Importers/distributors in the food industry were asked specific questions pertaining to the importing company's size, location, and type of food products imported and the number of international transactions conducted yearly. The importers/distributors were also asked the importance of price, quality, portion size, appearance, packaging, labeling, stage of preparation, financing, transportation and relationship with the seller. To obtain the second objective, the importers/distributors

were asked what products they are having difficulty locating and what opportunities would be available for small to mid-sized food companies in filling the market niche. Food service importers were polled specifically about their needs related to uniquely flavored specialty food products they are unable to obtain. To reach the third objective importers/distributors were asked about their willingness or reluctance to work with small to mid-sized companies, or if they prefer to only work with large multinational corporations. Specific questions were asked to determine what importers in the food industry need from smaller firms to make them competitive when attempting to serve their industry.

With this information, we determined the factors that distinguish one product or company from another and the importance of each factor to the importer. The data will be analyzed using commonly accepted statistical techniques for the analysis of survey data.

One challenge to collecting this type of data was the problem of accessing the appropriate people who make the buying decisions. It is unlikely that top management in a multinational corporation could be convinced to fill out an U.S. University questionnaire. However, it is the contention of the project that by participating in international food trade shows there was a successful collection of information that was previously unavailable.

Trade shows are a high traffic area for people who have purchasing power within their organization. Research findings indicate that one day at a trade show is the equivalent of spending a month contacting customers, scheduling appointments and making field sales calls (U.S. Department of Commerce). The average field call costs approximately 2 times more than one contact at a trade show. Approximately 47 percent

of each trade show audience plays a major role in the decision to purchase products. Almost 30 percent of attendees are owners, partners, presidents, and general managers (Charlet, Henneberry). The cost of data collection would be substantially lower than making field calls on companies to collect the necessary data. By participating in trade shows, the project was able to collect large amounts of data in a relatively short amount of time.

The project collected data from three different international food trade shows representing buyers from the food service industry. During the data collection phase of the project we worked closely with the Oklahoma Department of Agriculture to target markets with a particular interest to southern U.S. food manufacturers. The markets where data was collected were Russia, South America and the Pacific Rim. These areas were chosen because of their importance to the southern U.S. and the ability that consumers within these areas have for purchasing specialty food products. The growth that these markets are experiencing is phenomenal. Table 1 shows the growth that these areas of the world have experienced since 1988. South America has grown by an amazing 371.7%. These large increases in purchases make the Pacific Rim and South America good target markets. The large quantity traded with Europe makes it an attractive market to export high value food products.

The data collection took place in 1996 - 1997. The interpretation and analysis was completed by August 1997. The completed research project will be submitted to economic journals and published as a research bulletin. A magazine style summary will be submitted to trade publications such as the AgExporter.

TABLE OF CONTENTS

Chapter	Page
I. LITERATURE REVIEW	1
II. THEORY OF INTERNATIONAL MARKETING, INTERNATIONAL TRADE AND BUYERS PREFERENCES	9
III. PROCEDURES AND METHODOLOGY	23
IV. DATA SUMMARY FOR SOUTH AMERICA	28
V. PACIFIC RIM DATA INFORMATION	37
VI. DATA SUMMARY FOR RUSSIA	45
VII. SUMMARY	52
VIII. BIBLIOGRAPHY	57
IX. APPENDIXES	59
APPENDIX A--RANDOM CHARTS	60
APPENDIX B--CHAPTER FOUR, FIVE AND SIX CHARTS AND TABLES	64
APPENDIX C--GRANT PROPOSAL	109
APPENDIX D--SURVEY	125
APPENDIX E-- COUNTRY REPORTS	131

CHAPTER I

LITERATURE REVIEW

The United States is a large volume exporter of agricultural products. The composition of U.S. agricultural exports is increasingly that of high value food products (HVP's) versus bulk commodities. Exports of HVP's reached a record \$24 billion in fiscal year 1993, accounting for over half of the total U.S. agricultural exports of \$42.6 billion.

High value food products are those agricultural products that have undergone some type of processing or products that require special handling. HVP's are broken down into two categories: intermediate commodities and consumer food products. Intermediate commodities are those products that will undergo additional processing or will be used for something other than consumer consumption at the retail level. Consumer food products are those products that will be marketed in retail markets or the food service sector.

The focus of this research is on the consumer food product category of HVP exports. U.S. consumer food exports were nearly \$10 billion in 1990. For the first time this amount exceeded exports of intermediate products by \$2 billion. In 1993, the United States exported \$14.6 billion worth of consumer food products amounting to over 60 percent of all U.S. HVP exports. Many consumer food products doubled in export value between 1988 and 1993.

Improving economic conditions in developing countries along with recent signing of trade agreements has spurred this tremendous growth. High value product exports are expected to continue to grow as additional countries experience personal income growth and demand more convenient, consumer-friendly foods. With the increase in world demand for high value food products, an opportunity exists for more U.S. food product companies to enter the export market.

Research conducted in this area is scarce. What research is available is focused more on trade shows themselves and not necessarily on the best ways to please importers when doing business. Most of the information that was located dealing with this subject has dealt with trade show selling and how to conduct it properly.

Trade Shows are a high traffic area for people who have purchasing power within their organization. Research findings indicate that one day at a trade show is the equivalent of spending a month contacting customers, scheduling appointments and making field sales calls (Charlet, Henneberry). The average field call costs approximately 2 times more than one contact at a trade show. Approximately 47 percent of each trade show audience plays a major role in the decision to purchase products. Almost 30 percent of attendees are owners, partners, presidents, and general managers. The cost of data collection would be substantially lower than making field calls on companies to collect the necessary information. (Charlet, Henneberry)

Trade shows are more than just a place where people go to see new products. They are an effective way for a company to sell its products. Trade shows allow a company to collect contacts for follow-up after the trade show. In international business this follow-up is very important for making sales. Distance prevents face to face contact

on a regular basis. If a company will spend one to two extra weeks after a trade show conducting meetings while in the country it can dramatically increase its success with trade shows. The average exhibitor will reach 60 percent of the potential buyers at a trade show. It is not unusual for an exhibitor to secure 25 percent or more of annual sales through a single show. (SBA)

Successful exhibitors will set goals and objectives for each trade show attended. Some goals are measurable, such as training, 200 quality leads or generating \$100,000 in sales. Other less measurable objectives would be: introducing a new product, stimulating sales for declining products, promoting support services for a particular product line and qualifying buyers. (SBA) Other goals that are not necessarily sales related would include: determining customers' needs, broadening company exposure in new markets, gathering information about other companies products and building company morale.

Success at trade shows will be determined by the amount of preparation a company does before a show. Effective preparation includes determining the best show at which to exhibit your company's products. Show selection should be based on size and type of show, geographic location and the shows target audience. Also a company should determine the amount of booth space to purchase as well as placement of the booth at the show. (McMahon, Marsh, Klizke, Issenman)

The theme and design the exhibit will reflect will determine the size of the booth. The focal point of the booth should be a product, company name or a service your company provides. When determining booth size be sure and set aside room for an area where salesmen and prospects can visit without being in the middle of the booth. The cost of the booth will be determined by the amount of space necessary to make the booth.

Rates vary between domestic and international food shows. An approximate cost would be about \$11.65 per square foot. (McMahon, Marsh, Klizke, Issenman)

Staffing the booths is also very important. Quality, trained, professional booth staff is a must when attending any show. When a company selects individuals to work at trade shows, several rules of thumb should be followed, use seasoned sales people instead of new recruits, have a dress code, have mandatory breaks and do not allow eating and drinking in the booth. (Garro) The use of interpreters is acceptable and encouraged at international trade shows. It is important to make arrangements for an interpreter prior to the show. This can be accomplished a few days before the show. It is important to negotiate the price of the interpreter before the show begins.

Many companies will conduct pre-show promotions. Making prospects aware that the company will be in attendance can increase attendance at a company's booth at a trade show. (Konopacki) There are several ways to gain this added exposure. One is through direct mailings of an announcement that lets prospects know you will be in attendance at the trade show. A company may include tickets to the trade show, coupons for gifts, samples, drawings or discounts. Trade publications are also being used to advertise a company's participation at a trade show. With a basic ad in a trade magazine, the company may include language to let people know that it will be at a particular trade show. Press releases are a good way to get free publicity from newspapers, radio stations and television stations. Trade shows are big business and a moneymaking event in any city. Your participation is important and should be recognized by news sources.

Communicating effectively with people from different countries is one of the challenges of international business. Conducting business overseas requires interaction

with people from different cultures. Cross-cultural barriers are definitely a problem when dealing with people face to face. (Kale, Barnes) Many times actions, gestures, and interpretation can lead to communication problems. Various factors such as national character, organizational culture, and personality of the individuals in the sales interaction will play a large role in conducting business at a trade show. (Kale, Barnes)

Culture has a profound impact on the way consumers perceive others and behave. Culture is also known as national character. National character is defined as the "collective mental programming" of people in an environment. As such, it is not a characteristic of individuals, but of a large number of persons conditioned by similar background, education, and life experiences. (Kale, Barnes)

Uncertainty avoidance (UA) assesses the way in which societies react to the uncertainties and ambiguities inherent in daily living. Weak UA societies socialize members to accept and handle uncertainty without much discomfort. People in these societies tend to accept each day as it comes, take risks rather easily, and show a relatively greater tolerance for opinions and behaviors different from their own. Strong UA societies feel threatened by ambiguity and uncertainty. These societies feel a need to control environment, events, and situations. National culture is important when conducting business at a trade show. It is a definite advantage when trade show staff has some idea of how to approach people from different cultures. Strong UA societies would include Japan, Belgium, and France. Weak UA societies would be Denmark, Sweden and Hong Kong. The United States would fall somewhere in the middle. (Kale, Barnes)

Organizational culture can be broken down into five different areas: (1) external versus internal emphasis; (2) task versus social focus; (3) conformity versus individuality; (4) safety versus risk; and (5) ad hocery versus planning.

A company that places importance on external emphasis will be very concerned about customers and social image. An internal emphasis would be more product and research driven.

A company that is task focused would place importance on an employee's organizational work and what he contributes to the company. A social focus would be a focus on the personal and social needs of its employees.

A company that conforms promotes conformity among its employees in work habits, dress and promotes group unity. A firm that promotes individuality displays an appreciation for diversity among the company's members allowing for greater flexibility in employee lifestyle and work styles.

An organization's response to risk plays an important role in corporate culture. A company that is concerned about safety will be slow to adopt new technology and will be overly cautious when expanding into new markets. Firms striving on risk will be pioneers in new fields and markets.

Firms that operate by planning will set goals and conduct long range planning usually with economic models and forecasting. Firms exhibiting ad hocery will make decisions based more on intuition rather than research.

The third and final factor that should be considered when communicating with international business people is the individual's personality. Communication takes place between individuals and while the other two factors of national character and

corporate culture are important, personality is the largest factor one should consider when doing business with anyone. A person trained in personality differences can decide within ten to fifteen minutes which sales approach will work best when dealing with different types of individuals.

Trade shows offer the opportunity for companies to meet customers face-to-face. Many participants in the shows who would not be targeted by traditional means of selling become accessible at shows. Small and mid-sized companies do not need to be worried about competing with bigger companies, since through this forum all companies are on relatively equal footing. Prospective customers are at a trade show to seek out specific information, talk with company executives, and in many cases locate and purchase a product or service to meet their needs. The full value of trade shows is as a multipurpose marketing and selling tool. It offers people the ability to see, smell, touch and hear about a new product. This selling method allows for companies to reach a large number of qualified buyers in a short amount of time.

Food processors will consider it financially beneficial if they can understand the criteria that targeted international buyers used when deciding whether to purchase or not to purchase a particular product. Knowledge of which products and services an international buyer preferred will save the manufacturer time and money by reducing wasteful research spending and providing services that are not what an international buyer wants.

High value food products are a rapidly growing segment of the agricultural and food processing industries. With the growing number of food processing firms

seeking to export their products, this information will prove to be a valuable resource in helping to ensure their exporting success.

CHAPTER II

THEORY OF INTERNATIONAL MARKETING, INTERNATIONAL TRADE AND BUYERS PREFERENCES

International trade specifically deals with supply and demand of products and their movements across international political borders. There are many different areas of study in international trade dealing with trade policy, balance of payments, absolute/comparative advantage and international consumer behavior. Most of the research that international trade study has undertaken focuses on the production of goods and commodities and their flow between markets. Many times the actual social interaction between people in different cultures and the marketing strategies applied to the different cultural are totally ignored. This study of interaction of culture and marketing is an area that requires attention when studying international trade.

There are often barriers to trade besides distance. Many of the barriers are simply created because of a lack of understanding between cultures due to language, religion, customs, attitudes and national identity. All of these things play a role in the way a buyer perceives a seller as well as the products that the seller has to offer. It has been the case in many instances to generalize the behavior of certain groups of people as all acting in a similar manner. Specific stereotypes have become common when describing working and trading with different groups of people. The theories of national identity are sometimes

taken too far when speculating on how a buyer will react to a product or company. When studying the theories associated with international trade and marketing, it is important to remember that not any single theory can totally encompass the trade process.

When studying international trade theory, it is important to remember some of the basics of why international trade is conducted. Absolute cost advantage is when a particular country can produce a commodity or good that another country cannot produce at a reasonable price. An example of this absolute advantage would be banana production in Costa Rica and lentil production in the United States. Costa Rica has an absolute advantage compared to the United States in banana production because of the fact that few if any bananas are produced in the United States at a cost that is significantly higher than that in Costa Rica. However the United States has an absolute advantage over Costa Rica in lentil production. Lentils could possibly be grown in Costa Rica, but it would not be economically feasible to do so.

Another important basic concept is that of comparative cost advantage. The concept of comparative advantage is when one country has an absolute advantage and can produce either goods or commodities (in a two-product analysis) more efficiently than another country. However, trade can take place even if one country holds the advantage. The gains come when both countries focus on producing goods that they can produce best relative to the other. Countries will produce those goods or commodities that they have a relative advantage in producing. Traditional international trade theory also states that trade will take place only if the price of the goods imported is less than the cost of goods produced locally. As we will see, this is not always the case today.

In today's global marketplace, the simple models of absolute advantage and comparative advantage will tend to prove less and less true as the gains in information and technology make the world a more competitive place. Porter explained this new concept in international trade with the new concept of competitive advantage. He claimed that companies were less inclined to succeed because of the factors described in comparative advantage, for example, cost, price, and productivity, but that their success had more to do with strategic superiority. Their strategic superiority was gained by providing specific targeted market's with the types of products and services that were designed and tailored specifically to a market's wants and needs. In order for a company to succeed in this new type of competitive atmosphere, they need to have more information on new markets, the consumers, culture, competing products and the ability to use this information quickly. Information and the ability to gain useful reliable data are the deciding factor in which companies will succeed in today's competitive global arena.

There are three more reasons why consumer information becomes more important. They are 1) Intensified Competition 2) Developing New International Markets 3) Introducing New and Varied Products.

Intensified competition comes as more and more companies compete in international markets. These companies will demand more consumer-related information to remain competitive. Developing new international markets are changing the face of global competition. During the last ten years a large number of new countries have become viable buyers and suppliers to the world. Taking advantage of these new markets requires consumer information. Introducing new and varied products into the international arena makes a company able to maintain a competitive edge. To rapidly

introduce these new products, a company must have reliable consumer information to make decisions rapidly and make the introductions of products decisively.

Research on consumer markets includes work by several different popular researchers. One of the foundation studies done on cultural differences was a comprehensive study conducted by Dr. Gerte Hofstede. He surveyed over 116,000 individuals from 40 different countries between 1968 and 1972. His work looks at four main dimensions along which culture explains a collective set of values in the country. He refers to the four dimensions as Power Distance, Uncertainty Avoidance, Individualism, and Masculinity. Each of the 40 countries in the study is given a score for each dimension.

Dr. Hofstede classifies the first dimension of national culture as power distance. The basic concept of power distance is the inequality between individuals in a society. This inequality between people can be in such areas as prestige, power or wealth. In Hofstede's study, power distance is specifically the relationship a superior has with a subordinate. It focuses on whether the subordinate has a strong fear to disagree with a superior or what level of comfort they have when disagreeing with their boss. For each country, Hofstede has developed an index, which rates the power distance norm for that country. Power distance has implications for the society because it indicates a country's willingness to accept an autocratic or authoritative type government. For marketers the power distance index can be useful in discovering how willing a culture is when accepting a new product or brand. If the country index is small, or the power distance between individuals is low, then a claim from an authority figure may not have the same effect as in a country where there is a large power distance. In countries with a large power distance, more respect for a person of higher rank is shown. With this information the marketers can

determine what type of message they want to send to the consumer related to their product.

The second aspect of culture addressed by Hofstede is called uncertainty avoidance. Hofstede used three indicators in determining uncertainty avoidance: rule orientation, employment stability and stress. These three things produce the uncertainty avoidance index. UAI is closely related to a society's anxiety level, need for security and dependence on experts. The tolerance for uncertainties in a person's life can be attributed partly to that person's personality as well as the cultural influences. Marketers should familiarize themselves with traits of low UA countries and traits of individuals found in high UA countries. One of the most obvious differences between a country with high UA is the high level of anxiety and job stress. High UA countries have more pessimism of the future and fear of failure. Lower UA countries are more optimistic and the people show a strong ambition to succeed. Tolerance for other cultures and the differences between groups are encouraged and even embraced in low UA countries. High UA countries show a large amount of national and cultural pride with exclusion of other ethnic groups or respect for other countries.

The third cultural dimension found by Hofstede was that of individualism vs. collectivism. This dimension is the degree to which individuals value personal freedom versus the responsibility of family or group to which they belong. Some of the tendencies in countries where there is a high degree of individualism is having a work force that is highly mobile. The responsibility towards a company is not as strong in a country with high individualism as with a country of low individualism. Societies that are highly individualistic value personal time and their ability to make decisions and live with the

consequences. Countries with low individualism are countries where individuals are born into families or clans and are expected to be loyal to the extended family. In high individualistic cultures the loyalty to the extended family is not as prevalent. The attitude in high individualistic cultures is that everyone is supposed to take care of themselves and their immediate family. Ideas for marketers when marketing to this group of low individualistic cultures would be to promote having approval from older people and a large group acceptance and following. For high individualistic cultures, one would promote the product as being an individual choice.

The fourth and last dimension of Hofstede's study reveals the tendency of a culture to be masculine vs. feminine. This dimension looks at a society and how much emphasis the group places on performance, aggression and visible signs of achievement. The focus of this dimension is to shed light on a society's tendency to place men and women in traditional roles in that society. Societies that tend to be more masculine than others will exhibit males in distinct roles as economic achievers and females as nurturers of children and the elderly. Countries that exhibit more feminine societies are those where there is a large number of women in the work force and competition for jobs occurs between the genders. For marketers this information can be very useful in determining how one should advertise their product. In a society that is extremely masculine the marketer should present the product to be sold in an opposite position than if the society were more feminine.

Hofstede's study is the most widely accepted and confirmed by others research. The four dimensions are the most recognized in the area of international consumer

behavior. The validity and usefulness of working with the four dimensions gives it a manageable, practical application.

Another important study of international consumer behavior came from Ronen and Shenker. In this study they clustered countries that were close culturally. Their country clusters confirm the theory of cultural closeness in spite of geographic location. These country clusters are illustrated in the clusters shown in Figure 1.1.

The Anglo-American cluster is made up of the United States, Great Britain, Australia, Canada, New Zealand, Ireland, South Africa and other former British colonies. This cluster shows a strong motivation for individual success and a relatively low need for security. These countries score high on masculinity and individualism and low on power index and uncertainty avoidance.

The Nordic cluster is made up of Denmark, Norway, Sweden, and Finland. This cluster indicates a more feminine society with a tendency to a more collective than individualistic society. This is combined with a low power distance and weak uncertainty avoidance.

The Germanic cluster is made up of Germany, Austria, and Switzerland. These countries are considered to be very competitive giving them a strong tendency to be very individualistic and masculine societies. They exhibit a low power distance and interestingly a low tolerance for risk. There is a strong motivation in the society to be successful financially while also having fulfillment through self-realization of ones goals.

The Latin European cluster is made up of France, Spain, Italy, Portugal and Belgium. The Latin American cluster is composed of Argentina, Venezuela, Chile, Mexico, Peru and Colombia. These Latin cultures exhibit a strong tendency towards

security through belonging. All of these countries have strong ties to the Roman Catholic religion and some of the similarities in culture can be directly related to the church influence. The two clusters exhibit high scores on three of the four indexes. The highest index score would be Uncertainty Avoidance, followed by Individualism and Power Distance. The Masculinity index is low to moderate.

The Far Eastern cluster includes Malaysia, Hong Kong, Singapore, Philippines, Indonesia, Taiwan, and Thailand. China would be included in this group but it was not surveyed at the time of the Ronen and Shenkar study. Countries in this group show a strong respect for rules and extended family. They emphasize modesty and patience and tend to have a lower tolerance for risk. These countries exhibited a high Power Distance, low to medium Uncertainty Avoidance, low Individualism and medium level of Masculinity.

In the Arabic cluster the countries are Bahrain, Abu-Dhabi, Oman, Kuwait, Saudi Arabia and the United Arab Emirates. This cluster is influenced tremendously from geographic area, a dominant Moslem religion and has many traditional similarities. This cluster has a high Power Distance, moderate Uncertainty Avoidance, low to moderate Individualism and moderate Masculinity.

The Near Eastern cluster consists of Greece, Turkey, former Yugoslavia and Iran. These countries are similar in all aspects except geography. These cultures tend towards centralized decision making with very strong leaders. This group of countries has high Power index, high Uncertainty Avoidance, low Individualism and low to medium Masculinity.

Japan is in a group by itself and follows a rather unique pattern. Earnings motivate the Japanese more so than other cultures, however, in spite of this desire to succeed, they know their place in society. The Japanese are high on both Masculinity and Uncertainty Avoidance. They are relatively high on Power Distance and very low on Individualism. Compared with all other countries, this is a unique set of indexes that provides unique challenges for a marketer.

With the new concept of competitive advantage and the increased importance on consumer information to compete in world markets a new model has been developed by A. Coskun Samli; The International Consumer Behavior Model. (Figure 1.2) This model attempts to facilitate the researcher and international marketer by providing a comprehensive method for effectively analyzing market information and making informed decisions. This model includes seven major portions that we will explain in this section.

1. *Individual consumer factors.* This is the first part of the model and includes information that significantly influences individual buying patterns. These factors influence any and all purchase situations. They are perception, memories, experience, personality, income attitudes, lifestyles, expectations, and education. These individual factors are directly affected by environmental and cultural factors.

2. *Decision network.* This is the unique process by which each consumer in the market makes the decision to buy or not to buy an individual item or all items in that market. The area of research that was focused on in our study would fall in this section.

3. *Purchase behavior.* This is the mechanical process of making a purchase. It takes into consideration the different categories of purchase such as replacement, new

purchase of minimal consequence, new purchase of consequence but of low cost, new purchase of consequence and high cost, and impulse purchases.

4. *Consumer postpurchase behavior.* Postpurchase behavior in some cultures is very critical. In the Far East culture cluster there is no postpurchase return practice that is exhibited in the West. In some cultures brand loyalty is very high and in others it is of no consequence.

5. *Emerging new values and behaviors.* This is the component that changes at the consumer behavior level and which eventually may be incorporated into the culture of the society. For example in many cultures there is a rapid expansion of fast food to all areas of the country as well as the increasing popularity of do-it-yourself activity.

6. *Stimuli.* This is the part of the total process that triggers consumer attention. This deals with any aspect of advertising, promotion, or sales activity that would influence consumers differently. Different stimuli have varying impacts on the consumer in dissimilar international markets. In some countries printed media will have a larger affect then radio or television advertising.

7. *Environmental and cultural factors.* These include culture, geophysical, governmental, economic and business factors. The environmental and cultural factors cannot be separated from the individual factors.

These seven factors comprise the International Consumer Behavior Model. The authors of this model have broken down the seven factors of the consumer behavior model into 19 different observable and rankable factors on a scale from high to low. Each country can be given a score from one to five for each factor. The overall scores between countries can then be used to compare and contrast different markets and change

marketing strategies depending upon the market. These 19 factors are explained in more detail.

1. *Class structure.* The country is ranked on a sliding scale from, classless society to a caste society.

2. *Language.* Is the language sophisticated (one) or unsophisticated (five).

3. *Context.* High context would be a culture with great emphasis on non-verbal communication, pre-transaction ritual and doing business with known individuals (five). Low context would emphasize time, non-personal agreements and rigid clearly defined contracts (one).

4. *Interpersonal relationships.* This factor assesses the country as rugged individuals (one) or as a group-oriented society (five), similar to Hofstede's Individuality Index.

5. *Needs Hierarchy.* This would range from self-actualization (one) to subsistence survival (five). If a country has reached the self actualization area there will be markets for certain products that would not exist if the society is still in the subsistence stage on the needs level.

6. *Role of the Sexes.* This factor assesses the society as female dominated (one) or male dominated (five). Strong correlation with the masculinity vs. femininity of Hofstede.

7. *Role of Children.* Children play a role in some markets directly and in other markets indirectly. If children are pampered (one) then they become a more important part of the marketing mix then if they work (five).

8. *Territorial*. This factor rates the people of a country as either aloof (one) or friendly (five). In some countries people are very open with information, and in others, their lifestyle is more guarded.

9. *Temporality*. In industrial cultures time is of great value (one). In other cultures time has very little meaning (five). This factor looks at how important time is to the society.

10. *Learning*. This factor assesses how interested a consumer is in researching and comparing products (one). If a consumer simply buys a product without full research then behavior is more reliant on others advice (five).

11. *Work Ethic*. Compares the importance of leisure (one) vs. work (five). Consumer differences will be very distinct between markets that are hard work societies and those where leisure is emphasized.

12. *Need for Privacy*. This is closely tied to Hofstede's Individuality index and a societies need for private space. Products that have emerged from this need for privacy are personal care products, private rooms for all family members and the furnishings of a private palace. Need for privacy is divided into abundance of space (one) as compared to a lack of space (five).

13. *Exploitation of Resources*. This is the attitude in a country as it relates to conservation (one) vs. production (five). Some societies with fewer natural resources feel that it is necessary to use these resources carefully. Countries with a large abundance of resources tend to use to produce and grow as quickly as possible.

14. *Resource Utilization*. This factor rates how much emphasis is placed on recycling (one) vs. inefficient waste (five).

15. Family Role in Decision-Making. This is a gauge that measures the influence of family when a consumer is purchasing a product. In most large industrial nations the influence of family is small (one), while the consumers in some family oriented cultures are influenced by peers and elders (five).

16. Family Size. The size of the family plays a large role in the distribution of consumer non-durables. The larger the family the more bulk purchases of basic necessities will be made (five) compared to a small nuclear family (one).

17. Religiosity. The influence of religion will directly affect the consumption of some products. The hesitance towards change of some traditional religious societies will cause products to be indirectly affected. Societies with little religious influence (one) are compared to societies with a large amount of religious influence (five).

18. Tradition Orientation. This factor is closely related to religiosity. This factor looks more at the society and how it views age. A more traditional based society will have reverence for age (five) where some societies will place more value on youth (one).

19. Technological Grasp. This is an assessment of the country's ability to absorb or generate new technology. In countries where high tech products are prevalent, there will be more of an acceptance for new and different products and technologies (one) compared to countries with low technology levels (five). (Samli 95)

Using the above nineteen variables, a country index can be developed by using different methods. The author allows specialization of the index in context to the product being marketed.

This model will be useful to marketers in their search for a way to better enter and understand international markets. In the study there are references to different theories as

related to country culture as it's related to the value added food-marketing business.

Hopefully some light will be shed on buyer behavior in a selected number of markets so that these markets can be entered more effectively by the small and mid-sized business.

CHAPTER III

PROCEDURES AND METHODOLOGY

Objectives

The first objective of this research was to determine what factors comprise an importer in the food industry's decision to purchase high value food products from companies in the United States. This research project has identified various factors that importers of value added food products consider before a transaction takes place and has determined the importance of each factor in the final decision to purchase or not to purchase. The types of companies surveyed included distributors, trading companies, grocery storeowners, fast food restaurants and individuals within the hospitality industry. The second objective of this research was to discover what specialty food items are in demand by the food service sector that they are currently having difficulty locating. The third objective was to determine what small to mid-sized companies could do to effectively compete with larger companies in serving the food industry. While conducting the research, it was determined that the original target of only the food service sector was too narrow in scope. The research scope was broadened to encompass all value added food importers as the target group.

importers/distributors were asked about the importance of price, quality, portion size, appearance, packaging, financing, transportation and relationship with the seller. To obtain the second objective, the importers/distributors were asked what products they are having difficulty locating and what opportunities would be available for small to mid-sized food companies in filling the market niche. Food importers were also polled specifically about their needs related to uniquely flavored specialty food products they are unable to obtain. To reach the third objective importers/distributors were asked about their willingness or reluctance to work with small to mid-sized companies. They were also questioned about the size of and type of company they prefer to import from. Importers were also asked specific questions to try and determine what importers need from smaller firms to make them competitive when exporting.

The survey included twenty-three questions (Appendix IV). The survey was translated into Spanish, Portuguese, Indonesian, and Russian. In the Philippines a survey in English was used because of the large English speaking population. A total of one hundred sixty nine surveys were collected for this project. In South America a total of fifty surveys were collected. In the Pacific Rim countries sixty-eight surveys were collected. In Russia a total of fifty-one surveys were collected. To simplify the large amount of information collected there will be a separate report for each country and then a summary of the three regions in a separate section of this paper.

Survey Questions

Each survey was one legal page in length and contained questions on the front and back (Appendix IV). Some questions asked for a single response while others allowed multiple or ranked responses. The first seven questions dealt mainly with demographic

variables and company purchasing habits. They included questions as to the type of company, number of employees, company location, current importing activities, countries imported from, number of shipments per month and the category of products imported. The next two questions dealt with who and how the companies conducted international transactions. Question ten asked the importers directly what they thought of the quality of American products. Question eleven dealt with the importance of five factors on the final decision. These five factors were relationship with the seller, payment terms, product quality, and product price and product availability. The twelfth question was a multiple answer question directly related to package preference type. Thirteen asked what the optimal serving size for a snack food item was. Question fourteen asked specifically what they liked about working with small and mid-sized firms. Question fifteen included eight sub-responses related to whether they would import more products, with the possibility of yes or no to each phrase. Questions sixteen and seventeen asked about the number of meetings that importers have with suppliers. Eighteen, nineteen and twenty asked the respondents to rank product attributes and exporter services and the importance of each. Question twenty-one through twenty-four asked about products that the companies purchase and their interest in new products. Question twenty-five asked what services smaller companies could provide to make them more competitive.

Methods of Analysis

The collected survey forms were entered into a spreadsheet and broken down by demographics and corresponding individual question responses. Frequency tables and graphs were then created for each variable, showing the total response rate for each question by each country. The results show significant differences in purchasing habits

between the three regions. Economic analysis for each of the areas is included so that the data can be interpreted with the different economic factors taken into consideration.

CHAPTER IV

DATA SUMMARY FOR SOUTH AMERICA

The Oklahoma Department of Agriculture in a joint project with the Southern United States Trade Association conducted the trade mission to South America in August 1996. Mr. Haidar Haidary was in charge of organizing the participation of SUSTA companies in the Great American Food Show-Argentina and, Great American Food Show-Brazil as well as a trade mission to Santiago, Chile. During this trip, data was collected from 50 companies including several large importers such as Carrefour, Wal Mart and Cignorte.

The percentage of surveys from each country in South America is as follows: Argentina 54%, Brazil 36%, Chile 8% and Uruguay 2%. The survey results show that there was a fairly good ratio of different types of importers surveyed. The types of companies responding to this survey are: distributors 26%, trading companies 42%, grocery store owners 6% and restaurants/ hospitality and other 26%. Table 4-1 shows the breakdown of companies and their country of origin. Companies that indicated that they were currently importing consisted of 79.4% of those surveyed. 20.6% indicated that they were interested but not currently importing. This 79.4% of respondents actively importing

gives the data set a large amount of credibility. It was important that such a large percentage of the data results are from companies that are actively involved in purchasing products.

In this survey we have included two different measures of company size. The first is a very common measurement that can be found in most research involving business entities that of number of employees. The second is number of imported food product shipments received per month. The average number of employees is illustrated in chart 4-2.

The survey shows that almost half (46.0%) of the companies responding would be considered small. 36% of the companies would be considered large and the remainder would be considered medium sized firms. The average number of shipments received per month by the respondents were; 5 or less, 72%; 5 to 10, 16%; 15 to 20, 3%; 20 to 25, 3%; and less than 25, 6%. The average number of shipments per company is illustrated in chart 4-3.

The mix of products imported by these companies was well balanced. As seen in chart 4-4. 74% of the companies surveyed did import products that had some form of processing. This is notable because the target was to ask specific questions of buyers of imported value added food products. With such a large percentage of the target market hit recommendations can be made confidently about this market to exporters of value added exports.

Of the companies surveyed it is interesting to note where the majority of their imported products purchased. This is illustrated in chart 4.5. By far the largest area of imports comes from Europe with 17 of the respondents indicating exports originating from countries in the EU. The 11 of the respondents indicated imports are bought from

other South American countries. This is likely the direct result of the Mercosur trade agreement. This free trade agreement between Brazil, Argentina, Paraguay, and Uruguay has made trade between these countries skyrocket within the last five years. The amount of trade between these countries will more than likely continue to increase. Imports from the USA and Canada consist of 12 of the importers. The Pac Rim and other countries made up the remaining. The US total should increase as more trade agreements are made with countries in South America, notably the possibility of the addition of Chile into NAFTA. One of the barriers to entry into this market is the ban on fresh meat imported from the United States into Brazil and Argentina.

The quality perception of US products is good and should provide exporters with a feeling of confidence that their products will be well received. While US products were not seen in a negative light, only 8% ranked our products as extremely high quality. 54% ranked our products of being of high quality, while 38% ranked our products as being good quality. This is illustrated in chart 4-6. Although the US is closer geographically to South America, European countries seem to have the upper hand when it comes to trade with these countries. The perceived quality and the amount of trade occurring between EU countries and the countries surveyed could be closely linked to the country cluster theory discussed in an earlier section of this paper. The cluster of Latin European countries and Latin South American countries show that religious ties as well as historic ties still play a part in the pattern of trade today. This loyalty to Europe and its products is especially apparent in Argentina.

When non-exporting companies are questioned on why they do not export products, the reply is they feel that their company is too small and that they cannot easily provide the services importers require to have a successful relationship. In this next

section, we will present hard data that may change or sway some of these long held conceptions of trade. Companies in South America were asked, what type of company they preferred doing business with? Many times it has been suspected that importers would prefer to do business with larger companies. However this is clearly not the case. 43% responded that they would prefer working with medium sized processors. Chart 4-7 shows the breakdown of preferences of importers related to company size. It is speculated that the preference to work with medium sized food processors is tied directly to the services preferences chart.

When importers were questioned about what is the most important service that a supplier of a food product can provide, it was interestingly not an item that required money to be directly infused into the importers business, such as advertising or financing. The service that ranked highest was adapting the product to meet the needs of the importer. There are costs associated with the adaptation of the product, however, this cost can be passed on to the purchaser. The second most important service was personal service to the account. This is illustrated in chart 4-8. It can be argued that this correlates directly to the fact that medium sized companies were the ones that importers preferred working with. It would be safe to surmise that it is perceived that medium sized firms provide their customers with the ability to adapt the product and that they also give personal attention to each account. They can perform these two functions perhaps better than larger companies because changing their production lines for a small order may be more feasible. Also, the company size allows attention to each export account to be personally given. It would be highly unlikely that a medium sized firm would have a large international marketing department. It would be likely that there are one or two individuals working the international market. The owner could possibly be one of these

individuals. This type of involvement provides a high level of personal commitment for the company.

Many times firms enter the export market literally by accident. The most common way for a company to begin exporting is an unsolicited order for their product. This solicitation could come directly from a company in a foreign market or from an export broker. The practice of customizing packaging, promotion materials and the product itself for sale in foreign markets is also very common. These activities are normally thought to be costly, yet many companies that spend less than 10% of their gross income on marketing activities practice them. (Byford 93)

Importers were questioned directly on their perceived advantages of small and medium sized firms. The chart 4-9 shows the percentage of respondents who chose each factor over the others. The first issue worthy of note is that 12 of the respondents said that the reliability of medium sized firms and small firms was their primary advantage. This could be directly tied to the people in the export process within the company. Company owners usually play a larger role in the company the smaller the size. It seems that importers appreciate this active role. Subsequent to this is the fact that 7 said that the exporters can provide flexibility in product specifications and 6 said that they liked the personal attention to each account. Companies of medium and small size generally do not export because they perceive problems with transportation of the product. The second most common reason is simply apathy on the part of management. They feel that the domestic market is large enough and to try and export would be too expensive with inherent problems. (Byford 93) Based upon the responses of food product importers, the products and services that these companies provide are in demand in South America. One clear advantage that companies have in the United States over their competitors in Europe

is the shorter distance for product to travel. This geographic advantage should be used to the full advantage of United States exporters. The other advantages of personal service, reliability and product flexibility should be cost effective to smaller companies. By taking advantage of these two marketing factors companies can see how they can become viable exporters to South America.

