

DateLine Calendar

Below are upcoming Global Events:

USDA Trade Mission to Canada

April 2 - 5, 2019
Montréal and Toronto

Food and Hotel Vietnam 2019

April 24 - 26, 2019
Ho Chi Minh City

SIAL Canada 2019

April 30 - May 2, 2019
Toronto

TuttoFood 2019

May 6 - 9, 2019
Milan, Italy

Seafood Expo Global 2019

May 7 - 9, 2019
Brussels, Belgium

HOFEX 2019

May 7 - 10, 2019
Hong Kong

SIAL China 2019

May 14 - 16, 2019
Shanghai

Seoul Food and Hotel 2019

May 21 - 24, 2019
Seoul, South Korea

USDA Trade Mission to Colombia

June 3 - 6, 2019
Bogota

Caribbean and Central America Inbound Trade Mission 2019

June 11 - 13, 2019
Miami, FL

Canada Inbound Trade Mission to Summer Fancy Food & Louisiana

June 20 - 22, 2019
Baton Rouge, LA & New York, NY

Europe Inbound Trade Mission to Summer Fancy Food

June 22, 2019
New York, NY

Summer Fancy Food Show 2019

June 23 - 25, 2019
New York, NY

InSight

SUSTA
Southern United States Trade Association

Global News, Perspectives & Updates
for the International Agribusiness Trade

A Publication of the Southern
United States Trade Association

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B R I A N D A V I S

EXPORT PRICING

Recovering Costs and Staying Competitive

This is the second of a four-part series that offers tips to help Southern food producers be better prepared to enter foreign markets and make export sales.



What price do you offer to a potential foreign buyer? The answer is . . . it depends on a number of factors and those vary in each foreign market. Here is a quick review of what's involved to determine export prices and items needed to prepare the all-important export price quotation, the document that communicates the price, terms, and conditions to the foreign buyer.

Evaluating the impact of costs on export pricing is critical to market entry, sales, and profitability. The factors of international transportation, foreign tariffs, and in-country taxes immediately come to mind. Don't forget costs for foreign travel, product modifications (new flavor profiles, sizes), labeling, packaging, and documents to comply with U.S. and foreign regulations. In-country promotions, agent's commissions, and distributor and retail mark-ups are also ingredients in the pricing mix.

Tariffs and in-country taxes can place your product at a distinct price disadvantage. In most export transactions, the foreign buyer or importer is responsible for paying the applicable import tariffs in their country. Foreign governments also impose value added taxes (VAT) as the goods move through the distribution channels. VAT can be as much as 20% in some markets. As a first step, look at market potential in countries where the U.S. already has free trade agreements in place.

Because these costs vary per country, it's a good practice to research costs and prepare different price scenarios for different markets. How much of these additional costs you want to recover is unique to each exporter and country. The important thing is - get a picture of the total costs before sending a price quote to a foreign buyer. The time to research costs is before

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Recovering Costs and Staying Competitive

Continued from page 1

selecting a target market and before participating in an international trade show.

Good news - finding prices of products at retail is easy by visiting stores in-market and researching on-line retailers. With retail prices in hand, work backwards in the supply chain to your door to determine if you can compete. For example, the retail price of BBQ sauce in one foreign market is \$4 - \$6 per 16 ounce bottle. The EXW (ex-works) factory price from a U.S. exporter is \$1.50 per 16 ounce bottle. After costs for transportation, documents, tariffs, in-country

taxes, and distributor mark-up are added, the estimated retail price is \$18 per bottle, three times higher. In this scenario, the exporter must convince potential buyers about other attributes of the product besides price, or rethink exporting to that country.

Preparing the Export Price Quote and Using INCOTERMS

Once the homework is completed on export costs, preparing the price quote is a straightforward task. The document used to make an initial price quote is called the **pro forma invoice**. Sample templates are available to show

how the required information is displayed. (See list of resources.)

The pro forma invoice is the offer used to negotiate the order and establish the main elements of the proposed transaction. It spells out the price of the requested product and specifies a delivery point in the path from the door of the seller to the door of the foreign buyer. The pro forma should include the description of the merchandise, quantity, packaging, term of delivery, payment terms and currency of payment, and date the offer will expire. Top items are the desired term

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SUSTA's 50% CostShare Program Simplified

Through 50% CostShare, SUSTA can reimburse 50% of eligible promotions *if* a participant follows certain guidelines in the correct order.

