

GLOBAL FOOD MARKETER™ NEWSLETTER

Export news from the Midwest and Northeast



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YOUR 2021 EXPORT STRATEGY PLAN

2020 has definitely made us all learn to adapt, change, compromise, and evolve in an unpredictable environment. We have learned to work differently, socialize in a new way, and do many things virtually. Food Export – Midwest and Food Export – Northeast are also evolving to help our U.S. Suppliers find new ways to keep their export sales alive and growing.

While we are still continuously adapting to the ways and rules of our world, we are still planning for next year. And while there still some unpredictable obstacles, we are being hopeful, confident and surging ahead planning activities for 2021.

Included in this issue is our 2021 Activity Calendar – our listing of planned Buyers Missions, Focused Trade Missions, and Food Show PLUS!™ events with a highly optimistic overview. We are planning 20 Buyers Missions, 14 Focused Trade Missions, and 18 Food Show PLUS!™ events.

We will continue to make adjustments/updates to our 2021 events calendar as necessary and encourage companies to visit our website for the latest updates and most current event information while also finding newly introduced virtual activities.

The inserted calendar will continue to have edits and updates. We urge you to utilize your appointed Food Export Liaison to stay up to date on the most current plan for each event. Your Liaison is ready to help you register for activities and guide you to completing your 2021 Branded Program Pre-Qualification!

We are also continuing to plan virtual events for the beginning of next year. While we are sad to announce our annual Northeast Buyers Mission will not be a live, in-person event, we are thrilled to announce a new virtual event, "Virtual Connect Winter 2021." Please contact your Food Export Liaison or visit the Food Export website.

2021 Activities and Branded Program are announced and open for registration!

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Your 2021 Export Strategy Plan



Market Focus: Taiwan



Food Export Helpline™ Q/A

Review the inserted 2021 Food Export Activity calendar to plan activities that will help you achieve your goals!

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MARKET FOCUS: TAIWAN

In 2019 Taiwan's economy cooled slightly. The economy continues to be supported by growth in government expenditure on infrastructure, with low unemployment continuing to shore up consumption, and exports performing well. Downside risks include the extent of the coronavirus outbreak's impact on the Taiwanese economy, heightened migration of high-skilled workers and increased diplomatic tensions with China, upon whom Taiwan is heavily dependent. Taiwan is particularly vulnerable to the coronavirus threat due to its intertwined supply chains and dependence on Chinese tourism and exports. This bodes ill for the manufacturing industry. Growth of real Gross Domestic Product (GDP) will be 2.4% in 2021, before falling to reach around 1.7% per year by 2027.

2019 U.S. exports of consumer-oriented agricultural products grew 6% to \$1.7 billion, making it the 7th largest export market for the aggregate and a new record high. Taiwan is the 12th largest U.S. market for processed foods, totaling \$665.8 million in 2019, up 2% from 2018.

Top processed export products imported by Taiwan in 2019 included food preparations, non-alcoholic beverages, processed vegetables and pulses, processed/prepared dairy products, snack foods, dog and cat food, prepared/preserved seafood, chocolate and confectionery, beer and wine and processed fruit.

RETAIL SECTOR HIGHLIGHTS

According to Euromonitor, retail sales in the packaged food market in Taiwan were estimated to reach \$11.2 billion in 2019. That represents a growth rate of 14.8% or \$1.4 billion since 2015. By the year 2024, retail sales in the packaged food market in Taiwan are expected to reach nearly \$13.9 billion, a growth rate of 19%, or \$2.2 billion. High growth products in the forecast include ready meals, ice cream, frozen

BEST PRODUCT PROSPECTS

For the Retail Sector

- Beef
- Chicken
- Fresh fruits including berries
- Fresh vegetables
- Tree nuts
- Pet food
- Cheese

For Food Service

- Beef and beef offal
- Pork and pork variety meat
- Poultry
- Fish and seafood products
- Dairy products
- Fresh fruit and vegetables
- Tree nuts
- Wine
- Coffee

For the Food Processing/Ingredient Sector

- Cheese
- Non-gmo soybeans
- Fluid milk
- Pre-mixes and frozen dough
- Barley
- Whey protein concentrate and soybeans
- Tree nuts
- Dried fruit
- Roasted malt
- Cereal grains
- Frozen fruit

desserts, savory snacks, dairy products, sweet biscuits, snack bars, fruit snacks, soup, confectionery, and baked goods.