One major concern that small and medium sized companies have when considering exporting is currency transaction risk and final payment. Payment for food products is a major concern to the exporter simply because after the product has been sent there are few options for legal recourse if payment is not made. It is important to remember that like in any society, there will be honest business people who are worried about their reputation. The importers in this survey indicated a relatively high protection for exporters when paying for product. 74% of the respondents used a payment method very conducive to exporter protection. Letters of credit, revolving letters of credit and direct money transfer accounted for the 74% of transaction methods. The remaining methods of payment were used by only 26% of those of financing the product and open account. Chart 4-10 shows the breakdown of the different payment methods.

When an importer makes a purchasing decision there are several different factors that they consider before making their final purchasing decision. Some will argue that there are only two factors that make up the decision to purchase or not to purchase a product: quality and price. Obviously these two factors will play an important role in the final decision. The differences in societies due to culture provide new ways of looking at the purchasing decision. When we asked the questions pertaining to importance of the product attributes, the responses were close to what we expected.

In South America we included six factors for the importers to rank. In later surveys we combined quality and taste. We felt that these two factors were close to the same since the quality of the product will be determined by how the product actually tastes. The top three factors were taste, quality and price make up 59.3% of the decision to purchase or not to purchase a product based solely on that products attributes. After these three factors, the remaining ones are weighed with almost equal importance. Quantity available and serving size were both slightly more than 12% each. The packaging of the product played a slightly more important role with 15.4%. Price and quality make up the majority of the decision to purchase or not purchase a product. It is interesting to note what percent ranked each of the factors first as compared to the factors overall rating. The factor of price was ranked first 33.3%; taste was ranked 27.8% of the time first. It is interesting to note is that quantity of the product available for purchase was ranked 16.7% of the time first. Chart 4-11 shows the breakdown of responses.

One important aspect of the survey questioned the importers on the overall importance of several factors when making the final decision to purchase a product. This question dealt with the factors related to relationship with the seller, terms of the agreement between buyer and seller, quality of the product, price of the product and the availability of the product. This question is of particular importance to identify whether factors related to the product itself or related to the business transaction process play a larger role in the buying of product. It would be expected that price and quality play the largest role in the final decision to purchase. They make approximately a 60% contribution to the final decision. This high percentage is to be expected. The terms of the agreement made up 15% of the final decision. The relationship with the seller and the availability of the product made up the balance with availability at 13% and relationship at 12%. These

percentages will be compared to the other surveys taken in a later section of this report.

Chart 4-12 shows the complete data set.

The average number of meetings that importers had with suppliers was slightly lower than what was expected. 49% had an average of one or two meetings. 21% had three meetings and 30% had four or five meetings. The majority of companies felt confident with fewer meetings. Chart 4-13 shows the breakdown of responses. This relatively few number of meetings before product is sold could create a distinct advantage for companies without a large budget to travel to South America. This factor combined with the fact that 30% of the respondents indicated that they would purchase a product without first meeting with the supplier indicates a willingness for trust in importing transactions. The 30% of respondents who said they would purchase a product without first meeting the suppliers were all trading companies. This could be their willingness to accept diverted products. Diversion of products is the practice of some large retailers to sell products at or below cost. This usually happens when the retailer has ordered too much product from a supplier or they have not been able to sell merchandise, and it has become dated. Diversion is a practice that does occur and is heavily frowned upon by major manufacturers who are trying to establish brand and price identity in a market.

To determine several factors that would stimulate buying of products the importers were asked specifically if their purchases of products would increase given a certain number of factors. Chart 4-14 shows the number of individuals who replied yes they would purchase more product if...

- 1.) Containers contained more than one product.
- 2.) The product was made to your specifications.
- 3.) Financing was made available.

- 4.) Payment could be made in the home currency.
- 5.) A personal friend was supplying the product.
- 6.) The company provided advertising.
- 7.) The price was significantly lower.
- 8.) The products were of higher quality.

The responses to this question were slightly sporadic. A total of 17 respondents answered the entire question. The two most important factors that they indicated were crucial to purchasing more product were factors seven and eight. A bar chart showing all the responses appears in the appendix as chart 4-14.

Participants in the survey indicated a desire to purchase frozen dinners and appetizers. Several surveyed also indicated a desire to purchase diet foods and ethnic food items. There was also an indication of willingness to purchase private label hot dogs, snack food items and diabetic products.

CHAPTER V

PACIFIC RIM DATA INFORMATION

In February of 1997 data was collected at The Great American Food Show, Philippines and Food and Hotel Indonesia, Jakarta, Indonesia. We cooperated with the FAS staff in both countries and were able to collect data during importer workshops. In these countries we collected 70 surveys. The survey was translated into Indonesian for the trade show Food and Hotel Indonesia and was administered in English at the Great American Food Show, Philippines. 82.4% of the importers surveyed were currently importing food products. 17.6% were interested in importing but not currently engaged in the practice.

The types of businesses questioned provided a good mix of importers. 18% of the importers were regional food distributors, 16% were retail grocers, 28% were food service/ hospitality, 6% were food processors, 14% were trading companies, and 11% other. This is a good cross section of importers and provides a diverse look at the entire makeup of the food importer picture. The company type mix is shown in chart 5-1

The number of employees per company is shown in table 5-2. The average number of employees indicates that a large majority of the companies surveyed had over 120 employees. This is substantially more than the number of employees per company of those

surveyed in South America. This should not have a significant effect on the results when looking at the three survey regions as a whole.

The companies average number of shipments per month were, 52% five or less, 11% five to ten, 14% ten to fifteen, 7% fifteen to twenty, 16% 25 or more. The number of shipments per month can be seen in chart 5-3. The majority of the companies had less than five shipments per month. This is not considered to be a problem for the purposes of this project. 41% of the respondents indicated that they did repackage the product before the sale of the product. 59% indicated that they did not repackage the product before sale. The companies imported 35% processed foods, 23% semi-processed foods and 42% raw food products. This is illustrated in chart 5-4.

The importers were asked from where they imported a majority of their products. 72% of importers indicated that they purchased product from the United States. The other large market that food products were imported from was Australia and New Zealand. 70% of importers indicated that they purchased product from one or both of these countries. By far these three countries make up the majority of food imported into Indonesia and the Philippines. 26% of Indonesian and Philippine importers indicated that they purchased product from European Union sources. 20% indicated purchases from either Taiwan or China. Only 13% of the importers indicated that they purchased products from other Pacific Rim countries. It had been speculated that more companies would show more importing activity from Holland simply because of the historical ties with that country. Table 5-5 shows the summary of these results.

When looking at the perception of US food products in the Pac Rim producers can feel confident that their products will be well received. Chart 4-6 indicates the level of

perceived quality of US made food products. The quality is considered to be of extremely high and high quality. These two categories made up 75% of the responses. There are few detractors to the quality level of US products. This perceived level of quality is a distinct advantage to exporters of food products. There was no indication that buyers perceived product as being of only fair or poor quality. However there were 4% who perceived the quality as being of standard quality.

There is some discrimination between large multinational firms, large processing firms, and medium processing firms. Chart 4-7 shows the importers preferences relative to company size. When the responses were calculated as an aggregate all of the firms were relatively equal with very little distinction between the categories. When looking at the firms ranked first by the respondents a different picture emerges. The most popular category of firm was the multinational-processing firm with 48% preference. The second was the trading company with 33% followed by the medium processing with 8%. The lowest two categories were the small processing firm with 3% and the medium processor with 8%. On the aggregate responses there was not any one category of company that stood out as compared to the others.

The project was also trying to determine factors that make up the purchasing decision not directly related to the product itself but more tied to the services a buyer renders. The services that the buyers were questioned about were prompt delivery, financing for 90 days, regional advertising, product adaptation and personal attention to the account. Chart 5-8 shows the breakdown of the services and the importance of each.

The most important service to a buyer is prompt delivery followed by product adaptation. Prompt delivery constituted 30% of the overall score while product adaptation

made up 25%. Financing for 90 days was a strong third with 19% of the total.

Surprisingly, personal attention to the account was only 14% and regional advertising was 12%. With personal attention to the account only being 14%, we felt this was lower than expected. One of the factors that may have influenced this difference is the fact that the majority of the companies surveyed were larger than companies in other markets surveyed. It was expected that adaptation of the product and prompt delivery would be important to the importers. It was assumed however that product adaptation, not prompt delivery, would rank as the most important service that an exporter could provide. The distance that must be covered when importing from Europe and the United States could make the importance of prompt delivery a bigger issue with countries in the Pacific Rim than some others.

When importers were asked what services a small business provided that made them appealing, the responses were varied. The factors that made them most competitive were personal service 26 responses, flexibility of the product 24, quality 14 and reliability 9. The fact that personal service ranked high is surprising because of the fact that it was lower when importers were asked what the most important services a companies could provide. The flexibility of the product ranked high among importers with 24 importers indicating that this was an important factor to them when dealing with any company. To be competitive it is essential that small and mid-sized businesses remain flexible with their products. Chart 5-9 gives the breakdown of the importer responses.

Payment methods in the Pacific Rim leaned heavily toward some type of letter of credit. 35 used a regular letter of credit while 7 used a revolving letter of credit. The overall percentage of business conducted by a letter of credit was 60%. 6 of the importers

used financing. 13 used direct transfer of funds and only 10 received product on open account. This low percentage of importers who received goods via open account is somewhat surprising because of the large size of the companies as measured by the number of employees. However this can be explained by the fact that most of the companies import 5 shipments or less per month. This could indicate that the volume of imports is not nearly large enough to warrant an open account or financing arrangement. It would be safe to say that most companies are familiar with and accustomed to conducting business with a letter of credit. This means of transaction would be considered the most practical and reasonable method of conducting business in the Pacific Rim. A breakdown of the responses can be seen in chart 5-10.

When asked the importance of specific product attributes we found some surprising results. The importers were asked about the importance of price, product appearance, serving size, taste, and the packaging. The most important product attribute was product appearance with a score of 25%. The next two factors, product taste and product price, were close in importance with 24% for product price and 24% for serving size. Package type was fourth with 16% and taste was least important with 11%. The responses are broken down in chart 5-11.

One of the most important questions asked to importers in the Pacific Rim was the importance of several factors when making their final decision to purchase or not to purchase a product. The factors that they were asked to rank in order from least important to most important were: relationship with the seller, payment terms, product quality, product price and product availability. The two most important factors in the final decision process are not difficult to determine. Price and quality comprise 60% of the final

decision to purchase a product. Quality consisted of 36% of the decision while price was 24% of the decision. The remaining three factors were close in importance with product availability being 16%, relationship with the seller being 13% and payment terms being 11%.

It is interesting to note that quality was ranked first as the most important factor 70.5% of the time. The second item that was chosen first more than the others was relationship with the seller. It was chosen first 16.4% of the time as the most important factor. Price was chosen 6.6%. Payment and product availability were each chosen 3.3% of the time as the single most important factor. These percentages are illustrated in chart 5-12.

One of the barriers to international trade is the fact that many times geographic distance makes it hard to conduct business face to face. In the Pacific Rim 37% indicated that they had an average of three meetings before purchasing a product. 25% indicated that they had two meetings before purchasing. 18% indicated that they had one or none before purchasing a product. 100% of these companies are importers, have over 120 employees, and are considered large in this study. 20% of the companies indicated that they preferred four to five meetings before purchasing a product. As illustrated in chart 5-13, 63.6% of importers indicated that they would not purchase a product without first meeting the supplier. 36.4% indicated that they would purchase a product without meeting the exporter. The importers that indicated they would purchase a product without first meeting the exporter were rather large, with 90% having over 120 employees.

Importers were asked what services would increase their purchases of a product. If they responded yes then it could be determined that they would purchase more product

if the service was performed. Chart 5-14 shows the number of individuals who replied yes they would purchase more product if...

- 1.) Containers contained more than one product.
- 2.) The product was made to your specifications.
- 3.) Financing was made available.
- 4.) Payment could be made in the home currency.
- 5.) A personal friend was supplying the product.
- 6.) The company provided advertising.
- 7.) The price was significantly lower.
- 8.) The products were of higher quality.

The factor that had the highest percentage of positive responses was question eight, the products were of higher quality. It is interesting to note that respondents from Indonesia indicated 100% that if the containers contained more than one product they would purchase more. The question with the second highest number of responses is question two, product was made to your specifications. It is interesting to note that in Indonesia the fact that the company provided advertising or was a personal friend was of more importance than for importers in the Philippines. 44.9% of importers surveyed indicated that they currently purchased ethnically flavored food products.

Importers were asked about their interest in purchasing specific products, which are currently being produced in Oklahoma. The three products that had the most interest were vacuum-sealed steaks, frozen dinners and BBQ sauce. 14 responses indicated that they were interested in vacuum-sealed steaks, 12 indicated frozen dinners and 11 indicated BBQ sauce.

Question twenty-three asked the importers if they were interested in a company producing a product specifically designed for the market. 84% of the people surveyed indicated that yes they would be interested in a product made for their market. The products they indicated they wanted produced were: pasta sauce, salad dressing, snack food, frozen fruit, spice mixes, jam, pie filling, meat products and confectionery items. Multiple survey respondents indicated many of these items.

59% of the survey respondents indicated that they purchased individually wrapped products. When asked if there were enough products to meet their demand, 68% indicated that there were enough products on the market to currently meet the demand. 32% indicated that there were not enough products on the market to meet the demand.

The last question on the survey had the respondents name a service that smaller companies could provide that would make them more competitive with large multinationals. The following suggestions were made: more product availability-2, consolidated products, faster decisions, longer credit terms 4, prompt delivery 4, access to top management, personal service 6, technical support, flexibility 4, small batch orders 4, continuous supply 2, reliability 2, after sales service, better communication, price competitive 3, longer shelf life.

CHAPTER VI

DATA SUMMARY FOR RUSSIA

In June of 1997 data was collected at WorldFood Moscow, 1997. The survey was translated into Russian and administered during the FAS sponsored importer workshops during WorldFood 1997. 69.6% of the individuals surveyed were currently importing. 30.4% were interested in importing but not currently engaged in the practice.

The sample group of importers questioned was a good cross section of importers as seen in chart 6-1. 27% were distributors, 23% were international trading companies, 8% were restaurants, 19% were retail grocers and 23% were other. The other group consisted mainly of government employees who dealt in the food industry. The cross section of different types of importers was extensive.

The size of the companies was well distributed with 33% having less than twenty employees, 16% having twenty to forty, 14% having forty to sixty, 14% having sixty to one hundred, 2% having eighty to one hundred, 2.3% having one hundred to one hundred twenty and 20.9% having more than one hundred twenty employees. The breakdown of the number of employees per company is shown in chart 6-2.

The average number of shipments per month were: 53% had five or less, 22% had five to ten shipments, 9% had ten to fifteen shipments, 3% had fifteen to twenty

shipments, and 13% had over twenty five shipments per month. The average number of shipments per month can be seen in chart 6-3.

The types of products imported by this group of individuals were: 28 processed food products, 7 semi-processed food products, 7 raw food products and 5 indicated that they imported all three types of food products. The mix of types of products imported is shown on chart 6-4. 73.7% of the respondents indicated that they did not repackage the food products before resale. 26.3% indicated that they did repackage the product before resale.

The importers were questioned on the origin of the products that they purchase as seen in chart 6-5. The area where most companies' report purchasing products from is Western Europe with 27 respondents (92%). This is due to close proximity and, in some cases, better credit terms. 40% of importers reported that they were importing product from Eastern Europe. This has a lot to do with historical ties and a certain level of familiarity with European exporters. 28% of the importers reported buying products from the United States. 16% reported buying products from Finland and former Soviet Republics.

The quality of US food products is still to be decided in Russia. While there was a majority of importers indicating a high level of confidence and satisfaction with US food products, there seems, to be some who feel the quality could be improved upon, as seen in chart 6-6. Only 5% indicated that they felt US products were of extremely high quality. A large number of individuals, 33%, felt the quality of US food products was high. The largest group of individuals felt that the quality of US food products was good. 15% felt that products were only standard quality. 4.9% felt that the products were low and a

surprising 4.9% indicated that the quality of US products was extremely low. This wide range of quality perception of US food products could be due to media influence. It could also be related to a hostility towards US competition.

Importers did not show a single company size to be preferable over the others. There was a slight preference towards large processing firms with a 19% rating. Large multinationals weighed in at 31%. The last three were in the following order trading companies 19%, medium processors 14%, and small processors 17%. The breakdown of preferences towards company size is in chart 6-7.

One important consideration when doing business in any country is the attitude towards customer service and the level of expectations of certain groups of people. Importers were asked the importance of the services and how it influenced their decisions to purchase or not to purchase a particular product, shown in chart 6-8. Personal attention to the account was rated as the most important service at 25.8%. The service of financing for ninety days was rated as the second most important service with 22%. Prompt delivery was rated at 21.2%. Surprisingly product adaptation was ranked at 17.2%. Regional advertising was rated at 13.8%.

Of the competitive factors offered by small businesses, shown in 6-9 Russians indicated that the most important of these factors was flexibility 43%. This is in line with the state of the Russian economy as well as the Russian political system. A great deal of change is occurring daily. To conduct business one must be willing to change and accommodate the purchaser of food products. Personal service as well as reliability ranked high for importers. Payment methods in Russia were favorable towards exporters with 30% of exporters indicating that they most frequently paid for shipments in advance.

26% indicated that they had some type of financing for the product. Letters of credit and revolving letters of credit consisted of 22% and 15% of importers most frequent payment methods. As seen in chart 6-10, the least used method of payment was open account. There were indications that a larger percentage of importers conducted business using the direct transfer of funds. Some of the importers may have indicated what method would be most favored, not necessarily the method of payment most frequently used.

When the importers were questioned on the importance of product attributes, the most important attribute was price, with a rating of 27.9%. The attribute that rated second in importance was taste with 22.7%. The third ranking factor was appearance with 21.7%. Packaging and serving size were the least important with 16.2% and 11.5% respectively. As seen in chart 6-11 the most important factor was price.

The importance of each of the five factors, seen in 6-12, in the final decision to purchase or not to purchase had a good number of responses. The top two factors in the final decision were quality 30.7% and price 29.9%. Relationship with the seller and financing for ninety days were both rated at 16%. The factor that seemed to be of irrelevance to the Russian importers was that of product availability, with it being given an importance rating of 7.5%.

Importers were asked to choose the most important factor when purchasing a product. This was to be an absolute measurement of the factor that would come first to mind when purchasing a product. Surprisingly the answers were not as heavily weighted to one or two factors. There was a more even spread of the importance of the factors. Price was chosen as the most important factor by 28% of the respondents. Quality was chosen as the most important factor by 23.7%. Package type was chosen by 17.8% of the

respondents. Relationship with the seller and payment in domestic currency was chosen 16.1% and 14.4% respectively. This was an absolute measurement and respondents were asked to choose only one response.

Importers were asked about the number of meetings before they made a purchasing decision, shown in chart 6-13. The average number of meetings was 24% with two and 24% with three meetings with suppliers. 18% had four and 13% had five or more. 8% had no meetings. This question had a follow up question as to how many importers would be willing to purchase a product without first meeting the supplier of the product. 80.5% indicated that they would never purchase a product without first meeting the supplier 19.5% said they would purchase a product without first meeting the supplier of the product.

Importers were also asked what things would increase their buying of a certain product. They were given a list of questions and asked to answer questions yes or no they would purchase more product if...

- 1.) Containers contained more than one product.
- 2.) The product was made to your specifications.
- 3.) Financing was made available.
- 4.) Payment could be made in the home currency.
- 5.) A personal friend was supplying the product.
- 6.) The company provided advertising.
- 7.) The price was significantly lower.
- 8.) The products were of higher quality.

The question that received the most positive responses was number seven, if the price were significantly lower. The questions that were tied in the number of responses was question two and eight. These questions were followed closely by questions six, one and three in importance. The entire set of responses to each question can be viewed in chart 6-14.

Importers were questioned about their willingness to purchase a list of items that are produced in Oklahoma. Several of the companies expressed an interest in purchasing these products. The number of respondents to each product are as follows; beef 13, frozen dinners 12, BBQ sauce 11, flavored nuts 9, pie filling 8, pickles 4, Tex Mex. products 4, eggrolls 3.

Importers were asked if they would be interested in purchasing a product specifically designed for their market with 31 importers indicating that they would. Products that they would like to buy included: pasta sauce, salad dressing, snack foods, frozen fruit, spices, meat products, and jam and confectionery items. Each one of these items had more than one request for that particular product.

23 importers indicated that they did currently import individually wrapped food items. 7 of these indicated that there are not currently enough suppliers to meet the demand. As incomes continue to grow, there will be more demand for convenience food items.

When asked the question about what services a small to mid-size company could provide to make them more competitive with larger companies, a good number of responses were given. This was an open question with no default answer. The respondents were asked to fill in the blank. 7 importers indicated personal service to the

account. 4 importers indicated flexibility of the product, longer credit terms and prompt delivery. 3 importers indicated small batch orders and price competitiveness. Other responses included consolidated shipments, availability, faster decisions, continuous supply, reliability, and longer shelf life, after sale follow up and better communication.

The European community has several distinct advantages when doing business in Russia, the most prominent being geographic location. This allows shipments to be received in less time, therefore not tying up capital for the importer. When entering the Russian market, a good set of measurable goals is a must.

CHAPTER VII

SUMMARY

When small to mid-sized food product companies are making the decision to enter the export market, it is important to consider all factors before choosing a target market. The three markets studied in this project provide opportunities for the right company. Not all company's products are right to penetrate each of these markets. There are opportunities and reasons for concern in all of these markets. Before any company begins the export process, a list of realistic and clearly definable goals needs to be established. It is suggested that new exporters focus their energy and resources on a market that has the most potential for their product.

The South American market has some distinct advantages. One of these is the simple fact that product transportation times are less for shipping to these countries than to those in the Pacific Rim and Russia. The recent economic growth and political stability are reasons to be optimistic about the continued growth in high value food products in South America. The perception of the quality of US food products is high and should be well received. It is a fact that many European companies have been trading with South American countries for some time. Due to the historical ties and the global

competitiveness of these companies, it is easy to see why their presence has been in South America for some time.

It should be encouraging to small and mid-sized firms that such a large percentage of companies indicated a preference to working with this size of firm. The fact that importers ranked the adaptation of the product and personal attention to the account as important factors in their decision is encouraging. This can be viewed as a direct relationship to the need of a highly masculine society. The needs of this type of society are a need to feel close to the power and decision-makers in an organization. A smaller company can fulfill this need by providing people of status in the trade process. Importers in South America liked the reliability of working with smaller companies.

Transaction risk with companies in South America is minimal when using the preferred method of transaction, the letter of credit. Companies can feel confident when dealing with a letter of credit knowing that when all conditions are met, the transaction will take place. It was noted in several conversations with importers, that there seemed to be a lack of trust of South Americans by exporters from the United States. An exporter should be aware of this sensitivity and be reasonable when conducting business.

Importers in Brazil appear to be more price conscious than those in Argentina and Chile. Argentineans appear to be more concerned with quality than with price. This can indicate a need for high quality consumer products when considering doing business in Argentina. In Brazil a competitive price with less emphasis on a fancy package type should be stressed. The terms of the agreement and availability are important but seem to take a back seat to price and quality.

The fact that 50% of the companies indicated they would purchase product with one to two meetings is positive for smaller companies. 30% of the companies indicated that they would be willing to purchase product before meeting with a company representative. It would seem logical that if an importer is aware of the quality of the product as well as the price benefits, then they are willing to purchase a product using the protection of a letter of credit.

When purchasing product, the South Americans are definitely in it for the best deal, however they fortunately do not seem to be blinded by one overriding factor in the purchasing decision. This was apparent by their responses that they would gladly purchase more products if they were of lower price or higher quality. Importers also indicated a willingness to purchase new products as well as more convenience products. There were also indications that private labeling of products is rapidly catching on in South America. Trends to watch for in South America are the growth in private label, increase in large supermarkets and an increase in ready to eat products.

The Pacific Rim holds some excellent opportunities for companies that are willing to invest in personal relationships and long term business dealings. One of the factors affecting trade with the Pacific Rim is the competition from Australia and New Zealand. As in South America, US products have a high level of perceived quality. There seems to be no distinct preferences that companies have towards any one type or size of company. It could be indicated that trading companies are not seen in as a positive light as in South America. Importers in the Pacific Rim indicated a desire to purchase a product directly from the producer.

Prompt delivery played a very important part in the services that a company must provide to the customer. This is most likely due to the distance a product must travel to reach the final destination. Product adaptation was also high on the list of important factors when deciding to purchase or not to purchase a particular product. Importers in the Pacific Rim clearly indicated an appreciation for the fact that small and mid-sized companies provided the personal attention and flexibility when doing business. This appreciation can be directly linked to the fact that personal relationships are very important in the business transaction process.

Importers in the Pacific Rim are looking for products that are balanced in their attributes. Product attributes were close to equally balanced when looking at price, taste and appearance. Trends to watch for in this market are the increase in snack food consumption, continued growth in the frozen foods sector and ready to eat meals.

The Russian market offers some challenging and unique opportunities for the small to mid-sized firm. With the agriculture system in total collapse there will be tremendous opportunities for sales of inexpensive convenient foodstuffs. Some of the challenges to this market make it less desirable for first time exporters. More experienced exporters with a large market should be able to penetrate the market successfully. Caution should be used when a smaller company with a limited budget looks at exporting to this area. One good thing about this market for smaller exporters is the fact that such a large number of importers are accustomed to paying for shipment in advance.

For new exporters wanting to do business in Russia it is recommended that they begin trade through a reputable broker or distributor. By using a competent import agent a company can save a lot of time, frustration and money. When contacted directly by an

individual wanting to purchase product it is always a good idea to work on a cash only basis. The risks to doing business in Russia will be minimized if exporters let the individual who is purchasing the product be responsible for clearing customs, paying duties, tariffs and any other unexpected charges.

It is expected that the Russian market will continue to grow. As the populations purchasing power increases there will be an increased demand for higher quality food products. Customizing products to Russian tastes, providing financing for the product and mixing containers would greatly increase the likelihood for success in exporting to this market. Trends in Russia indicate that there will continue to be a need for low cost protein sources. One interesting note is the fact that importers are actually shifting away from raw commodities and more likely buying the processed ingredients. One such trend is the decrease in bulk wheat shipments and the increase of flour shipments.

Each of these markets offers opportunities for the well-educated exporter. It is recommended that before any exporting endeavor is undertaken that thorough research on the target market is completed. A company should learn as much as possible about the tariff rates and regulations, consumer habits and importers purchasing habits as possible. While it is impossible to know everything about a market and its culture, a visible display of effort and understanding is invaluable in making exporting work for you.

Bibliography

- Cateora, P.R., J.M. Hess. "International Marketing." *Richard Irwin, Inc. Homewood, Illinois.* (1975)
- Charlet, B., and K. Henneberry. "International Trade Shows." *Agricultural Experiment Station, Division of Agricultural Sciences and Natural Resources, Oklahoma State University.* 797(October 1991)
- Charlet, B., and K. Henneberry. "Oklahoma's Value-added Agricultural Export Industry: An Analysis of Export Market Activities." *Agricultural Experiment Station, Division of Agricultural Sciences and Natural Resources, Oklahoma State University.* 792(October 1990)
- Deardoff, A.V., R.M. Stern. "The Stolper-Samuelson Theorem: A Golden Jubilee." *The University of Michigan Press. Ann Arbor, Michigan.* (1997)
- Garro, B. "Turning show leads into sales- The secret- staff with your best people and train them well." *Business Marketing.* (June 1995):11-12
- Gatchalian M.M. "Achieving suitable export quality in processed food products." *International Trade Forum,* 1(January 1995):16-29
- Hassan, S.S., E. Kaynak. "Globalization of Consumer Markets: Structures and Strategies." *International Business Press. Binghamton, New York.* (1994)
- Hofstede, G. "Culture's Consequences: International differences in Work Related Values." *Sage Publications. Beverly Hills, California.* (1980)
- Houck, J.P., "Elements of Agricultural Trade Policies." *Macmillan Publishing Company. New York.* (1986)
- Kale, H.S., and J.W. Barnes. "Understanding the Domain of Cross-National Buyer-Seller Interactions." *Journal of International Business Studies.* (First quarter 1992):101-129
- Konopacki, A. "The face-to-face edge." *Business Marketing* (June 1995):10
- Lehmann, D.R., "Market Research and Analysis." *Richard Irwin, Inc. Homewood, Illinois.* (1985)

- McMahon, A., A. Marsh, P. Klizke, and J. Issenman. "The Basics of Exporting." *Southern United States Trade Association*. (1994)
- Ronen, S., O. Shenakar. "Clustering Countries on Attitudinal Dimensions: A Review and Synthesis." *Academy of Management Review*. 3(July 1985):435-454
- Samli, C.A. "International Consumer Behavior: Its Impact on Marketing Strategy Development." *Quorum Books. Westport, Connecticut*. (1995)
- Sheldon, I.M., P.C. Abbot. "Industrial Organization and Trade in the Food Industries." *Westview Press. Boulder, Colorado*. (1996)
- Small Business Administration. "Trade Shows--Part 1: A Major Sales and Marketing Tool" *Small Business Report*. 13(June 1988):34-39
- Small Business Administration. "Trade Shows--Part 2: An Effective Selling Tool." *Small Business Report*. 13(July 1988):20-23
- Torok, J.S. and A Schroeder. "Enhancing Exports: A Comparison of the Serious Business Problems and Technical Assistance Needs of Small Agribusiness and Nonagribusiness Firms." *Journal of International Food and Agribusiness Marketing*. 6(February 1994): 45-65
- Ulbrich, H., "International Trade and Finance: Theory and Policy." *Prentice-Hall, Inc. Englewood Cliffs, New Jersey*. 1983

APPENDIXES

APPENDIX A

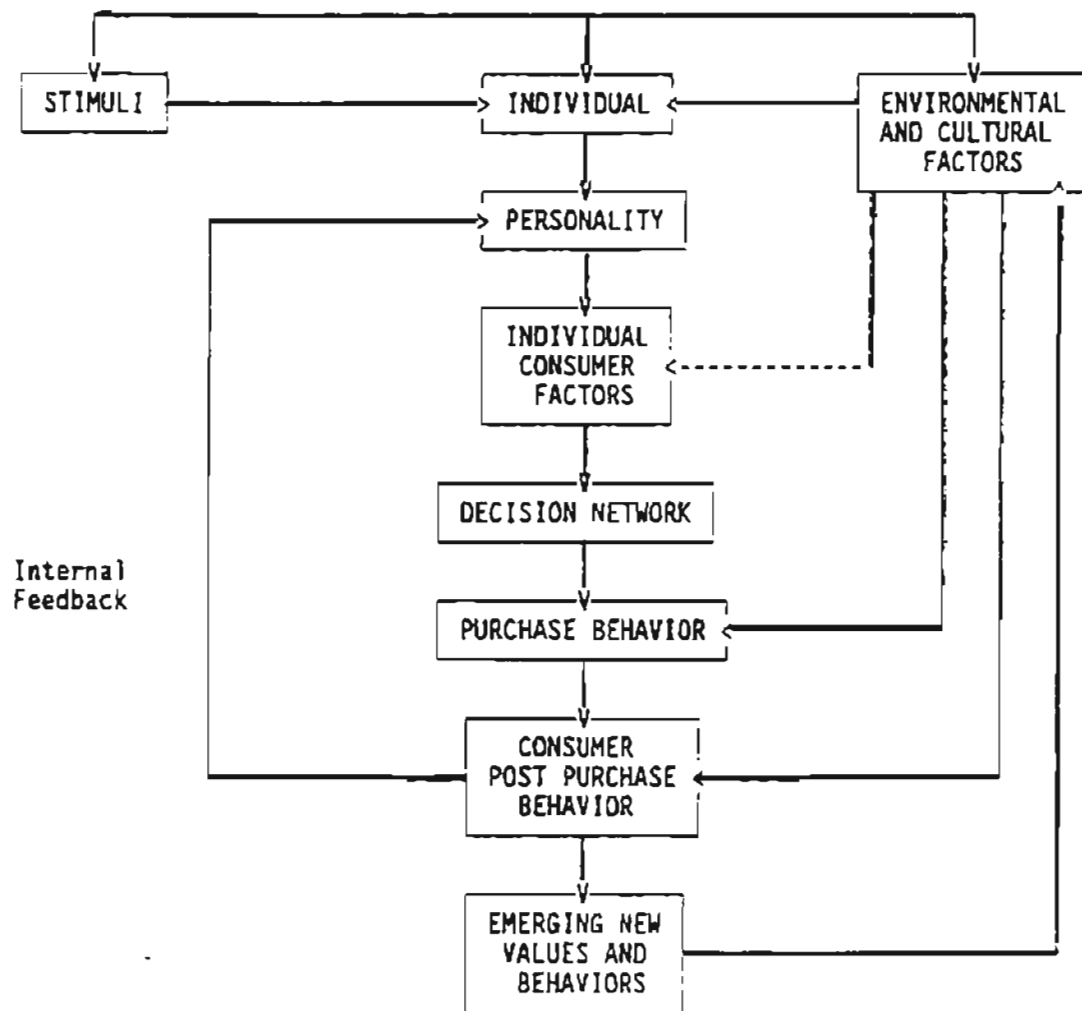
RANDOM CHARTS

Table One: U.S. Exports of High Value Consumer Food Product Exports, 1988 and 1993.

Selected products Increase Over Five Years Billion dollars	1988	1993
Processed fruit/vegetables	1.4	2.9
Fresh fruit/vegetables	1.4	2.6
Beef	1.0	2.0100
Nuts	.9	1.122
Poultry meat	.4	1.0150
Dairy products	.5	.860
Grain products	.1	.6500
Beer/wine	.1	.4300

Source: USDA/FATUS

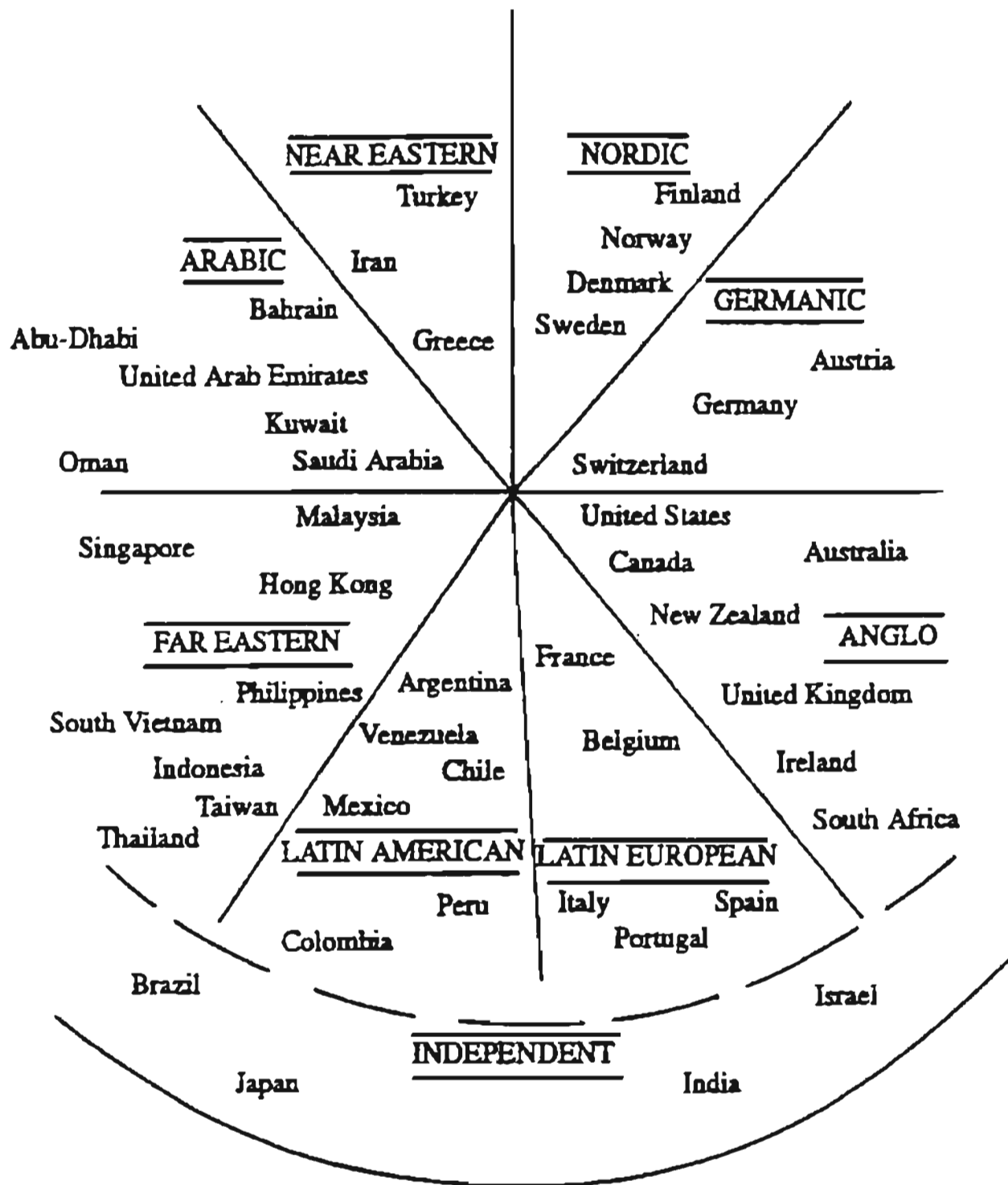
International Consumer Behavior Model



Source: Samli, C.A. International Consumer Behavior: Its impact on Marketing Strategy Development

GLOBALIZATION OF CONSUMER MARKETS

A Synthesis of Country Clusters



Source: Ronen, S., O. Shenaker, "Clustering Countries on Attitudinal Dimensions: A Review and Synthesis"

APPENDIX B

CHAPTER FOUR, FIVE AND SIX
CHARTS AND TABLES

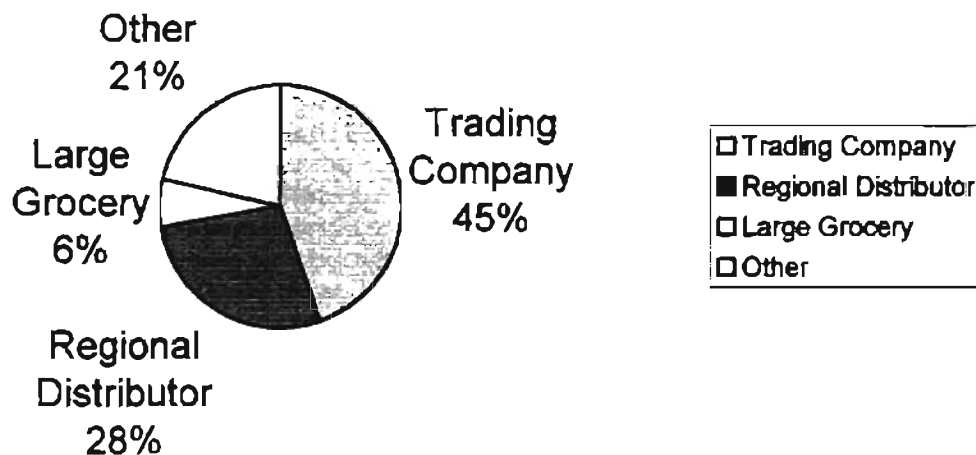
Table 4-1. Types of Companies Surveyed

	Argentina	Brazil ¹	Total
Trading Company	11	10	21
Regional Distributor	9	4	13
Large Grocery	2	1	3
Other	6	4	10
Total ²	28	19	47

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.

