

PART B

EXPORT MARKETING GUIDELINES: ANALYSIS AND STRATEGY

How do you get involved in the international marketplace of organic products? How much time and money will it take? Should you make exporting part of your business plan? These common concerns are what Part B is all about. It helps you evaluate whether or not to get involved in international business, and learn how to go about exporting.

The first Chapters 10, 11 and 12 aim at assisting potential exporters in the **decision-making process** whether or not to export to the EU. By matching external opportunities and internal capabilities, the exporter will be able to identify suitable export products, target countries, market segments, and possible trade channels.

Subsequently, Chapter 13 provides sector-specific knowledge and sources to enable the exporter to further investigate what to export, to which markets, through which channels, and at what prices. In other words, which **marketing tools** can be used to build a successful business relationship.

The information provided in the previous part A of this survey is an essential ingredient in conducting the analysis and formulating a clearly targeted export strategy. Where applicable, reference will be made to the related sections in Parts A and B. Keep in mind that the export marketing process is integrated; each individual part is inter-linked.

For general information on export marketing and how to conduct market research, please refer to CBI's Export Planner and CBI's new manual on market research.

10 EXTERNAL ANALYSIS: MARKET AUDIT

The external analysis assists the exporter to identify market opportunities, suitable sales channels and other relevant external factors.

10.1 Market developments and opportunities

As a first step towards the identification of the most suitable export markets, the exporter needs to research the importance of potential markets and understand the ongoing developments that shape the market structure. As we have seen in Part A of this survey opportunities for organic food products in the EU can be found, for instance in the following situations:

- In the case of some organic food products a shortage of supply and a growing demand, for example honey, fresh and processed fruits and vegetables (e.g. deep frozen and purees for baby food);
- Products from countries other than those of the EU are often imported into Europe as raw goods and only then processed and packaged. Most organic products imported cannot be cultivated or produced in Europe and/or are not available in season (for example fruit and vegetables, but also exotic fruit juices);
- A steadily growing demand for value-added organic food products such as organic meals or nutrition bars, such as convenience products, snacks, sweets, confectionary.

In general, importers are interested in new supplies but often do not mention specific product groups. Internet sites of importers provide an overview of the products in which these importers are involved, which can be used as an indication for supply needs and submitting inquiries. Important requirements for the product and the supplier are:

- Quality (meeting organic and phytosanitary standards)
- Competitive price
- Reliability
- Communication, agreements & logistics
- Solid organisation
- Quantity (some products are only traded in big volumes, e.g. sugar or palm oil)

Finding these opportunities and developments should be accomplished by means of a systematic method of market research, involving a preliminary screening of potential markets followed by a more detailed assessment of the targeted markets. Markets can be researched using primary or secondary data sources. Primary market research means collecting data directly from the foreign marketplace through (informal) interviews, surveys, and other direct contact with market participants. Primary research has the advantage of being tailor-made to meet your company's needs and provide answers to specific questions, but this data collection can be very time-consuming and expensive.

For a global scan of the market, most companies make use of secondary data sources, such as trade statistics, to focus their marketing efforts. This type of research is a valuable and relatively easy first step. Specific market developments as described in Chapters 3, 4, 5, 8 and 9 and references made in this market survey can be used as a starting point for your export market research.

Results of the research inform the company of the largest markets for its product, the fastest growing markets, market trends and outlook, market conditions and practices, and competitors and their products. Based on all the information, a company must decide which markets are the most promising.

Questions that need to be answered:

- Market size: What is the (estimated) market size for your potential export products? Try to first focus on your product group, then on your specific products.
- Market developments and trends: How has the total market volume developed during the last 3-5 years? If there is no information available on your specific organic product, then try to obtain information on the development of the market for a higher level. For example, the market for finished products or the product group of which your product is part.
- Imports: How have imports developed during the last 3-5 years? Again, there probably is no information on all specific products available.
- Are importers and potential business partners in the EU interested in new suppliers of your particular products?

Where to find information?