The growth of U.S. food and agricultural exports to Taiwan are mostly high-value consumer-oriented products. While U.S. bulk commodity products exports are facing more competition from countries with lower costs, U.S. exports of consumer-oriented products, such as meat, poultry, and fresh fruits have enjoyed good growth in recent years.

FOOD SERVICE SECTOR HIGHLIGHTS

According to the Ministry of Economic Affairs (MOEA), the economic output of Taiwan's foodservice sector (excluding institutional food service) was estimated at \$25.3 billion in 2018, a 5.4% increase from 2017. The foodservice sector has enjoyed stable growth over the past decade with tourism development cited as a primary driver. Other factors such as the rise of consumer income, smaller family sizes, a growing number of working women, and the growth of e-commerce have helped the foodservice sector growth.

Delivery services are having a profound impact on the foodservice industry by increasing overall revenue but not benefiting net profits. Most of the hotel restaurant institutional (HRI) sector's growth is in the fast-food, coffee shop, and casual-dining segments, while foreign tourists' food expenditures continue to be an income generator for Taiwan's overall gross domestic product.



FOOD PROCESSING SECTOR HIGHLIGHTS

The approximately 6,000 food processing companies employ 135,000 people, together producing an estimated US\$17.9 billion of processed food and drinks, accounting for 3.6% of Taiwan's gross domestic product (GDP) in 2018. The top five largest subsectors by value were: animal feed, non-alcohol beverages, as well as edible fat & oil, chill/frozen/processed meat, and dairy, respectively representing 43% of food processing industry's total production value.

Opportunities exist to expand U.S. food product sales to Taiwan's food processing and ingredient sector. Taiwan's food processing and ingredients industry is comprised of the following sectors: beverage, coffee/cocoa, condiments/seasonings, dairy products, fats/oils, flour/ bakery products, fruits/vegetables, meat/poultry products, snack foods, and sugar and confectionery. Taiwan's continued modernization and increased acceptance of western food make it an extremely attractive market for U.S. exporters. It also serves as an excellent test market for companies interested in exporting food products to China.

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: I just watched the recorded webinar called “Top Dog: Pet Food Exports Continue to Grow.” from May 2020, but the export data was from March – pre-pandemic as far as the economic impact goes. What kind of update do you have for U.S. pet food suppliers about the export potential?

A: Pet owners worldwide love their pets and want them to lead healthy lives. One way is to feed them the best food they can afford. Consumers often turn to U.S. products for their science-based, healthy, fun and tasty pet food and treats. The state of the global pet food market is strong and growing well. The forecast is very positive – not only in mature markets – but also in emerging markets.

The global pet food market is withstanding the effects of the pandemic quite well, perhaps because people are spending more time with their pets as they work or learn from home. The U.S. pet food market continues to set records each year; it has been, and looks like it will continue to be, a high-growth market domestically and especially internationally.

GLOBAL RETAIL SALES OF PET FOOD

Euromonitor reports that global retail sales of pet food will reach over \$98.5 billion in 2020, growth of 25% and nearly \$19.7 billion since 2016. The year-on-year (YOY) growth between 2019 and 2020 is estimated to be nearly 5% or \$4.5 billion. High period growth markets for 2020 include Argentina, China, Turkey, Romania, Vietnam, India and Ukraine. The highest dollar growth markets include China, Brazil, Russia, Argentina, U.K., Australia and Canada. Only Japan and Greece are expected to decline this year – both less than 1%.