Graph 4-1: Types of Companies Surveyed



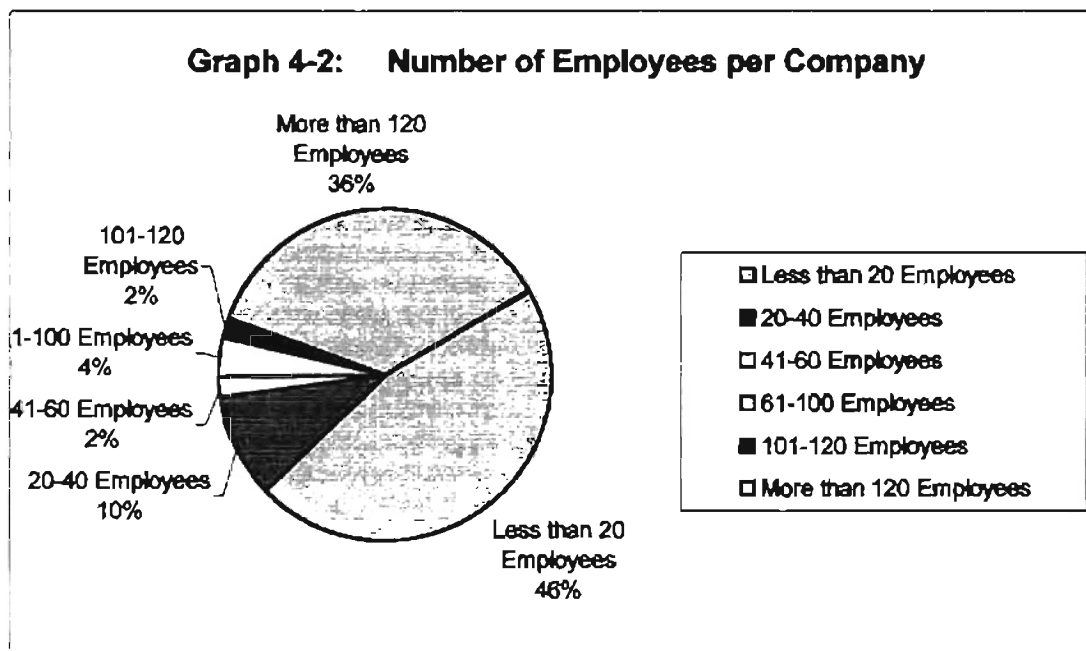
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 4-2. Number of Employees per Company

	Argentina	Brazil ¹	Total
Less than 20 Employees	13	10	23
20-40 Employees	2	3	5
41-60 Employees	-	1	1
61-100 Employees	-	2	2
101-120 Employees	1	-	1
More than 120 Employees	12	6	18
Total²	28	22	50

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



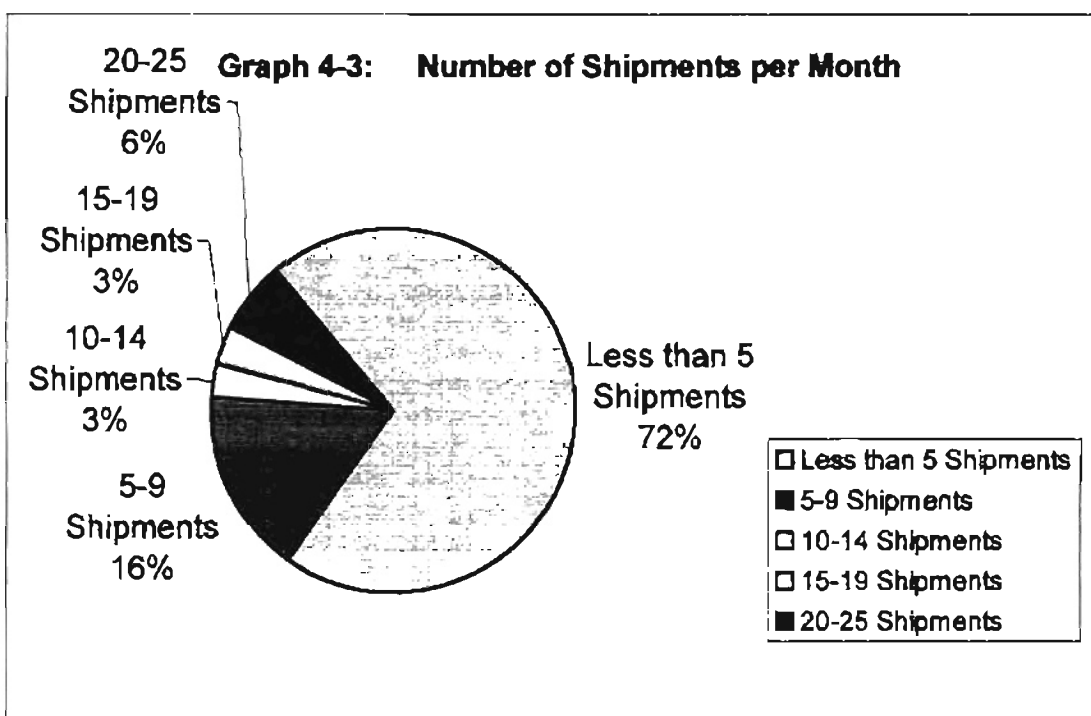
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-3. Number of Shipments per Month

	Argentina	Brazil ¹	Total
Less than 5 Shipments	17	5	22
5-9 Shipments	3	2	5
10-14 Shipments	-	-	-
15-19 Shipments	-	1	1
20-25 Shipments	1	-	1
More than 25 Shipments	1	1	2
Total²	22	9	31

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



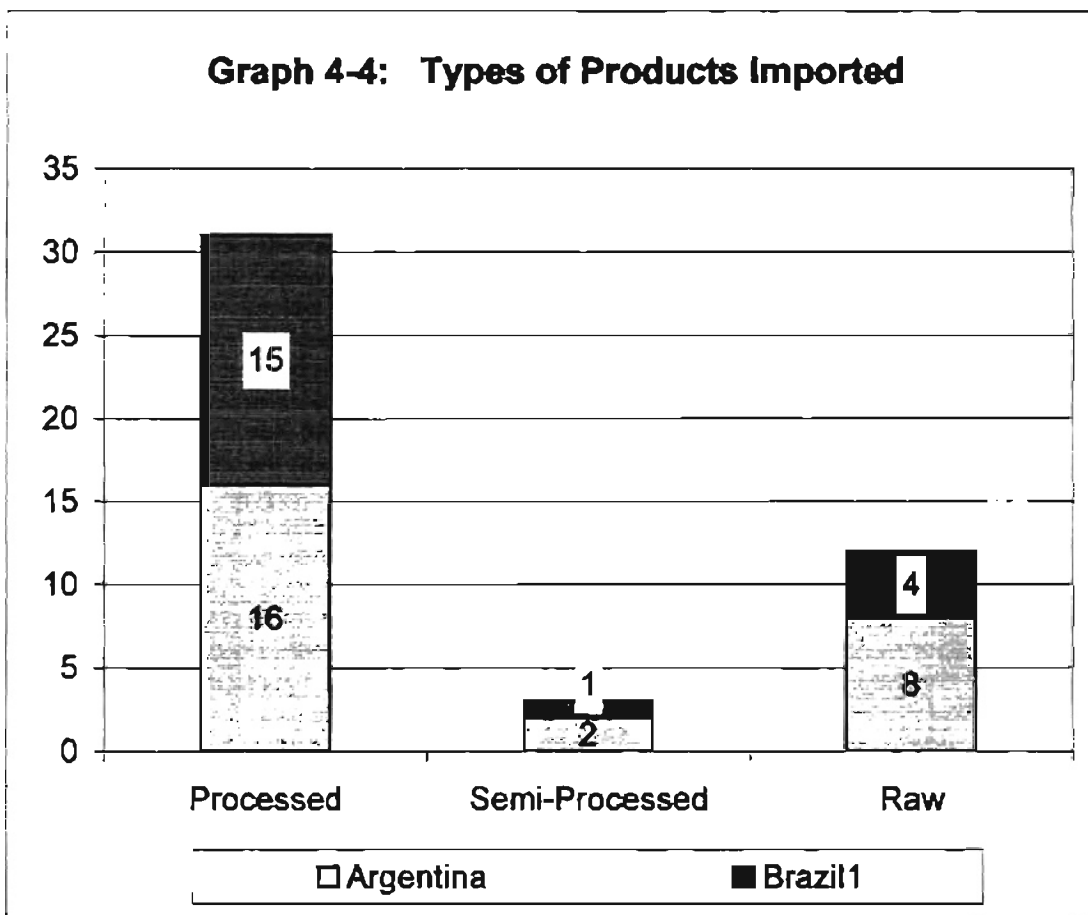
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-4. Types of Products Imported

	Argentina	Brazil ¹	Total
Processed	16	15	31
Semi-Processed	2	1	3
Raw	8	4	12
Total ²	26	20	46

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



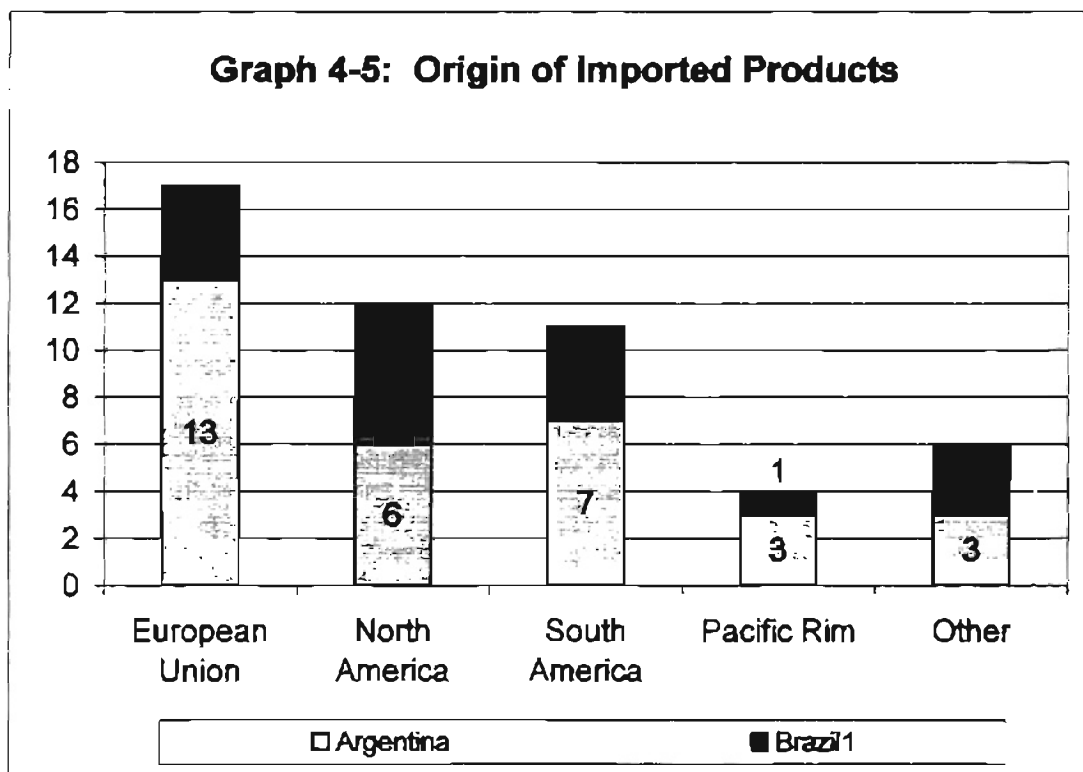
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-5. Origin of Imported Products

	Argentina	Brazil ¹	Total
European Union	13	4	17
North America	6	6	12
South America	7	4	11
Pacific Rim	3	1	4
Other	3	3	6
Total ²	32	18	50

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

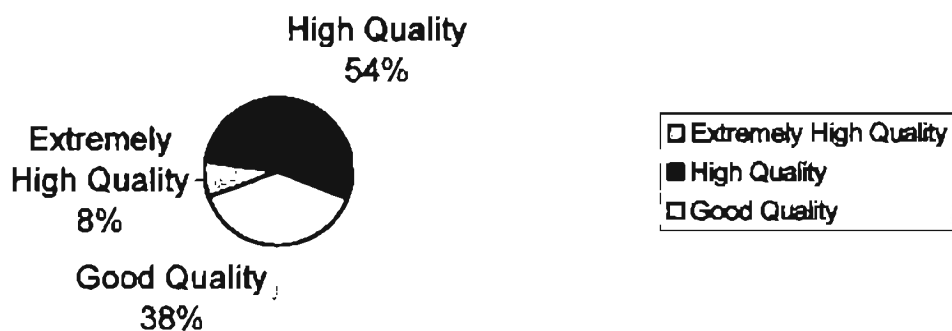
Table 4-6. Perception of U.S. Food Product Quality

	Argentina	Brazil ¹	Total
Extremely High Quality	2	-	2
High Quality	10	4	14
Good Quality	8	2	10
Standard Quality	-	-	-
Below Standard Quality	-	-	-
Poor Quality	-	-	-
Total ²	20	6	26

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.

Graph 4-6: Perception of U.S. Food Product Quality



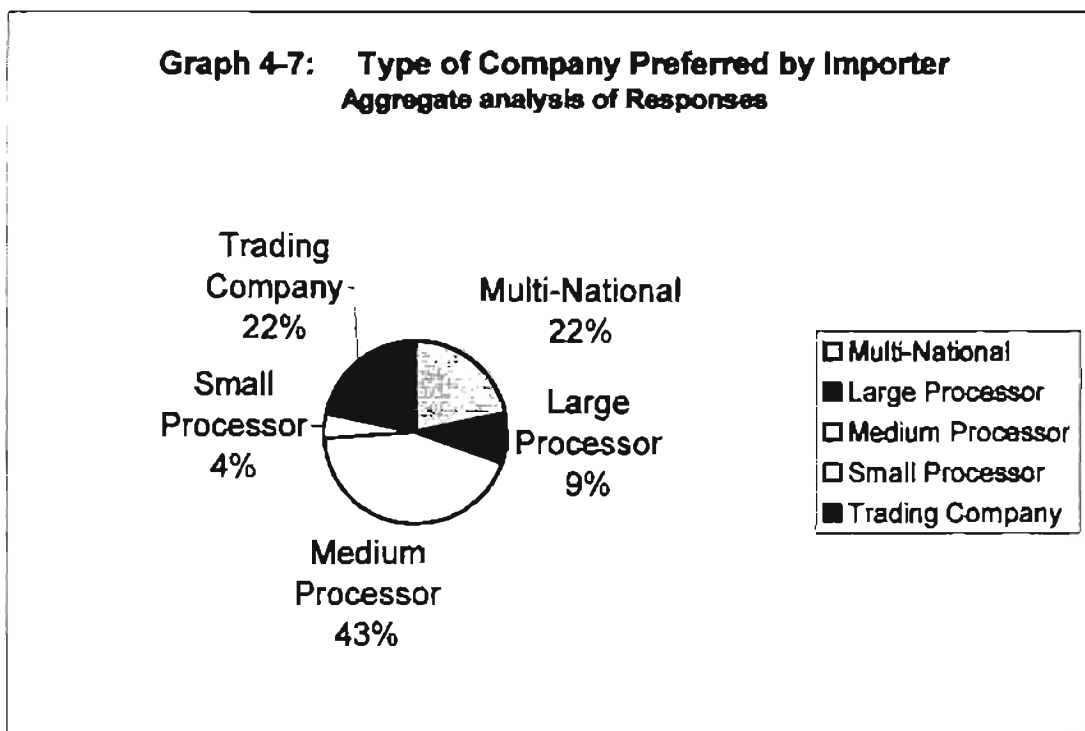
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-7. Type of Company Preferred by Importer
 Number of Respondants that Ranked Each as First Preference

	Argentina	Brazil ¹	Total
Multi-National	4	1	5
Large Processor	1	1	2
Medium Processor	5	2	7
Small Processor	4	1	5
Trading Company	5	1	6
Total ²	19	6	25

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



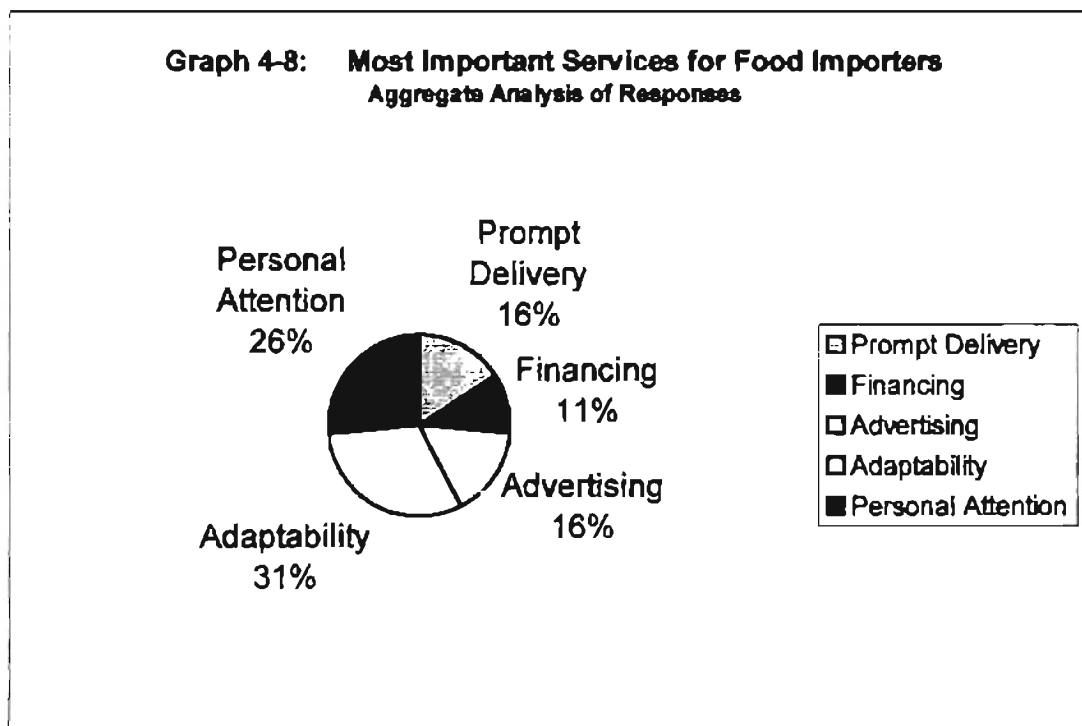
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
 Oklahoma State University, 1997.

Table 4-8. Most Important Services for Food Importers
 Number of Respondants that Ranked Each as First Preference

	Argentina	Brazil ¹	Total
Prompt Delivery	3	1	4
Financing	5	1	6
Advertising	3	1	4
Adaptability	2	-	2
Personal Attention	2	2	4
Total²	15	5	20

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



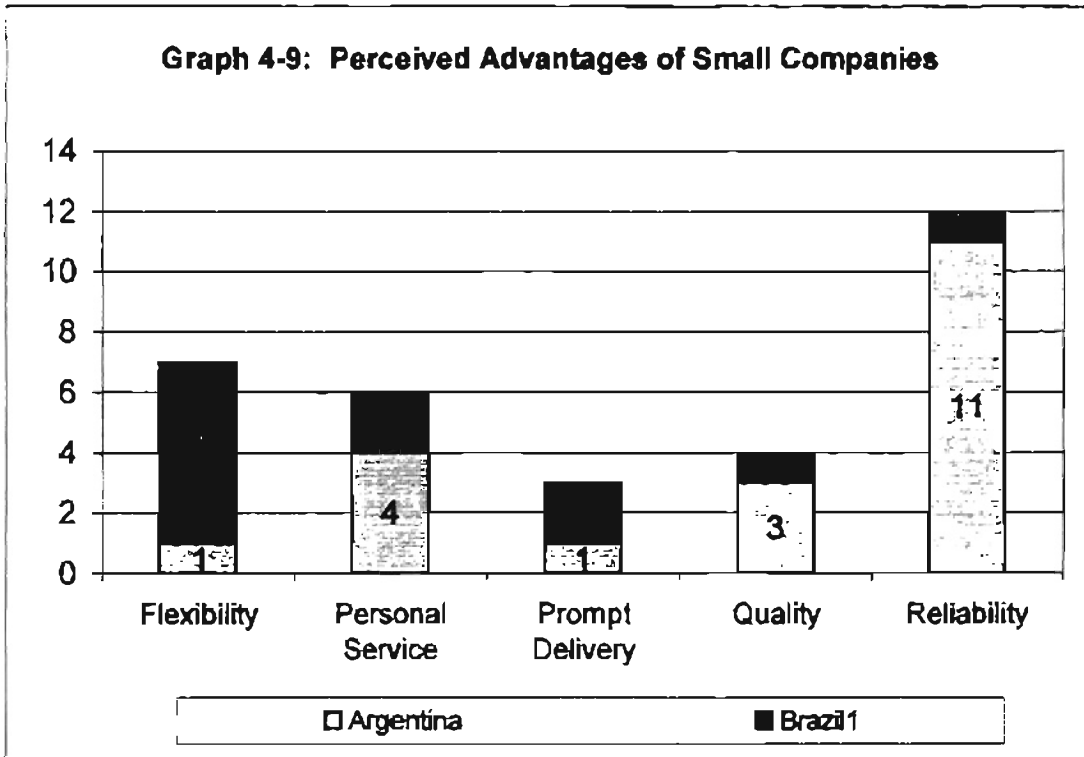
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-9. Perceived Advantage of Small Companies

	Argentina	Brazil ¹	Total
Flexibility	1	6	7
Personal Service	4	2	6
Prompt Delivery	1	2	3
Quality	3	1	4
Reliability	11	1	12
Total²	20	12	32

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



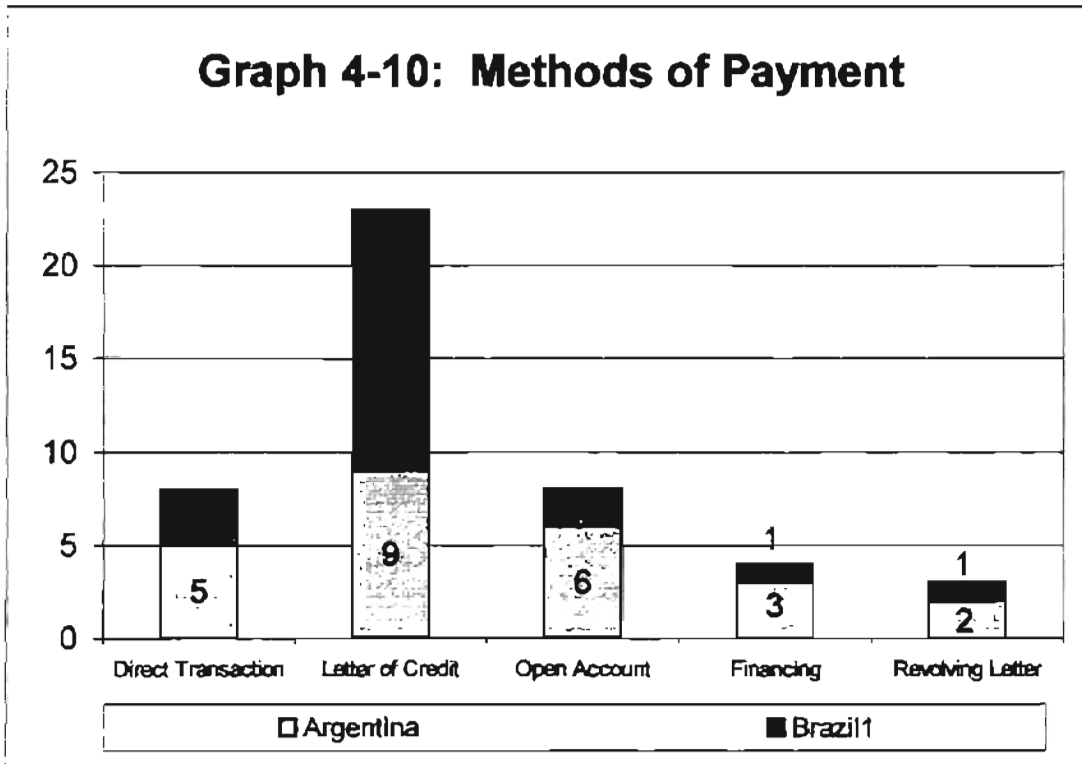
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-10. Methods of Payment

	Argentina	Brazil ¹	Total
Direct Transaction	5	3	8
Letter of Credit	9	14	23
Open Account	6	2	8
Financing	3	1	4
Revolving Letter of Credit	2	1	3
Total ²	25	21	46

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



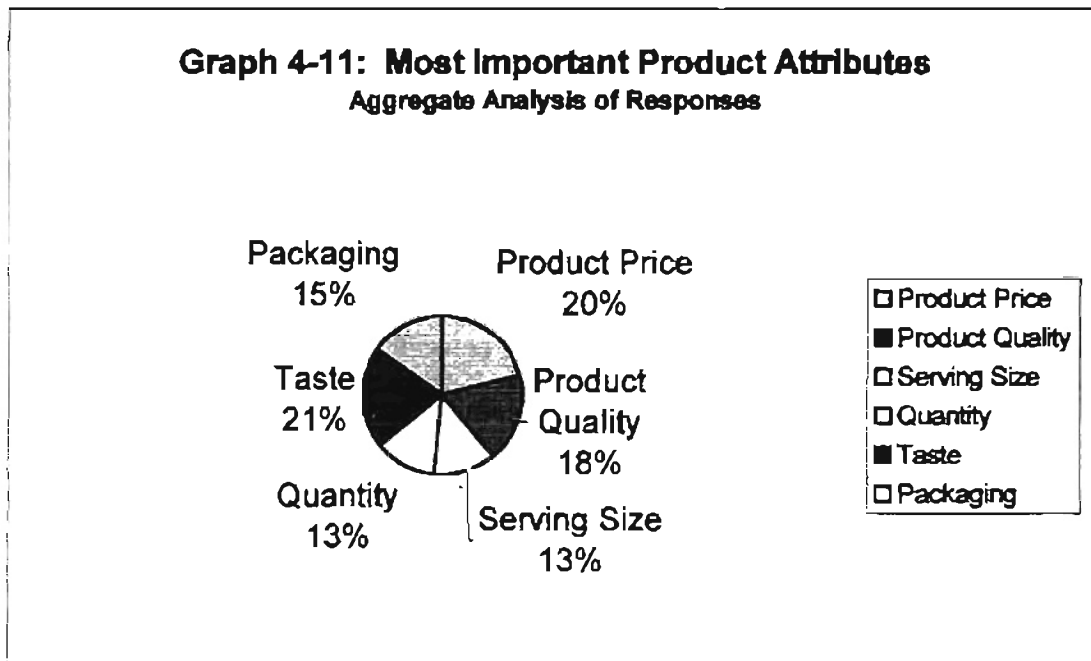
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-11. Most Important Product Attributes
 Number of Respondants that Ranked Each as First Preference

	Argentina	Brazil ¹	Total
Product Price	5	1	6
Product Quality	4	3	7
Serving Size	3	-	3
Quantity	1	1	2
Taste	2	2	4
Packaging	3	-	3
Total ²	18	7	25

¹ Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

² Totals from each country may vary due to incomplete or missing survey responses.



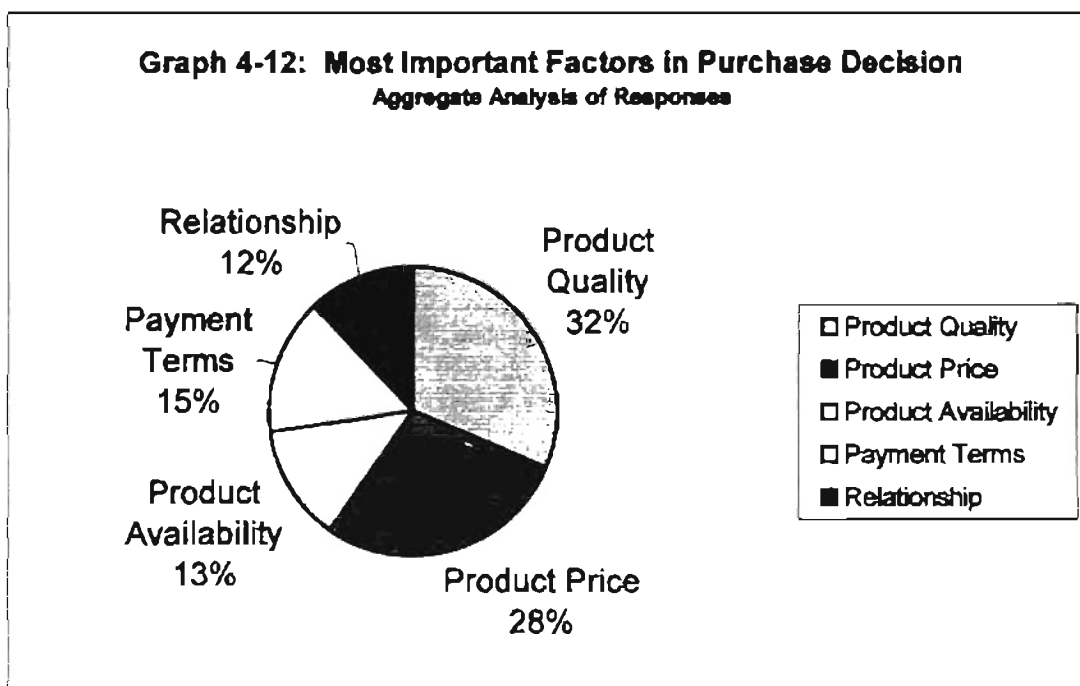
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
 Oklahoma State University, 1997.

Table 4-12. Most Important Factors in Purchase Decision
 Number of Respondants that Ranked Each as First Preference

	Argentina	Brazil ¹	Total
Product Quality	3	9	12
Product Price	3	5	8
Product Availability	9	2	11
Payment Terms	-	1	1
Relationship With Seller	2	2	4
Total²	17	19	36

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



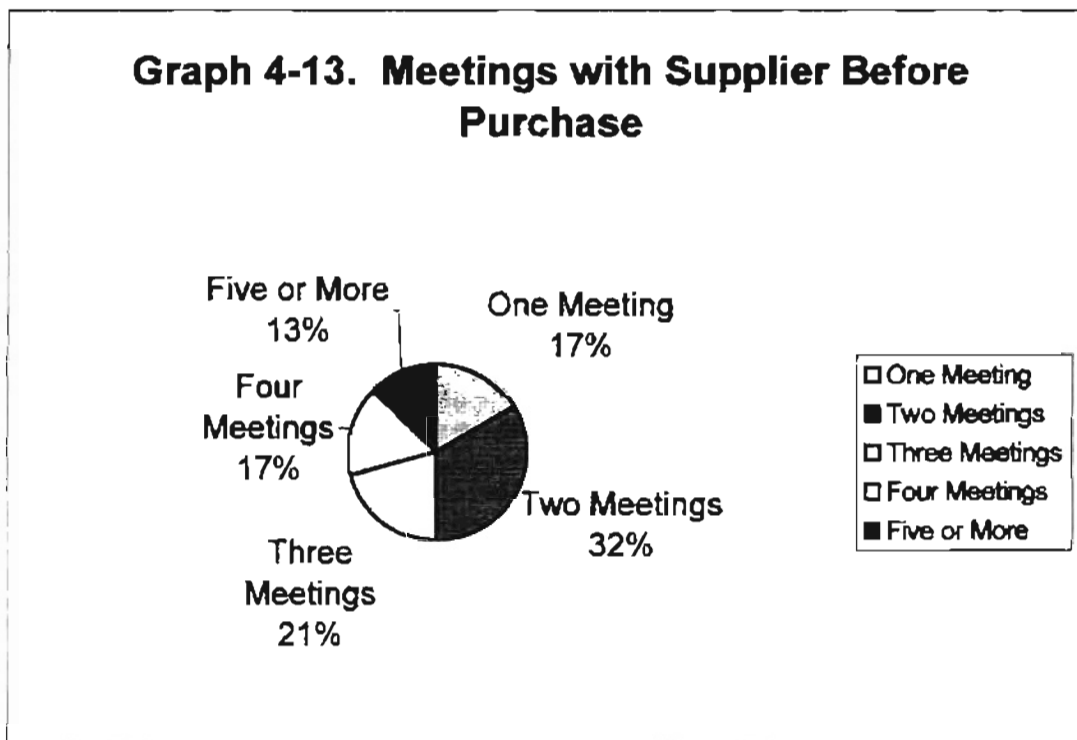
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
 Oklahoma State University, 1997.

Table 4-13: Meetings with Supplier Before Purchase

	Argentina	Brazil ¹	Total
One Meeting	4	-	4
Two Meetings	5	3	8
Three Meetings	5	-	5
Four Meetings	3	1	4
Five or More	3	-	3
Total ²	20	4	24

1 Due to limited and inconsistent responses, data from Chile and Uruguay are included in Brazil figures.

2 Totals from each country may vary due to incomplete or missing survey responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 4-14. Would You Import More Products If...

Importers answered "Yes" to the following scenarios.¹

	Argentina		Brazil	
	"Yes" Responses	Percentage of Total	"Yes" Responses	Percentage of Total
Containers included more than one kind of product	8	53.33%	-	0.00%
Product was made to your specifications	5	33.33%	2	66.67%
Financing was available	10	66.67%	1	33.33%
Payment could be made in home currency	4	26.67%	2	66.67%
A personal friend supplied the product	1	6.67%	-	0.00%
The company provided advertising	10	66.67%	-	0.00%
The price was significantly lower	11	73.33%	2	66.67%
The products were of higher quality	12	80.00%	3	100.00%

1 No responses were available from Chile or Uruguay.

2 Totals from each country may vary due to incomplete or missing survey responses.

Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Graph 4-14. Would You Import More Products If...