- ① The market information described in **Part A of this market survey** can be very useful as a starting point for your export market research. Where applicable, also the sources for this market information are mentioned in the specific chapters.
- ① For more general information, you can use the EU statistics bureau **Eurostat**: <http://europa.eu.int/comm/eurostat>
- ① An impression of supply and demand can be obtained at: <http://www.greentrade.net/en/>. This is a website for e-commerce in organic products.
- ① As mentioned in Chapter 3 of this market survey the European Information System for Organic Markets aims to build up a framework for reporting valid and reliable data for relevant production and market data about the European organic sector. It is expected to find more and more information at their Internet site in the future (<http://www.eisfom.org>).
- ① In some cases, **trade associations** are able to assist you with more specific information on product trends. For a list of trade associations please refer to Appendix 2.
- ① To get a good overview of trends in the (organic) food sector it is a good idea to visit **Trade Fairs**. The most recommended trade fair by European importers is the BioFach, held once a year in Nuremberg, Germany. Please refer to Appendix 2 for a list of the most important trade fairs for (organic) food products.
- ① **Trade press**
Useful sources for information on market developments are (international) trade magazines, which can be relevant for exporters who want to develop a better insight into the EU markets. Some of the most interesting magazines for exporters of organic products are:
BioFach newsletter (on-line, free newsletter)
World Organic News (<http://www.agra-net.com>)
Organic Business (UK) (<http://www.organicTS.com>)
Ecology and farming (IFOAM)
Foodnews
Food Engineering and Ingredients
International Food Ingredients
☞ Please refer to Appendix 2 for a more extensive list of names and addresses of publishers.
- ① Last but not least, **Internet** provides you easily more and more direct market information. In this survey several examples of useful Internet-sites are given.

Market access requirements

Quality standards, other non-tariff barriers and tariff barriers

Section 9.1 of this survey described a wide array of non-tariff barriers, which could be applicable to exporters of organic food products. It is important to determine which standards and regulations apply to your situation. Not all standards are compulsory or widely recognised by your potential customers. The EU Regulation 2092/91 defines principles for organic agriculture, including a conversion period of three years (can be less depending on the crop).

Section 9.2 dealt with current tariffs on imports of organic food products. Exporters should not only look at the current tariff, but also try to ascertain whether the tariff will remain the same for the coming years. It is also important to bear in mind that changes in the level of import tariffs applicable to other countries may influence your competitive position.

Keep in mind that regulations and standards are continuously changing. Therefore, it is recommended that you stay up-to-date on developments in politics and decisions in this matter. As will be explained later, a partnership with an EU company can solve weak points and have many benefits.

Organic certification is an essential part of the quality standards of organic food products. It is very important to select the right certifying organisation. Sometimes certifiers do not recognise each other's certification, because they have their own, private standards, slightly different in some details from the EU 2092/91. This might create problems for exporters. To avoid unnecessary and expensive double certification, it is very important to verify whether the certifying organisation that is targeted to certify the products of an exporter, will be accepted in the countries to which the exporter wants to export. It is also very worthwhile to check whether the certifying body is accepted in the US and Japan.

☞ For more information on conversion and organic certification please refer to Section 11.2 'Product standards, quality, USP and production capacity'.

Questions an exporter should answer are:

- What standards are set on the quality of products?
- To which country (-ies) are you planning to export and what is the local required certification?
- What standards are set on the quality of your company (ISO)?
- How vital is the importance of environmentally sound production methods?
- What is the importance of a Fair Trade label for your product?
- Are there import restrictions that limit sales opportunities?
- Which import tariffs apply to your export products?

Where to find information?

- ① One of the most important and useful information sources is European importers, but also colleague exporters and local export/business support organisations.
- ① In Chapter 9 of this survey, you can find information on quality standards; trade-related environmental, social and health & safety issues; packaging, marking and labelling, and on applicable import tariffs. It is important regularly to check databases like the CBI's AccessGuide. This section also provides Internet sites that are helpful in finding product specific information (EU, IFOAM etc.).

10.2 Competitive analysis

Competitors and their pricing will have a direct effect on the potential success of your trade opportunities. It is therefore important to learn more about your competitive environment. Basic requirements for success include a more competitive product and price while meeting at least the organic and phytosanitary standards and providing the same quality as conventional products.

As an initial step towards understanding your competition better, you should prepare a list of all the competition and then pinpoint who your main competitors are. To learn more about competition, you can do secondary research by asking customers and suppliers for their opinions. You can also prepare a list of your main competitors' strengths and weaknesses.

Constantly check with customers and suppliers to see if they have heard of any new businesses. These sources may also give you some insight into where and how the competition is selling its products. Which trade channels are used by your competitors, and why?

Useful information can also be found in this survey: Chapter 4 gives you insight into production of organic food products in the EU; Chapter 5 describes the major suppliers from outside the EU.