August 1, 2018	January 1, 2019	2019 CostShare Timeline	December 31, 2019	April 1, 2020
1 Apply for CostShare				
	2 Conduct Eligible Promotions During Program Year			
	3 Submit Expense Claims and Get Reimbursed			

1 Apply for CostShare (August 1, 2018 - December 31, 2019) First, you must complete a CostShare application and pay the \$250 application fee. You can apply as early as the August prior to the program year; but it is a rolling application process so you can apply any time during the program year. In the application, you let us know in what foreign countries you plan on promoting your products, using what kind of eligible promotions (an eligible promotion could be an advertisement, a trade show booth, in-store display...the full list is online or in our manual), and how much each promotion will cost. This is called a marketing plan. You then need to submit your tax returns from last year and the packaging/labels of the products you wish to promote. Then your application will be reviewed. If approved, you must:

1. Sign your contract – electronically or print & sign
2. Pay a 6% administrative fee on the amount you are requesting in reimbursement (the 50% amount)

2 Conduct Eligible Promotions (January 1, 2019 - December 31, 2019) Once you are contracted, you conduct the eligible promotions that are in your approved application. SUSTA cannot retro-actively reimburse you for promotions done before you are contracted.* Because it is a reimbursement program and not a grant, you pay for the promotions up front.

3 Submit Claim/Get Reimbursed (January 1, 2019 - April 1, 2020) Last, once the promotion concludes, you provide SUSTA a complete expense claim, which will always include an invoice, proof of payment and proof of activity. Make sure to read the CostShare manual in advance to learn what is required for each promotion.

*** What about expenses that I need to pay for before I am contracted?** The only expenses that can be paid before you apply are trade show booth deposits and airfare for trade shows.

What if my plans change after I am already contracted? You can complete an amendment to your application to request more funds (if you have not already requested the maximum), to move funds from one country to another, or to add products.

What if I don't own the brands I am promoting? You and the brand owner will sign a form stating that you have the brand owner's permission to promote their brand in a particular country.



Food & Hotel Vietnam 2019

Vietnam's economy grew impressively in 2017, in which the country's real GDP grew an estimated 6.7%. Several factors have spurred a tremendous increase in Vietnam's food imports over the last five years; these include steady population growth, strong economic growth, greater disposable income, and expansion in the retail, food service, and food processing sectors. Vietnam's large population of around 93 million, half of which are under 30, is a key reason behind this strong surge in food and beverage products consumption. Furthermore, an average population growth of 1% per year means nearly 1 million new potential customers are born every year, making the country extremely attractive to food retailers.



U.S. exports of consumer-oriented agricultural products to Vietnam have grown at an astonishing rate in recent years. From 2004 to 2010 alone, the year-end figure increased over 1,000 percent. Exports of high value and consumer-oriented U.S. agricultural and food products to Vietnam have seen rapid growth in recent years. After hovering around the \$20 million mark for several years in the early 2000s, these exports grew to an astonishing \$535 million in 2010, then \$879 million in 2014. In the coming years, these exports should continue to increase.

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Ho Chi Minh City Vietnam April 24-26, 2019

Participation Fee

Corner Booth: \$1,793

In-Line Booth: \$1,629

Fee Includes

- 9m² booth and standard furniture package
- Interpreter services
- \$500 shipping allowance from a consolidation point in the U.S. to the trade show through SUSTA's official freight forwarder. Shipping to the consolidation point is not covered by SUSTA.

50% CostShare

Apply now for **SUSTA's 50% CostShare** to request 50% reimbursement of participation fee, travel costs for up to two company representatives (flight, hotel, meals and incidentals), promotional giveaway items, point of sale materials and more!

Industry Focus

Food Service Products, Ingredient, Natural/Health, Produce, Pet Food and Products, Retail Products

Product Description

(Suitable products include, but are not limited to): Canned Food, Health & Organic Food, Produce, Snack Foods, Juices

Register

www.susta.org/events



SIAL Canada 2019

The United States and Canada maintain the world's largest bilateral trading relationship, facilitated by proximity, common culture, language, similar lifestyle pursuits and the ease of travel among citizens for business and pleasure. The Canadian population is approximately 37 million, and 95% of Canadians live within 100 miles of the U.S. border. Moreover, Canada relies heavily on imported produce due to limited growing seasons. The Canadian market relies on the U.S. for increased varieties of seafood, horticulture, alcoholic beverages and value-added products. SUSTA companies with produce, seafood and high value products that cater to various ethnic palates and health conscientious consumers have potential to do well in this market.