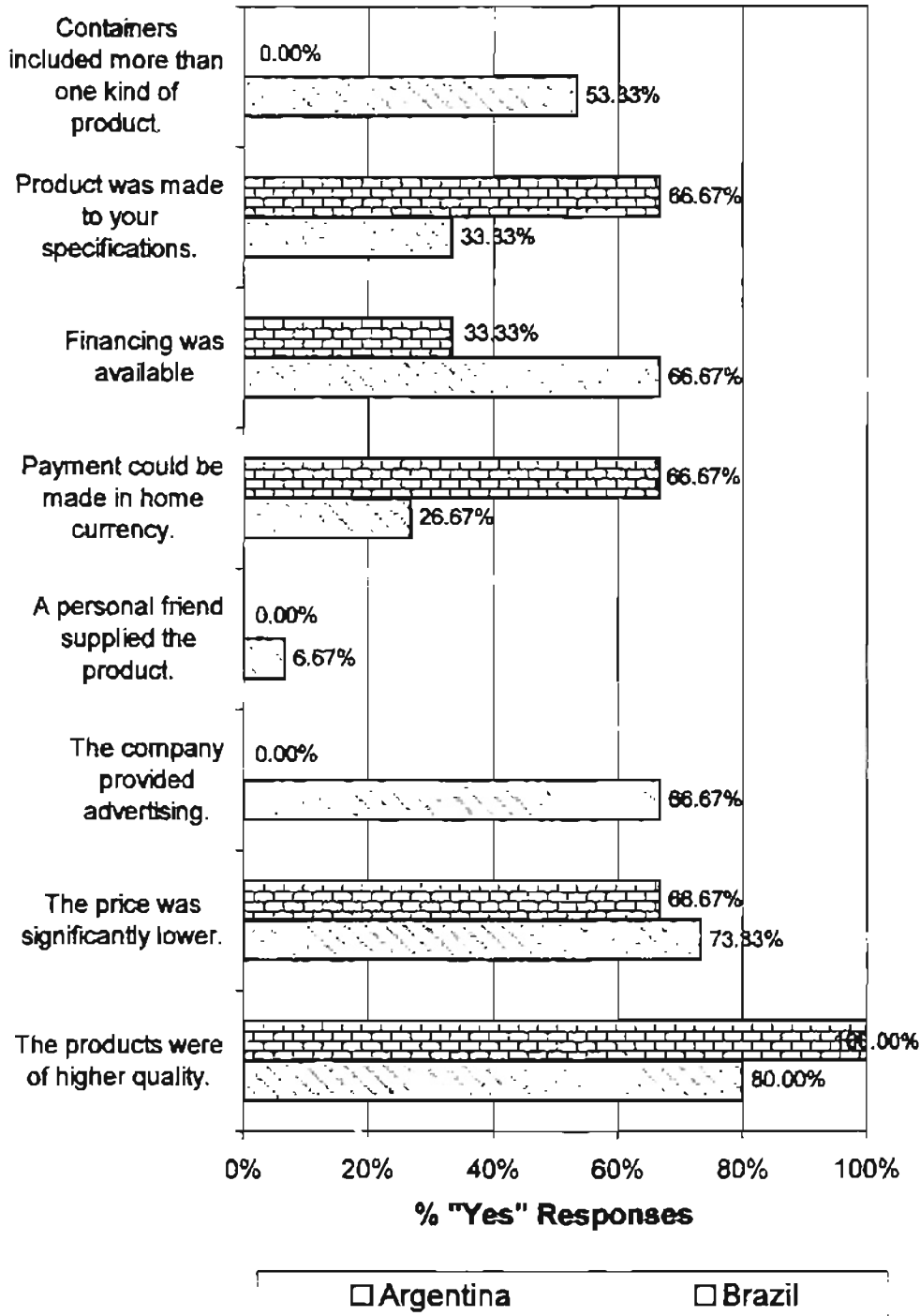
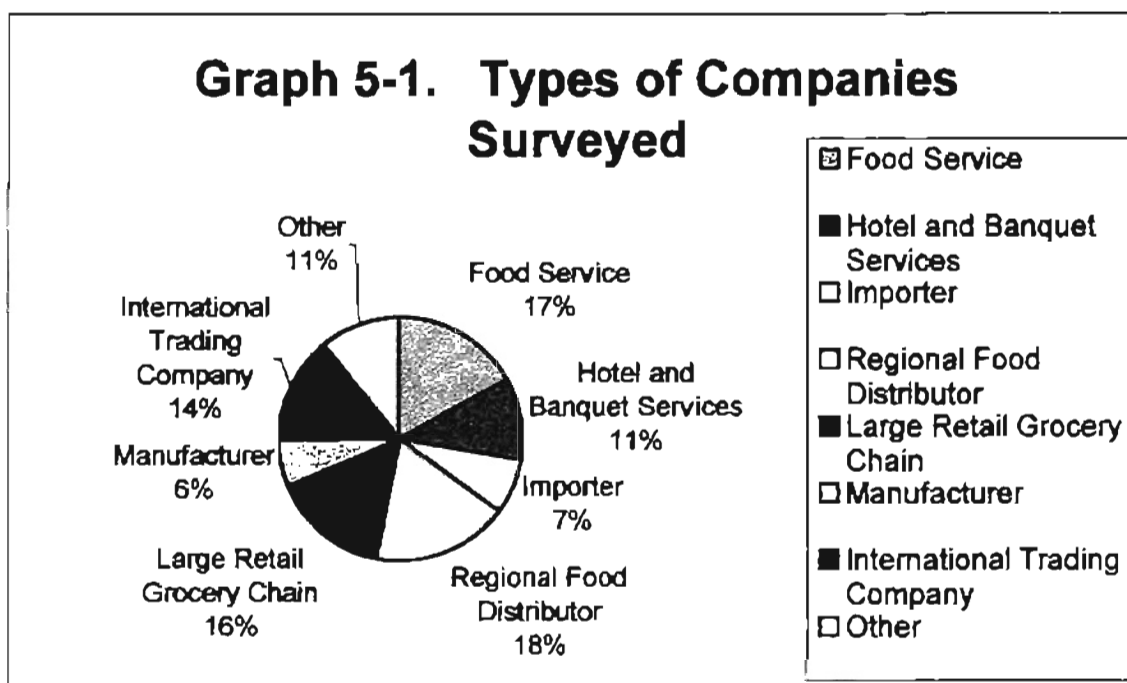


Table 5-1. Types of Companies Surveyed

	Indonesia	Phillipines	Total
Food Service	1	13	14
Hotel and Banquet Services	2	7	9
Importer	2	4	6
Regional Food Distributor	3	12	15
Large Retail Grocery Chain	9	4	13
Manufacturer	-	5	5
International Trading Company	4	8	12
Other	3	6	9
Total ^{1,2}	24	59	83

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.

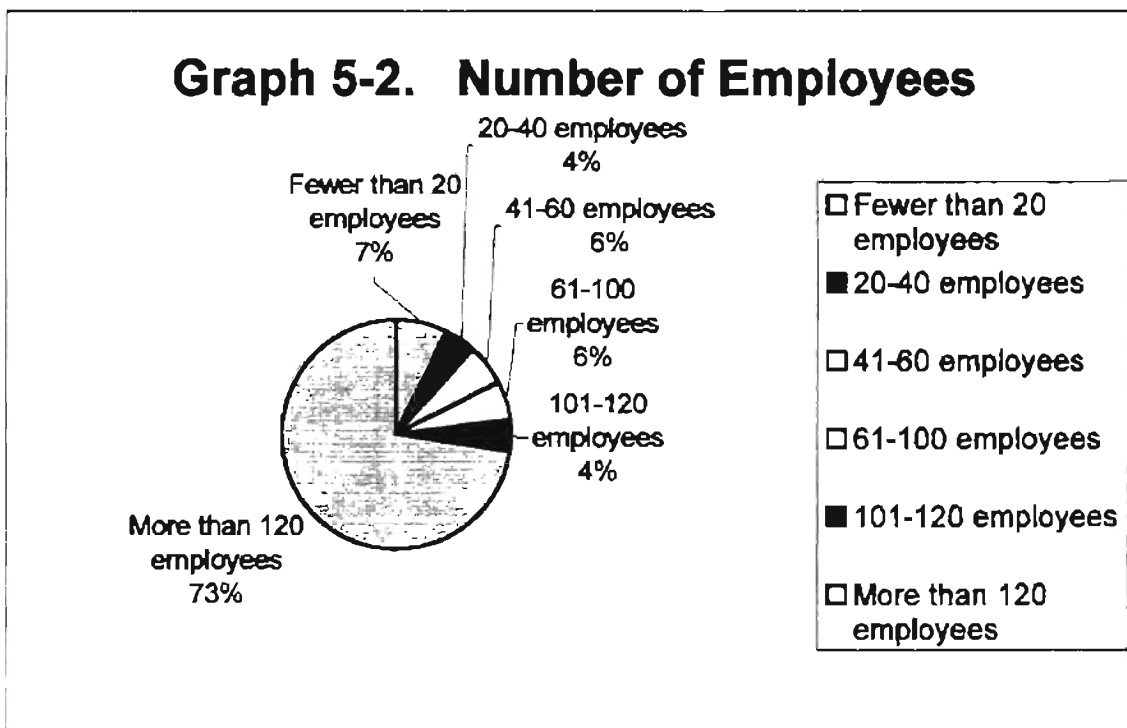


Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 5-2. Number of Employees

	Indonesia	Phillipines	Total
Fewer than 20 employees	3	2	5
20-40 employees	2	1	3
41-60 employees	-	4	4
61-100 employees	1	3	4
101-120 employees	-	3	3
More than 120 employees	16	34	50
Total ¹	22	47	69

¹ Totals may vary due to incomplete or missing responses.

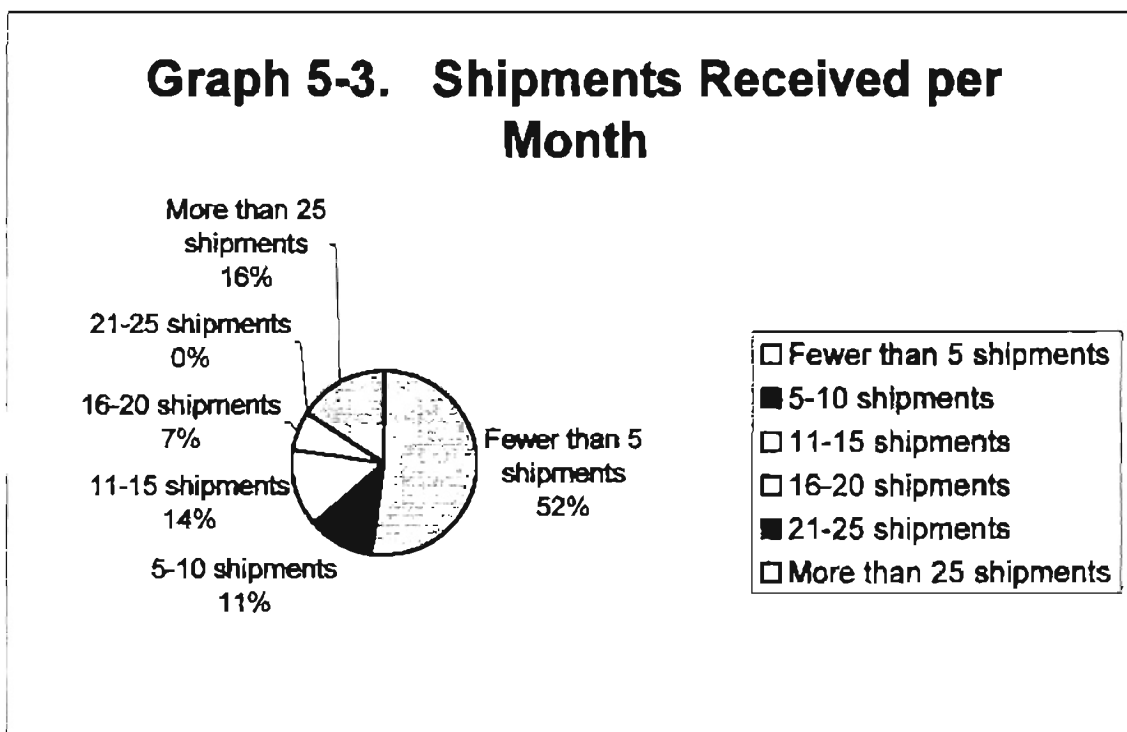


Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 5-3. Shipments Received per Month

	Indonesia	Phillipines	Total
Fewer than 5 shipments	7	16	23
5-10 shipments	1	4	5
11-15 shipments	2	4	6
16-20 shipments	2	1	3
21-25 shipments	-	-	0
More than 25 shipments	4	3	7
Total ¹	16	28	44

¹. Totals may vary due to incomplete or missing responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry

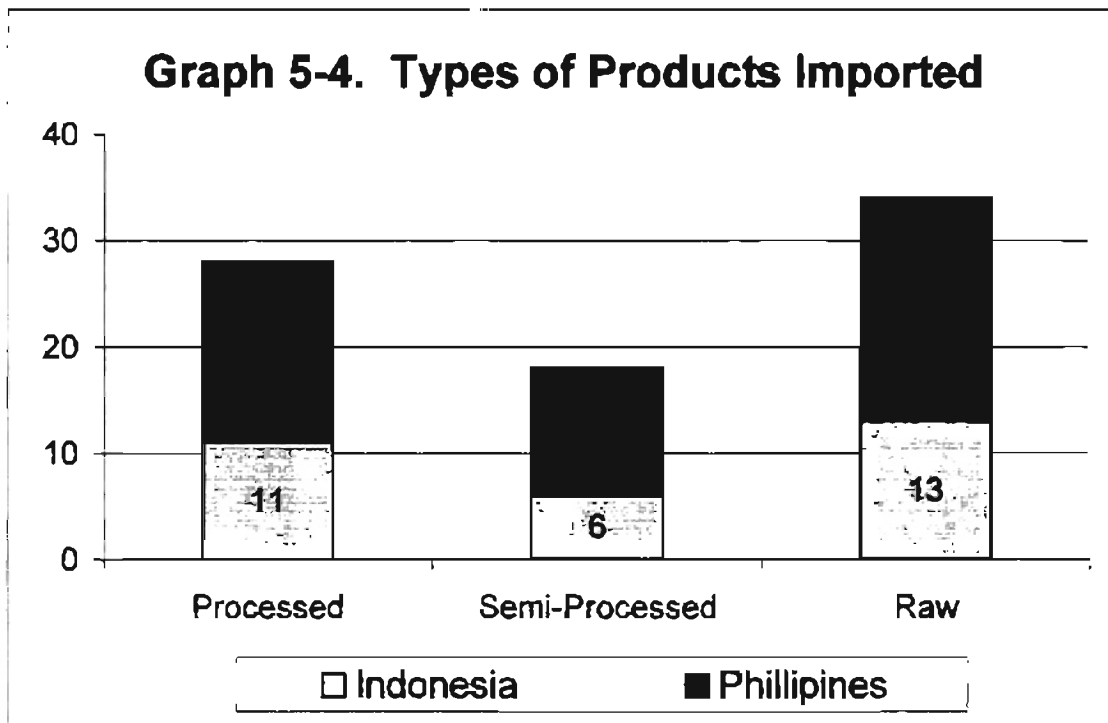
Oklahoma State University, 1987.

Table 5-4. Types of Products Imported

	Indonesia	Phillipines	Total
Processed	11	17	28
Semi-Processed	6	12	18
Raw	13	21	34
Total ^{1,2}	30	50	80

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



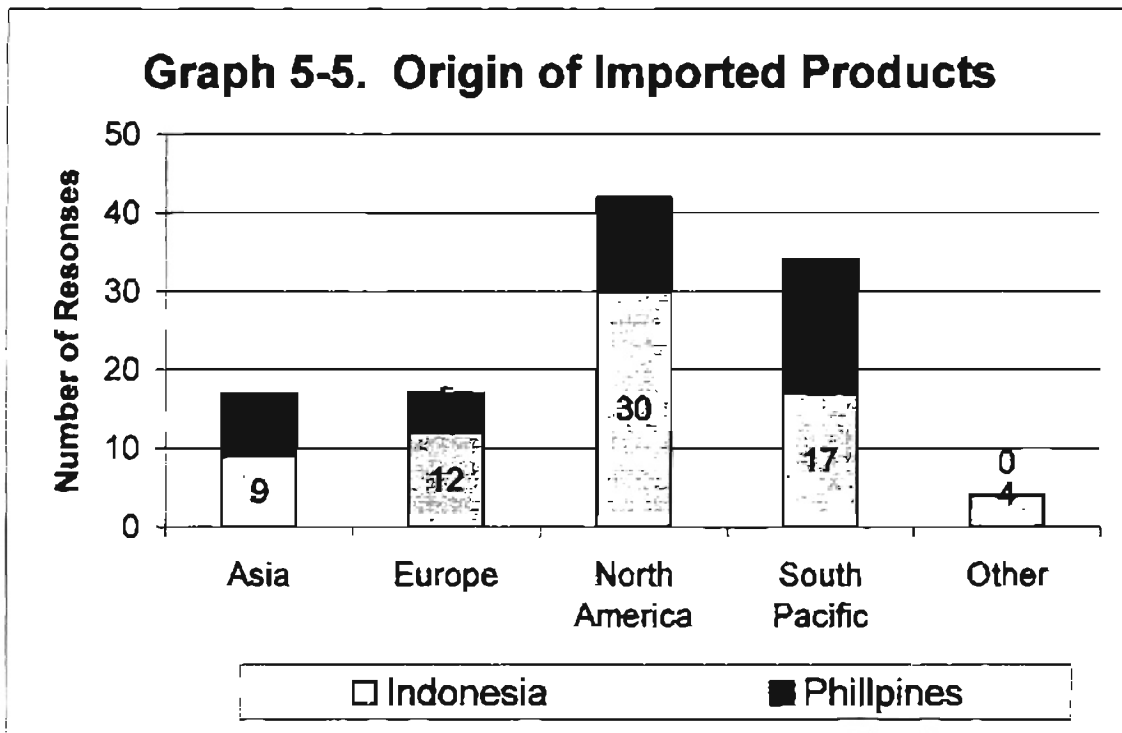
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
 Oklahoma State University, 1997.

Table 5-5. Origin of Imported Products

	Indonesia	Phillipines	Total
Asia	8	9	17
Europe	5	12	17
North America	12	30	42
South Pacific	17	17	34
Other	-	4	4
Total ^{1,2}	42	72	114

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



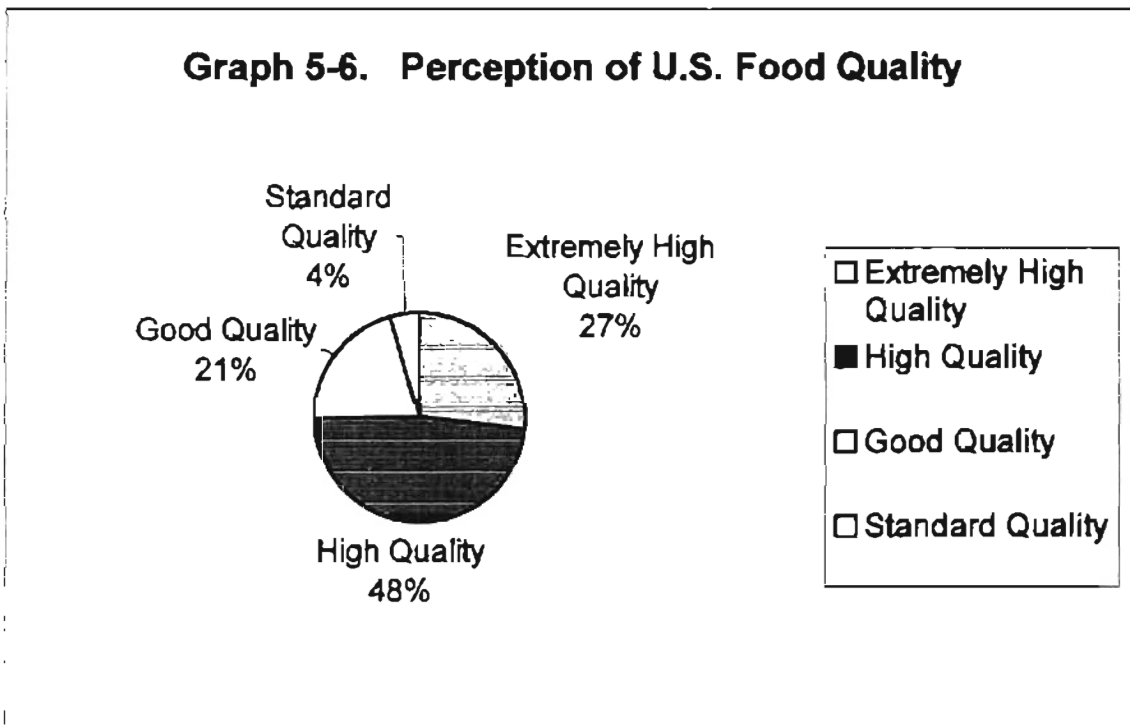
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry

Oklahoma State University, 1997.

Table 5-6. Perception of U.S. Food Quality

	Indonesia	Phillipines	Total
Extremely High Quality	4	14	18
High Quality	11	21	32
Good Quality	6	8	14
Standard Quality	-	3	3
Below Standard Quality	-	-	0
Poor Quality			
Total ¹	21	46	67

¹ Totals may vary due to incomplete or missing responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

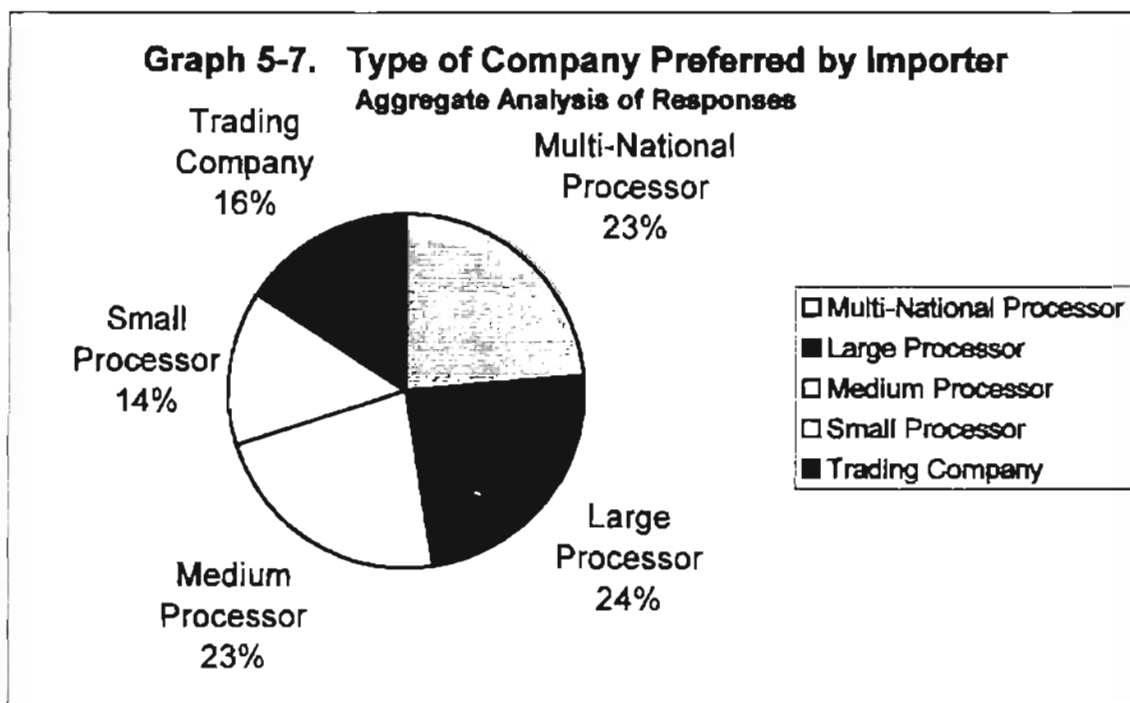
Table 5-7. Type of Company Preferred By Importer

Number of Respondants Ranking Each as First Preference

	Indonesia	Philippines	Total
Multi-National Processor	6	23	29
Large Processor	2	3	5
Medium Processor	1	4	5
Small Processor	2	-	2
Trading Company	7	13	20
Total ^{1,2}	18	43	61

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry

Oklahoma State University, 1997.

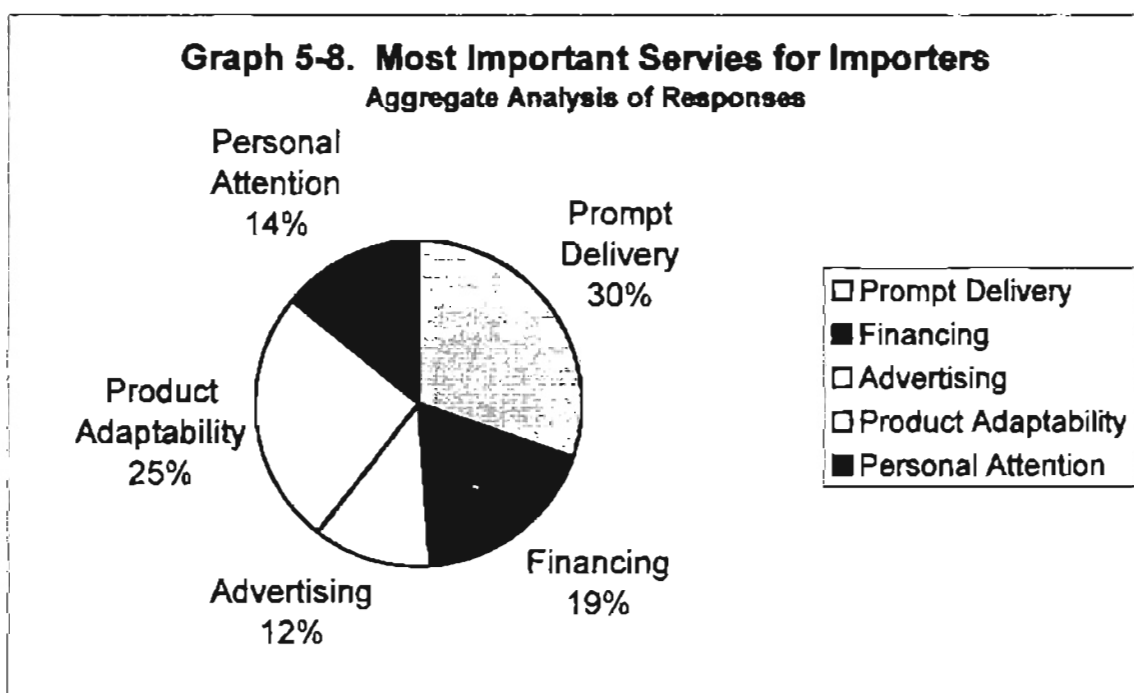
Table 5-8. Most Important Services for Food Importers

Number of Respondants Ranking Each as First Preference

	Indonesia	Phillipines	Total
Prompt Delivery	8	17	25
Financing	3	10	13
Advertising	5	6	11
Product Adaptability	-	3	3
Personal Attention	1	-	1
Total ^{1,2}	17	36	53

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



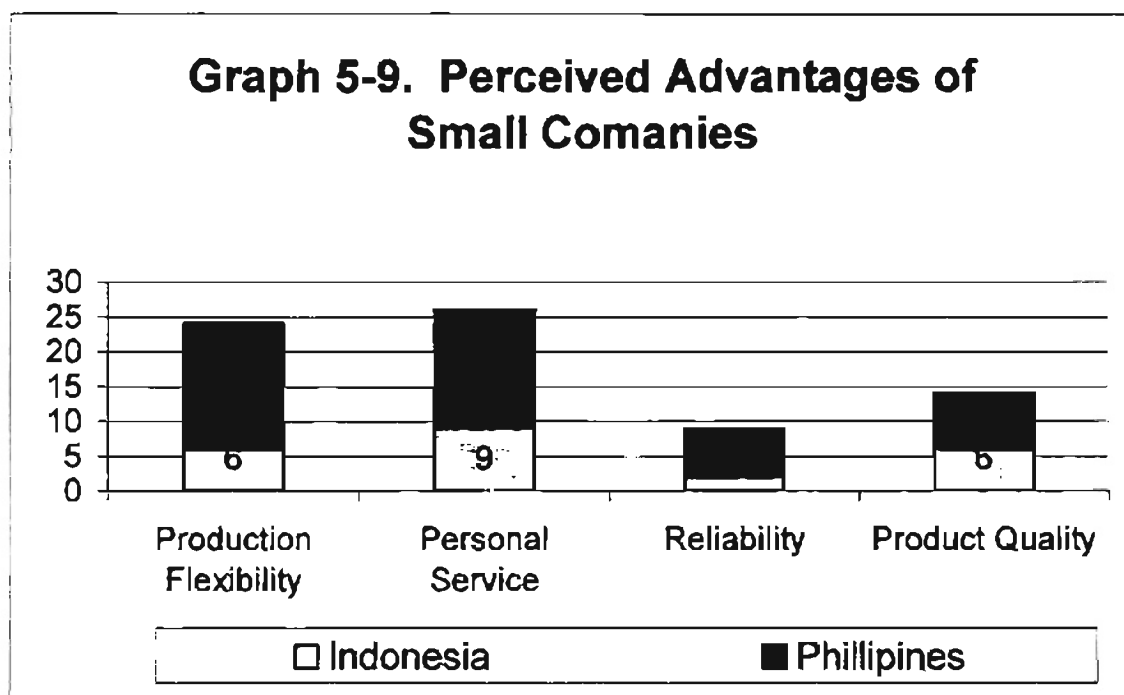
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 5-9. Perceived Advantages of Small Companies

	Indonesia	Phillipines	Total
Production Flexibility	6	18	24
Personal Service	9	17	26
Reliability	2	7	9
Product Quality	6	8	14
Total ^{1,2}	23	50	73

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry

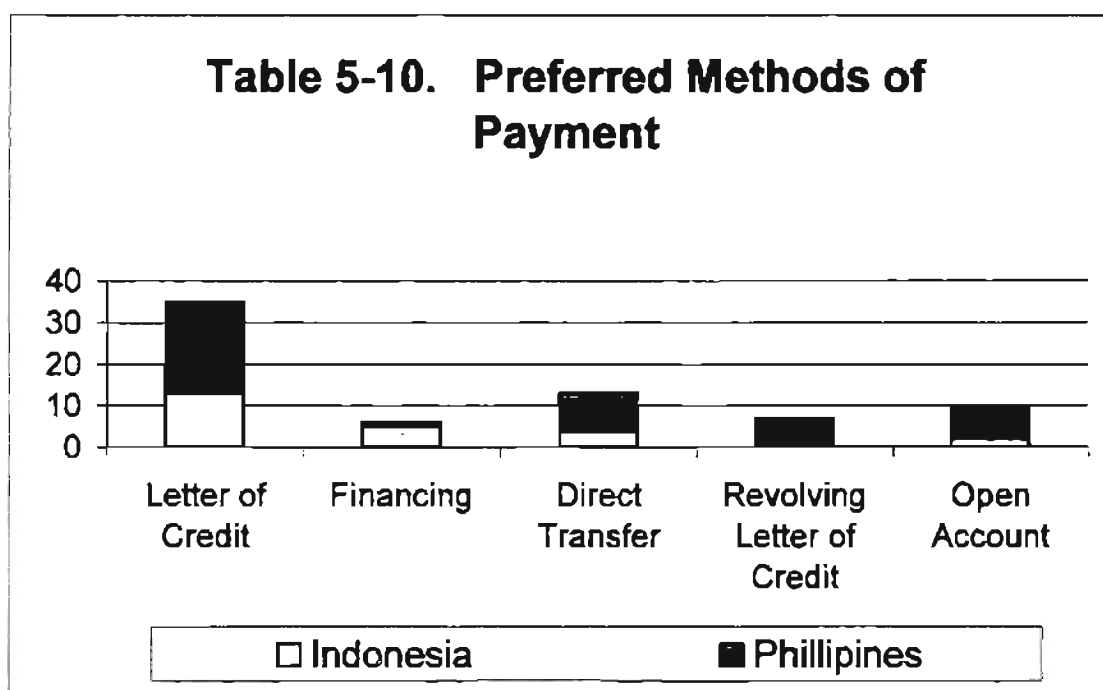
Oklahoma State University, 1997.

Table 5-10. Preferred Methods of Payment

	Indonesia	Phillipines	Total
Letter of Credit	13	22	35
Financing	5	1	6
Direct Transfer	4	9	13
Revolving Letter of Credit	-	7	7
Open Account	2	8	10
Total ^{1,2}	24	47	71

^{1.} Totals may vary due to incomplete or missing responses.

^{2.} Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 5-11. Most Important Product Attributes in Purchase Decision
 Number of Respondants Ranking Each as First Preference

	Indonesia	Phillipines	Total
Price	5	10	15
Appearance	8	8	16
Serving Size	3	10	13
Taste	1	5	6
Packaging	2	7	9
Total ^{1,2}	19	40	59

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.

Graph 5-11. Most Important Product Attribute in Purchase Decision

Aggregate Analysis of Responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
 Oklahoma State University, 1997.

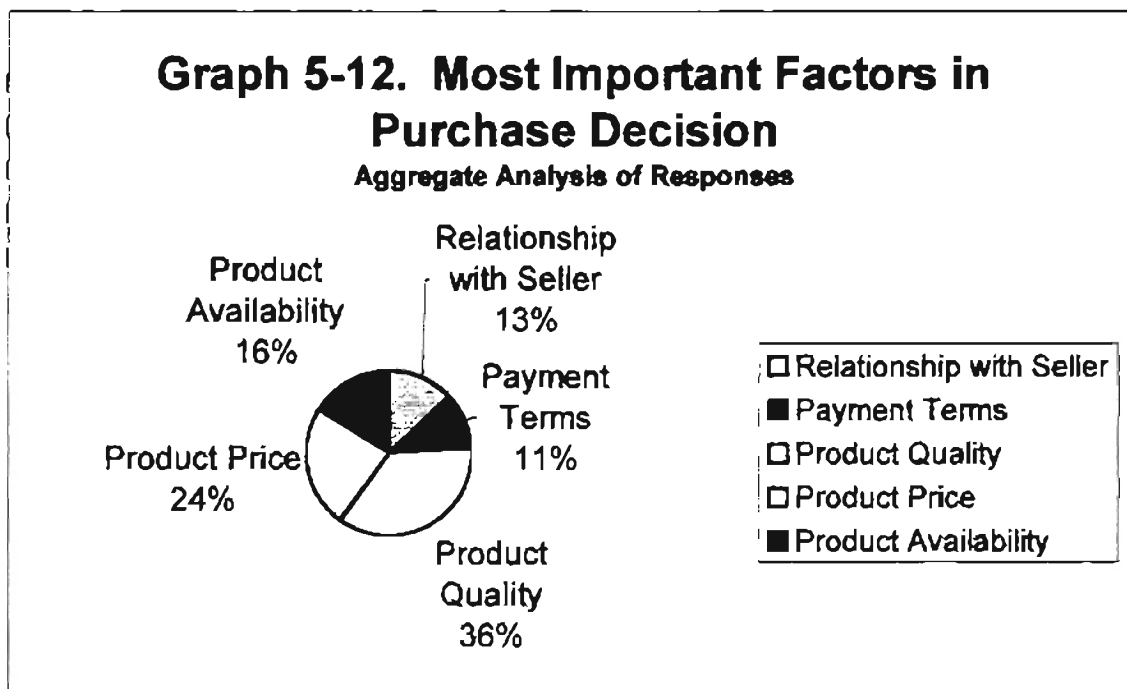
Table 5-12. Most Important Factors in Purchase Decision

Number of Respondants Ranking Each as First Preference

	Indonesia	Phillipines	Total
Relationship with Seller	2	10	12
Payment Terms	2	5	7
Product Quality	1	3	4
Product Price	8	18	26
Product Availability	7	18	25
Total ^{1,2}	20	54	74

^{1.} Totals may vary due to incomplete or missing responses.

^{2.} Total responses may exceed total survey participation due to multiple responses.



