

GLOBAL FOOD MARKETER™ NEWSLETTER

Export news from the Midwest and Northeast



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FOOD EXPORT TRADE LEAD PROGRAM

Food Export – Midwest and Food Export – Northeast received over 650 Trade Leads in 2019. That makes more than 650 opportunities for U.S. Suppliers to interact with foreign buyers to promote and export their products ... for free!

If you have participated in any Food Export activity such as a Buyers Mission, Food Show PLUS!,™ Focused Trade Mission, Market Builder, or the Branded Program, you can receive leads at no cost to you.

Our network of In-Market Representatives and the USDA/Foreign Agricultural Service offices meet with qualified buyers throughout the year and provide leads to Food Export. These leads are taken and matched with suppliers in our database that have the specific product a prospective buyer is looking to import. Therefore, it is important for suppliers that their online product catalog in their portal is full-range, specific, and recently updated.

In 2018 over \$11.6M of export sales were generated from U.S. Suppliers through the Food Export Trade Lead Program. How amazing is that! Over eleven million dollars in export sales for suppliers who are part of the Food Export Online Product Catalog (a free service) and they did not even leave the country to gain the sale!

Help us match your company and products to these leads by making sure your online product listings are complete. Need help? Food Export has instructional videos available through your online portal to help guide you through adding a product, updating your products, how to preview your products on the Online Product Catalog, how to view your trade leads, and how to update your company's trade lead recipient(s).



IN THIS ISSUE



Food Export Trade Lead Program



Market Focus: Canada



Food Export Helpline Q/A

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MARKET FOCUS: CANADA

In 2018 U.S. agricultural exports to Canada surpassed \$20.7 billion. It was the #1 market for U.S. agricultural exports while it increased 27% in growth from the year prior (2017 = \$16.3 billion exported).

Of the 48 major export commodity groups tracked through USDA's Global Agricultural Trade System, Canada is the number one export market for 2019, and either the second- or third-largest market for 15 others.

The U.S. holds a dominant market share of over 75% for the Bakery Goods (breads, pastries, cookies, crispbreads, etc.) import market in Canada, with shipments valued at nearly \$1.2 billion in 2018. Baked goods from the European Union (EU) were valued at \$190 million and hold a steady market share of 12%. In 2018, U.S. exports of breads to Canada were \$500 million, pastries accounted for another \$350 million, cookies/sweet biscuits exports were valued at over \$150 million, while shipments of corn chips and other savory snacks totaled \$135 million.

Canadian imports of Condiments and Sauces from the U.S. were valued at nearly \$650 million in 2018 and accounted for 80% of total imports. Imports from the EU were the second largest, valued

OPPORTUNITIES TO EXPLORE THE CANADIAN EXPORT MARKET WITH FOOD EXPORT!

Canadian Buyers will be attending these upcoming Food Export Buyers Missions:

Pet Food Buyers Mission at the 2020 Global Pet Expo
Feb. 25, 2020

Frozen Food Buyers Mission at 2020 AFFI-Con
Feb. 29-March 2, 2020

Natural Products Buyers Mission at the Natural Products Expo West
March 4-5, 2020.

Take part in Food Export's Food Show PLUS!™ services:

CHFA West in Vancouver, Canada, February 21-23
SIAL Canada, in Montreal, April 14-17

at nearly \$70 million, followed by China and Thailand at \$19 million and \$12 million, respectively.

Canada's NAFTA partners – the U.S. and Mexico – dominate Canadian imports of Fresh Vegetables, with the U.S. market share of 62% valued at \$1.6 billion and Mexico's market share of 30% valued at \$790 million. Primary U.S. vegetable shipments to Canada included lettuce (\$333 million), broccoli/cabbage (\$243 million), cauliflower (\$128 million), and spinach (\$110 million).

Processed Vegetables imports from the U.S. totaled nearly \$650 million in 2018, led by prepared potatoes (\$185 million), chilled/frozen mixed vegetable preparations (\$110 million), canned tomatoes (\$70 million), and pickles (\$51 million). U.S. market share in the processed vegetable category has fallen over the last five years from 64% to 59% as Canada is importing more from the EU and other suppliers. EU market share is 16%, followed by China at 10%, and Mexico at 3.5%.