Trade shows can of course be helpful for gaining contact with new customers and learning about market developments. They can however also be used for finding out more about competition. Take the time to attend industry trade shows to check out your competition.

☞ In many cases, organic producers in developing countries benefit, among other advantages from their often conventional production method that is close to that of organic production, lower labour costs and low raw material prices. These are often the most important factors that positively distinguish your company from competitors in other countries, particularly in Europe. Other positive factors already mentioned are low or zero import duties and sometimes less strict environmental regulations. Even assistance from local or European governments through development programmes for organic production can be seen as a competitive advantage.

☞ Other factors can weaken your competitive position. European companies for instance have the advantage of being, both in a geographical and cultural context, close to their customers, which in general makes marketing of products and communication easier. In addition, producers in other developing countries represent an important group of potential competitors. You can find useful information in Chapter 5 of Part A on product streams originating in these countries. Moreover, several weak points of organic producing companies in developing countries, that have to compete with better organised companies in the world, are given in the internal analysis of Chapter 11.

Important questions to be answered are:

- How many suppliers are currently active in the market? (local and foreign suppliers)
- Who are your main competitors? What are their strengths and weaknesses compared to your company (also in terms of price level, quantity of supply etc)?
- To what degree is the industry in the target market supported by the local government?
- How high are the import tariffs applied to the competition?
- What do we offer that the competition does not offer?
- What do we have that the competition has, but ours is better?

10.3 Sales channel assessment

☞ *The information provided in Chapter 7 of Part A should be used as a starting point for this Section.*

Once a detailed market analysis has been completed, your company should develop a strategy of market entry. The trade channel is the path the product takes from the

producer to the end user. There are several methods, which may be used alone or in combination.

In general, the product can be exported directly or indirectly:

- Direct exporting is the term applied when the producer himself does the exporting.
- Indirect exporting is when the producer commissions an exporter to handle the export for him.

When deciding whether to market indirectly or directly, you should consider the following factors: size of your company, nature of your products, previous export experiences and expertise and foreign market conditions. The two types of trade relations can both be found in the international organic food industry. The preferable method also depends on the trade structure in the country of origin.

More specifically, five different forms of export trade channels can be distinguished:

- 1) Filling orders from domestic buyers who then export the product
In this sales channel, someone else decides whether the product in question meets foreign demand. That party takes all the risk and handles all of the exporting details, in some cases even without the awareness of the original seller. Nevertheless, it is a good opportunity to adapt your product to foreign standards.
- 2) Seeking out domestic buyers who represent foreign end-users or customers
These buyers are a large market for a variety of goods and services. In this case, a company may know its product is being exported, but it is still the buyer who assumes the risk and handles the details of exporting.
- 3) Exporting indirectly through intermediaries
Using this approach, a company engages the services of an intermediary firm capable of finding foreign markets and buyers for its products. Export management companies, export trading companies, international trade consultants and other intermediaries can give the exporter access to well-established expertise and trade contacts. Yet, the exporter can still retain considerable control over the process while achieving other benefits, such as learning more about foreign competitors, new technologies and other market opportunities. The indirect method of exporting is usually used when companies do not have sufficient know-how in this area or lack the export connections.
- 4) Exporting directly
Exporting directly is one of the most common forms of exporting and means selling products to importers or wholesalers. This approach can be seen as the most ambitious and difficult, since the exporter personally handles every aspect of the exporting process, from market research and planning to foreign distribution and collections. Consequently, a significant commitment of management time and attention is required to achieve good results. However, this approach may also be the best way to achieve maximum profits and long-term growth.
- 5) Exporting through joint venture
Exporting through a joint venture means that the exporter can use the existing sales network of its European partner. He will always try to sell as much products as possible from his own joint venture. This construction also minimises the risks of non-payment by the buyers and guarantees fair prices. It is therefore a successful approach.

☞ Organic products are mainly exported to importers, processors or importing wholesalers. Consequently, producers of organic products often sell directly to importers, who are themselves often processors or wholesalers, and they then resell the goods to other processors. If the importer is not a wholesaler as well, the next trading stage is the wholesaler, who then delivers to the retailer or industrial sector.