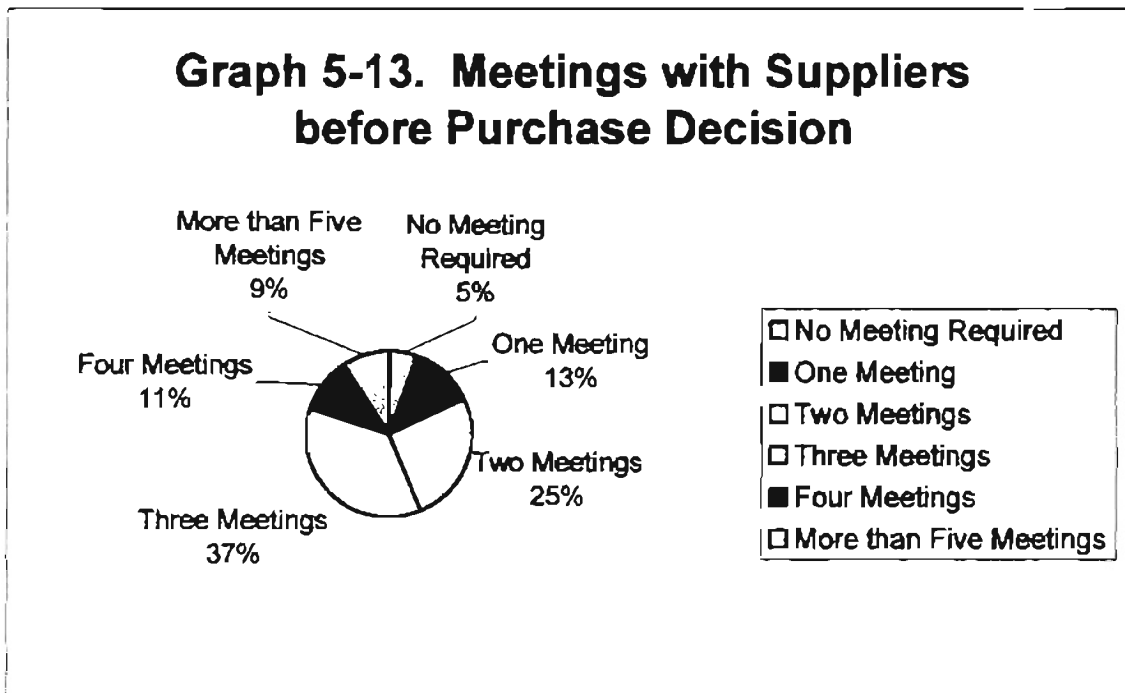
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 5-13. Meeting with Suppliers before Purchase Decision

	Indonesia	Phillipines	Total
No Meeting Required	2	1	3
One Meeting	2	5	7
Two Meetings	4	10	14
Three Meetings	6	14	20
Four Meetings	3	3	6
More than Five Meetings	-	5	5
Total ^{1,2}	17	38	55

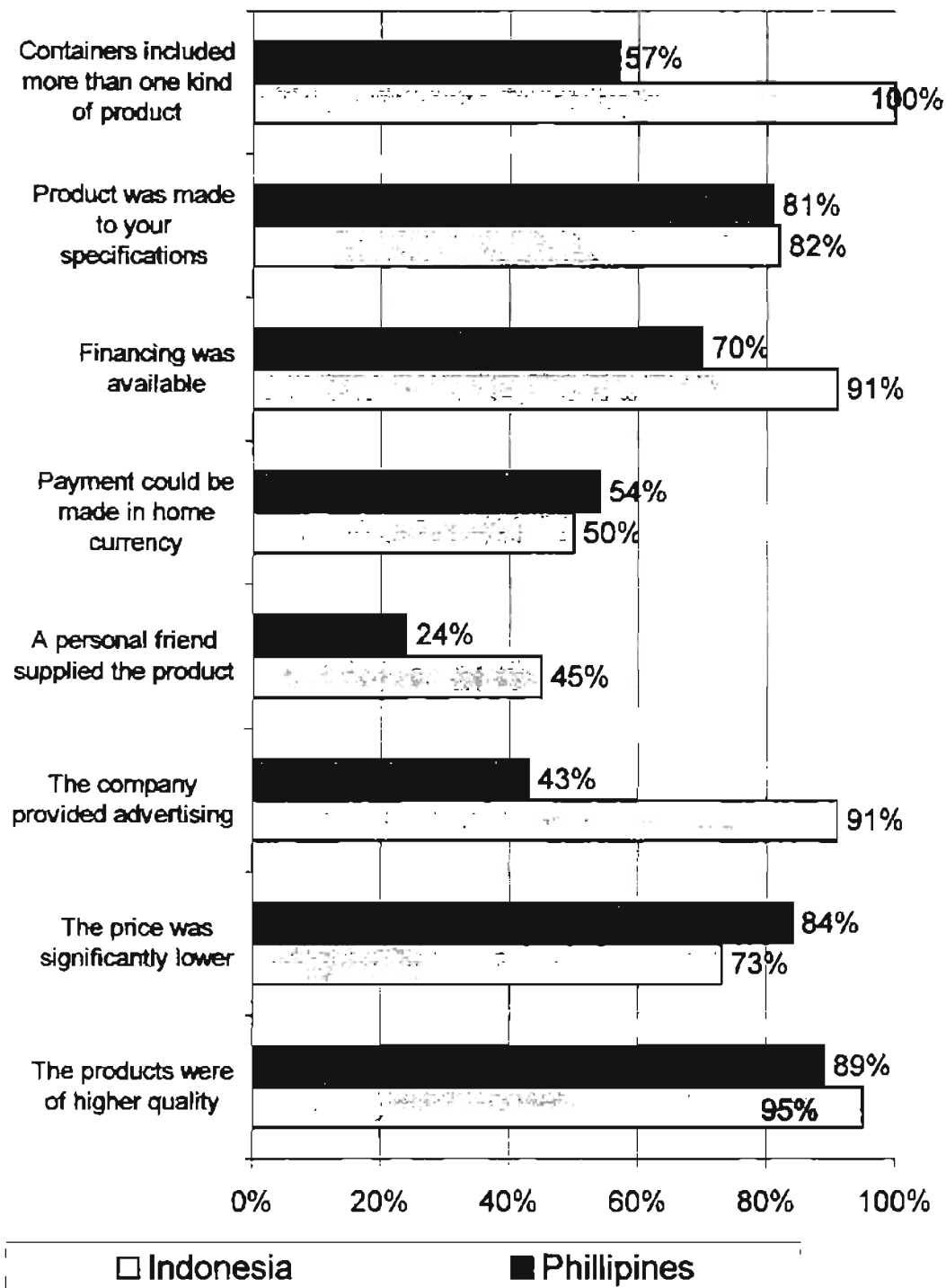
¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Graph 5-14. Would You Import More If...



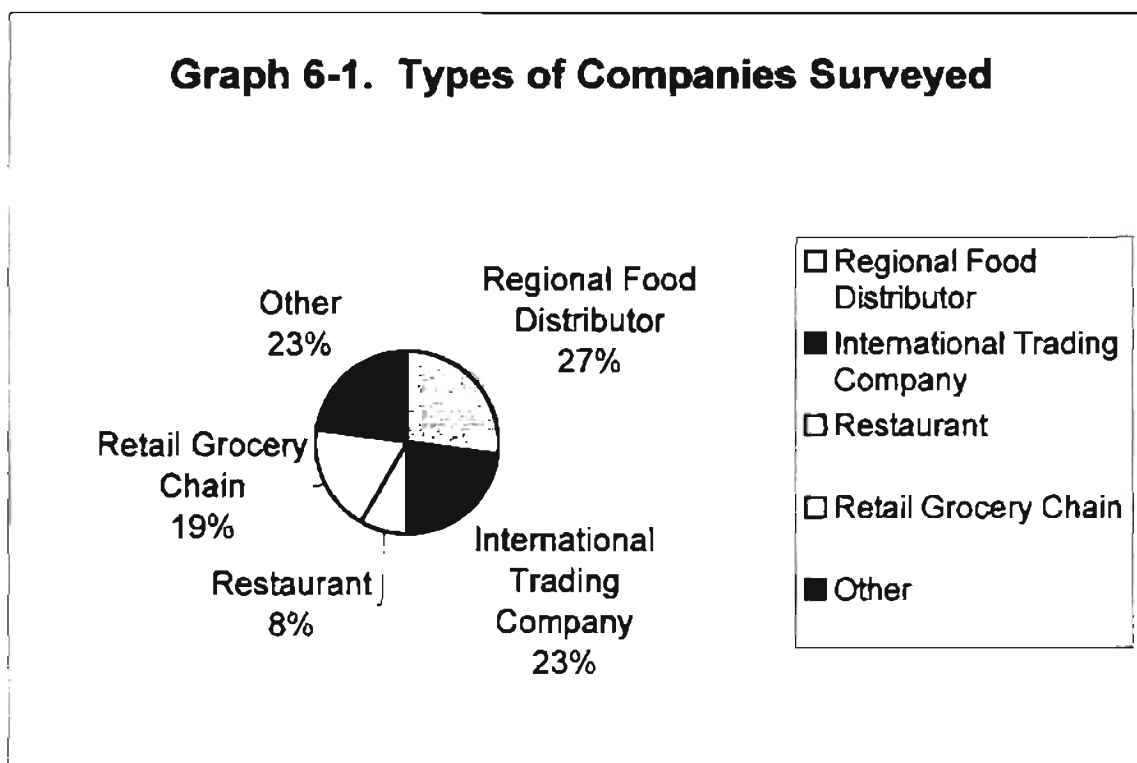
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 6-1. Types of Companies Surveyed

	Russia
Regional Food Distributor	13
International Trading Company	11
Restaurant	4
Retail Grocery Chain	9
Other	11
Total ^{1,2}	48

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



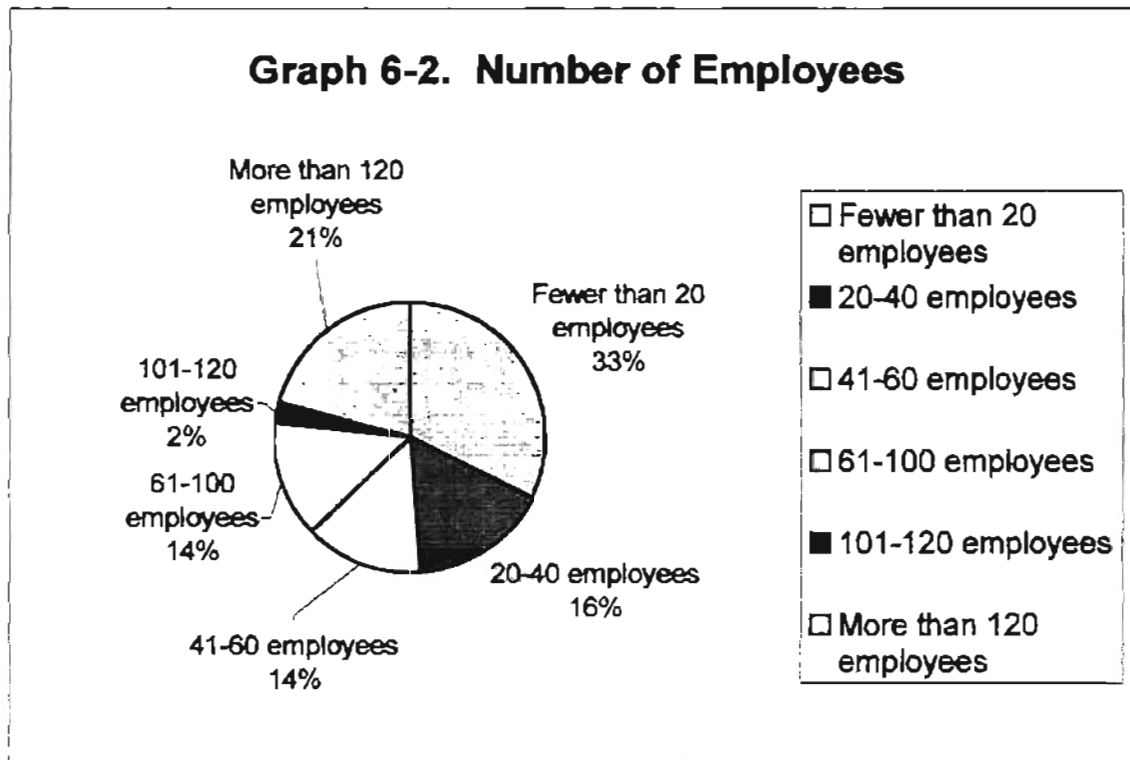
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 6-2. Number of Employees

	Russia
Fewer than 20 employees	14
20-40 employees	7
41-60 employees	6
61-100 employees	6
101-120 employees	1
More than 120 employees	9
Total ¹	43

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



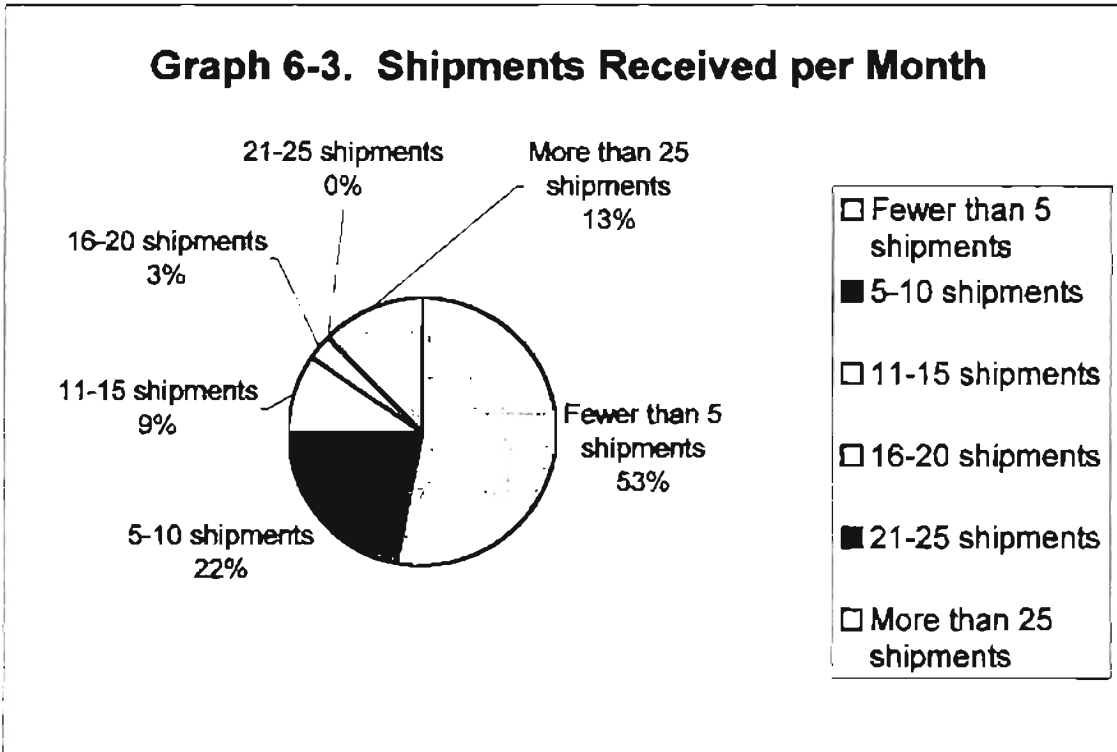
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-3. Shipments Received per Month

	Russia
Fewer than 5 shipments	17
5-10 shipments	7
11-15 shipments	3
16-20 shipments	1
21-25 shipments	-
More than 25 shipments	4
 Total ¹	 32

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



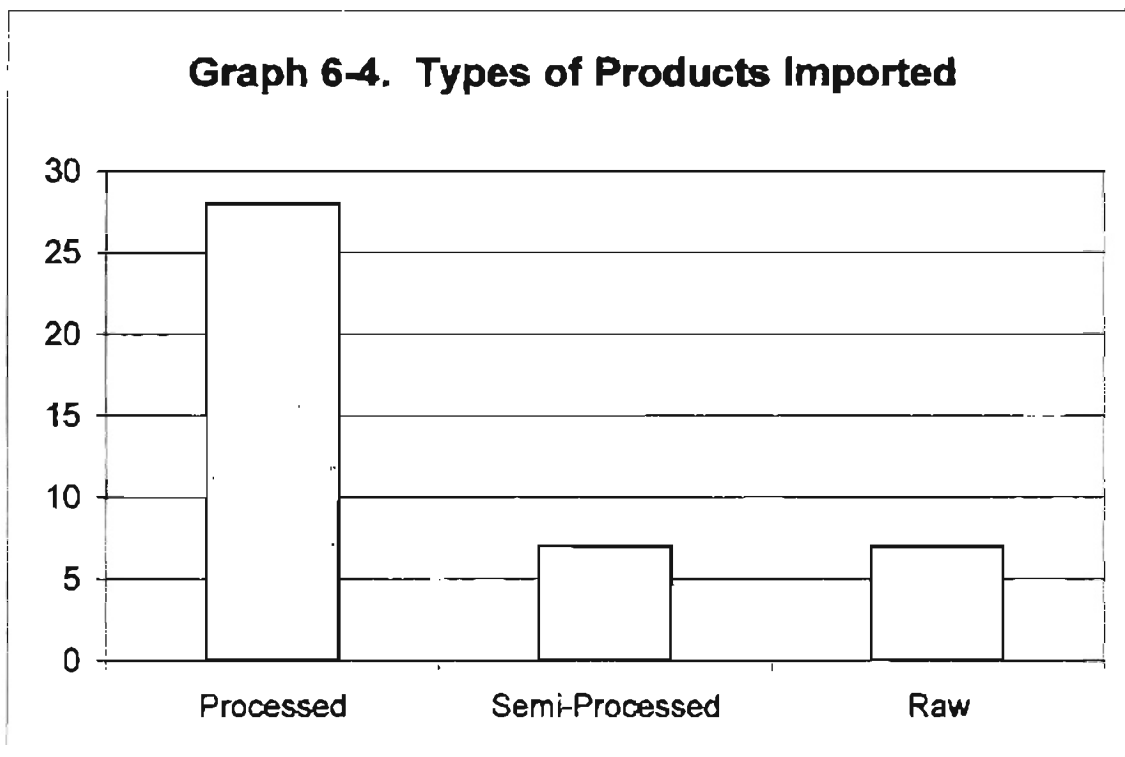
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-4. Types of Products Imported

	Russia
Processed	28
Semi-Processed	7
Raw	7
Total ^{1,2}	42

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



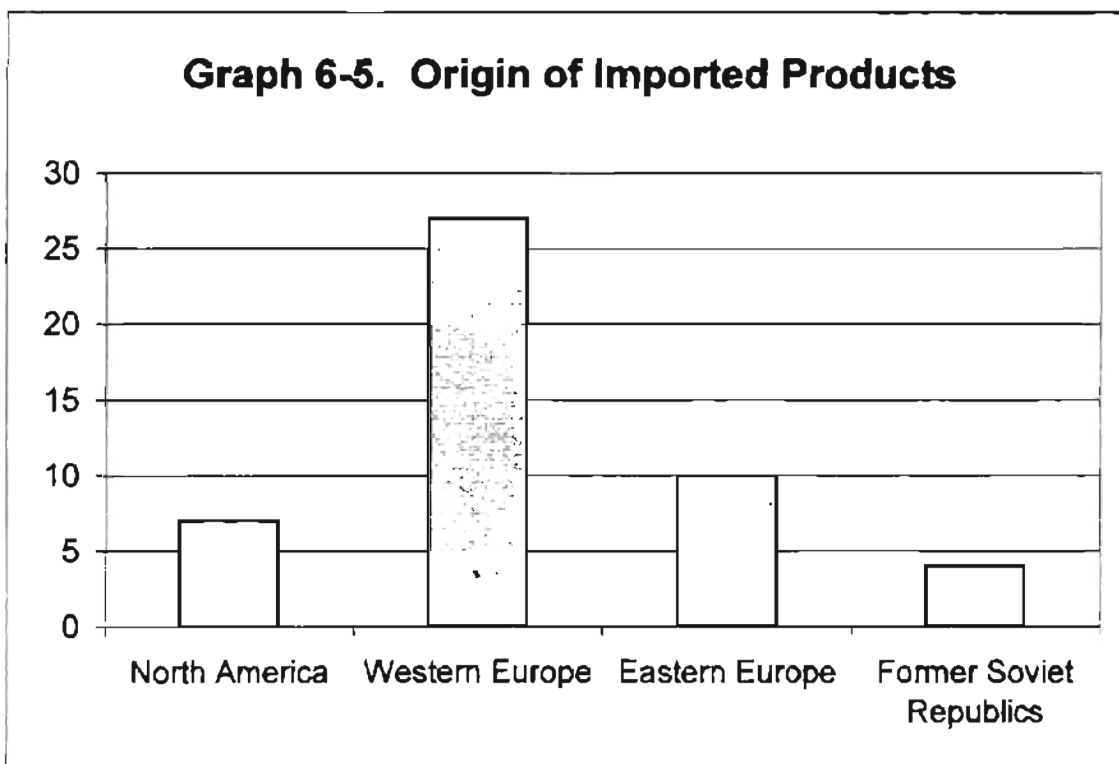
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 6-5. Origin of Imported Products

	Russia
North America	7
Western Europe	27
Eastern Europe	10
Former Soviet Republics	4
Total ^{1,2}	48

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



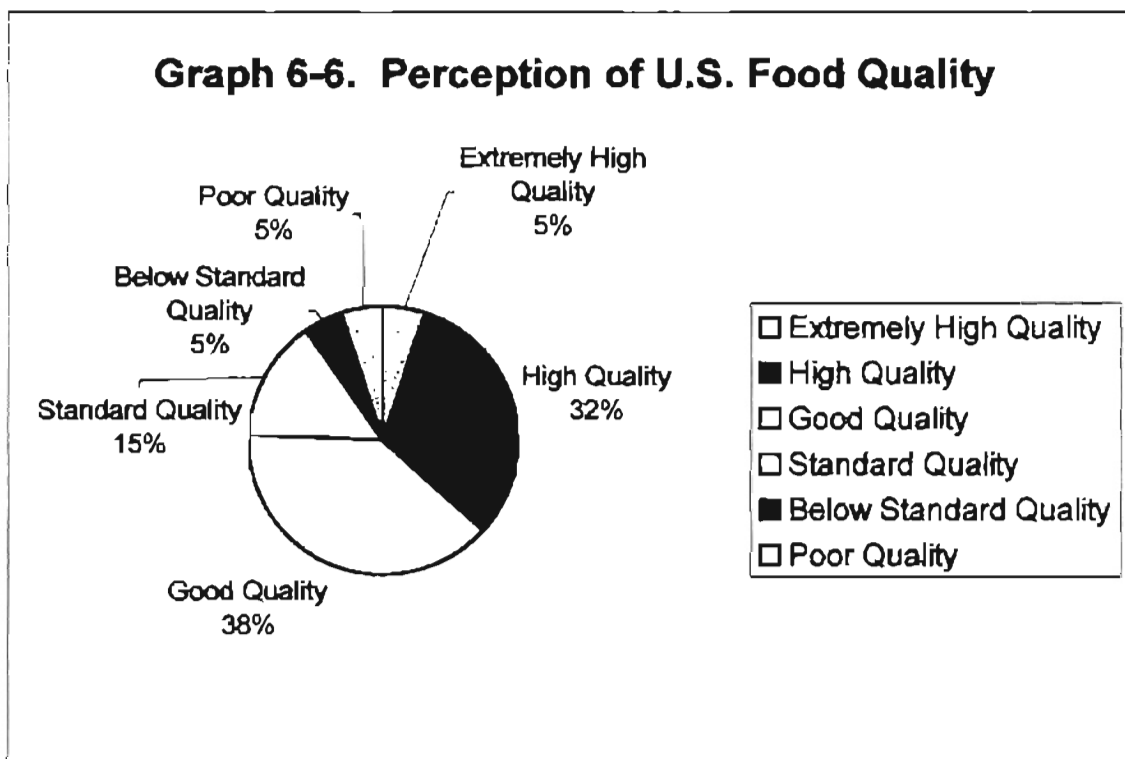
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 6-6. Perception of U.S. Food Quality

	Russia
Extremely High Quality	2
High Quality	13
Good Quality	16
Standard Quality	6
Below Standard Quality	2
Poor Quality	2
Total ^{1,2}	39

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry, Oklahoma State University, 1997.

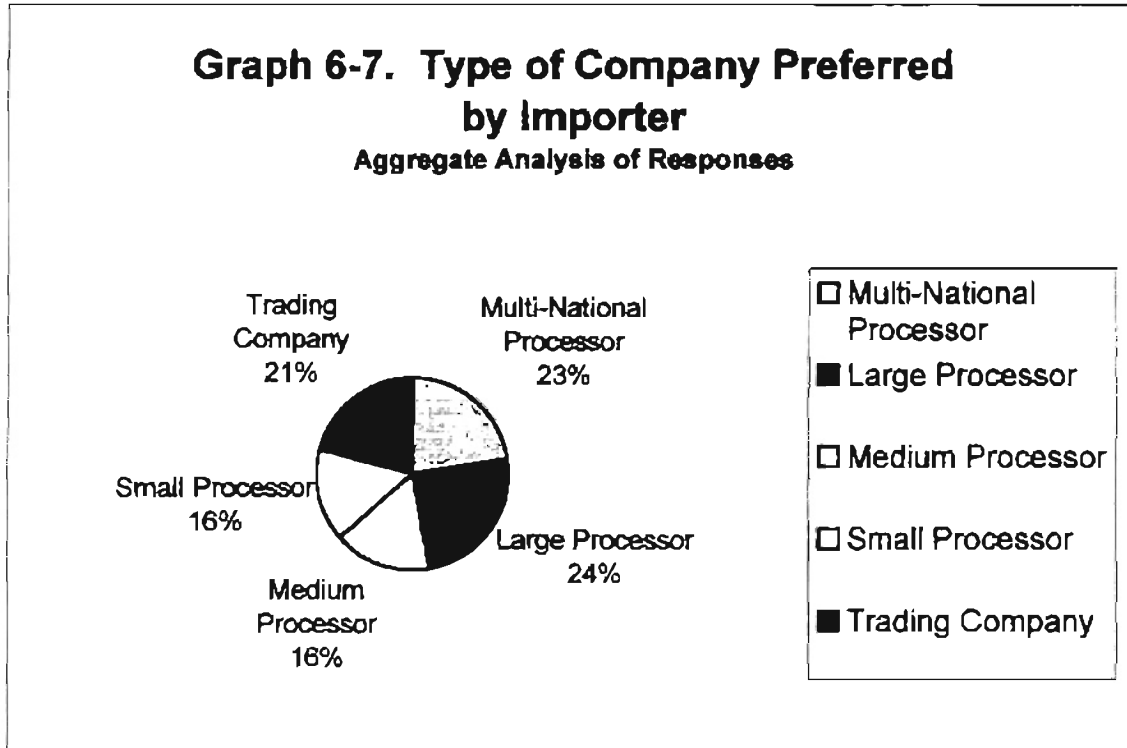
**Table 6-7. Type of Company Preferred
By Importer**

Number of Respondants That Ranked Each as First Preference

	Russia
Multi-National Processor	11
Large Processor	7
Medium Processor	5
Small Processor	6
Trading Company	7
Total ^{1,2}	36

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry
Oklahoma State University, 1997.

Table 6-8. Most Important Services for Food Importers

Number of Respondants That Ranked Each as First Preference

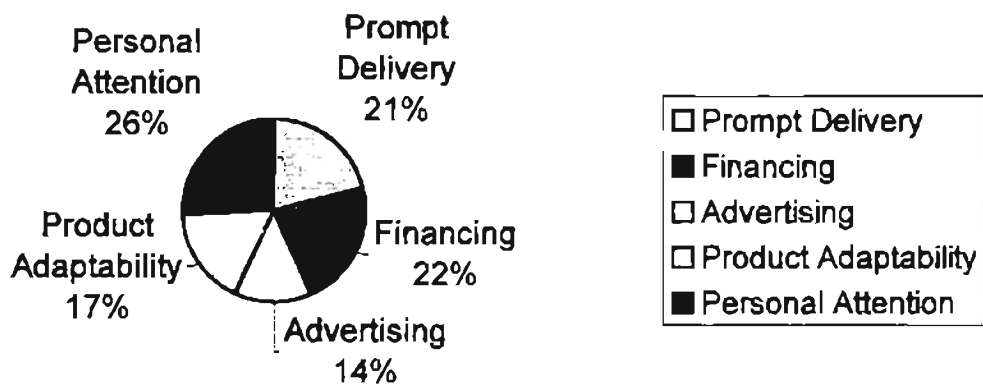
	Russia
Prompt Delivery	8
Financing	13
Advertising	6
Product Adaptability	6
Personal Attention	3
Total ^{1,2}	36

¹: Totals may vary due to incomplete or missing responses.

²: Total responses may exceed total survey participation due to multiple responses.

Graph 6-8. Most Important Services for Food Importers

Aggregate Analysis of Responses



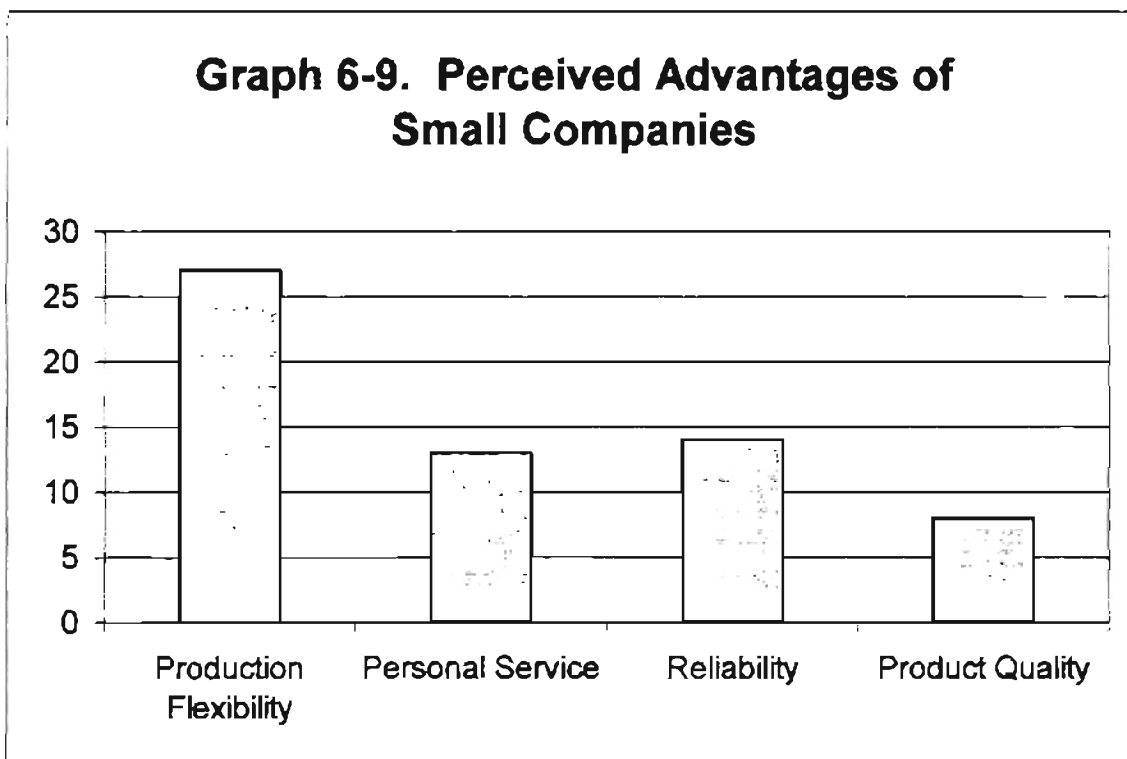
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-9. Perceived Advantages of Small Companies

	Russia
Production Flexibility	27
Personal Service	13
Reliability	14
Product Quality	8
Total ^{1,2}	62

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



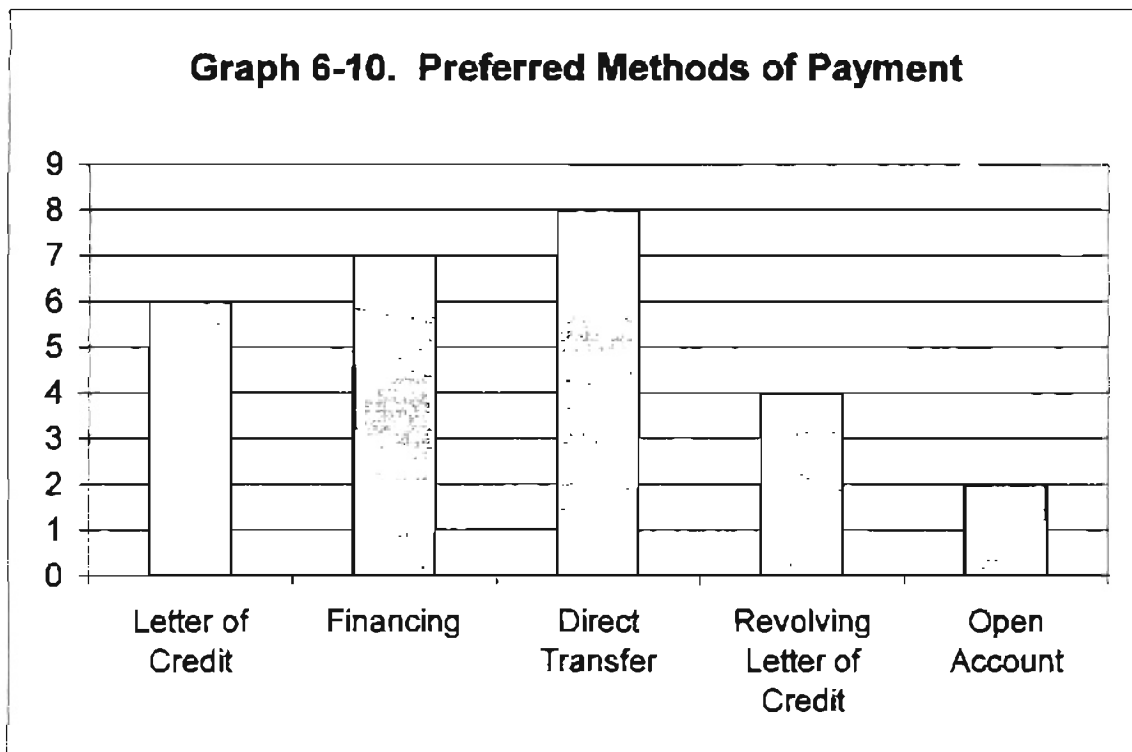
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-10. Preferred Methods of Payment

Russia	
Letter of Credit	6
Financing	7
Direct Transfer	8
Revolving Letter of Credit	4
Open Account	2
Total ^{1,2}	27

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-11. Most Important Product Attributes in Purchase Decision

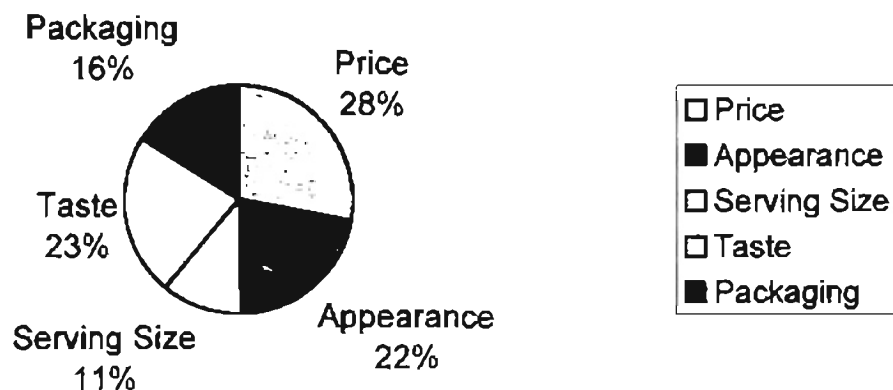
Number of Respondants That Ranked Each as First Preference

	Russia
Price	18
Appearance	8
Serving Size	6
Taste	4
Packaging	4
Total ^{1,2}	40

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.

Graph 6-11. Most Important Product Attributes in Purchase Decision
Aggregate Analysis of Responses



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

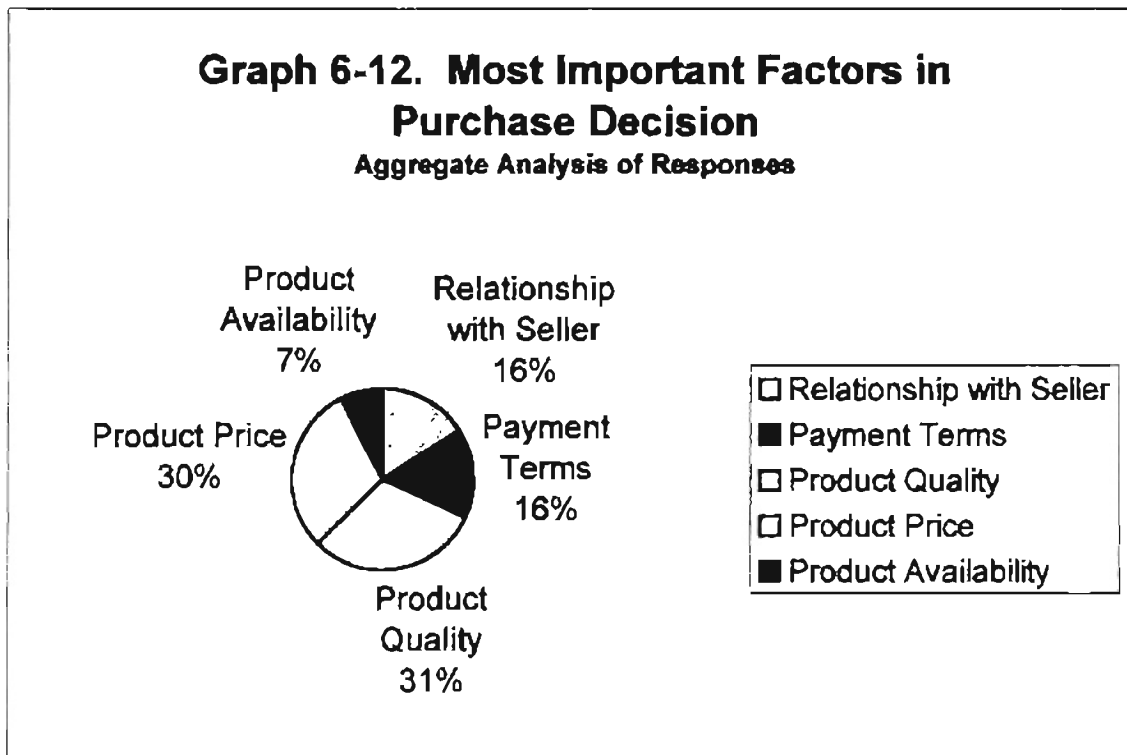
Table 6-12. Most Important Factors in Purchase Decision

Number of Respondants That Ranked Each as First Preference

	Russia
Relationship with Seller	1
Payment Terms	5
Product Quality	15
Product Price	13
Product Availability	8
Total ^{1,2}	42

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.