Canada imported \$1.4 billion of Fresh Fruit from the U.S. in 2018. Strawberries (\$293 million), grapes (\$184 million), apples (\$151 million), oranges (\$122 million), cherries (\$114 million), and raspberries/blackberries (\$105 million) accounted for the majority of fresh fruit shipments. Imports of fresh fruit from Mexico have grown by 39% from 2014 to 2018. Imports of Mexican avocados have significantly increased over that period from \$130 million to \$215 million. In addition, Canada is importing more raspberries/blackberries from Mexico. The U.S. had been the top supplier, but imports from Mexico have grown 44% over the last five years and raspberry/blackberry shipments to Canada totaled \$186 million in 2018.

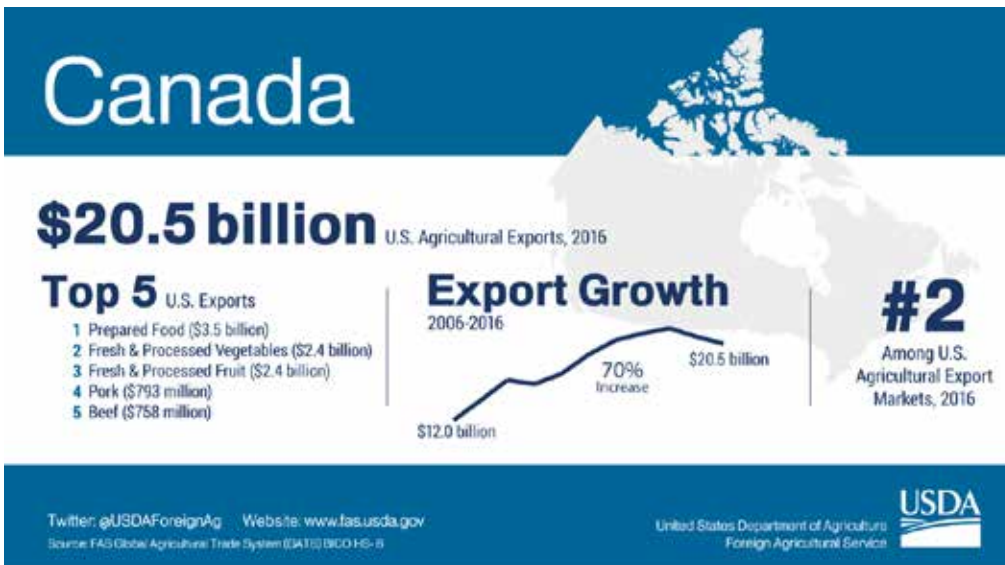
EU exporters hold the majority of the Distilled Spirits import market share in Canada at 59%, followed by those from the U.S. at 24%. The primary distilled spirit imports from the EU are whiskies (\$165 million), while imports of U.S. whiskey/bourbon were valued at \$49 million in 2018. Tequila sales from Mexico are up 42% from 2014 to \$47 million in 2018. As a result, Mexican market share for overall imported distilled spirits has grown from 6% to 7.2%. China and New Zealand round out the top five suppliers with market shares of 1.7% and 1.1%, respectively.

The U.S. is the top supplier of Seafood to Canada with sales of nearly \$1 billion in 2018 and control of just over a third of the import market. Primary seafood imports from the U.S. were lobsters (\$292 million), salmon (\$275 million), crab (\$71 million), and scallops (\$40 million). China was the second largest supplier with shipments totaling \$424 million, followed by Thailand (\$244 million), Vietnam (\$232 million), and Chile (\$166 million). The primary seafood imports from China and Vietnam were shrimp, while from Thailand the primary import was preserved tuna.

The U.S. has long been the major supplier of agricultural imports for Canada, however, demographic changes are underway for U.S. exporters to consider. There are more Canadians over 65 years old than under 15 years old. While healthier foods are in demand across generations, health conscious senior citizens have become the fastest-growing age group in Canada, and U.S. exporters may look to tailor their product sizing and packaging accordingly to meet the demands of this growing population. Immigration is also a key factor in Canada, where 21.5% of the population was born abroad, according to Statistics Canada's 2016 Census. This percentage of immigrants represents the largest proportion among G8 countries. By point of comparison, the Pew Research Center states that immigrants account for 13.6% of the U.S. population. Canada's large immigrant base opens the door for a broader variety of foods to be sold as traditional grocers look to expand the scope of their offerings to meet the demand of an increasingly diverse clientele.