Euromonitor also forecast pet food sales will reach over \$135 billion by 2025, growth of 29% and over \$30.4 billion from 2021. High-growth markets include most of the growth leaders but add Indonesia, UAE, Taiwan, Panama and most of the CAFTA-DR, less Costa Rica. High-dollar growth markets include many of the same markets as in the historical data: China, Russia, Brazil, Argentina, Mexico, U.K., France, Canada and Australia.

About 96% of all pet food sales are of dog and cat food. Dog food accounts for \$58.5 billion of sales in 2020 or about 59% of all pet food. Cat food sales accounted for \$36 billion or about 36.5% 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 total.

CHINA AND THE PHASE ONE AGREEMENT

U.S. retail sales of pet foods lead the markets with \$35.4 billion forecast for 2020, nearly 36% of the global retail total. The 2nd largest market is China, which goes all the way down to \$6.3 billion. Historically China has never been much a market from the U.S.

given their ban on processed beef and other draconian regulations.

The “Phase One” agreement addresses all of the non-tariff trade barrier issues and gives U.S. companies streamlined access to China while providing Chinese consumers with a wider variety of high-quality American pet food products in the future.

Since 2014, U.S. exports of pet food to China have grown strongly. Between 2015 and 2019 they grew 1673% reaching \$10.9 million and a 2019 ranking of 18th. Growth of pet food exports to China in 2020 YTD is 157% and reached \$19.1 million and China now ranks 11th as a market. The astounding part of the growth is that pet food (in airtight containers) were also hit with a punitive tariff as part of the “trade war” issue we have with China, and the duty now is 34% on the Cost, Insurance and Freight (CIF) basis. In addition, there is a value added tax (VAT) “discounted” at 9% on the value of CIF + Duty. That means a \$1000.00 CIF shipment of pet food to China is going to cost the importer \$1460.60 to get it out of customs. It would be rare to see exports of value-added foods 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 2016 and 2020 China had the 3rd highest growth rate of all markets at 175% and \$4 billion in dollar growth. Other high-growth markets during the period included Vietnam, Indonesia, Dominican Republic, UAE, South Korea, Brazil and Guatemala.

The highest growth category in sales between 2016 and 2020 were cat treats at 46.8% and \$974.9 million. It was followed by mid-priced dry cat food with growth of nearly 40% and \$1.8 billion, dog treats (analyzed below), premium dry cat food with 30.6% and \$1.5 billion, and premium dry dog food, with growth of 29.6% and \$3.8 billion. In the forecast to 2025, the highest growth rates are all for cat food, from treats to various price platform dry and wet cat food and mixers. The dog food and other foods are also growing. 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 lucrative market opportunities.

GLOBAL RETAIL SALES OF DOG TREATS

Dog treats are very popular and likely have a large share of pet food exports from the U.S. We cannot tell since there is only one code covering both dog and cat food. Euromonitor reports that retail sales of dog treats will reach over \$10.4 billion in 2020,

FOOD EXPORT HELPLINE™ (CONTINUED)

representing nearly 18% of all dog food sales globally, and nearly 11% of all pet food sold. That is growth of 32.2% and over \$2.5 billion since 2016. There are literally dozens of markets that have had growth of more than 30% during the period, among them China (216%), Indonesia (149%), Dominican Republic (97%), Vietnam (89%), Costa Rica (84%) and Guatemala (82%).

The top retail market for dog treats is the U.S., which will sell \$5.4 billion in 2019, or about 52% of the world total. The top international markets are U.K., Germany, Japan, China, Canada, Italy, France, Thailand, Australia, Brazil and South Korea who will all have sales in excess of \$100 million in 2020.

The forecast for retail sales of dog treats is tremendous. By 2025 Euromonitor predicts retail sales will reach \$14.4 billion, representing growth of 28.4% from 2021, and about \$3.2 billion. High growth markets include Indonesia, China, UAE, Vietnam, Brazil, Guatemala, Colombia, Taiwan and Dominican Republic, Chile and Vietnam. The U.S. has an FTA with all 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 volume and value of dog treats are specifically in 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 0000s which means there are no specific types of products separated out beneath the HS.