Exporting through a joint venture applies more and more to the organic sector. In a joint venture, the (European) processor or importer can directly influence the quality of the product and assist in the certification process. Some bigger importers in The Netherlands have set up agricultural projects in countries such as Bolivia, Mozambique and Bolivia. The goal of these partnership programmes is twofold: obtain premium quality certified organic products and provide quality for the farmer's life.

It is very important to choose the correct trade partner, as the exporter/producer's success essentially depends on how well the importer is established and able to market the goods in the target market. Trade partners must also be conscientious and honest to build a long-term contact and achieve success for the exporter/producer.

Important questions to be answered are:

- Which potential sales channels exist (in the EU as well as in your own country)?
- Which channel best suits your export product?
- What are the most important requirements of the identified sales channels?
 - What quality standards do the sales channels demand?
 - What kind of packaging is used in the various sales channels?
 - What are the requirements concerning production process (organic, environmental, ISO etc.)?
- More specific questions about an importer as a business partner:
 - How strongly is the importer represented in the market? (For example, number of clients and turnover.)
 - What range of products does he sell?
 - How is the sale of these products developing?
 - Through which distribution channels does the trading partner sell the products?
 - How are these trade channels developing? (For example, supermarkets is a growing sales market.)
 - What image does the importer have?
 - How effective are the importer's operations in the fields of logistics, storage, business dealings, customer service etc.?
 - What prices does he offer the exporter?
 - What are his standards regarding payment behaviour?
 - Can he be trusted, i.e. are his business dealings in the health-food trade said to be respectable and honest?
- Is a joint venture an alternative?
- Is sales via Internet (e-commerce) an alternative?

① Refer to Chapter 7 for information on potential sales channels.

① To get in touch with an European partner (for a joint venture, for example) it is recommended to contact a local embassy of the country to which you want to export, the local European delegation, a local Chamber of Commerce or Export Development Board. These organisations can also give you information on when trade delegations from the EU are visiting your country. Direct matchmaking is also possible through for example the CBI News Bulletin, in which you can offer products and proposals. Of course, through the Internet you also encounter possible trade partners. Green Trade Net (<http://www.green-tradenet.de>, not to be confused with the trading platform <http://www.greentrade.net/en/>), an information network on organic raw materials, offers free subscription for exporters in developing and Eastern countries for direct business contacts.

① Again, customers, importers or colleague exporters are useful information sources!

10.4 Logistics (external)

When transporting products overseas, the exporter ideally looks for the fastest and most efficient mode(s) of transportation that will deliver the product in perfect condition at the lowest possible costs. The actual selection will be a compromise among these factors. In the case of organic food products, three types of international transportation can be recognised: ocean cargo, air cargo and truck cargo.

- Ocean transportation takes longer than airfreight, but the costs of transportation are usually lower. This kind of transportation is most suitable for dried raw materials. Because organic food ingredients are usually transported as bulked goods, the containers of ocean transportation are most suitable for exporting organic products. Standard 20 ft or 40 ft reefer containers are used. For export to The Netherlands the port of Rotterdam and of Antwerp in Belgium are most often used. Generally, organic soy is transported through the port of Zeebrugge (Belgium).
- Due to the fast in-transit time, air shipment is often used for products that are easily perishable. However, the cost for moving product by air tends to be higher than the cost of ocean transportation. LD3 containers are used, which contain, depending on packing and species, between 1,300 to 1,500 kilo. The shipment should be more than 800 kilo. Under this weight, freight rate per kilo increases very fast. The weight of a shipment is calculated on the actual weight (in kilograms), including packing and ice.
- Truck cargo in the EU can only be used for imports from nearby located countries such as Turkey and Morocco. Different options of formats etc. exist for this method of cargo.

Freight rates also vary depending on the product being shipped, its value, level of service provided, destination, weight, and seasonal variations in demand for cargo space. Please pay attention to which system is being used: the metric system (used in most EU countries) or Anglo-American (used in the United Kingdom).

Freight forwarders

It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is better to use a forwarder that is experienced in handling organic food products or perhaps food products (as long as the conventional and organic products are separated), as well as one that is experienced in the destination country. Freight forwarders can also assist you in handling all the documents. Freight forwarders are cost effective to use, because they can negotiate the best rates with airlines. They usually operate on a fee basis paid by the exporter, and this is part of the cost price.