There are also challenges as Canada continues to move progressively forward in opening its borders to new trade partners through free trade agreements. Improved market access for competitors will result in preference erosion for U.S. exporters where Canada maintained higher most favored nation tariffs than the duty-free treatment afforded most products through NAFTA. U.S. shippers need to be cognizant of competitors' tariffs that are being phased-out over time through trade agreements that may match NAFTA duty-free treatment. However, despite this challenge, U.S. farmers, ranchers, and food processors are well positioned to continue to meet the changing demands of Canadian consumers for high-value, quality products.

Source: Data statistics and export numbers credited to USDA/FAS International Export Report from Canada.



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

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

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

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FOOD EXPORT HELPLINE™

Q: Our company makes pet food, especially dog treats and would like to start exporting. Would it be worthwhile to attend Food Export's Pet Food Buyers Mission at the 2020 Global Pet Expo? Are those good export markets for pet food? Is pet food a good export product?

A: Yes, yes and yes! All of the buyer's markets (Canada, Colombia, Guatemala, Mexico, Panama, South Korea, Taiwan, the United Arab Emirates, and Vietnam) range from very good to fantastic for pet foods and the U.S. exports to them are strong, Free Trade Agreements (FTAs) exist with six of the nine markets and tariffs in the United Arab Emirates (UAE) are only 5% for processed food. Regulations are transparent and based on science, and there is a good appreciation for U.S. foods.

Euromonitor reports that global retail sales of pet food will reach over \$95.5 billion in 2019, growth of nearly \$17.2 billion (22.2%) since 2015. They also forecast sales reaching over \$135 billion by 2024, growth of 32.5% and over \$33 billion from 2020. About 96% of all pet food sales are of dog and cat food. Dog food accounts for \$56.6 billion of sales in 2019 or about 60% of all pet food. Cat food sales accounted for \$33.9 billion or about 36% of the total. Other pet food such as bird, fish and small mammal/reptile accounted for over \$3.9 billion, about 4% of the pet food sales total.

U.S. retail sales of pet foods lead the markets with \$34.2 billion forecast for 2019 – 36% of the global retail total. The 2nd largest market is China at just \$5.8 billion. Historically, China has not been much of a market from the U.S., given their ban on processed beef and other draconian regulations. In 2014, their top U.S. import year, the U.S. agricultural total reached \$24.2 billion, making them the largest U.S. export market. However, U.S. exports of pet food amounted to only \$297,000 ranking them 61st as a market.

Since then, U.S. exports of pet food to China have grown fast. From 2015-2018 they grew 844%, reaching \$5.8 million. 2019 YTD growth of pet food exports to China is 103%, reaching \$7.7 million.

Pet foods were hit with a punitive tariff as part of the "trade war" with China, and the duty now is 39% on the Cost, Insurance and Freight (CIF) basis. There is also a value added tax (VAT) "discounted" at 9% on the value of CIF + Duty, meaning a \$1000.00 CIF shipment of pet food to China will cost the importer \$1515.10. It is rare for exports to skyrocket after such a drastic tariff increase.

According to Euromonitor, after the U.S. and China the top retail markets for pet food are Brazil, U.K., France, Germany, Japan, Russia, Italy and Australia. Between 2015 and 2019 China had the highest growth rate of all markets at 232% and \$4.1 billion in dollar growth. Other high growth markets during the period included Indonesia, Chile, Vietnam, Colombia, Brazil and Saudi Arabia. Those same markets, led by China, are also high growth markets in the forecast to 2024, including Thailand, Malaysia and Peru.

By category, the highest growth in sales between 2015 and 2019 were cat treats at 46% and \$800 million, followed by premium wet dog food at 34.9% and nearly \$1.3 billion, dog treats at 28.2% and \$2.1 billion, and premium wet cat food at 26.3% and \$1.4 billion. In the forecast to 2024, the highest growth is estimated to be similar. All in all, the pet food market landscape is very strong in historical and forecast growth, and U.S. exporters are poised to take advantage of all these lucrative market opportunities.