SIAL Canada is a major international food show in Canada dedicated to both the retail and foodservice markets. The show is attended by more than 18,000 visitors from 60 countries, including major Canadian retailers and foodservice representatives. SIAL Canada is endorsed and supported by the Foreign Agricultural Service and over the years, SIAL Canada has grown into a premier food exposition with the U.S. pavilion being a prominent feature – participation has proven to be critical to successful market entry. Through this initiative, participants have an opportunity to meet key buyers, familiarize themselves with general import procedures and business practices, explore consumer trends and receive one-on-one assistance to initiate or further their export strategy for the Canadian market. In addition, participating companies will benefit from one-on-one meetings with Canadian buyers and a briefing on the Canadian market.



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Toronto, Canada

April 30 – May 2, 2019

Participation Fee

Corner Booth: \$1,859

In-line Booth: \$1,649

Fee Includes

- 9m² booth and standard furniture package
- Retail Market Tour
- Pre-arranged one-on-one meetings
- Up to \$500 of shipping from a consolidation point in the U.S. to the show through our designated freight forwarder. Shipping to the consolidation point is not covered by SUSTA.

50% CostShare

[Apply now](#) for **SUSTA's 50% CostShare**

to request 50% reimbursement of participation fee, travel costs for up to two company representatives (flight, hotel, meals and incidentals), promotional giveaway items, point of sale materials and more!

Industry Focus

Food Service Products, Ingredient, Natural/Health, Retail Products

Product Description

(Suitable products include, but are not limited to): Frozen, Ready-Made and Canned Products, Confectionery and Pastries, Meat and Poultry, Sauces and Condiments

Register

www.susta.org/events



TuttoFood

In 2016, Italy was the 20th largest market for U.S. exports, which totaled approximately \$16.8 billion, and the 6th largest export market in the EU, following Germany, the UK, Netherlands, Belgium and France. American-style fast food chains, buffets, and salad bars are gaining popularity in the Italian market. This move towards more convenient dining has led Italian importers to seek out U.S. food products suitable to self-service eateries. Many bars, restaurants and food service companies also are seeking foods that microwave easily. Italians are consuming increasing quantities of breakfast cereals, organic and snack foods. The Italian youth market is especially interested in lifestyle foods such as American microbrew beers and salted snacks.

Products present in the market with good sales potential and growing are beer and wine, chocolate, fresh fruits and snack foods. Products not present in significant quantities but with good sales potential are functional and health food 'free-from' products (lactose-free, gluten-free), organic products, specialty foods and sauces.



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Milan, Italy May 6-9, 2019

Participation Fee

Corner Booth: \$1,527

In-line Booth: \$1,354

Fee Includes

- 9m² booth and standard furniture package
- Up to \$500 reimbursement for shipping product samples with proper documentation

50% CostShare

Apply now for **SUSTA's 50% CostShare** to request 50% reimbursement of participation fee, travel costs for up to two company representatives (flight, hotel, meals and incidentals), promotional giveaway items, point of sale materials and more!

Industry Focus

Food Service Products, Ingredient, Natural/Health, Organic, Produce, Retail Products, Seafood

Product Description

(Suitable products include, but are not limited to): Convenience Foods & Snacks, Ingredients, Fruit & Tree Nuts, Seasonings & Sauces, Frozen Foods, Natural/Health/Organic, Beverages

Register

www.susta.org/events



HOFEX 2019

Hong Kong is a dynamic export market for U.S. agricultural products. In 2017, total U.S. agricultural exports reached US\$4.4 billion, ranking as the 6th largest market for U.S. food and agricultural exports. In terms of U.S. consumer-orientated exports, Hong Kong ranked 4th in 2017, with exports reaching US\$4.03 billion; this represents an increase of 9.9 percent year on year. Hong Kong's significance as a major food import market is projected to continue to grow in view of its duty-free port status, its transparent and sophisticated trade regime, and an increasing affluent consumer base.

HOFEX has been one of the leading food and hospitality tradeshow in Asia for the last 30 years. This tradeshow takes place every other year in Hong Kong and invites more than 40,000 buyers from 86 countries and regions. Companies that have exhibited with SUSTA label it as a great opportunity to establish business relationships and get quality trade leads. Register with SUSTA and explore the Hong Kong value-added food market.