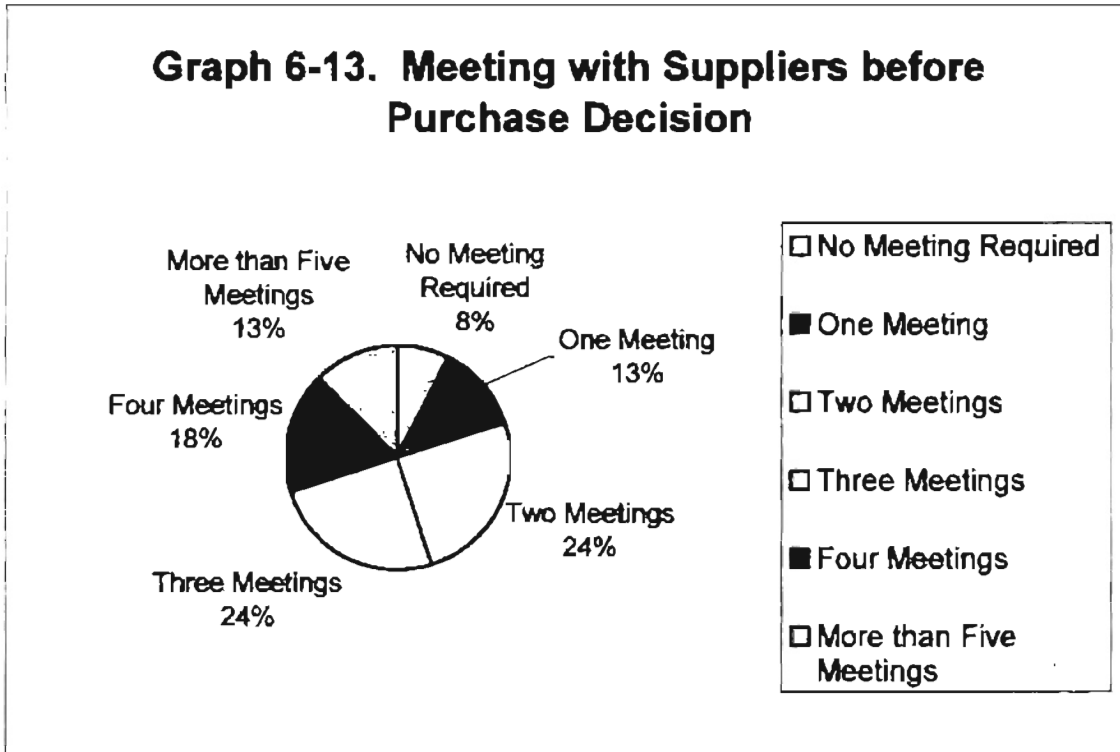
Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-13. Meeting with Suppliers before Purchase Decision

	Russia
No Meeting Required	3
One Meeting	5
Two Meetings	10
Three Meetings	10
Four Meetings	7
More than Five Meetings	5
Total ^{1,2}	40

¹. Totals may vary due to incomplete or missing responses.

². Total responses may exceed total survey participation due to multiple responses.



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Table 6-14. Would You Import More Product if...

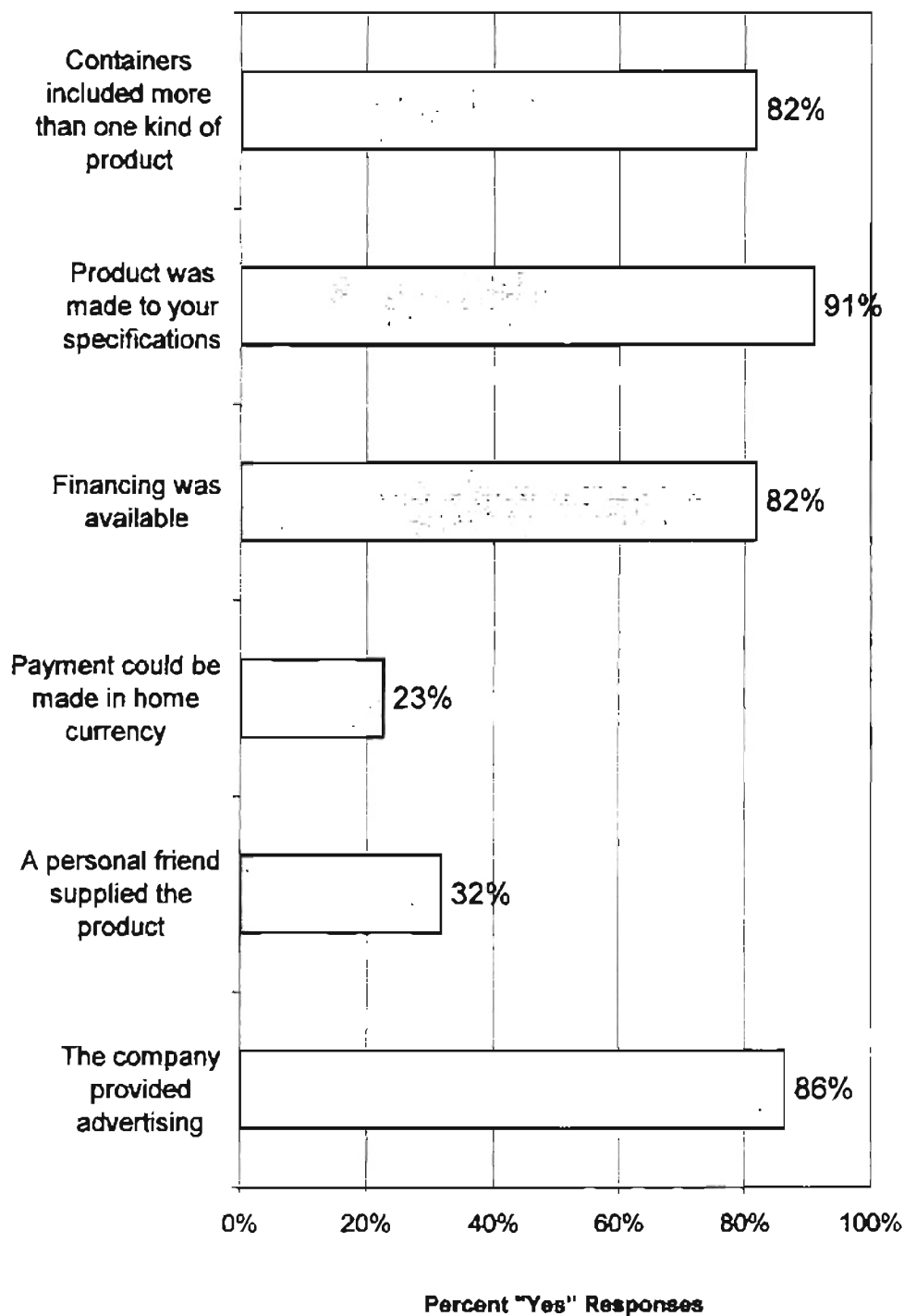
	Russia	
	Number of "Yes" Responses	Percent of Total
Containers included more than one kind of product	18	82%
Product was made to your specifications	20	91%
Financing was available	18	82%
Payment could be made in home currency	5	23%
A personal friend supplied the product	7	32%
The company provided advertising	19	86%

¹ Totals may vary due to incomplete or missing responses.

² Total responses may exceed total survey participation due to multiple responses.

Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

Graph 6-14. Would You Import More Product if...



Source: Original survey by Stewart Michael Kennedy and Dr. David M. Henneberry Oklahoma State University, 1997.

APPENDIX C

GRANT PROPOSAL

Importers Buying Preferences Towards Small to Mid-Size Food Product Exporters

A Research and Outreach Proposal
from the
Department of Agricultural Economics
Oklahoma State University

Principal Investigator:
Dr. David M. Henneberry
Tel: (405) 744-6178
Fax: (405) 744-8210
E-Mail: hhh@okway.okstate.edu

Student Investigator:
Mr. Stewart Kennedy
Tel: (405) 744-2709
Fax: (405) 744-8210
E-Mail: skennedy@okway.okstate.edu

Abstract

This project will extend the research on export market development into primary data collection (interviewing import buyers at foreign trade shows) for a specific clientele group (small to mid-size food product exporters). The product and marketing attributes which most influence buyers decisions will be identified through a survey conducted at foreign trade shows. The survey results will focus on food service/hospitality industry buyers and will be disseminated to small to mid-size food product exporters. The results will be used to modify their product and marketing activities to more effectively enter the export market and compete successfully with larger firms.

TABLE OF CONTENTS

Justification	4
Table 1: U.S. Exports of High Value Consumer Food Products	5
Objectives	6
Procedures	7
Table 2: U.S. Exports of Consumer Food Products (Regions)	10
Practical Dissemination	11
Personnel	12
References	14
Budget	15
Project Correspondence	16

Importers Buying Preferences Towards Small to Mid-Sized Food Product Exporters

Justification

The United States is the largest exporter of agricultural products in the world. The composition of U.S. agricultural exports is increasingly that of high value food products (HVP's) versus bulk commodities. Exports of HVP's reached a record \$25.5 billion in fiscal year 1994, accounting for over half of total U.S. agriculture's \$43.5 billion exports.

High value food products are those agricultural products that have either been processed, or require special handling. HVP's are classed as either intermediate commodities or consumer food products. Intermediate commodities are those products that will undergo additional processing or will be used for something other than consumer consumption. Consumer food products will be marketed in retail markets and the food service sector.

The focus of this research is on consumer food products. Consumer food exports from the United States approached \$10 billion in 1990. For the first time this amount exceeded exports of intermediate products by \$2 billion. In 1994 the United States exported \$16.9 billion worth of consumer food products amounting to over 60% of all U.S. HVP exports. Many consumer food products more than doubled in export value between 1988 and 1994. High value food products are expected to continue growing at a rapid pace.

Improving economic conditions in developing countries along with the recent signing of trade agreements has spurred this tremendous growth. High value food product exports are expected to continue growing as developing countries experience personal income growth and demand more convenient, consumer-friendly foods.

TABLE 1: U.S. EXPORTS OF HIGH VALUE CONSUMER FOOD PRODUCTS
1988, 1994
(IN THOUSANDS OF DOLLARS)
EXPORT MARKET: ALL COUNTRIES

CALENDAR YEARS (JAN-DEC)	%CHANGE		
	1988	1994	1988-94
CONSUMER-ORIENTED AGRICULTURAL TOTAL....	7,741,635	16,988,134	119.43
SNACK FOODS (EXCL. NUTS).....	282,234	1,101,668	290.33
BREAKFAST CEREALS & PANCAKE MIX.....	59,069	291,979	394.30
RED MEATS, FRESH/CHILLED/FROZEN.....	1,852,839	3,383,394	82.60
RED MEATS, PREPARED/PRESERVED.....	118,679	253,621	113.70
POULTRY MEAT.....	458,117	1,570,414	242.79
DAIRY PRODUCTS.....	578,281	753,257	30.25
EGGS & PRODUCTS.....	117,193	164,653	40.49
FRESH FRUIT.....	1,093,196	1,953,767	78.72
FRESH VEGETABLES.....	319,584	1,046,789	227.54
PROCESSED FRUIT & VEGETABLES.....	855,922	1,720,891	101.05
FRUIT & VEGETABLE JUICES.....	271,030	543,013	100.35
TREE NUTS.....	751,201	1,106,416	47.28
WINE AND BEER.....	151,763	532,735	251.03
OTHER CONSUMER-ORIENTED PRODUCTS..	615,166	1,789,607	190.91

SOURCE: FAS, U.S. Bureau of the Census Trade Data

With the increase in world demand for high value food products, an opportunity exists for more U.S. food product companies to enter the export market. Results from this research will be beneficial for small to midsized companies who wish to be competitive in selling their value-added food products in the global marketplace. Previous research in this area has been conducted at Oklahoma State University. The topics have followed a natural progression: Oklahoma's Value-Added Agricultural Export Industry: An Analysis of Export Market Activities (Charlet, Henneberry), International Trade Shows (Charlet, Henneberry), The Export Decision: Profiles of Food Processing Firms in Kansas, Missouri, and Oklahoma (Blan-Byford, Henneberry). The first two projects were published as extension research bulletins that were distributed on the state and national levels. The Foreign Agricultural Service published six thousand copies of International Trade Shows (Charlet, Henneberry). The FAS included a copy of this research in their trade show participant packet. All of these projects were published in economic journals. Importers Buying Preferences Towards Small to Mid-Size Food Product Exporters is a project that would enhance current information and continue to provide resources for companies and economists in the area of value-added food product exporting. Research on international buying preferences, specifically in the food service/hospitality industry, is scarce. What research is available focuses on trade shows and the "how tos" of participation. Some information exists describing the barriers to entry that exporting companies may experience, however most of the research is focused on physical distribution systems and communication problems rather than buyer preferences. There is a definite void of information relative to buyer perceptions and preferences for the products and services of exporters. Both companies currently exporting and those considering exporting could benefit from greater information.

Objectives

This proposal directly addresses two of the stated FSMIP marketing objectives:

- Identifying and evaluating new uses, markets and marketing systems for agricultural products, both domestically and internationally.
- Improving the efficiency of marketing processes and systems to enhance competitiveness and profitability.

The first objective of this research is to determine what factors comprise an importer in the food service/hospitality industry's decision to purchase high value food products from companies in the United States. This research project will identify various factors that importers/distributors in the food service industry consider before a transaction takes place, and determine the importance of each factor in the final decision to purchase or not to purchase. The food service/hospitality industry would consist of hotel chains, race tracks, stadiums, airlines, gourmet restaurants, family diners and chain restaurants. The second objective is to discover what specialty food items are in demand by the food service sector that they are currently having difficulty locating. Specialty food items would include things such as Tex-Mex appetizers, barbecue sauce, sweet onion relish, frozen dinners, flavored processed meats, and uniquely flavored snack food items. Our third objective is to determine what small to mid-sized companies can do, to effectively compete with larger companies in serving the food service/ hospitality industry.

Procedures

To reach our objectives this research project proposes to survey foreign importers/distributors of high value food products specifically those directly involved in the food service/hospitality industry. The first objective will be accomplished by asking questions

that will identify specific product and marketing attributes that would increase the purchase of U.S. high value food products by the food service/hospitality sector. Importers/distributors in the food service industry will be asked specific questions pertaining to the importing company's size, location, type of food products imported and the number of international transactions conducted yearly. The importers/distributors will also be asked the importance of price, quality, portion size, appearance, packaging, labeling, stage of preparation, financing, transportation and relationship with the seller. To obtain our second objective the importers/distributors will also be asked what products they are having difficulty locating and what opportunities would be available for small to mid-sized food companies in filling the market niche. Food service importers will be polled specifically about their needs related to uniquely flavored specialty food products they are unable to obtain. To reach our third objective importers/distributors will be asked about their willingness or reluctance to work with small to mid-sized companies, or if they prefer to only work with large multinational corporations. We will ask specific questions to try and determine what importers in the food service/hospitality sector area need from smaller firms to make them competitive when attempting to serve their industry.

With this information, we will determine the factors that distinguish one product or company from another and the importance of each factor to the importer. We will structure the questionnaire in a way that will make it possible to discover any "unknown" factors that influence purchasing decisions. The data will be analyzed using commonly accepted statistical techniques for the analysis of survey data.

One challenge to collecting this type of data is the problem of accessing the appropriate people that make the buying decisions. It is unlikely that top management in a multinational

corporation could be convinced to fill out a U.S. university questionnaire. However, it is our intent that by participating in international food trade shows, we will successfully collect information previously unavailable.

Trade Shows are a high traffic area for people that have purchasing power within their organization. Research findings indicate that one day at a trade show is the equivalent of spending a month contacting customers, scheduling appointments and making field sales calls (U.S. Department of Commerce). The average field call costs approximately 2 1/2 times more than one contact at a trade show. Approximately 47 percent of each trade show audience plays a major role in the decision to purchase products. Almost 30 percent of attendees are owners, partners, presidents, and general managers (Charlet, Henneberry). The cost of data collection would be substantially lower than making field calls on companies to collect the necessary data. By participating in trade show we would be able to collect large amounts of data in a relatively short amount of time.

We are proposing to collect data from three different international food trade shows representing buyers from the food service industry. During the data collection phase of the project we will be working closely with the Oklahoma Department of Agriculture to target markets with a particular interest to southern U.S. food manufacturers. The markets we have chosen are; Europe, South America and the Pacific Rim. We have chosen these geographic areas because of their importance to the southern U.S. and the ability that consumers within these areas have for purchasing specialty food products. The growth that these markets are experiencing is phenomenal. In Table 2 we have shown the growth that these areas of the world have experienced since 1988. South America has grown by an amazing 371.7%. These large increases in purchases make the Pacific Rim and South America good target markets.

The large quantity traded with Europe makes it an attractive market to export high value food products. We would develop a marketing strategy for entering each market by small to mid-sized companies. The data will be analyzed by region and tested for correlation between the different regions.

The data collection would take place in 1996. The interpretation and analysis would be completed by May 1997. The completed research project would be submitted to economic journals and published as a research bulletin. A magazine style summary would be submitted to trade publications such as the AgExporter.

**TABLE 2: U.S. EXPORTS OF CONSUMER FOOD PRODUCTS 1988, 1994
(IN THOUSANDS OF DOLLARS)
PRODUCT EXPORTED: CONSUMER FOOD PRODUCTS TOTAL**

CALENDAR YEARS (JAN-DEC)			
EXPORT MARKETS	1988	1994	% CHANGE 1988-94

THE 4 TIGERS OF ASIA.....	697,177	2,113,041	203.1
EUROPEAN UNION (EU).....	1,256,608	1,828,020	45.4
ASEAN-4 NATIONS.....	134,886	312,032	131.3
SOUTH AMERICA.....	65,488	308,907	371.7
OCEANIA & PACIFIC ISLANDS.....	114,727	192,417	67.7
CENTRAL AMERICA.....	92,671	159,779	72.4

SOURCE: FAS, U.S. Bureau of the Census Trade Data

Practical Dissemination

Workshops covering the results of this study would be made available to Texas, Arkansas, and Louisiana. The international marketing division of the State Departments of Agriculture in those states would be contacted about sponsoring these workshops. If they are willing to organize participants and pay for travel costs, we would present the workshops at no charge for salaries, consulting or other personal benefit. Survey results will be made available on request to all State

Departments of Agriculture. Results will be given to the Southern United States Trade Association and the other regional trade associations. A presentation of the project will also be offered to the National Agrimarketing Association.

Four outreach meetings would be held in Oklahoma to make the research findings available to the food industry. These meetings would be held in Oklahoma City, Tulsa, and two other locations. These workshops would present the result of this particular research project, provide general educational materials on entering the export market, how to use foreign trade shows as a part of the marketing plan and integrating new international activity into a company's ongoing business. These outreach meetings would be coordinated with and co-sponsored by the Oklahoma Department of Agriculture's Market Development Division as their time and resources allow.

The primary goal of this research project is to help small to mid-sized business in this area of the country to more effectively sell their products in international markets. This research will help companies locate areas where they can supply a specific product to the food

service/hospitality industry. Making the information available may help small to mid-sized companies find a niche market to fill and increase their success rate in developing new international markets for their products. High value food products are a rapidly growing segment of the agricultural and food processing industries. One of the advantages that smaller companies have in supplying niche markets, in comparison with large multinationals, is the ability to adapt their product taste, appearance, labeling and packaging. We hope to give smaller companies the information they need when deciding where money should be spent when expanding their overseas markets. By supplying companies with information about buyers preferences, niche markets and ideas on becoming competitive in the export market we hope that a larger percentage of food processors will become exporters.

Personnel

This project would be conducted under the supervision and participation of Dr. David M. Henneberry, Professor of Agricultural Economics Oklahoma State University. Dr. Henneberry has international experience in 57 countries and has conducted numerous research projects on the subject of international trade development. He has previously attended international food trade shows in France, Switzerland, Hong Kong and Korea. Dr. Henneberry earned his Ph.D. and M.A. in agricultural economics at the University of Wisconsin-Madison and an M.S. in agricultural economics from the University of Minnesota. He has been a faculty member in the Department of Agricultural Economics at Oklahoma State University since 1984; he currently advises six Master of Science students and five Ph.D. students, in addition to teaching both graduate and undergraduate courses on international agricultural trade, markets and development.

Mr. Stewart Kennedy, a Master of Science graduate student in the Department of Agricultural Economics at Oklahoma State University, will be the student employee of the project. Mr. Kennedy has a wide range of experience in the agricultural sector, and was the summer program director of the National FFA Organization's Washington Leadership Program for two years. He has also been speaking professionally to youth organizations and personal development seminars for the past three years. Mr. Kennedy worked with the Ministry of Agriculture in Budapest, Hungary for three months as a student observer. It is the intention of the project that the survey results would form the basis of his Master of Science thesis in the Department of Agricultural Economics Oklahoma State University. Utilizing the survey results in this manner ensures that the research process will receive adequate and rigorous peer review prior to dissemination. In addition to publication in a research journal, it is also an important project goal to disseminate the results to businesses in the region.

It should be noted that in the project budget, the Department of Agricultural Economics at Oklahoma State University is providing all of the salary support for Dr. Henneberry and Mr. Kennedy. None of the requested funds will be used to pay summer salary for a 9-month appointment, additional salary stipends, performance bonuses, consulting fees or overtime pay. No salary money is being requested for Dr. Henneberry or Mr. Kennedy.

References

- Blan-Byford, L., and D. Henneberry. "The Export Decision: Profiles of Food Processing Firms in Kansas, Missouri and Oklahoma." Forthcoming in: *Agribusiness: An International Journal*. (1996).
- Charlet, B., and D. Henneberry. "International Trade Shows." *Agricultural Experiment Station, Division of Agricultural Sciences and Natural Resources, Oklahoma State University*. 797(October 1991). (Republished by FAS as a trade show handout.)
- Charlet, B., and D. Henneberry. "Oklahoma's Value-added Agricultural Export Industry: An Analysis of Export Market Activities." *Agricultural Experiment Station, Division of Agricultural Sciences and Natural Resources, Oklahoma State University*. 792(October 1990).
- Foreign Agriculture Service. "U.S. Bureau of the Census Trade Data." *Foreign Agriculture Service Data Server, Washington D.C.* (January 1994)
- U.S. Department of Commerce. "German Trade Fairs: A Handbook for American Exhibitors & Exporters." *International Trade Administration, Washington. D.C.* (May 1986)

Proposed Twelve Month Project Budget

	Requested Funds	OSU Match	Total Funds
Data Processing and distribution	4,500	3,000	7,500
Translation software	1,000		1,000
Office supply	500	500	1,000
Communications (Phone, Fax)	750	500	1,250
Promotional items		1,000	1,000
Booth rental	5,607		5,607
Interpreter	2,000		2,000
Travel Expenses			
Airfare (2)	10,000		10,000
Transportation (2)	1,000		1,000
Accommodations (2)	4,000		4,000
Meals (2)	2,000		2,000
Reception	1,000		1,000
Oklahoma Department of Agriculture Overhead @ 14.85%	5,643		5,643
Salaries			
Dr. David Henneberry		23,042	23,042
Mr. Stewart Kennedy		9,958	9,958
Total Requested Funds	38,000		
Total OSU Matching Funds		38,000	
Total Project Funding			76,000

APPENDIX D

SURVEY

Importers Buying Preferences Towards Small to Mid-Size Food Product Exporters

This project is a cooperative effort between **Oklahoma State University** and the **Oklahoma Department of Agriculture**.

Please take a few moments to complete this questionnaire it will provide useful information for companies in the United States to better meet your needs.

1. How would you describe your company? (Mark all that apply.)
 - International Trading Company
 - Regional Food distributor
 - Family owned restaurant
 - Fast Food chain
 - Large retail grocery chain
 - Individually owned grocery store
 - Hotel/ Banquet service
 - Hospitality Food service ex.(airline, racetrack)
 - Institutional Food Service ex. (military, prison)
 - Other _____

2. Number of employees
 - <20
 - 20-40
 - 40-60
 - 60-80
 - 80-100
 - 100-120
 - 120 or more

3. Where is you company headquartered? _____

4. Are you currently importing food products? yes no
 If yes, from what countries? _____

5. Approximately how many shipments per month are received?
 - <5
 - 5-10
 - 10-15
 - 15-20
 - 20-25
 - 25 or more

6. What is the approximate size of each shipment?
 - <5 pallets
 - 5-10 pallets
 - 10 or more pallets
 - 20 foot container

_____ 40 foot container

7. Do you import
 _____ processed foods
 _____ semi-processed food ingredients
 _____ raw commodities
9. Do you repackage the product before sale? _____ yes _____ no
10. Would you consider the companies in the United States that you mainly import from to be.....
 _____ Large multinational processing firm.
 _____ Large USA processing firm.
 _____ Medium sized processing firm.
 _____ Small processing firm.
 _____ Trading company.

Rank in order from 1-5 the type of firm that you most prefer doing business with to the one you least prefer doing business with.

- _____ Large multinational processing firm
 _____ Large USA processing firm
 _____ Medium sized processing firm
 _____ Small processing firm
 _____ Trading company
14. When working with firms in the USA what buying terms do you normally use?
 _____ Letters of credit
 _____ Financing payment plans
 _____ Direct money transfer
 _____ Revolving letter of credit
 _____ Open account
15. Do you consider imported food products from the United States to be of..
 _____ extremely high quality
 _____ high quality
 _____ good quality
 _____ standard quality
 _____ below standard quality
 _____ extremely poor quality
16. Please rank the following factors (1-5) in order of importance to your final decision to purchase a product?
 _____ Relationship with the seller
 _____ Payment terms
 _____ Product quality
 _____ Product price
 _____ Product availability
17. Which type of packaging do you prefer?
 _____ metal cans

- plastic jars
 glass jars
 frozen
 dry boxed
 dry bag
 vacuum sealed
18. What single serving package size do you prefer to buy?
 ounces grams
19. What do you like about working with small and medium size firms?
- A. Flexibility of product specifications C. Reliability
 B. Personal service D. Quality of product
21. Would you import more products if
- | yes | No |
|--|--------------------------|
| <input type="checkbox"/> containers contained more than one product | <input type="checkbox"/> |
| <input type="checkbox"/> the product was made to your specification | <input type="checkbox"/> |
| <input type="checkbox"/> financing was made available | <input type="checkbox"/> |
| <input type="checkbox"/> payment could be made in home currency | <input type="checkbox"/> |
| <input type="checkbox"/> a personal friend was supplying the product | <input type="checkbox"/> |
| <input type="checkbox"/> the company provided advertising | <input type="checkbox"/> |
| <input type="checkbox"/> the price was significantly lower | <input type="checkbox"/> |
| <input type="checkbox"/> the products were of higher quality | <input type="checkbox"/> |
23. How many meetings with suppliers do you normally conduct before purchasing a product?
 (Circle your answer)
 0 1 2 3 4 >5
24. Would you ever consider purchasing a product without meeting with the supplier?
 Yes No
25. Rank from 1-6 the importance of each of the following attributes of a value added food product.
- Price
 Visual quality
 Serving size
 Quantity available
 Taste
 Packaging
26. Rank from 1-5 the importance of the following services of an international supplier of value added food products.
 Prompt delivery

- Financing for 90 days
 Regional advertising
 Adaptation of product to local preferences
 Personal attention to the account
27. When deciding to purchase a product which of these factors is most important to you?
- Personal relationship with the seller
 Payment can be made in home currency
 Price of the product
 Packaging of the product
 Quality of the product
28. Do you currently purchase any ethnic flavored or special packaged food items?
 Yes No
29. Would you be interested in purchasing any of the following products?
- Pie filling
 Choice vacuum sealed steaks
 Tex-Mex appetizers
 Frozen egg rolls
 Barbeque sauce
 Flavored peanuts/pecans
 Spicy pickles
 Frozen dinners
 Other _____
30. Would you be interested in having a small to mid-sized company produce a product designed to sell specifically in your market? Yes No
 If yes, what product? _____
31. Do you purchase individual wrapped ready to serve products?
 Yes No
 If yes, are there enough of these products to meet your demands?
 Yes No
 If no, are you considering purchasing individually wrapped products?
 Yes No
33. What are the services that smaller companies can provide that would make them more competitive with large multinationals? _____
-

If you would like to have a copy of the report upon completion of this research project please staple a business card to the top of the first page.

APPENDIX E

COUNTRY REPORTS

Country Study of Hong Kong/South China

Introduction

Hong Kong commanded the world's attention this summer to watch history being made. On July 1, 1997, Great Britain's lease on the island expired. Governor Christopher Patten formally returned the island to Chinese control. A provisional legislature was sworn in that will be replaced by a partially elected body within a year. China has promised to maintain "one country, two systems". The hand-over ceremonies took place without any noticeable violence or incidents. However, international journalists noted the presence of the Chinese military.

It remains to be seen how the hand-over will affect Hong Kong. The Sino-British Declaration of 1984 guarantees Hong Kong a high degree of autonomy. Hong Kong's first Chief Executive, Tung Chee-hwa re-appointed every local policy secretary in the civil service. China will manage Hong Kong's foreign affairs and defense, while the economic system will remain the same. Hong Kong is a very important import and export port for China. It is in China's best interest to allow the free port of Hong Kong to operate as usual. For the purposes of this paper, I will assume that China will maintain "one country, two systems".

General State of the Economy

The economy of Hong Kong is a free-market with few tariffs or non-tariff barriers. The economy is services-dominated. Natural resources are limited on the islands; therefore food and raw materials must be imported. The commercial center is Victoria on Hong Kong Island.

Since the hand-over, Hong Kong's formal name is the "Hong Kong Special Administrative Region" (HKSAR). A legislative program has been adopted to ensure that Hong Kong has a comprehensive body of law. Hong Kong will maintain an independent judiciary. Many British laws have been replaced with Hong Kong ordinances especially in the areas of civil aviation, merchant shipping, and admiralty. The HKSAR will formulate monetary and financial policies and safeguard the operation of business and financial markets.

Hong Kong is a member of the Asia Pacific Economic Cooperation (APEC). The 18 member nations agreed to a broad deal of trade liberalization to be implemented over the next 25 years on November 19, 1995. Hong Kong pledged at that time to place an additional five percent on its imports in the duty free category. (1) Hong Kong also adheres to the "Custom Valuation Agreement" negotiated under GATT and now assumed by the World Trade Organization (WTO). This agreement provides detailed rules for the determination of value for duty.

Population

The population of Hong Kong, according to a 1995 estimate, was 5,542,869. (1) Hong Kong has one of the highest population densities in the world with 5,400 persons per square kilometer. (3). The growth rate of the population was estimated at 2.4%. (2). Almost 40,000 Americans live in Hong Kong, while only 32,000 Britons. (5)

Hong Kong ranks 24th out of 174 countries on a human development index that combines life expectancy, education levels and basic purchasing power. Hong Kong's high life expectancy rates and low infant mortality rates can be attributed to comprehensive public health care.

Individuals are taxed on income derived from employment, offices, and pensions. The salary tax is assessed on a progressive scale from two to 25 percent of net income after deductions and allowances, subject to a ceiling of 15 percent of gross income. (4). *The Country Commercial Guide for Hong Kong* published by the U.S. Department of State noted that "As a result of generous allowances under the law, almost half the work force pays no salaries tax". (2)

Economic Trends

It has been suggested that Hong Kong, the "Pearl of the Orient", is the world's best example of free enterprise at work in the executive summary in *The Country Commercial Guide* published by the U.S. Department of State. The people of Hong Kong have enjoyed low and predictable taxes. The few trade regulations of this free port are transparent. The Hong Kong dollar is tied to the U.S. dollar. Interest rates generally follow those in the U.S. Hong Kong's foreign currency reserves are estimated at U.S. \$49 billion, the seventh largest in the world. (2). Inflation was estimated at 8.5% in 1994. Once regarded as the most expensive business location, recently property prices have declined.

Other recent economic trends include large spending on infrastructure development. In 1989, the Governor Patten introduced a plan to build a new international airport that should be completed sometime next year. The project is integrated including railway links, suspension bridges, a third cross-harbor tunnel, and new roads.

The estimated growth rate of the economy was 5.5% in 1994. For the first quarter of 1995, the growth rate reached 6%. The GDP was US \$131.8 billion in 1994. The

GDP per capita reached US \$ 21,750. (2). The GDP had surpassed that of the U.K., Canada, and Australia. In Asia, Hong Kong's GDP is second only to Japan's. (5)

The economy is services-dominated. The service sector accounts for some 80% of the GDP and over 70% of the work force. The service sector includes travel/tourism, transportation, and trading and finance services.

Tourism revenues reached U.S. \$8.3 in 1994, up 7.1% from the previous year. Most of Hong Kong tourists are from mainland China, Taiwan, and Japan. Only 12.1% of the total tourists are from Western Europe, and only 8% from the U.S. (2).

Manufacturing accounts for only about 11% of the GDP and 20% of the work force. The backbone of Hong Kong's manufacturing sector is textile and clothing industries. However, many manufacturers are moving production facilities to mainland China to take advantage of the lower labor and land costs. Other principal manufactures include electronics, watches, clocks, and chemical and industrial machinery. Agriculture and fishing account for only .3% of the total GDP. (3).

Exports and Imports

In 1994, total exports, including re-exports, were U.S.\$151,399 million. Domestic exports, not including re-exports, were U.S.\$21,965 million. Hong Kong is an exporter of textiles, clothing, electronics, clocks and watches, domestic appliances and plastics. One-third of Hong Kong's total exports goes to China, Hong Kong's largest trading partner. Hong Kong exports also go to the U.S., Japan, Germany, and the U.K. 80% of Hong-Kong's exports are re-exports.

In 1994, total imports were U.S.\$162,322 million. Retained imports were U.S.\$71,590 million. Total imports grew by 14% in 1995 reaching U.S.\$ 162 billion. This sum includes imports that are then shipped elsewhere. Retained imports grew at a similar rate. China is the largest supplier of imports, followed by Japan, Taiwan, and the U.S. In 1994, U.S. exports to Hong Kong were U.S.\$11,561 million. The U.S. share of Hong Kong's total imports was 7.1% in 1994.

Hong Kong's visible trade deficit was U.S. 10.9 billion in 1994 as imports surged and exports remained relatively stable. Substantial surpluses on services have traditionally offset merchandise trade deficits. In 1994, the combined overall trade surplus was U.S.\$ 2.4 billion. That is the lowest overall trade surplus since 1983 accounting for only 1.3% of the value of goods and services. (2).

Agricultural Imports

In the agricultural sector of the economy, Hong Kong's total imports were U.S. \$9,000 million, and exports were U.S.\$4,400 million in 1994. The U.S. share of the total agricultural goods imported was 17%. The growth rate for U.S. products was 17% and projected to grow by 18% in 1996.

Hong Kong is the eight largest export market for U.S. agricultural products. Total U.S. agricultural exports to Hong Kong reached U.S.\$1.49 billion in 1995. (5)

Hong Kong is the largest export market for U.S. poultry meats. Recent environmental legislation made it difficult for chicken farms in Hong Kong to stay open. Chicken is a key ingredient in many traditional Chinese dishes, especially the feet and wings. Hong Kong imported 533,436 metric tons of poultry in 1994, 319,783 metric ton

s from the U.S. Rice is the main staple. Popular dishes include fried rice with fish, pork, chicken, and vegetables.

Other agricultural products that do well in Hong Kong are ginseng, oranges, grapes, apples, beer and malt, lettuce, prunes and plums, frozen potatoes, shell eggs, almonds, and wine.

Some rice and vegetables are grown in Hong Kong, but due to the limited amount of land and the large population most of Hong Kong's food must be imported. American products are well established. There is a propensity among Hong Kong citizens to buy American products.

The U.S. Department of State recognized that "there is also potential growth for U.S. grocery line items as the number of existing and new food retail outlets continue to increase" in the *Country Commercial Guide* for Hong Kong. (2). Traditionally, Hong Kong imported many food products from the U.K. and other commonwealth nations due to established ties and advantageous trading agreements. In recent years, more American products have been found on grocery store shelves.

In 1993, the first U.S. style warehouse/club store, Grandmart, was established. There are now eight Grandmart stores that carry food and non-food products from the U.S. "Unlike most supermarkets, there are no slotting fees giving U.S. suppliers an unprecedented advantage in gaining access to this highly competitive market". (2). Many other companies are joining the local retail scene including Valu-Club a joint venture of Wal-Mart and Charoen Pokphand Agro-Industry. The new warehouse clubs brought many new products, which has had the effect of introducing retail and price competition.

The demand for food products Hong Kong is high with reportedly the largest number of restaurants in any city, and over ten million tourists per year. It is estimated that Hong Kong residents spend roughly 20% of total expenditures on eating out. (5)

Dairy Products

Although traditionally Hong Kong residents have not consumed large amounts of milk, recently milk consumption has increased. The largest competitors for U.S. dairy products are domestic manufacturers. Hong Kong manufacturers sell more milk, milk products, and ice cream than all foreign importers combined. The Netherlands captures the largest share of the market for imported dairy products estimated at 22%. The U.S. share of total dairy product imports is 6%. (5)

Meat

Hong Kong is becoming increasingly more important as a transshipment point for red meat exports to China. The U.S. faces stiff competition from Australia, Canada, and New Zealand to capture the market for red meat. The Australians and New Zealanders actively promote a whole host of products through trade-shows, Provincial Trade Groups, in-store promotions, hotel and restaurant menu-promotions, and advertisements. (5)

Hong Kong imported over U.S.\$400 million of poultry meat from the U.S. in 1995. (5) Hong Kong is one of the two largest markets for U.S. poultry products in the world. The majority of the poultry products sold are chicken feet, and wing tips. China, Brazil, the Netherlands, Denmark, Argentina, and Canada are all major poultry competitors.