GLOBAL RETAIL SALES OF DOG TREATS

Euromonitor reports that retail sales of dog treats will reach \$9.6 billion in 2019, representing nearly 17% of all dog food sales globally, and over 10% of all pet food sold. Dozens of markets have had growth of more than 30% during the period, among them China (277%), Chile (134%), Indonesia (132%), Honduras (112%), Dominican Republic (107%), Costa Rica and United Arab Emirates (UAE) (both with 100%).

The top retail markets for sales of dog treats begin with the U.S., which will sell \$4.8 billion in 2019, or about 50% of the world total. U.K., Germany, Japan, China, Italy, France, Canada, Australia, Thailand and Brazil will all have sales in excess of \$100 million in 2019. About 80 countries will record sales of over \$1 million.

The forecast for sales of dog treats is tremendous. By 2024 Euromonitor predicts retail sales will reach \$14.3 billion, representing growth of 33.4% from 2020, and about \$4.7 billion. High growth markets in the forecast include China, India, Brazil, Indonesia, UAE, Guatemala, Honduras, Colombia, Dominican Republic, Chile and Vietnam. The U.S. has an FTA with all of the Latin American Markets except for Brazil.

U.S. EXPORTS OF DOG & CAT FOOD

Unfortunately, because the HS code/Schedule B number is consolidated, we cannot see what the specific volume and value of dog treats are in the export data. The HS code for "dog and cat food, packaged for retail sale" is 2309.10 and the Schedule B number ends in all 0000's, meaning there are no specific types of products separated out beneath the HS. The industry would benefit from at least 4-5 more B numbers – that could include numbers for dog food, cat food, wet dog food, wet cat food and another for dog treats, identifying them as a snack.

U.S. exports of the consolidated pet food category (2309.10.0000) reached a record high in 2018, at over \$1.459 billion, and growth of 6% over the \$1.373 billion in 2017. So far through September of 2019 (the latest available data), U.S. exports of the products have grown an impressive 10% on a year to date (YTD) basis and

(continued on back page)

FOOD EXPORT–MIDWEST AND FOOD EXPORT–NORTHEAST ACTIVITIES

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

BUYERS MISSIONS

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

Pet Food Buyers Mission at the Global Pet Expo

February 25, 2020 Orlando, FL

RD Jan. 17, 2020

Frozen Food Buyers Mission at AFFI-CON 2020

Feb. 29 – March 2, 2020 Las Vegas, NV

RD Jan. 20, 2020

Natural Products Buyers Mission at Natural Products Expo West

March 4-5, 2020 Anaheim, CA

ERD Jan. 10, 2020 **RD** Jan. 22, 2020

Buyers Missions

Beer Ingredients Buyers Mission at Brew Expo America

April 20, 2020 San Antonio, TX

ERD Feb. 17, 2020 **RD** March 9, 2020

Pet Food Ingredient Buyers Mission at Pet Food Forum

April 27-28, 2020 Kansas, City, MO

ERD Feb. 24, 2020 **RD** March 16, 2020

Food Service Buyers Mission at National Restaurant Association Show

May 16-18, 2020 Chicago, IL

ERD March 13, 2020 **RD** April 3, 2020

Beer, Wine, & Spirits Buyers Mission at BAR at the Show

May 18-19, 2020 Chicago, IL

ERD March 13, 2020 **RD** April 3, 2020

Sweets and Snacks Buyers Mission at the Sweets and Snacks Expo

May 18-20, 2020 Chicago, IL

ERD March 16, 2020 **RD** April 6, 2020

SEAFOOD ACTIVITIES

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

Seafood Buyers Mission at Seafood Expo North America

March 14, 2020 Boston, MA

ERD Jan. 13, 2020 **RD** Feb. 3, 2020

▲Seafood Trade Show at Seafood Expo Global

April 21-23, 2020 Brussels, Belgium

▲Food Show PLUS!™ at China Fisheries and Seafood Expo

Oct. 28-30, 2020 Qingdao, China

ERD May 22, 2020 **RD** June 19, 2020

FOCUSED TRADE MISSIONS

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

Focused Trade Mission to New Zealand

June 21-23, 2020 Auckland, New Zealand

ERD Feb. 21, 2020 **RD** March 30, 2020

Focused Trade Mission to Australia

June 24-25, 2020 Sydney, Australia

ERD Feb. 21, 2020 **RD** March 30, 2020

Focused Trade Mission to Mexico for Private Label, Retail and Food Service Products