In the logistic chain, the following requirements are very important to keep in mind:

- The storage of the goods should be adequate. Storage areas must not be treated with chemicals, which might contaminate the goods. The organic produced goods may lose their qualification and be rejected, if chemical residues are discovered. Storage areas must be maintained at a temperature and humidity that maintain product quality. Goods requiring different storage conditions may not be stored together.
- The cooling chain of the fresh organic export product should be unbroken.
- Adequate transport must be ensured. Sea and airfreight should adapt cooling to perishable products. Containers must be clean and not treated with chemical or synthetic agents, but only with substances allowed by the EU Regulation, such as common pyrethrum or neem. One common problem is that containers are often leaky, so that moisture-sensitive goods are damaged. Dry products should therefore be packed in hermetic packaging as well.

Because of the above-mentioned points, suitable and reliable partners must be selected for transport, and preliminary planning must ensure that shipment and other deadlines are met.

The problem mentioned most by European importers is the absence or incompleteness of documents, especially the 'certificate of inspection' (refer to Chapter 9). Apart from that, common problems such as delays, quality problems and bad communication were mentioned.

☞ In Chapter 9 and Section 11.3 several methods of packaging for organic products are described. The exporter should always discuss the preferred type of packaging with his European trading partner or organisation.

Important logistic questions to be answered are:

- How often does the sales channel require delivery? What cycles of delivery does this channel require? Are you able to deliver this often?
- What lot sizes does this sales channel demand? What lot size are you able to produce?
- What formalities (e.g. certification documents) does the sales channel require to be handled by the exporter?
- What are the typical costs of logistics? (Check with freight forwarders)
- Is it profitable to co-operate with other exporters?

- ① Airfreight forwarders and air carriers are the best sources for obtaining freight rates. There are also companies that specialise in publishing air cargo tariffs. These publishing companies charge a fee for their services.
- ① International Federation of Freight Forwarders Association (FIATA): <http://www.fiata.com>
- ① Directory of Freight Forwarding Services: <http://www.forwarders.com>
- ① International Air Transport Association (IATA): <http://www.iata.org>
- ① Extensive lists of freight forwarders can be found at: <http://www.cargoweb.nl> and <http://www.shipguide.com>

10.5 Value chain analysis: example of organic black tea

Value chains are primarily concerned with the overall efficiency and cost of performing the key activities of the chain, because this is how value is created.

The value chain covers the full range of activities required to bring a product from its conception to its end use and beyond, covering research and development, raw material supply and all activities of production, marketing and sales to international buyers, and beyond that to disposal and recycling. Activities that comprise a value chain can be contained within a single company or divided over different companies, and can cover a single geographical location or be spread over wider areas.

The value chain approach is a systematic approach for designing strategy with respect to buyer requirements and market conditions (market access regulations, standards and consumer preferences) to which a company has to conform, in order to gain access to a market and be competitive.

The value chain approach builds upon sustainable supply chain management, by providing a framework to:

- improve efficiencies within the existing supply chain (thereby enhancing sector competitiveness);
- capture and retain a higher proportion of the product's final market value within the existing value chain;

- increase the sector's added value by establishing new value chains within the sector;
- improve the sector's contribution to development objectives.

From a company perspective, the value chain approach offers more than a theoretical concept. It is a very practical tool for analysing linkages in the supply chain and assessing potential for capturing, retaining and adding value to the company's product, keeping in mind its final user.