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Hong Kong May 7-10, 2019

Participation Fee

Corner Booth: \$5,044

In-line Booth: \$4,644

Fee Includes

- 9m² booth and standard furniture package
 - Market Briefing & Tour
 - Up to 100 lbs* of samples shipped from the consolidation point to the show.
- * Fresh/frozen/chilled products may be subject to separate allowances.*

50% CostShare

Apply now for SUSTA's 50% CostShare to request 50% reimbursement of participation fee, travel costs for up to two company representatives (flight, hotel, meals and incidentals), promotional giveaway items, point of sale materials and more!

Industry Focus

Food Service Products, Ingredient, Natural/Health, Organic, Retail Products, Seafood

Product Description

(Suitable products include, but are not limited to): Specialty Foods, Beverages, Sauces, Condiments, and Seasonings, Health Foods, Seafood & Meat Products, Grocery Products, Confectionery & Snacks, Other Value-added Foods

Register

www.susta.org/events

Recovering Costs and Staying Competitive

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of delivery or sale (INCOTERM) and the method of payment (cash in advance, letter of credit, open account).

To understand the split of responsibilities for the carriage of the goods, exporters and importers use a common set of three-letter abbreviations that developed over centuries of trading. These abbreviations were codified and published by the International Chamber of Commerce in 1936 and are accepted globally. Referred to as INCOTERMS (international commercial terms), these abbreviations delineate the division of costs between the seller and buyer and clarify the price of the goods based on a named delivery location. The latest version is INCOTERMS 2010 and includes 11 terms of delivery, sometimes referred to as terms of sale.

Two commonly used INCOTERMS are EXW and CFR. The term EXW (Ex-Works) means the price quoted includes delivery charges to the loading dock of the seller at a named

cash in advance. It's also used in situations when buyers are consolidating products from multiple suppliers.

The term CFR (Cost & Freight, used in ocean mode of transport) means the price of the goods quoted include the costs delivered to the foreign port. Under CFR, typical costs included on the pro forma are the domestic freight from the seller's door to the U.S. port of exit, export documents, foreign document fees, freight forwarder fees, loading charges, and the international shipping costs to deliver the goods to the foreign port of entry. At the foreign port of entry, the buyer assumes the responsibility and costs to unload the goods, clear customs, and move the goods in country.

The foreign buyer needs the pro forma to determine if the U.S. product can compete with similar products already in the market. If the pricing and quality looks promising, the buyer may use the pro forma to discuss financing arrangements with its bank to be able to purchase the goods and confirm an order.

For new exporters, using INCOTERMS and dealing with international methods of payments can seem confusing, so engage the help of trade experts. Work with a freight forwarder to determine the required export documents, freight costs, and shipping details. Seek advice from a banker on methods of payment and the credit conditions of the foreign buyer and market. Check with SUSTA for access to no-cost export advisors in each member state.

Don't let export pricing be uncharted territory for selling abroad. Before sending out a formal price quote, know

SUSTA's cost-share program is an excellent way to defray some of the additional costs involved in exporting and help maintain price competitiveness.

which export costs you want to include and recover in the proposed transaction. Prepare the pro forma carefully to minimize errors and omissions, because, if the offer is accepted, it becomes a binding order. This is when due diligence on export costs and pricing pays off. And there will be no need to use four letter words, when you master using the three letter INCOTERM abbreviations.

Resources

Find tariffs on US products in foreign countries:

<http://export.customsinfo.com>

<https://apps.fas.usda.gov/agtariiftracker/Home/Search>

Determine foreign market regulations on U.S. food products:

www.fas.usda.gov – search for Food and Agricultural Import Regulations and Standards (FAIRS) reports prepared for each foreign market by USDA's Foreign Agricultural Service specialists in-country include information on labeling, packaging, ingredients, inspections, testing, and other requirements.

Review official guides on INCOTERMS and exporting from the International Chamber of Commerce:

www.iccbbooks.com

- ICC Guide to Incoterms, 2010
- ICC Guide to Export-Import, 2012

INCOTERMS do not govern or relate to the transfer of title or ownership of the goods. Title transfer is connected to the bill of lading shipping document – more on this in future articles.

location. Under EXW, the foreign buyer assumes all costs beyond that point and arranges for the loading and international transportation to the country. EXW is often used by new exporters that don't want to deal with international transportation and that demand



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InSight is a publication of the Southern United States Trade Association. SUSTA is headquartered in New Orleans and works to promote the export of agricultural and food products from 14 southern states and Puerto Rico. The organization helps food and agricultural producers and distributors target potential overseas markets and assists their marketing efforts by administering federal funds for international market development.

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