Processed Food

The U.S. is the leading supplier of many snack foods such as chips, raisins, nuts, and dried apricots. U.S. products face competition from Japanese and Korean products that offer oriental flavors, which are preferred by local consumers. The U.S. supplied 2.8% of the total volume of canned fish imported into Hong Kong. Major competitors in the market for canned fish are China, and Thailand. In the market for canned vegetables, U.S. companies such as Heinz and Del Monte have found success. (5)

Importing to Hong Kong

Imports are free of restrictions, except for those maintained for health, safety, environmental protection, or security reasons. Importers of reserved commodities must obtain an import license before they can import these items. These items include but are not limited to rice, frozen or chilled beef, pork, veal, and lamb, and frozen poultry.

Usual documents required on shipments to Hong Kong are a commercial invoice and bill of lading or airway bill. A packing list will expedite in the clearance of shipments. Shipper's Export Declaration is required if the value of the shipment is more than \$2500.

An official and valid health certificate must accompany meat and poultry. In the case of game bird or game meat and prohibited meat, special permission must be obtained from the Department of Health. The certificate for meat and meat-products must indicate that the meat has been inspected ante- and post-mortem. Various foodstuffs containing preservatives and antioxidants should be accompanied by documentation attesting to the quality of such additives.

There are special labeling and marketing procedures for sausage, sausage meats, liquid extracts of coffee and tea, pickles and sauces, certain unfermented grape juice products, and foods containing antioxidants. (1).

Trends

The effects of the hand-over remain to be seen. While the world watches for signs of how this "one country, and two systems" will operate, business appears to be operating as usual. To some exporters, the hand-over provided new opportunities to access the Chinese market.

Sources of Authority

1. "Hong Kong" in *Exporter's Encyclopaedia*, Dun & Bradstreet, Inc., 1996, page 615
2. U.S. Department of State, Office of the Coordinator for Business Affairs, *Hong Kong Country Commercial Guide for FY 95-96*, [<http://www.stat.usa.gov>]
3. "Hong Kong" in *The 1997 World Almanac*, World Almanac Books, Mahwah, N.J., 1996
4. *International Business Practice in Hong Kong*, University of Missouri at St. Louis, [<http://www.smart.biz.com>]
5. USDA, Thornburn II, W. Garth, *Hong Kong Food Market Overview*, 1996 [<http://www.fas.usda.gov/agexport/overviews/hong.html>]

Country Study of Indonesia

Introduction

The Republic of Indonesia's slogan "Unity in Diversity" accurately describes the country. There are few statements that can be made to adequately describe the political union of twenty-seven provinces spanning 3,000 miles from east to west.

Geography

Indonesia is comprised of over 17,000 islands. Some of the major islands are Java, Madura, Sumatra, Kalimantan, and Sulawesi. Bangka Belitung, the Riau Archipelago, and the Moluccas. The island of Java is one of the most densely populated areas in the world with over 2,000 persons to the square mile.¹ Indonesia also includes West Irian or Irian Jaya, the western half of New Guinea.

Indonesia is strategically located along major sea-lanes from the Indian to Pacific Ocean. Indonesia shared borders with Malaysia and Papua New Guinea. The Straits of Malacca separate the Indonesian island of Sumatra and Thailand. The island of Sulawesi (Celebes) is south of the Philippines separated by the Celebes Sea. Irian Jaya and Timor are north of Australia.

Indonesia straddles the equator. Most of the country is coastal lowlands. The climate is tropical and the rainfall is heavy. On the larger islands, there are some mountains and plateaus and a cooler climate than the coastal lowlands.

Ethnic Groups, Languages, & Religion

Indonesia is a country rich in cultural diversity. There are over 350 distinct ethnic groups. Many of these ethnic groups have their own language and dialects. The major ethnic groups are the Javanese, Sudanese, Madurese, and Malay. The official language is Bahasa Indonesian, which is a modified form of Malay. Other languages include English, Dutch, and Javanese.

Indonesia is the most populous Muslim country in the world. Eighty-seven percent of the population is Muslim. Six percent is Protestant.² There are very small Hindu and Buddhist populations.

All food products containing meat products must be certified with the Muslim designation of "halal" which is similar to Kosher requirements. During the holiday seasons of Ramadhan, Lebaran, Chinese New Year, and Christmas, consumer spending on food products increases. During these periods, flour, sugar, poultry, meat, fresh and dried fruits, cakes, and pastries are consumed in significantly greater quantities.

History

The Portuguese were the first to arrive on the islands that now constitute Indonesia in the sixteenth century. In the seventeenth century, Indonesia became a colony of the Netherlands and remained in Dutch control until 1942. From 1942 until 1945, the Japanese occupied the islands. The Dutch regained control only to face opposition from the Indonesian nationalists' lead by Sukarno and Hatta.

After four years of fighting, the Dutch ceded sovereignty on December 27, 1949. The Republic of Indonesia was declared on August 17, 1950. Sukarno was declared president. However, Irian Jaya on New Guinea remained in Dutch control. In 1969, the

United Nations turned the land over to Indonesia. Despite widespread opposition and uprisings, the tribal chiefs of Irian Jaya voted to stay with Indonesia.

In 1960, Sukarno suspended parliament and named himself President for life. His life tenure was soon challenged. In 1965, there was an attempted coup that was blamed on the Communist Party. Massacres initiated by the army followed the attempted coup killing over 300,000 communists.³

In 1968, General Suharto was named President. Suharto was able to restrict any opposition with the support of the army. He was reelected for his sixth consecutive term in 1993.

The business elite and government work closely together. There are some socialist institutions and central planning, but the recent emphasis has been on deregulation and private enterprise.

There are long histories of conflict between different ethnic groups in Indonesia. Resistance and opposition to Indonesian rule continues in East Timor. There is a degree of uncertainty as to who will succeed Suharto and whether the new President will be able to hold together this diverse political union.

Indonesian Society

The population of Indonesia has recently exceeded 200 million.⁴ The population is still predominately agrarian. Fifty percent of the population work in the agricultural sector, including forestry and fishing.⁵ However, livestock products are unable to keep up with increasing urban demands.

On the Human Development Index, Indonesia ranks 104 out of 174 countries. The life expectancy at birth is 60 for males and 64 for females. There are 24 births and 8 deaths per 1,000. The infant mortality rate is 63 per 1,000 live births. There is an estimated one physician to every 6,861 persons.⁶

Indonesia's population is relatively young. More than half the population is below the age of 25.

Education is compulsory for ages seven through sixteen. Ninety-seven percent of the population attends primary school. In 1993, the literacy rate was 84%.⁷

The government estimates that of Indonesia's 69 million children under sixteen 2.2 million are child laborers. Unofficial estimates are that 3.3 million of Indonesia's children are laborers.⁸

General State of the Economy

Indonesia has the largest economy in Southeast Asia. The nominal GDP per capita exceeded \$1000 in 1995 and was estimated at \$1132 for 1996.⁹ Real GDP growth has averaged 7% over the last five years. The GDP is expected to grow at an annual rate of 7.3 percent from 1995 to 2000. In Jakarta, the GDP is estimated between \$3500 - \$4000.¹⁰

Indonesia's currency is the Rupiah balanced on a managed float. There is a legitimate stock market in Indonesia.

Recently, the US Department of Commerce designated Indonesia as one of the ten "Big Emerging Markets".¹¹ The Coordinating Minister for Production and Distribution told business leaders of ASEAN that Indonesia would be one of the world's five largest economies by 2018 when its current 25-year development program ends. He made further

predictions that the 24 million Indonesians living below the poverty line would be zero by the year 2008.

ASEAN nations work closely with the U.S. to facilitate trade. Programs with the U.S.-ASEAN alliance include a new commercial center in Jakarta to provide the businessperson an office away from home.

At one time, Indonesia's only industry was oil and gas. Today, the industrial sector has diversified to include food processing, textiles, cement and some light industry. Previously, Indonesia was one of the world's largest importers of rice. Today, Indonesia is nearly self-sufficient. Industrial output accounts for nearly 40% of the GDP. Foreign investment in manufacturing has increased output and exports.

Indonesian Consumers

The upper income group represents five percent of the population. The middle income group represents 10 percent. These two groups combined equal about 30 million people who are able to buy imported goods. The lower income groups spend the largest proportion of their disposable income on fresh food. The "Indonesia, Food Market Review" reported that "the lower income groups spend the largest proportion of their disposable income on fresh food, whereas all consumer groups spend about the same percentage of their disposable income on packaged food".¹² Java has the highest percentage of household expenditures on food products estimated at roughly \$100 per month per household. This accounts for 60-65 % of the sales of fast moving consumer goods.¹³

Growth of the professional class has resulted in greater spending power for individuals and an emphasis on business entertainment. More women are entering the

work force and choosing to stay there after marriage and children. The result being a higher demand for food that are convenient, as there is less time available for shopping and cooking. More Indonesians have traveled or studied abroad resulting in an increased demand for new foods.¹⁴

The number of supermarkets has grown from less than 100 ten years ago to about 350. Half of these are located in Jakarta. In 1995, it was estimated that about 40% of food was sold in supermarkets. The number of restaurants, both independent and U.S. franchises is growing.¹⁵

Importers and distributors report that U.S. products enjoy a strong reputation in Indonesia. U.S. products are synonymous with the best quality available. While the Indonesia consumer is very price-conscious. Recently, brand image has become more important.¹⁶

Domestic Agriculture and Food Processing Sector

The major competitor to U.S. is local production. Labor and raw material costs are low for the local producer; while added to the cost of U.S. goods are tariffs and the costs of transportation. U.S. goods that are not readily available in Indonesia, such as apples and grapes are competitive even in the lower income group.

Only eight percent of the land in Indonesia is arable. The staple crop is rice. Other crops include cocoa, peanuts, rubber and palm oil.

Indonesia's food processing sector is growing rapidly. Indonesia claims the largest and fastest growing instant noodle industry in the world. Snack foods, confectionery, biscuits and bakery, juices, deli items, canned fruit and vegetable, canned and frozen

shrimp, meat and poultry products, and sauces and condiments are processed by joint ventures, and locally owned companies. Local food products are becoming more and more competitive with imports.

The food processing industry is expected to continue to grow. This trend however could provide some opportunities for U.S. exporters. With the exception of shrimp, food processors have difficulties in procuring local supplies of a consistent quality on a regular basis.¹⁷

Imports

Indonesia major trading partners are Japan, Germany and the U.S. Other trading partners include Australia, Korea, Taiwan, Singapore, and China. In 1995, exports totaled 45.418 billion in U.S. dollars, and imports were 40.463 billion. The U.S. share of total imports increased 1% last year.¹⁸

Some of the U.S. imports that have grown are unmilled wheat, machine and equipment for industry, telecommunications equipment and parts, feeding stuff for animals, and oilseeds for extraction of vegetable oils. The principal exports from the U.S. are machinery, cotton, and agricultural goods. Unmilled maize and cotton were among the five exports that decreased the most in dollar terms.¹⁹

Indonesia is the 14th largest market for U.S. agricultural exports. The U.S. imports 18% of total agricultural product imports to Indonesia.²⁰ 70% of the shipments are comprised of bulk commodities, including exports of corn, \$280 million; soybeans, \$213 million; wheat, \$68 million; and coarse grains, \$40 million.²¹

U.S. exports of consumer-ready goods are also growing. Since 1991, U.S. consumer-ready food products have increased nearly 500%.²² In 1991, U.S. exports of

consumer-ready goods totaled \$17 million. By 1996, this figure had risen to \$95 million. The USDA reports that the largest and fastest growing consumer ready food categories are fresh fruit, red meats and poultry, french fries, dairy products, snack foods, tree nuts, dried vegetables, and juices.²³ The major competitors include Australia, New Zealand, and the EU, but the competitors vary with the products.

Importing Goods to Indonesia

Permitted imports generally do not require individual licenses, but importers must be registered with the department of trade and have a valid registration number. There is a registry of authorized importers. Only Indonesian nationals can be authorized as importers. Any licensed importer can freely import goods with the exceptions of meat, poultry, and alcohol. Foreign investors are permitted to import items required for their own projects.

Indonesia's May 1995 deregulation package lifted licensing requirements for some metal products. 189 tariff categories still remain subject to import licensing requirements. These products include motor vehicles, rice, wheat, sugar, salt, soybean meal, alcoholic beverages, cloves, explosives, and petroleum products.

Imports that have a value of \$5,000 or more are subject to preshipment inspection in the exporting country. Inspection of import shipments using airfreights are not subject to preshipment inspection. The custom's official upon arrival will do inspection.

Three copies of a commercial invoice is required with all shipments. A pro-forma invoice may be requested for inspection purposes. There are no special requirements regarding the bill of lading except that freight charges must be stated on the bill of lading

separately. Packing lists are only required if the goods are packed in bales or cases.

Certificate of insurance are required only for certain drugs and narcotics. When goods are insured outside of Indonesia, or in a bonded warehouse, an insurance certificate is required.

All imported food products must be registered though the Ministry of Health. However, the majority of imported products on supermarket shelves are not registered and enter the market in mixed container loads. The importer is normally required to register every product, but may not do so when the quantities imported are small. The registration process can be lengthy, bureaucratic, and costly.

Tariffs

Import tariffs range from 5 to 200% with the majority falling between 5 and 40%. (Exporter's enc. pg. 660) In 1995, a comprehensive tariff reduction package was introduced that covered roughly two-thirds of all trade goods including luxury cars, newsprint, textile products, plastic, soybeans, non-crude palm and sunflower seed oils, and timber. The deregulation package introduced a long-term plan to reduce tariffs through the year 2003. Still tariff rates on most products remain relatively high. The import duties on fresh fruits, red meat, dairy products, french fries; snack foods; poultry and tree nuts are as high as 25%.²⁴ The lowest import duties are on dried vegetables.

Predictions and Trends

Although Suharto has professed his commitment to deregulate, selective protection is still afforded to some of Indonesia's key industries and business monopolies. The cost of doing business in Indonesia can rapidly increase when under-the-table pay offs

are factored into the equation. Analysts have rated Indonesia as one of the most corrupt countries in the world. Cash payments are often required to make things happen. Some believe that hidden costs of doing business in Indonesia are holding the economy back, not greasing the wheels to move forward.

Still Indonesia is anxious to be recognized as a major economic player in Southeast Asia. Indonesia is a member of the Asia Pacific Economic Cooperation (APEC). The eighteen member nations have agreed to implement free trade over the next 25 years. Indonesia has also promised the other ASEAN nations to work together towards a goal of free trade.

Indonesia still faces many internal problems such as a poorly developed infrastructure and distributing system. Political unrest was marked by riots last year. Opposition to Indonesian rule continues in East Timor. This union of so many diverse ethnic groups appears tenuous at times. Political analysts question who will succeed Suharto and how this new leader will deal with these internal problems.

¹ "Indonesia" in *The 1997 World Almanac*, page 774, World Almanac Books, Malwah, N.J., 1996.

² *Id*

³ *Id*

⁴ *The Exporters' Encyclopaedia* published the 1995 estimated population as 203,583,886. "Indonesia" in *The Exporter's Encyclopaedia*, page 657, Dun & Bradstreet, Inc., 1996. *The 1997 World Almanac* published the population of Indonesia as 206,611,600. "Indonesia" in *The 1997 World Almanac*, page 774, World Almanac Books, Malwah, N.J., 1996.

⁵ "Indonesia" in *The Exporter's' Encyclopaedia*, page 657, Dun & Bradstreet, Inc., 1996.

⁶ "Indonesia" in *The 1997 World Almanac*, page 774, World Almanac Books, Malwah, N.J., 1996.

⁷ *Id.*

⁸ "It Isn't Black and White" in *Far Eastern Economic Review*, page 55, March 7, 1996.

⁹ USDOC, International Trade Administration, "Country Commercial Guide, Indonesia: Domestic Economy", 12/19/96.

¹⁰ Bauer, Margie, "Indonesia, Food Market Overview", USDA/FAS Washington D.C., 07/15/96 [<http://www.fas.usda.gov/agexport/overviews/inddonesia.html>], page 2.

¹¹ USDOC, International Trade Administration, "Indonesia: Executive Summary" in *Country Commercial Guides*, 12/19/96

¹² USDA, Bauer, Margie, *Indonesia Food Market Overview*, 1996, page 4 [<http://www.fas.usda.gov/agexport/overviews/indones.html>]

¹³ *Id.* page 3.

¹⁴ *Id.* page 13.

¹⁵ *Id.* page 3.

¹⁶ *Id.* page 4.

¹⁷ *Id.* page 17.

¹⁸ USDOC, International Trade Administration, "Indonesia - Trade Trends" in *Market Research Reports*, 09/26/96.

¹⁹ *Id.*

²⁰ USDA, Bauer, Margie, *Indonesia Food Market Overview*, 1996, page 6, [<http://www.fas.usdda.gov/agexport/overviews/indones.html>]

²¹ USDA, Bauer, Margie, *Indonesia – An Economic Success Story*, 1997, page 2, [<http://www.fas.usda.gov/info/agexporter/1997/indonesi.html>]

²² USDA, Bauer, Margie, *Indonesia Food Market Overview*, 1996, page 6.

²³ *Id.*

²⁴ *Id.* page 7.

Country Study of Australia

Australia is a country of vast horizons with an economic future that holds no bounds. It is composed of a landmass of approximately 3 million square miles; about the size of the 48 continental United States. It is composed of seven states and territories; New South Wales, Tasmania, Western Australia, South Australia, Victoria, Queensland, the Northern Territory, and the Australian Capital Territory (where the capital-Canberra is located). The population is approximately 18.2 million (census '95) (about the size of Texas) and an annual growth rate of 1.1%, primarily located in the following cities: Sydney (3.7 million), Melbourne (3.1 million), Brisbane (1.3 million), Perth (1.2 million), and Canberra (310,000) (1). The greatest composition of these metropolitan areas is on the eastern seaboard coast (more than 85% live along the east and southeast coast), excluding Perth of western Australia. Although Australia has scarcely more than two persons per square kilometer, it is one of the world's most urbanized countries. Fewer than 15% of the population live in rural areas. (1)

The three major ethnic groups are European (94%), Asian (5%), and Aboriginal (1%). Of the population, 24% are Anglican and 26% are Catholic. The society is vastly becoming multi-cultural with the immigration from Southern and Eastern Europe, the Middle East, Latin America, and Asia. Thus the greater cultural diversity has caused a greater demand for non-tradition cuisine, thus creating a greater market for consumer-ready and processed goods.

The Commonwealth government was created with a constitution patterned partly on the U.S. Constitution. The powers of the Commonwealth are specifically defined in the constitution and the residual powers remain with the states. Australia is an

independent nation within the Commonwealth. Queen Elizabeth II is the sovereign and since 1973 has been styled as “Queen of Australia.” The power is vested in the prime-minister; presently John W. Howard of the Liberal Party/National Party Coalition. The federal Parliament is bicameral, consisting of a Senate and a House of Representatives. Twelve senators from each state and two from each territory are elected for 6-year terms, with half elected every three years. The 148 members of the House is allocated among the states and territories relative to portion of population.

The political spectrum is composed of three major parties: the Liberal Party (representing urban business and related groups), the National Party (rural interests), and the Australian Labor Party (representing the labor unions and liberal groups). The Liberal Party/National Party has just experience a sweeping victory in March of 1996 with Prime Minister John Howard to defeat the Labor Party for the first time in 13 years.

When looking at a historically aspect of the economics of Australia, it has consisted of export-oriented agricultural and mining sectors. Due to a limited population, the manufacturing/service sectors of industry were dedicated to the domestic requirements. That trend is slowly changing though. “In 1993-94, 61% of all Australian exports were primary agricultural or mineral products, down from 67% in 1989-90”(1). Australia is one of the world’s leading producers and exporters of aluminum, alumina, bauxite, cobalt, copper, industrial diamonds, gold, iron ore, lead, nickel, silver, and uranium. Australia is also a net exporter of energy products of coal, natural gas, liquid petroleum, and uranium (1).

Due to the high labor costs compounded with the strength of the labor unions, had held the manufacturing industry to a small market. With the change in government

case for U.S. firms to consider when thinking of establishing Asia-Pacific Regional Headquarters. Over 70 U.S. firms call Australia their regional home (2). Of the 67 countries ranked, Australia placed 49th below that of Singapore, Hong Kong, Indonesia, Thailand, and Malaysia. Living costs were composed of consumer goods, and services were household durable, personal items, hobbies, food, drink, tobacco, and clothing. Melbourne has some of the lowest housing costs in the world. Sydney was more expensive, yet still cheaper than counterparts in Tokyo, Beijing, Hong Kong, Seoul, Singapore, Jakarta, Taipei, and Bangkok. The survey also found that middle paid managers get a higher take home pay than their counterparts in Japan and Malaysia, yet still behind Hong Kong, Taiwan, Singapore, and Thailand.

To begin looking at the possibilities of exports of food stuffs to Australia we need to look at the per capita consumption and then take an overview of the different food producing venues of Australia and what they might possible desire as imports from the United States. (See Attachment 2)

With the complementation of growing seasons of the Northern and Southern Hemisphere a market for fresh produce exchange has occurred. Some of the greater success has come in the industries for products of walnuts, strawberries, and oranges. The success of these products such as the walnuts has come from the self-promotion of the California Walnut Commission. Another aspect of product enhancement is emphasis of new value-added products or innovative styles of packaging. To current date the U.S. has not incurred great success in the other areas.

For companies interested in export opportunities in the fruit and vegetable sectors there is a vast demand for food processing technologies, services, and equipment. In

Queensland, seasonally and climatic conditions greatly favor year around growth of fruits and vegetables. The fresh market produce is now shifting to Utilization of lower graded products (2nd grade) as lower cost alternative value added foodstuffs.

The development of a large-scale production for processing industries.

Introduction of new technologies to reduce costs and create new products or market niches.

There are current opportunities of investment or projects of research and development for better grading systems, automated sorting technologies, and harvesting equipment. There are currently projects on developing new processing techniques for rockmelons, mangoes, tomatoes, pumpkins, broccoli, Asian vegetables, sweet corn, capsicums, chilies, zucchini, and avocados. Historically, the fruit and vegetable market was controlled by two 1) Golden Circle Limited, produces canned fruit, fruit juices, and fresh chilled fruit processing sectors: 2) Simplot Australia (U.S. potato king), formerly Edgell Birdseye Division of Petersville Industries Ltd., a modern canning facility that produces canned vegetables (4). Leaders in the freshly processed, resulting in trimmed, de-seeded, and sliced or diced include:

- 1) Mrs. Crockett's Kitchens
- 2) Harvest Freshcuts
- 3) Berrivale Orchards Limited/Tropics Fruit Products Pty. Ltd.
- 4) Bentala Foods Pty. Ltd.

If interested in market entry in Queensland, contact:

US and FCS Australia

Tel: 61-2-373-9210

Fax: 61-2-221-0573

Contact: Claire M. Zsirossy

Cereals and Legumes

Queensland produces an average 1.3 million metric tons of wheat a year. This is a

greater varied factor due to greater unpredictable rainfall. The production consists mostly of “hard” wheat suitable for pasta and noodle manufacture. The state of Queensland represents nearly 40% of the total countries exports of flour mill products and 30% of biscuit exports. Other grains that result in export trade are “niche” markets. They include grain sorghum, navy beans, mung beans, chickpeas, adzuki beans, and soybeans. Cereal processors number 24 establishment with a combined turnover of A\$257 million (1991/92). Producers of baked cereal foods netted a turnover of A\$558 million (5)

Poultry

Two major industrial groups make up the poultry sector in Australia. They are Australian Poultry Ltd. and Ingham’s Enterprises. The major areas of production are in the solid, dressed, and either chilled or frozen. An area of great interest is the portion selected cuts and value added products (either by marinated, smoked, or recipe products). These two areas are seriously being looked at due to the higher profit margins and greater customer satisfaction of the products. The emphasis is not only of the value-added products for domestic use, but for exports to the Asian markets. A (1991-92) survey found that including the two producers mentioned above, there are twelve establishments in Queensland alone that combined a turnover of A\$264 million (6).

Golden Cocherel Pty. Ltd
 McClymots Holdings Pty.Ltd
 Forest Glen Poultry Abattoirs
 Armitsteads Poultry Farms
 Rane Brothers Pty. Ltd

Food Processing and Packaging Sector

Being Australia’s largest rural based industries, these industry employees

approximately 30,000 and generates a US\$4.3 billion in turnover annually. There are over 75,000 Australian farms and ranches producing livestock for harvesting. With having the about 2% of the world herd, Australia exports about 66% earning an estimated US\$1.6 billion in FY 1995-96 (9). Meat is the fourth largest export comprised mostly of beef. The major destinations include: United States, Japan, South Korea, and Taiwan. Under constant scrutiny is the vast market opening to China. This is now creating a distinct production of processed goods for either 1) higher quality, for higher income markets such as Japan 2)-price quality, raw material, mass markets to China.

The economic impact of the Asian market is the fast growing new marketplaces, as well as, Australia being on the doorstep to export goods to these different countries. The factor of Asian markets are the financial soundness, the economies are faster moving, there is more even distribution of real income, and they have a relatively high population growth rate. Exports of highly processed foods to Asia are expected to play a major role in an export goal of US\$4.9 billion by the year 2000(7) With these factors in mind, many things in the meat industry are having to change to meet the demand by better education, newer technology and equipment, and greater regulation of quality.

Another area of great potential growth is with the European Union. This affiliation will be a test to many operations due to the great distance of delivery and requirements to meet strict quality and regulatory regulations. Many have also used this new market as a stepping stone for the push for newer equipment and technologies.

When analyzing the standings of the U.S. as an exporter of equipment to the meat industry, the Australian Bureau of Statistics merges all types of equipment and machinery into one area of imports. Though reluctant to guess, industry sources speculate that the

overall market size for meat processing equipment is at U.S.\$22 million, excluding packaging (9). In the statistical survey, it was also noted that equipment in abattoirs (packing houses) was also not included which would include several more million dollars worth of revenue.

Consumer Ready Products

With advances in technology, economies, and information, the world is seeing a dramatic change toward healthier eating. Due to media and government information, consumers have become more knowledgeable and conscious of healthy diets. They now seek "health" foods more than ever. The following are a few of the areas of interest to US producers to the Australian consumer:

health foods	-bran breads & cereals
fresh fruits	-garlic and garlic products
UHT, aseptic processed liquids	-Mexican food (esp. ready made entrees)
shelf stable (low water activity)	-salad dressings
single serve packaging	-snack foods
microwavable	-confectionery products
organic	-fast food (take out)
minimal packaging	-vending machine foods
foods with detailed nutritional labeling	-ethnic foods
pet food (8) (9)	

*See attachment 3.(10)

One problem U.S. suppliers may encounter is the recent trend of consumer encouragement for the purchase of "Australian Made". Enhanced encouragement has also come toward buying from "Australian Owned" companies. However, the 85% percent of products are either produced by locally, foreign owned companies or imported on the supermarket shelves. (It is estimated by the end of the 1990's the domestic food industry will be controlled by 4-5 giant conglomerates: Kraft (US), Nestle (Swiss), Unilever

(Anglo-Dutch), and one or two local firms.) (9) Making this "buying campaign" a doubtful impact on retail sales.

When looking at target markets of exports, the retail scene is controlled dominantly by three grocery chains: 1)Coles, 2)Woolworths, and 3)Franklin's. (8) Recently these retailers have started bypassing the traditional importer and have now taken a step in becoming their own importers. This has created a demise of the local "mom and pop" shops; yet a greater consumer base has been created for exporters from the US. With 51.7 percent of the female population being employed, they are now looking for fast, convenient, meals that can be prepared quickly or just thrown in the microwave. (8) The use of microwaves is very well established (over 70 percent of households in Australia have microwaves) in Australia and combining with the high percent of working women this has led to an even greater area of production of ready made meals.

Products of interest are those involved in the fast food industry. Becoming more like their American counterparts, the consumption of meals in the car is quickly becoming a thriving market. Due to many Australian's being avid international travelers, many now want the taste and convenience of fast food.

When thinking of exporting goods to Australia a person needs to double check their product because strict sanitary and phytosanitary standards have to be met, as well as, labeling requirements that vary from state to state.

Current tariffs on imported foods are low or scheduled to be lowered in the next few years. Australia is scheduled to begin operating under the Harmonized Tariff System on January 1, 1998 which will result in the reduction of duty from 7% to 2% or 8% to 3% on different machinery used in the food industry.

Further information on tariffs and customs is available from:

Australian Customs Service

477 Pitt Street
Sydney, NSW 2000
Tel: 61-2-213-2000
Fax: 61-2-213-4043

Additional information:

Australia Embassy in the United States at:

1601 Massachusetts Avenue NW
Washington D.C. 20036
Tel. (202) 797-3000

Consulate Generals in New York (212-408-8400)

San Francisco (415-362-6160)

Honolulu (808-524-5050)

Los Angeles (310-229-4800)

Atlanta (404-880-1700)

Houston (713-629-9131) (1)

List of Sources

- Australia-Background Notes. Background Notes. U.S. Department of State
Matt, Patricia. U.S. Department of Commerce, International Trade Administration.
Down Under An Attractive Regional Home. 1997.
- Australia Bureau of Statistics. Apparent Consumption of Foodstuffs and Nutrients. 1997.
- Bligh, John W. Jr. U.S. Department of Commerce, International Trade Administration.
Food for Thought-Vegetables. 1997
- Bligh, John W. Jr. U.S. Department of Commerce, International Trade Administration.
Food for Thought-Cereals/Legumes. 1997
- Bligh, John W. Jr. U.S. Department of Commerce, International Trade Administration.
Food for Thought-Poultry. 1997
- Zsirrosy, Claire M. U.S. Department of Commerce, International Trade Administration.
Meat Processing Equipment. 1997
- Australia Bureau of Statistics. International Merchandise Trade and Yearbook Australia.
- Bligh, John W. Jr. U.S. Department of Commerce, International Trade Administration.
Packaging, Inc Food Processing. 1997
- U.S. Bureau of the Census Trade. 1997

Country Study of The Philippines

Introduction

President Fidel Ramos is optimistic that the "Five Ds of Philippine people power: devolution, decentralization, deregulation, democratization, and development on a sustainable basis" are a formula for success. President Ramos believes that one of his jobs as President is to "achieve economic empowerment". He is optimistic that the Philippine Republic has strategic advantages for foreign businesses not only because of the Filipino's capabilities in English, but also their hub operations like cargo handling and distribution and the educated and skilled work force.¹

Geography

The Philippine Republic is on the southeast coast of Asia. Its 7,100 islands stretch 1,100 miles from north to south. The Philippines' closest neighbors are Malaysia, Indonesia, and Taiwan.

The two largest cities in the Philippines are Manila, the capital, and Quezon City. Both have populations over 1.6 million.² Other major cities include Davao, Caloocan, and Cebu.

Ethnic, Groups, Languages, and Religion

Of the Philippines 73,265,584 people an estimated 91.5 percent of the population is Christian Malay, and four percent Muslim Malay.³ Other ethnic groups include the Chinese, Americans, and Spanish. The official languages are Filipino and English. However, there are many local languages and dialects.

83 percent of the population is Roman Catholic. Nine percent of the population is Protestant, and five percent is Muslim. The other three percent of the population is Buddhist or other religions.

History

September 21, 1972, Ferdinand Marcos declared a state of martial law, proclaimed himself president and introduced a new constitution. Marcos and his wife, Imelda, retained a wide base of power to supervise the planning and development of the Philippines. Although Marcos lifted the martial law in 1981, he retained broad emergency powers. The rights of habeas corpus, and freedom of press, speech and assembly were suspended.

In the early 1980's, the domestic economy faced collapse. In 1986, the Marcos-regime greatly restricted trade and created many state-owned corporations and officially sanctioned monopolies and oligarchies.

The corruption and inequities of Marcos' government and poor state of the economy led to public protest for reform. Many of the Filipino people believed that opposition leader Benigno Aquino could solve the Philippines internal problems. Before Benigno Aquino had a chance to make any changes, he was assassinated in 1983. The assassination caused outrage among his many supporters. Demonstrators started calling for the resignation of Marcos. Amid allegations of widespread fraud, Marcos held elections in 1986. He named himself victor over Corazon Aquino, the widow of the slain opposition leader. Marcos quickly declared a state of emergency, but was unable to maintain the reins of power as his military and religious support base had eroded. Marcos

fled the country ending his twenty-year tenure as president. Aquino was formally recognized as President.

Aquino's government was plagued by a weak economy and widespread poverty. She lacked a strong support base from the military. In 1989, rebel troops seized military bases, TV stations, and bombed the Presidential palace. The government forces were able to defeat the attempted coup with the support of the U.S. In the 1992 election, Aquino did not to run, but endorsed Fidel Ramos who won.

The top priority for Fidel Ramos' administration is economic reform. The government is selling state-owned enterprises in an attempt to foster free enterprise. The financial and energy sectors have been significantly liberalized. Tariff reductions have been introduced in special economic zones.

This decade has been marked by some historic events in the Philippines. The U.S. ended its long military presence in 1992 when it vacated Subic Bay Naval Station. The insurgencies between Muslim separatist guerillas formally ended in 1996 with a new peace treaty. However, since the cease-fire in 1992, there have been rebels who refuse to abide by the accord. This rebellion has claimed an estimated 120,000 lives since 1972.⁴ In the USDA's *Food Market Overview*, it is reported that "the government appears to have just reached a major settlement with Muslim separatists". The main rebel group has agreed to run for and will likely win the governorship of an autonomous region for the Muslims on the southern island of Mindanao.⁵

Society

The Philippines population is growing at an estimated 1.92% in 1994. There are 27.34 births per 1,000, and 6.94 deaths. An estimated 3.35 children are born to every woman in the Philippines.⁶

The labor force of the Philippines employs 24.12 million people. 46% of the population is involved in agriculture. 16% of the population is involved in industry and commerce. 18.5% of the population is involved in services, 10% in government, and 9.5% in other industries. The unemployment rate in 1993 was 9.2%.⁷ The government estimates that 800,000 of the Philippine's 29 million children under 16 work are child laborers. Unofficial reports estimate the number is closer to five million.⁸

The Philippines ranked 100 out of 174 countries on the UN Human Development Index. Despite recent economic growth, poverty still affects more than half the total population.

In 1994, 95% of the Philippines population was literate. Education is free and compulsory between the ages of seven and thirteen. 99% of the population attends primary school, while only 59% attends secondary.⁹

General State of the Economy

The GDP was \$161 billion in 1994, which is \$2,310 per capita.¹⁰ Due to droughts and power supply problems, the real growth rate of the GDP was 1.4% in 1993.¹¹ A marked increase in capital goods imports, in particular power generating equipment seems to have boosted the real growth rate.¹² The growth rate in 1995 was 5.6% and increased again in 1996 to 6.2%.¹³

The monetary unit is the Peso. On July 9, 1997, one U.S. dollar was equivalent to 26.39 pesos.¹⁴ Foreign exchange may be freely sold and purchased outside the banking

system. Foreign exchange received in the Philippines or acquired abroad may be deposited in foreign currency accounts. However, foreign loans and investments must be approved, registered with, or reported to the Central Bank.¹⁵

Major industries include food processing, textiles, chemicals, pharmaceuticals, wood products, electronics assembly, petroleum refining, and fishing. The Philippines' chief crops are sugar, rice, corn, pineapples, and coconut.¹⁶

Consumer Demand

As Fidel Ramos' economic liberalization plans are finding success, the size of the urban middle class is growing. Adult family members often work outside the home. The new urban class is interested in more diversity in their food choices than traditional diets offered. The demand for food-imports is increasing with the growth of this new urban class.

The USDA's Food Market Overview states that "Supermarkets report that sales continued to increase strongly in 1995 and the first half of 1996".¹⁷ The number of western-style supermarkets in Manila and smaller cities is increasing. The USDA reports that the product lines are very similar to what one finds in the typical U.S. supermarket.¹⁸ Despite the new tariff reduction plans, prices can still run 50% higher than U.S. prices for the same item.

This new urban class is also dining out more. There is a marked growth in the number of fast food chains opening in the Philippines. Western-style restaurants that have an informal environment and offer some ethnic foods are doing well. Fine-dining is not a growth sector.

The USDA reports that microwaves are still relatively rare, but "definitely growing in popularity". the reports continues "Microwavable products are an area that exporters should track closely. Refrigerators are more common in households than microwaves, but still the potential for growth is huge. Increased affluence will continue to lead to growth in the number and size of refrigerators in homes and lead to more and more purchases of chilled and frozen products."¹⁹

Imports and Exports

Major imports to the Philippines include raw materials, capital goods, and petroleum products. Imports amounted to \$17.1 billion (f.o.b., 1993 est.) 21% of total imports arrive from Japan. U.S. products account for 18% of imports. Other partners include Taiwan 7%, Saudi Arabia 6%, and Hong Kong and Korea 5%.²⁰ Another source reported total imports at \$21.3 billion, and total exports at 13.4 billion in 1994.²¹

The USDA reports that "U.S. exports of consumer-oriented food products to the Philippines hit an all time record of \$126.4 million in 1995, up more than \$13 million or 12% as compared to the 1994 record".²² The products that have led to this surge are frozen french fries, grapes, apples, canned fruits and vegetables, tree nuts and meats.

Major competitors are New Zealand, Australia, and Canada. Canada reported that direct sales of french fries tripled 1995. Still the Canadian share of the market is only about 5%. U.S. imports only account for a small percentage of the dairy market. The U.S. share of beef imports is also small. The USDA reports that the Philippines imports low-quality meats from Australia, and hamburger patties and canned meats from the European Union.²³ U.S. beef has a good reputation and dominates the high-quality market.