Guiding the value chain analysis at company level

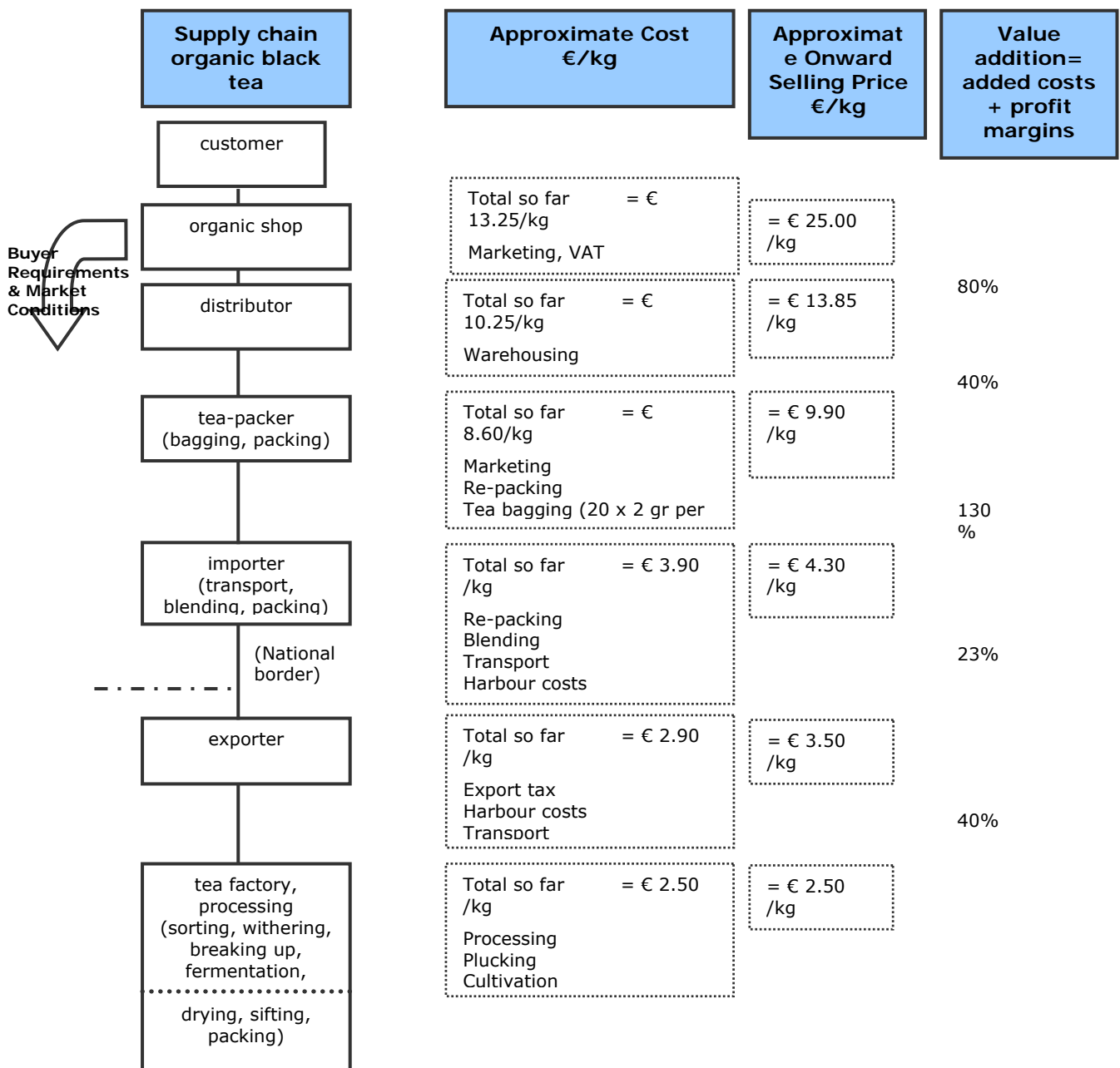
- Try to note all the steps required to get from raw materials to end-users.
- Make this list as detailed as possible since one of the objectives of value chain analysis is to understand where, when and how to simplify or adjust the chain.
- Determine the value each step adds to the final product from the point of view of the end user.
- Once this chain is clear you can explore avenues to increase your profitability as well as increase the benefits to the end user; for example:
 - identify which steps can be combined to more efficiently add value;
 - determine which steps are not adding any value but just adding costs;
 - determine better communication flows in both directions to assist rapid change to market factors;
 - determine your own "value niche" along this chain.

It is important for an entrepreneur to understand where and how he fits within the supply chain, to ensure that he optimises his position with respect to his suppliers and to his customers and customers' customers. The value chain can be a useful tool to help in this process.

The following figure provides an example of a value chain analysis for organic black tea, covering previously discussed market developments, competitive analysis, sales channel assessment, logistics and prices & margins. Please note that costs and prices mentioned are only indicative estimations.

The figure illustrates each link in the value chain, its function, and its linkages with prior and subsequent stages. Moreover, it shows exactly how much value is added at each stage. With such an overview, one can determine one's function in the value chain. Besides, one can determine if there are any stages or linkages missing or if they are efficiently or inefficiently (wasteful or uncertain) used. Furthermore, by improving inefficiencies of the value chain, total costs of the end product can be reduced. In the end, this will lead to a better competitive position in the value chain.