U.S. exports of 2309.10.0000 set another record high in 2019, reaching over \$1.6 billion and growth of 11% over the \$1.454 billion in 2018. So far through August of 2020 (the latest available data), U.S. exports of the products have grown an impressive 5% on a year to date (YTD) basis and reached \$1.118 billion – over \$53 million in value growth over August 2019. Another new record high seems quite likely at this point.

Pet foods remain one of the strongest export categories in processed food exports from the U.S. and, based on 2017 USDA economic projections, are responsible for nearly 15,680 American manufacturing and related industry jobs (for exporting dog and cat food packed for retail). Exports of these products has grown 44% in the last decade, led by incredible growth rates like Canada at 52%, Mexico at 270%, Australia at 37%, Hong Kong at 208%, South Korea at 163% and Taiwan at 53%.

Other high-growth markets include Philippines with growth of 131%, New Zealand at 80% and Colombia at 762% growth – that is not a typo, just an example of how valuable Free Trade Agreements (FTAs) are when the tariffs are reduced, making the products more affordable. Six of the top ten export markets are countries with whom the U.S. has an FTA, either an official agreement or, in the case of Hong Kong, it is a duty-free zone so it might as well be an FTA.

Japan is the latest to enter into an FTA with the U.S. The United States-Japan Trade Agreement (USJTA) entered into force without much fanfare January 1, 2020. According to the USJTA tariff in Japan on agricultural products, four out

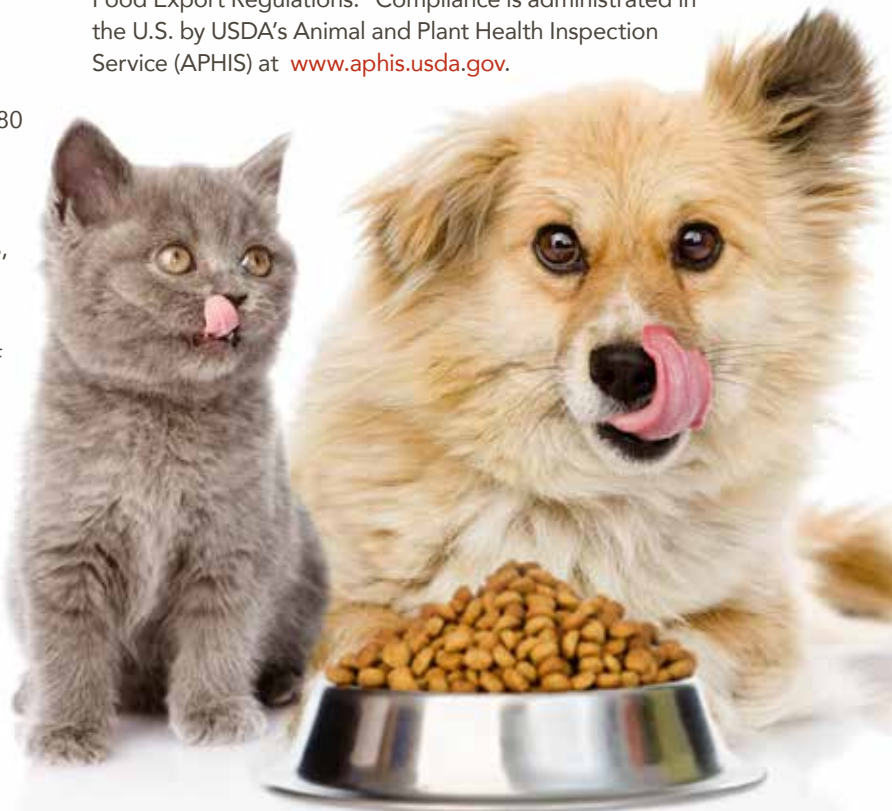
of five pet foods will be free from duty upon the EIF. The fifth line item is on a tariff elimination schedule for five years. There have already been two reductions since it is lowered every April. Japan is actually the second largest export market for pet foods from U.S., totaling nearly \$130 million in 2019, growth of 9%. So far through August 2020, exports reached \$82.5 million, down 5%. But the reduced duties on pet food exports to Japan should help increase exports in the future, which is positive news for the industry.