July 14-17, 2020 Mexico City & Monterrey, Mexico

ERD March 16, 2020 **RD** April 20, 2020

Focused Trade Mission to China for Retail and Food Service Products

Aug. 9-12, 2020 Shanghai & Wuhan, China

ERD April 13, 2020

Registration Deadline: May 22, 2020

FOOD SHOW PLUS!™

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

▲Booth Space Package Available

▲Food Show PLUS!™ at ANTAD & Alimentaria

March 30 – April 2, 2020 Guadalajara, Mexico

RD Jan. 8, 2020

Food Show PLUS!™ at Food & Hotel Asia (FHA)

Food & Beverage

March 30 – April 2, 2020 Singapore

RD Jan. 15, 2020

Food Show PLUS!™ at SIAL Canada

April 14-17, 2020 Montreal, Canada

ERD Jan. 8, 2020 **RD** Jan. 29, 2020

Food Show PLUS!™ at SIAL Canada

April 14-17, 2020 Montreal, Canada

ERD Jan. 8, 2020 **RD** Jan. 29, 2020

Food Show PLUS!™ at SIAL China

May 12-15, 2020 Shanghai, China

ERD Jan. 15, 2020 **RD** Feb. 12, 2020

Food Show PLUS!™ at Seoul Food & Hotel

May 18-22, 2020

ERD Jan. 22, 2020 **RD** Feb. 26, 2020

**FIND EXPORT SUCCESS. CALL OR EMAIL US.
WE'RE HERE TO HELP.**

Call: (312) 334-9200 or (215) 829-9111 E-mail: info@foodexport.org | www.foodexport.org



Make your market.™

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



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FOOD EXPORT HELPLINE™ (CONTINUED)

reached \$1.193 billion. That is over \$104 million in value growth over September 2018. Another new record high seems likely.

Pet food remains one of the strongest categories in processed food exports from the U.S. Based on 2017 USDA economic projections, pet food exports are responsible for nearly 12,255 American manufacturing and related industry jobs. These exports have grown 29% in the last decade, led by incredible growth rates like Canada at 34%, Mexico at 90%, Australia at 52%, Hong Kong at 281%, South Korea at 191% and Taiwan at 67%.

Other high growth export markets include Philippines with growth of 184%, New Zealand at 37% and Colombia at 916% – an example of how valuable FTAs are when tariffs are reduced and products are more affordable.

Since the U.S. and Japan are about to enter into the United States-Japan Trade Agreement (USJTA) in 2020, many U.S. processed foods – including pet foods – will become duty free. According to the proposed tariff in Japan on agricultural products, all pet foods will be free from duty. Japan is the second largest export market for pet foods from U.S., totaling nearly \$120 million in 2018, growth of 25%. So far through September 2019 exports reached \$97 million, up 3%. The reduced duties on pet food exports to Japan should help increase exports, positive news for the industry.

In 2020 The U.S. has 12 FTAs with 21 individual countries. In 2018 the export value of this pet food to the FTA markets totaled just over \$1 billion, nearly 69% of the 2018 export total. If you add

Japan into that total it was \$1.119 billion, or nearly 77% of the U.S. export total. FTAs are extremely valuable for the export of U.S. food and agricultural products and have created vibrant export markets for exporters of U.S. pet food.

In terms of volume, the 2018 export weight in kilos was 710.6 million – nearly 1.6 billion pounds.

The HS code for “other” pet food, including dog and cat food not packaged for retail sales is 230990 and the Schedule B number extends to 2390.90.1010. In 2018, exports totaled \$92.3 million, an increase of 9% from 2017. Many of the top export markets are similar to those for retail dog and cat food. Through September 2019 exports of these products has dropped 16% YTD to \$59 million, with most top markets in decline, many in double digits.

The state of the global pet food market is strong, growing well and the forecast is very positive in both mature markets and emerging markets. The U.S. pet food market continues to set records each year. It has been and will continue to be a high growth market both domestically and especially internationally.