U.S. products enjoy a good reputation for quality among consumers in all income brackets. Many Filipinos have travelled to the U.S. They are familiar with U.S. food and beverages and inclined to purchase them.

Domestic Production

The Philippine food processing sector is expected to continue to grow. This sector is dominated by large-scale agro-industrial companies. Most of these firms are targeting the domestic food market. A few export processed fruits, canned tuna and other processed fish.

The food processing industry requires some imported food ingredients. Wheat for baked goods is the biggest single imported input used by the food processing industry. The Philippines dairy industry cannot supply products to meet the demand of this industry. The meat processing industry also depends heavily on imported beef. It is expected that this industry will import more pork and poultry for meat inputs as the partial liberalization comes into effect.

Conducting Business in the Philippines

Generally, a license is not required to import merchandise to the Philippines. However, certain commodities are regulated or restricted for public health reasons, international commitments, or rationalization of local industries.

Most imports for consumer-ready products are done by traders and importers, who distribute to supermarkets, hotels and restaurants. Some of the larger supermarkets are importing much of their dry products directly. The USDA warns the "exporters should also be aware that exclusive dealerships are often difficult to maintain in the Philippines.

Products enter the country through many channels, and the legal system is not strong enough to stop imports not sanctioned by exclusive agents".²⁴

Tariffs

Imports are classified into three categories: freely importable, regulated, and prohibited. Freely importable goods may be processed by an authorized agent bank without prior approval or clearance from a government agency. To import regulated products, a clearance permit is required from the appropriate government agency.

An import liberalization program began in 1981. 96% of the total items included in the plan have been deregulated. The remaining protected items include chemicals for manufacturing explosives, dangerous drugs, and vehicle parts.²⁵

Previously many agricultural items were banned. Under the government's liberalization program, most bans have been lifted. There are no import quotas on agricultural products, except rice.

In July, 1991, the Philippine's government put into effect a tariff reduction, restructuring, and simplification plan. As a result of the government plan the nominal average tariff in 1994 was 21.73%, down from 28% in 1991. A new plan targeting tariffs on industrial products, some agricultural products, and consumer goods became effective Jan. 15, 1996. the goal is to adopt a three percent tariff for raw materials and 10 percent for finished products by Jan. 1, 2003.²⁶

Certain items including fresh and dried fruits, rice, wine and spirits, tobacco, cosmetics, leather clothing accessories, and candies, including chocolate bars are classified as strategic. A 50% tariff rate is applied to the 200 items in this category.²⁷

The Philippines participates in the Asia Pacific Economic Cooperation (APEC). The 18 member nations have agreed to a broad deal on free trade implemented over the next 25 years. The Philippines is also a member of the Association of Southeast Asian Nations (ASEAN). ASEAN nations have set a timetable to reduce tariffs on 85% of the goods traded among the members to between zero and five percent.

There are four free trade zones referred to as "Export Processing Zones" in the Philippines. These zones were created to promote industrial expansion, jobs, exports, and generate foreign exchange and technology transfers. In order for foreign businesses to locate facilities in any of the four Export Processing Zones, they must register with the Export Processing Zone Authority.²⁸

Other Barriers to Trade

On May 1, 1996, the Philippine government technically eliminated all its non-tariff trade barriers except for a quota on rice. The government has introduced a tariff-rate-quota that will allow for entry of previously banned products.

The tariff-rate-quotas do not affect most consumer products with the exception of chilled and frozen pork and poultry meat. The Philippines has agreed to import upwards of 32,000 tons of pork per year at 30% tariff. The government has agree to import upwards of 14,000 tons of poultry at 50% tariff. Imports above these quotas will enter at 100% tariff, dropping to 60% by the year 2000. It appears that the tariff scheme for processed meats will fall from 100% to 60%. The USDA predicts that "if implemented without hindrance, the new system should mean upwards of \$30 million per year in new pork imports and upwards of \$10 million of new poultry meat imports".²⁹

The government plans to reduce tariffs through the year 2000 on nearly all other food and drink. Confections and nuts already carry a 10% tariff, which is down from 1995's 50 and 30% tariff respectively. The government's stated goal is a uniform five percent tariff on all products, agricultural or not. It is not clear if this goal is attainable with the high resistance of local producers.

Importing to the Philippines

All imports covered with an invoice value of 5,000 pesos and above are subject to a fixed import processing fee of 250 pesos paid to the authorized agent bank. All shipments are to be covered by a commercial invoice, bill of lading, and packing list. There are various special certificates required depending on the nature of the goods being shipped, including but not limited a Declaration of Food and Drug Products, Certificate of Non-Availability of Philippine Flag Vessel or Air Carrier, Commercial Invoice of Returned Goods or a Societe Generale Surveillance Clean Report of Findings.

There are many detailed requirements for commercial invoices. Minimally the brand and name of the articles being shipped, the name and address of the manufacturer, the date of departure of carrying vessel from country, port of exportation and port of entry in the Philippines, the cost of packaging, inland freight, and other charges must be documented.

Three negotiable and five non-negotiable copies of lading documents are generally required. The freight and other charges must be annotated by the carrier or its agent.

If a certificate of origin is required by the importer's bank, the Consulate General of the Philippines must certify the document. Certificates should be certified by a chamber of commerce before being presented to the Consulate General.

Imports valued over U.S. \$500 f.o.b. from all countries are subject to preshipment inspection. The inspections verify that the quantity and quality and evaluate customs duty.

Predictions and Trends

The Edsa-Ortigas commercial district is symbolic of the dramatic changes that have taken place in the Philippines recently. In 1986, thousands of people gathered to build a human wall between the government tanks sent by Ferdinand Marcos and a small group of anti-government rebels on the streets of the Edsa-Ortigas district. Today, the district is a bustling commercial center. One of the two trading floors of the Philippine Stock Exchange is located in the district. The district is home to shopping malls, five-star hotels, and high-rise condominiums.³⁰ Despite droughts, and power supply problems, the economy has experienced modest growth under President Ramos. It remains to be seen if his formula, "the Five D's of Philippine people power will lead to continued economic development.

¹ Kulkarni, V.G., Tasker, Rodney, & Tiglaio, Rigoberto, "Bearer of the Torch", *Far Eastern Economic Review*, February 29, 1996, page 24.

² "Philippine Republic" in *The Exporters' Encyclopedia*, page 1128, Dun & Bradstreet, Inc.

³ The population is a 1995 figure. "Philippine Republic" in *Exporters' Encyclopaedia*, page 1128, Dun & Bradstreet, Inc, 1996. The ethnic composition of the population is from "People." In "CIA World Fact Book: Philippines." [<http://phsig.ph.kcl.ac.uk/local/cia/1994/1992.html>].

⁴ "The Philippines" in *The 1997 World Almanac*, page 809, World Almanac Books, Malwah, N.J., 1996.

⁵ Wade, John, USDA, "Philippines, Food Market Overview", 1996, page 3 [<http://www.fas.usdda.gov/agexport/overviews/phil.html>]

⁶ "People." In "CIA World Fact Book: Philippines."
[<http://physig.ph.kcl.ac.uk/local/cia/1994/1992.html>].

⁷ *Id.*

⁸ "It Isn't Black and White" in *Far Eastern Economic Review*, March 7, 1996. page 55.

⁹ "The Philippines" in *The 1997 World Almanac*, World Almanac Books, Mahwah, N.J., 1996, page 809.

¹⁰ "Philippine Republic" in *Exporters' Encyclopaedia*, page 1128, Dun & Bradstreet, Inc., 1996.

¹¹ "Economy." In "CIA World Fact Book: Philippines."
[<http://physig.ph.kcl.ac.uk/local/cia/1994/1992.html>].

¹² *Id.*

¹³ "Prices & Trends" , in *Far Eastern Economic Review*, August 8, 1996, page 66-67.

¹⁴ July 9, 1997 exchange rate was published in the Wall Street Journal, July 10, 1997, page C-15.

Jan., 1994	27.725 pesos to the \$U.S.
Jan., 1993	22.120
Jan., 1992	25.512
Jan., 1991	27.479
Jan., 1990	24.311

Source: "Economy." In "CIA World Fact Book: Philippines."
[<http://physig.ph.kcl.ac.uk/local/cia/1994/1992.html>].

¹⁵ "International Business Practices in the Philippines." [<http://www.smartbiz.com>].

¹⁶ The University of Asia and the Pacific expect food and beverage expenditures to experience a real growth rate of 5-6% by the year 2000. The market for convenience food is expected to grow the most. "Potential Philippine Industries."
[<http://www.tky.hat.fi/~rembussi/philippines/industry.htm>]

¹⁷ Wade, John, USDA, "Philippines Food Market Overview", 1996, page 3,
[<http://www.fas.usda.gov/agexport/overviews/phil.html>].

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

Country Studys of Brazil, Argentina and Chile

The countries of South America are in several different stages of growth. Many people will take the entire region as one economic block and make assumptions based on widely held conceptions of what is sometimes inaccurate information. Many companies in the United States will assume that doing business in South and Central America will be the same in all the countries. While there will be some similarities, it is important for companies to remember that each country has a different culture and very different perceptions of themselves as well as the rest of the world. With these things in mind it is important to find out as much about each market as possible and determine which country would be the most receptive to their product. The three countries that are being focused on have some similarities and differences. In South America however they do represent the best combination of countries to focus on for several reasons; these countries do a large amount of trade between themselves, they have all recently been experiencing economic growth and reform, they are close in proximity and they have similar industries.

Brazil is easily the largest economy in South America. However, it is by no means the healthiest. Argentina, the second largest economy in South America has recently been in a recession. Chile considered by most the economic model of development is rapidly changing as well. With recent signing of the MERCOSUR trade agreement the rule of the South American economy has changed. The member countries of MERCOSUR include Argentina, Paraguay, Brazil and Uruguay. This Free Trade agreement went into effect on January 1, 1995. MERCOSUR has not been without growing pains. The agreement is fragile at best because of a weak system of resolving disputes among the countries. The

largest shock to all of the countries in recent history was the collapse of the Mexican Peso. When this collapse occurred, the other countries felt the after shocks.

I will be focusing this report on the economies of Brazil, Argentina and Chile. These countries are the ones that our data was collected from and they show the most promise because of their relative stability at the present time and their growth prospects in the near future. We will not be focusing on Colombia because of the dangerous situation that now exists in that country. Peru will also not be included because they are experiencing sluggish growth and political instability. Uruguay and Paraguay are closely related to Argentina and Brazil. Therefore, any exporting to them would most likely be through either Argentina or Brazil.

Brazil

Brazil is the ninth largest economy in the world and the largest in South America with a GDP of \$525 billion in 1994 and a projected GDP of \$549 billion in 1995. Annual GDP growth is projected to be around 5 percent. Population in Brazil is 156 million in 1994 and is projected to be 184 million by 2010. 62 percent of the population is less than 29 years of age. Per Capital income in Brazil is \$3,250 per year. Total number of consumers is estimated to be 40 percent of the 156 million people or approximately 63 million people. Recent change in economic policy has brought down tariff rates from an average rate of 105 percent to around 14 percent. Unemployment is currently 14.4 percent.

Large sweeping economic reforms took place in Brazil in 1994. President Fernando H. Cardoso implemented sweeping changes in the Brazilian economy. He started by opening the markets, adopting free market policies and stabilizing the currency

with a new currency and economic plan known as the Real Plan. The name of the currency was consequently the Real.

The Real plan was designed to stop Brazil rampant inflation and cut government spending. The plan took inflation from an average of 50% per month down to 2% per month. The decrease was largely due to spending cuts, import tax reductions and strict exchange controls. After nine years of inflation of more than 1000% the people considered 35% in 1994 to be a small miracle. After more than a decade of stagnant growth Brazil GDP grew 5.7% in 1995. The economic problems faced in Mexico and Argentina in the past nine months have also affected Brazil. To try and keep the country stable the government adjusted the Real Plan by devaluation of the currency in March and then in June the Central Bank intervened by widening the exchange rate band. Currently the trade deficit and high interest rates are hampering the economy. While the government is working to bring the balance of payments under control the problem of high interest rates may not be solved so soon.

President Cardoso's reform program involves a reduction of government spending as well as expansion of MERCOSUR and the reform of the welfare and pension system. The president is also addressing the task of constitutional reform. The reform addresses the issues of privatization of the telecommunications, petroleum, mining, shipping and the opening of the economy to foreign investment. The Brazilian people are increasing their spending because of increased consumer confidence since inflation has finally gotten under control. Food consumption is up 30 percent, durable goods up 55 percent, semi durable goods up 53 percent, automobile products up 30 percent and per capita income is up 3 percent since the implementation of the Real Plan.

On May 22, 1996, the fiscal reform machine hit a wall. President Cardoso's plan for a major overhaul of the government pension program was defeated by congress. Cardoso's popularity is fading because of rising unemployment, high interest rates and his push for reform of social programs. The opening of the economy to foreign competition combined with an overvalued domestic currency resulted in a trade deficit of US\$3.1 billion in 1995. Imports grew by 50 percent in 1995 and totaled US\$49.7 billion of which US\$6.8 billion were agriculture and food products. Consumer-ready food products accounted for US\$160 million. The share of the market for the United States is less than 10 percent, well below the MERCOSUR and European Union countries. The prospects for U.S. food exporters remain positive with a few notes of caution. With mounting tension over the reform of social programs and privatization of many industries politics could play a major role in trying to slow the trade deficit. Trade policy is becoming more restrictive with higher tariff rates being imposed. Brazil maintained significant barriers to U.S. exports and investment for years. Since 1990, it has made substantial progress in reducing traditional border measure barriers (tariffs, import licensing, etc.), even though tariff rates in some areas are still high. Significant non-border measure barriers remain. Import licenses, a few years ago the most significant barrier, now are generally granted automatically within 5 days. However, on occasion, obtaining an import license remains difficult. Quantitative restrictions in general are no longer a significant barrier. Barriers to U.S. agricultural product are mainly phytosanitary measures and import ban on meats treated with hormones. As part of Brazil's Mercosur implementation efforts, Brazilian phytosanitary regulations are currently being revised for several products. Fresh, uncooked, or partially dehydrated products must be accompanied by an USDA

phytosanitary certificate. Also consumer debt has been rising rapidly as consumers are spending at rapid rates because of the relatively stable economy. The current exchange rate of the real is pegged to the US dollar at 1 USD to .95 real. Most economist believe that this is a definite overvalue of the real. The overvalued Brazilian currency is an indication of short term buying power, however the long-term outlook for the need to devalue the currency should be taken into consideration.

The outlook for consumer ready food products are mixed and totally depends on the sector that is trying to be tapped. Some sectors have been affected by the arrival of multinational corporations making joint venture agreements with entities in Brazil. By entering the market in such a way the companies are avoiding tariffs, high transportation costs and they are taking advantage of unrestricted trade with the other MERCOSUR member countries. The products that are exported to Brazil in the largest quantities are fats and oils, beverages, milk and dairy products, fruits and vegetables, meat, and sugar. There are also indications of prospects in the fast food industry. It is rapidly developing in Sao Paulo and the other major cities. There are many opportunities for sales in fast food equipment as well as food products.

Argentina

Argentina one of the most prosperous country in South America has recently been experiencing economic reform. President Carlos Menem's reform program, which began in 1991, has improved Argentina's economy. Argentina is very similar to Brazil in that until major economic reforms inflation was rampant. One of the most sweeping reforms was enacted by President Carlos Menem in 1991 and was known as the Convertibility Law. This law provided a currency board, which stabilized the currency and pegged the

Argentine Peso to the American dollar at a one to one exchange rate. The government also began extensive privatization of several industries. The government opened Argentina to private investment, improved tax collection, and created a private pension program and a worker compensation system. GDP growth exceeded 7 percent in the years 1991 through 1994. This growth was attributed largely to the favorable exchange rate and the increased consumption from currency stability. GDP growth slowed in 1995 to 4.4 percent. The slowdown in the Argentine economy is largely due to the Latin American financial crisis. In April 1996 the government showed that it was serious about remaining a growing economic power by further economic adjustments. They began a 21-month Standby Agreement, which was approved by the International Monetary Fund. The MERCOSUR trade agreement has helped provide stability due to increased exports to member countries.

The structure of tariffs is the following:

10 percent tariff on almost all capital goods

2-14 percent on agricultural products

2-16 percent on most industrial inputs and raw materials

20-30 percent on all consumer goods

In addition to the tariffs, the following fees and taxes are applied:

3 percent statistics fee on the CIF value, except for capital goods

21 percent value added tax (VAT) on the CIF value plus tariff plus statistics fee

9-10 percent advanced VAT on CIF plus tariff, plus statistics fee on all imports, depending on the frequency of importation (deductible from gross income tax), except for goods imported directly by the user

3 percent anticipated profits tax on all consumer goods (deductible from gross income tax). Except for goods imported directly by the user

Inflation in Argentina has been reduced to 10.6 percent in 1993 from 4000 percent in 1989. Cumulative GDP growth between 1991-93 was almost 24 percent, and imports increased approximately 400 percent from \$4.1 billion in 1990 to \$216.8 billion in 1993. Due to a liberalized import regime, Argentina registered a trade deficit in 1992 of \$2.6 billion for the first time in 12 years, which widened to \$3.7 billion in 1993. U.S. exports have grown from \$1.2 billion in 1990 to \$3.8 billion in 1993. Trade surplus of the U.S. with Argentina was \$2.6 billion in 1993, more than doubling since 1991. The economic recession of 1995-96 has been painful but beneficial. For instance, it has forced companies to cut costs and improve productivity. As a result, many firms have greatly improved their competitiveness. The government's gross domestic product growth forecast for 1996 is 5 percent. The long recession has had high social costs. The GDP declined 4.4 percent in 1995, and domestic demand shrank 8 percent. Argentina's poverty indices grew following years of decline.

From 1990 to 1995 the amount of exports has increased by more than five percent. Argentina is expected to post a trade surplus of one billion dollars in 1996. This will match the one billion surpluses posted in 1995. This will reverse the previous trade deficits posted in 1992 through 1993. Argentina is expected to continue strong demand for US goods. Despite the optimism of continued trade there are a few concerns. Patent law is the weakest element in Argentine intellectual property rights. The Menem Administration has attempted to improve Argentina's overall patent protection. The Argentine government issued patent law regulations in March 1996 but fell short of forecasted expectations. The

flawed patent regime could hinder Argentina's ability to compete effectively with other Latin American countries that have strong patent protection. High tariff rates will hinder the exportation of certain value added food items to Argentina. There are also some reports of problems of corruption within the Argentine government.

All business in Argentina is transacted in Spanish and all documents and records must be in Spanish to constitute validity. A good knowledge of Spanish is crucial even though most Argentines with a secondary education understand English. Argentina is composed of people from diverse nationalities from all over the world. Descendants of Italian and Spanish immigrants predominate. Waves of immigrants from many European countries arrived in the late 19th and early 20th century. The Argentine population has one of Latin America's lowest growth rates at 1.4%. The total population is around the 33 million. Eighty percent of the population resides in urban areas of more than 2,000 with more than one-third of the population living in the greater Buenos Aires area. Argentines enjoy a comparatively high standard of living with more than half the population considering itself as middle class. Argentina has a definite orientation to Europe and considers itself European. There is strong competition within Argentina from European food product manufacturers. The Argentineans are convinced on the high level of quality and service received from European suppliers. Companies from the United States will have to work hard at convincing the potential buyers of their high product quality and competitive price. Just as important as these factors will be the need to deliver high quality service to the customer.

Chile

Chile is considered to be the picture of development in South America. Chile has experienced sustained growth over the last twelve years averaging 6.5 percent. The reason that Chile has had such success in maintaining this growth is due largely to the fact that governmental control has been kept to a minimum. Their economy has been market-oriented with exports of agriculture products mostly fresh fruits and vegetables to the United States being a large source of revenue, approximately \$665USD million. Growth in Chile has made per capita income rise to around 4,700 dollars. With inflation of 8.2 percent in 1995 and growth at 8.5 percent optimism over the Chilean market is warranted. Chile is a relatively small market with a population of around 16 million people. Chile has been doggedly pursuing an export-oriented economy. They have signed free trade agreements with Mexico, Venezuela, Colombia, and Ecuador. They also have implemented tariff-reducing agreements with Argentina, Brazil, and Bolivia. The Chileans have also recently signed a free trade agreement with the MERCOSUR block countries. Chile has also pursued inclusion into NAFTA and a free trade agreement with Europe.

Chile was virtually unaffected by the Mexican Peso crises. This is defiantly a strong sign of the strength and stability of the Chilean economy. Investment rates in Chile are extremely high this high investment rate has been touted as one of the primary contributors to growth in the Chilean economy. The total investment in Chile's economy was over 25 percent of GDP in 1993 and 1994. The financial sector is the fastest growing sector in the Chilean economy. Chile has a private pension system with assets of over \$20USD billion. This large amount of capital has provided a stable base of money in the Chilean stock market. The stock market has increased in the number of firms listed as

well as the average price per share. As Chile continues to be successful foreign capital will continue to flow into the market.

Chile's agriculture imports from the United States have increased to 213.6USD million or 18.5 percent of total imports. Despite the tariff of 18 percent on imports of processed food products consumption continues to grow rapidly. The image of US food products to Chile is very positive. Growth opportunities in Chile would skyrocket if they were granted full membership into NAFTA. The inclusion of Chile would make U.S. products very competitive and give U.S. suppliers a distinct edge over competition from European suppliers as well as making competition tougher for other South American countries. The main trade barriers available to the Chilean government are surcharges, minimum customs values, countervailing duties, antidumping duties, and import price bands. Chile's most significant non-tariff barrier is the import price band system for certain agricultural commodities, which currently applies to wheat, wheat flour, vegetable oils, and sugar.

Since the trade agreements with Argentina and Brazil competition for the Chilean market has been tough. To remain competitive U.S. sellers must keep prices to a minimum as well as increase promotional activities. The trend towards more consumer ready food products is expected to continue.

Summary

Each of these markets represents an excellent opportunity to sell value added food products. It would probably be most advantageous to enter the Chilean market first. A presence in this market when it is opened to U.S. food suppliers would be a distinct advantage. The secondary market would probably be Argentina. The relatively high

income per person makes this market more attractive than Brazil. This market is more likely going to yield sustained growth in consumption. Argentina is also a strategic location for a distribution center into all the MERCOSUR countries. It would be foolish however to totally ignore the huge market potential found in Brazil. In time the Brazilian market with its millions of consumers will be a huge market. With economic reform and prospects of continued growth these three countries appear to have the largest potential for value added food products.

Country Study of Russia

Overview

A massive nation with many mouths to feed, Russia has always been a major importer of agricultural food products. However, with the breakup of the USSR into 15 successor states in 1991, the nature of Russia's import game has changed. With the conversion from Communism to democracy, Russia lost many of its established trade links and has struggled ever since to establish new ones. Along with Russia's governmental change has come a change in consumer preferences and subsequently, demand for more processed food products.

The State of Things in Russia

The July 1996 estimate of population in Russia was 148,178,487. Broken down, 67% of the population is within the ages 15 and 64. Life expectancy at birth is 63.24 years. The Russian population is shrinking at a rate of -0.07%. Most (83.9%) of the 85 million people in Russia's labor force are employed in production and economic services. The remaining percentage of employed people (16.1%) work for the government. Unemployment was estimated at 8.3% in late 1995, but has since declined slightly.

A large portion of the Russian population is living below the established poverty line. In fact, roughly 37 million people, or 25% of the population is living in poverty. GDP in Russia is estimated at \$796 billion. Per capita, this GDP figures to be \$5,300. Only 6% of GDP in Russia comes from agriculture, while the remaining total comes from industry and related services.

Major industrial sectors in Russia include a complete range of mining and extractive

industries, producing coal, oil, gas, and chemicals, and metals. In addition, all forms of heavy machine industry exists, including shipbuilding, aircraft, agricultural equipment, road and rail transportation equipment, and construction equipment. Consumer durables, textiles, foodstuffs, and handicrafts also exist as industries in Russia. As a whole, the rate of growth for Russian industry stands at -3%². This can be attributed to the instability of Russia's reform programs and to the large-scale downsizing of the military, which has led to a sharp decline in military equipment production.

The agricultural sector in Russia is wide and varied. Grain, sugar beets, sunflower seed, vegetables, and fruits (not citrus) are all major commodities. In addition, meat and milk are produced. Since the relaxation of government regulations in Russia, production has dropped sharply. Once a major producer of meat and dairy products, Russia has experienced a serious decline in production in all types of meat and milk. Since 1991, total meat output has dropped almost 45%³. Inventories of cattle have decreased by nearly 40%, hogs by almost 50%, and poultry by nearly 45%⁴. The main reason for declining meat production and animal inventories is a steep rise in production costs. This can be attributed to the cutting of government subsidies to producers and consumers.

Outlook for Value-added Food Imports

With the end of Communism in Russia and the subsequent taste of personal freedom, consumer preferences changed greatly. Demand for food products that Westerners take for granted has skyrocketed. For example, snack foods and other such products have

² 1996 World Fact book

³ Economic Research Service/ USDA

⁴ Economic Research Service/ USDA

become very popular with the Russian people. Beverages are also becoming increasingly popular in Russia. However, Russia remains to be a difficult country to do business with. Volatile conditions have left income levels low in Russia, which prevents consumers from affording the products they desire. In addition, the Russian government has adopted an attitude of protectionism toward their domestic markets. This attempt to nurture fledgling Russian food processors has resulted in increased tariff rates and trade barriers. Despite these limitations, Russia shapes up to be an outstanding potential marketing partner because of the growing demand for American products by Russian consumers.

Some of the major processed commodities that Russia has developed a demand for are listed and discussed:

Beef Products

Beef products make up a large percentage of Russia's food imports. In past years, Russia did not import large quantities of American beef because wheat was the commodity of choice. Wheat was used to drive the Russian beef production. Now, with the loss of central planning and thus, economical production, Russia prefers to purchase grain "on the hoof" in the form of live or processed beef. While live cattle and fresh, chilled beef are not necessarily value-added products, they do represent the increasing willingness of Russia to bypass a processing step and purchase semi-processed goods. If this trend continues, Russia could develop into a major purchaser of fully processed products. In 1996, meat exports (beef, poultry, and pork) to Russia are estimated at about \$2 billion, with the U.S. accounting for nearly \$1 billion of that total ⁵. This \$1 billion of meat exports to Russia breaks down to include about \$350-\$400 million in grain

⁵ Economic Research Service/ USDA

and soymeal, with that value added being netted by American farmers and traders ⁶.

Currently, lower-value beef products are in demand. With the rising income levels of the Russian upper middle-class, however, demand for higher value cuts and higher quality processed products will increase.

Pork Products

Russia imports a large amount of pork from the U.S. . In world rank, only Japan exceeds Russia in amount of pork imported ⁷. Behind Japan and Mexico, Russia stands as the number three market for U.S. pork and pork products. The majority of imported pork goes to Russia to be processed there, usually ending up as sausage. Russia is importing more fresh , chilled pork than ever before because it is more economical than producing pork themselves. There are currently some obstacles to exporting fresh and frozen pork to Russia. First, imports of frozen pork are restricted from going directly to retail sale. Secondly, fresh pork must pass strict sanitary regulations in order to pass into Russia. These restrictions are not heavily enforced, however, and negotiations are underway to develop new regulations that would allow for better and less strict testing procedures of incoming pork. As these tight regulations loosen, more processed and semi-processed pork will be allowed for direct retail sale in Russia. As the upper middle-class income levels increase, demand for value-added pork products will increase.

Poultry Products

Russia imports even more poultry than beef and pork. In fact, Russia imports of poultry products made up about 45% of its total meat imports in 1996 ⁸, making it the

⁶ Economic Research Service/ USDA

⁷ Economic Research Service/ USDA

⁸ Economic Research Service/ USDA

world's largest importer of poultry meat. In 1995, U.S. exports of poultry products to Russia amounted to over \$500 million⁹. The U.S. is able to meet the Russian demand of poultry products because of our ability to export specific parts of the bird that meet Russian consumer preferences. In the last few years, this has been primarily dark meat leg quarters, the part of the bird with the lowest quality and price. 90% of the poultry imports in Russia in 1996 were made up of frozen chicken leg quarters¹⁰. In the wake of the breakup of the Communist regime, incomes were very low, causing consumers to purchase the least expensive form of meat protein available, which is poultry. However, with rising incomes, poultry imports will likely drop in favor of the more expensive and higher quality beef and pork imports. Poultry imports will survive, but probably more in the form of processed chicken products and frozen whole birds. This shift reflects the shift in income and consumer tastes in Russia.

Beverages

This is a booming market in Russia. In particular, wine and beer make up a large percentage of beverage imports into Russia. Wine and beer imports into Russia grew by 40% in 1995¹¹. In 1996, the U.S. exported \$15 million worth of wine and beer to the Russian Federation¹². This encouraging market for value-added exporters is expected to grow with Russian income levels and preference changes. However, strict hygiene and quality standards must be met, as all imports must be analyzed by Russian laboratories.

Who does Russia import from?

⁹ Courtesy: US Embassy- Moscow

¹⁰ Courtesy: US Embassy- Moscow

¹¹ Courtesy: US Embassy- Moscow

¹² Courtesy: US Embassy- Moscow

Europe, over the years, has maintained their position as Russia's major trading partner. In 1996, Europe supplied 37.4% of total imports to Russia, amounting to \$16.5 billion in U.S. dollars¹³. In bilateral trade, Ukraine accounted for 14.2% of Russian imports, amounting to \$6.2 billion U.S. dollars. Germany stands in second place with 11.6% of the Russian import trade, amounting to \$5.1 billion U.S. dollars. The United States comes in third, supplying 6.5% of Russia's imports, amounting to \$2.8 billion dollars.

Tariff rates for entry into Russian market

With the growing sentiment of Protectionism in Russia, tariff rates and import duties have increased in the last year. This accounts for the unusually high level of difficulty of exporting products to the Russian Federation. Russia has raised import tariffs several times (beginning from zero) when the USSR collapsed. In the Spring of 1996, the Russian Government raised tariffs on alcoholic drinks and chicken; the result is an average weighted tariff of 14%¹⁴. In addition to import tariffs, two other types of duties are applied to imported goods: excise tax and value-added tax (VAT). The excise tax applies to a number of luxury goods, including alcohol and cigarettes. It ranges from 20% to 570% on a price exclusive basis¹⁵. The VAT rate now stands at 20%, except for food products, in which case it is 10% on top of import price, tariff, and excise tax.

A quick rundown of tariff rates, import duties, and other taxes on major U.S. exports to Russia:

Beef: - 15% tariff

¹³ Courtesy: US Embassy- Moscow

¹⁴ Courtesy: US Embassy- Moscow

¹⁵ Courtesy: US Embassy- Moscow

- 10% VAT for processed, value-added beef products
- An excise tax can apply to certain high-quality beef products
- A minimum per-unit tariff is levied on some beef products imported
 - * Russia has banned imports of beef and beef products from the U.K., Northern Ireland, Switzerland, and parts of France and Ireland, reportedly due to the presence of mad cow disease in these countries.

Pork: - 15% tariff

- 10% VAT for processed, value-added pork products
- An excise tax can apply to certain high quality pork products
- A minimum per-unit tariff is levied on some pork products imported

Poultry: - 30% tariff

- 10% VAT for processed, value-added poultry products
- An excise tax can apply to certain high-quality poultry products
- A minimum per-unit tariff is levied on some poultry products

imported

- * Protocol has been developed under which the USDA certifies that U.S. poultry plants meet Russian standards, avoiding a ban on U.S. poultry that was threatened in early 1996.

Wine and Beer: - 30% tariff

- 20% VAT for all wine and beer imports

* Wine and beer must be analyzed by authorized Russian laboratories and pass strict hygiene standards before entering Russia.

Other Barriers to Entry

Customs Valuation: Customs duties are to be paid on all goods entering Russia.

These customs duties consist of payment of customs value, which is the price of the goods imported, and a customs processing fee of 0.15% of the price of the goods ¹⁶. All customs duties are to be paid in hard currency or rubles at the current exchange rate. **As of May 16, 1997, the exchange rate is 5,757.50 Russian rubles to one American dollar.** Customs processing should not take more than one month to complete.

Import Licensing: Import licenses are required for various types of goods, but most food products are exempt. If an import license is required, it will be issued by the Russian Ministry of Foreign Economic Relations (MinFER), which is controlled by the State Customs Committee.

Import Documentation: Firms importing into Russia are required to fill out a customs freight declaration for all items imported. The declaration form consists of 54 paragraphs and must be completed in the Russian language for acceptance by Customs authorities. Also, currency control authorities require the issuance of a "passport" for imports to ensure that hard currency earnings are repaid to Russia and to make sure that transfers of hard currency payments for imports is for goods actually received and properly valued.

Temporary Entry: American companies that are accredited with the Russian government can receive exemption from customs duties. This exemption applies only to goods imported for company use exclusively, and is good for one year. Companies not accredited with the Russian government are charged 3% of the total cost of the product on a monthly basis.

¹⁶ Courtesy: US Embassy- Moscow

Product Standards: Most products entering Russia for sale are required to have a certificate of conformity that is issued by the Russian State Committee on Standards (GOSSTANDART). All products are tested and certified by GOSSTANDART according to Russian government standards. The certificate of conformity is valid for three years and must accompany every shipment of goods entering Russia. Copies of the certificate are accepted if original seals of the U.S. company holding the original accompany the copy. Violation of this regulation could cost up to \$10,000 in fines ¹⁷.

Free Customs Zones: A few areas exist in Russia where customs duties do not apply. No retail sales can take place in these zones. These areas are typically located in airports, seaports, railway and truck terminals.

Free Warehouses: Like free customs zones, customs duties do not apply in free warehouses. Limited production and retail sale are allowed in these areas, but storage periods are unlimited.

Labeling and Marking Requirements: No special requirements are currently in effect.

Russian Membership in Free Trade Agreements: Currently, Russia is not a member of any free trade agreements. Russia does propose, however, to join the GATT/WTO trade agreement and talks are underway with North America in regards to a free trade association.

Marketing Techniques Suggested by the US Embassy in Moscow:

Before opening company offices in Russia, register with the:

- U.S. Embassy or Consulate (for security and passport replacement)
- City Government

¹⁷ Courtesy: US Embassy- Moscow

- Russian Ministry of Finance (if you are making a major investment)
- The local tax inspectorate of the Russian State Tax Service

Possible candidates for export sales:

- Russian enterprises that export for hard currency
- development projects in Russia financed by Western sources
- Russian businesses with good domestic cash flow
- Regional governments in areas with rich natural resources
- The Russian federal government
- The new "upscale" Russian market

Advertising avenues open to businesses: Television, radio, print, and billboard

advertising are all common approaches in Russia. The number of advertising agencies in Russia is growing rapidly. A few of popular journals and newspapers in Russia are: *Deloviye Lyudi* (a monthly journal in the Russian language), *Moscow Times* (a daily paper in the English language), and the *Moscow Business Guide* (a monthly business directory in the English language).

Trade Exhibitions in Russia: Trade shows in Russia have proven to be very beneficial for U.S. suppliers and distributors. Because government heads from remote, poorly supplied areas of Russia attend these shows, large "off the floor" sales can be made to these government heads that are trying to supply their regions.

Enlisting a Russian Attorney: With the reworking of Russia's laws and the ever-changing import regulations, it has become necessary for U.S. firms to hire Russian attorneys to advise them. This helps cut down on the uncertainty in transactions between American and Russian firms. The Consular section of the United States Embassy in

Moscow will make available upon request a list of recommended local attorneys.

Conclusion

Russia is a country that has gotten a taste of Western products and has developed a demand for them. Although the economic and social situations in Russia are far from stable, the country is moving steadily ahead in terms of developing trade policies. As economic and political conditions stabilize in Russia, the income levels will certainly rise, increasing the already-growing demand for American goods. With this increase in income will come a greater demand for processed food products and snack foods. American firms now have the opportunity to get in on the "ground floor" of this blooming Russian market by entering the country now and promoting their products. There are several avenues open to American firms wishing to enter the Russian market, with trade shows being the easiest and one of the most effective methods. With regard to value-added products, it seems that there are unlimited possibilities available in Russia.

VITA

Stewart Kennedy

Candidate for the Degree of

Master of Science

Thesis: IMPORTERS BUYING PREFERENCES TOWARDS SMALL TO MID-SIZE
FOOD PRODUCT EXPORTERS

Major Field: Agricultural Economics

Biographical:

Personal Data: Born in Madill, Oklahoma, On January 19, 1972, the son of Tony and Sheryl Kennedy.

Education: Graduated from Edmond Memorial High School, Edmond, Oklahoma in May 1990; received Bachelor of Science degree in Agricultural Economics and Agricultural Education from Oklahoma State University in December of 1995. Completed the requirements for the Master of Science degree with a major in Agricultural Economics at Oklahoma State University in December, 1997.

Experience: Employed by the National FFA Organization as director of the Washington Leadership Conferences, Alexandria, Virginia; employed as an advisor to the Hungarian Ministry of Agriculture, Budapest, Hungary; employed by Oklahoma State University conducting research at nine international trade shows; Oklahoma State University, Department of Agricultural Economics, 1995 to present.