The U.S. now has 15 FTAs with 21 individual countries. In 2019, the export value of pet food to the FTA markets totaled just over \$1.1 billion, growth of 14%. That represented nearly 70% of the 2018 export total. If you add Japan (2020) into that total, it was \$1.261 billion, or nearly 78% 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.

Consider the data in sheer terms of volume. In 2019 that record \$1.62 billion, measured in kilos (equivalent to 2.2046 pounds) was 779.6 million, an increase in volume of over 9% from the prior year. That converts to more than 1.7 billion pounds (billion with a B!).

The HS code for “other” pet food, which includes dog and cat food not packaged for retail sales is 2309.90 and the Schedule B number extends to 2390.90.1010. Exports of these products in 2019 totaled \$80.6 million, a drop of 13% from 2018. Many of the top export markets are similar to those for retail dog and cat food, including Taiwan, Mexico, Canada, Hong Kong, Japan and South Korea.

So whether you are new to export or a seasoned veteran, if you have an attractively named and packaged pet food product you should certainly be exporting it or seriously considering it. Keep in mind compliance matters, especially with any animal protein as an ingredient. Accessing that information was pointed out in the recorded “Top Dog” webinar as well as another called “Navigating Food Export Regulations.” Compliance is administered in the U.S. by USDA’s Animal and Plant Health Inspection Service (APHIS) at www.aphis.usda.gov.





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YOUR 2021 EXPORT STRATEGY PLAN (CONTINUED)

With over 50 activities planned for 2021, Food Export is prepared to help you grow exports of value-added food and agricultural products. Whether your company is just getting started or is already exporting to several countries, we have multiple programs and services to assist you.

We are pleased to have our most popular Buyers Missions, Focused Trade Missions and Food Show PLUS!™ activities available for you next year and excited to announce three new activities!

HIGHLIGHTS OF OUR 2021 ACTIVITY SCHEDULE

NEW FOR 2021

- Pet Food Buyers Mission at Superzoo, August 16, Las Vegas, Nevada
- Food Ingredients Buyers Mission at Supply Side West, October 26, Las Vegas, Nevada
- Focused Trade Mission to Taiwan for Food Ingredients, September 13-15, Taipei, Taiwan

VIRTUAL EVENTS!

- Virtual Connect Winter 2021, January
- Seafood Buyers Mission, March 8-11
- Focused Trade Mission to Costa Rica, February 8-11

RETURNING NEXT YEAR

- Focused Trade Mission to Peru for Retail & Food Service Products, April 12-14, Lima, Peru

- Focused Trade Mission to Chile for Retail & Food Service Products, April 15-16, Santiago, Chile
- Focused Trade Mission to Malaysia for Organic & Natural Products, November 1-3
- Focused Trade Mission to Singapore for Organic & Natural Products, November 3-5

SEAFOOD EVENTS

- Virtual Seafood Buyers Mission, March 8-11
- Seafood Trade Show at Seafood Expo Global, April 27-29, now in Barcelona, Spain!
- Food Show PLUS!™ at Seafood Expo Asia, September 7-9, Hong Kong
- Food Show PLUS!™ at China Fisheries & Seafood Expo, October 27-29, Qingdao, China

INGREDIENT SUPPLIER ACTIVITIES

- Beer Ingredients Buyers Mission at Brew Expo America, March 30, San Diego, California
- Food Ingredients Buyers Mission at Institute of Food Technologists Show, July 18-19, Chicago, Illinois
- Food Ingredients Buyers Mission at Supply Side West, October 26, Las Vegas, Nevada
- Focused Trade Mission to Taiwan for Food Ingredients, September 13-15, Taipei, Taiwan