Figure 10.1 Example of a value chain of organic black tea



For example:

- At the bottom of the figure, high costs are made by the plantation (where often also the tea factory is located) for the certification of the organic production process. Other costs consist of cultivation, plucking and the whole processing of tea leaves to tea.
- Further linkages are the exporter, the European importer, the tea-packer, the distributor and the organic shop or supermarket where the tea will be sold.
- The tea-packer adds relatively most value to the product by putting the tea in small one-cups bags, re-packing and marketing the organic black tea. The value of 1 kg tea is doubled from € 4.30 to € 8.60.
- At the end of the value chain, the customer will pay approximately € 25.00 for one kilo of organic black tea, converted into € 1.00 for a box of 20 bags of 2 grams each.

Retail prices of organic tea are also affected by a fluctuating market price and fluctuating labour costs at the tea-packer. As for the margins, these vary greatly depending on the type of product, the distribution channel and the continuous changes in supply and demand and the resulting price fluctuations. It is impossible to draw up a schedule of actual margins for every product/market combination. It is estimated that the importers need a trade margin of some 5-20 percent to cover business costs and risks. Competition in the EU market prevents excessive trade margins, although in some cases the gross margins may rise to a limit of 25 percent.

Building relationships and value adding

Value chain management, or in other words, building relationships is vital to the organic industry. In this sector, it is so important to ensure the integrity of all inputs, transport and handling, processing and final product. The issues of consistent quality supply are repeatedly being raised by buyers, including retailers, processors and wholesalers. Being part of a producer group will allow you to build supply capabilities and ensure consistency. Value chains assist in information sharing and problem solving. There is a number of existing alliances in the organic industry which have been very successful at producing and marketing their products on a product on regional basis. A national or sectoral export initiative, in which the different actors of the chain are brought together, could be necessary to achieve this.

Value adding and innovation is also important to successfully market organic products. Consumers are demanding the same range of organic products, as they are getting in conventional, if not more. It is important to recognise that simply being 'organic' may not sell your product. If your product does not have some other attributes that consumers are looking for such as taste, packaging, convenience, health, or otherwise, there may be other more attractive alternatives. Adding value does not necessarily mean processing. It may mean ensuring product freshness, providing after sales service, or simply washing your produce. Moreover, the organic market is relatively underdeveloped in terms of value-added products which indicate potential opportunities for value-added organic food products.

☞ *Factors that contribute to success are: niche products for niche markets, moving up the value chain through processing and design, responding to the ever-rising demand from consumers for higher quality standards, entering brand new markets like services, or shortening the distribution chain to capture a greater market share.*

Please also refer to Chapter 8 and Section 13.3 for information on developments of prices and price setting.

10.6 Product profiles

This section gives two product profiles: oregano and sesame. The product profiles stand model for the product profiles the exporter should develop for his own (prospective) export products. By constructing an overview of the most important products, exporters are better able to determine which products are most suited to export to the EU.

☞ At <http://www.naturland.de> product profiles of 18 different organic products can be ordered.

PRODUCT PROFILE OREGANO

1. Product name: Organic oregano, marjoram Main varieties: Origanum vulgare L., O. Heracleitium, O. Hirtum, O. Onita, O. Majorana

2. Market requirements:

Council regulation 2092/91/EEC lays down European Union standards for organic food production and labelling (for details see section 9.1)

Quality standards:

- presentation: oval formed leaves with intense fresh green colour, without colour loss; particle size sifted to mesh according to specification (usually 4, 2,5 or 1 mm)
- smell: aromatic, not musty, no off-flavour
- purity: free from foreign matter, i.e. sand, dust, insects, etc., sticks and stems max. 3%, free from food additives
- specific essential oil content: min 1.0%
- minerals/ash: total max 12%, acid insoluble max 2.5%
- residues: pesticides, bromide, ethylene oxide not detectable
- micro-organisms: total plate count max 1×10^5 cfu/g, yeast and moulds max 1×10^4 cfu/g, E. coli max 1×10^3 cfu/g, Salmonella neg. in 25 g
- heavy metals: lead max 2.0 mg/kg, cadmium max 0.5 mg/kg
- no gas decontamination treatment, no irradiation applied

Packaging:

Oregano intended for export is usually packed in three-layer paper bags with vapour-impermeable polyethylene liner or in sealable foils (e.g. polyethylene, polypropylene). Before sealing, nitrogen can be added as an inert gas.

Labelling:

The transport packaging should display details of the following:

- name of the product and its quality class
- year harvested
- net weight
- identification (name and address) of manufacturer/packer and country of origin
- batch number, identifying batch of production
- visible indication of the organic origin of the product

Storage:

Packaged oregano should be stored in a dark place at ambient 15-20°C (optimum 5°C) and a maximum relative humidity of 60% (at a higher relative humidity moulds may grow and probably produce aflatoxins). Storing both organic and conventional products together should be avoided.

3. Market structure:

Harvest and processing according to growing area often three harvests/year, demand throughout the year. Prices are relatively stable.

Oregano is widely used as a culinary herb (soups, sauces, tomato salads) and in herbal mixtures for pizza. It is also processed to aromatic essential oil, used in flavour industry. Because of its antioxidant activity it is also applied in herbal medicines; also antimicrobial activity has been reported (especially hydrosols from O. onites and O. majoram)

Price indication (organic, August 2003):

US\$ 2.40 – 3.10/kg CIF European port.

Market trends:

Consumption of convenience and ethnic foods is expected to increase because more and more people are eager to try the new and varied taste of foreign foods. However, there is still a great lack of knowledge about the use of spices and herbs, and about their origin. Also the immigrant population is expected to grow further, particularly in developed countries. The usage of spices and herbs by consumers is increasing because they are appreciated as natural, rather than artificial additives. Apart from being directly used by the industrial and catering sectors as well as consumers, they are also the starting points for the production of many flavours and components of flavours.

4. Main suppliers:

Main suppliers of oregano are Peru, Chile, Turkey. Also some EU countries (Greece, Spain and Portugal) grow oregano.

5. How to improve the quality:

Growing and processing should take place under ideal clean, hygienic conditions:

- Equipment as well as working and drying surfaces, preparing and storage rooms should be cleaned regularly
- Personnel should be healthy and have the possibility to wash themselves, at least their hands, and wear clean washable garments
- Water used for cleansing purposes must be free from faecal and other contamination
- Animals or animal faeces must not come into contact with the products
- Proper separation of dust and foreign particles; metal detector.

PRODUCT PROFILE SESAME

1. Product name: Organic sesame seeds (sim-sim, beniseed) Main varieties: Sesamum indicum L.

2. Market requirements:

Quality standards:

Council Regulation 2092/91/EEC lays down European Union standards for organic food production and labelling (for details see Section 1.1)

Small (2-3 mm) flat, oil-containing seeds, yellow-white or brown. Seeds should be homogeneous in colour.

The standard quality of sesame seeds should contain at least 40 percent of oil and not more than 8 percent moisture. There are two grades, determined by the use of the seeds (**on** food products, **in** food products, or for oil production). Both grades are used in food products, but for the one grade the colour and shape of oil seeds are important; for the other grade the colour and shape are less important. The quality of the shipment has to be indicated by the percentage of impurities (such as small stones, little pieces of wood, and dust etc.). This percentage is called the Fair Average Quality (FAQ), and can vary from year to year.

- Taste and smell: According to variety, fresh, not rancid, not stale
- Purity: Free of foreign matter, i.e. sand, stones, plant stems, insects etc.
- Water content: max. 5-7 %
- Residues: Pesticides, bromide and ethylene oxide not measurable
- Heavy metals: Cadmium (Cd) max. 0.80 µg/kg
- Micro-organisms: Total number of parts max. 10.000/g; Yeasts and fungus max. 500/g; Enterobacteria max. 10/g; Coliforms max. 10/g; Escherichia coli Not measurable; Staphylococcus aureus max. 100/g; Salmonella Not measurable in 25 g
- Mycotoxins: Aflatoxin B1 max. 2.0 µg/kg; Total aflatoxins B1, B2, G1, G2 max. 4.0 µg/kg

Labelling:

The transport packaging should display details of the following:

- Name and address of the manufacturer/packer and country of origin
- Description of the product and its quality class
- Year harvested
- Net weight, number
- Batch number
- Destination, giving the trader's/importer's address
- Visible indication of the organic source of the product

Packaging:

Expensive sesame seeds are often shipped in containers, which are filled with paper or jute bags of 25 or 50 kg each. One container will carry about 18 to 20 tonnes of seeds.

Low-cost seeds are generally shipped in large quantities (hundred of tonnes per consignment) in bulk, without packaging.

3. Market structure:

Harvest and processing according to growing area, demand throughout the year.

Price indication (conventional) (February 2005):

Guatemala hulled 99.9% purity ex-store (£p/lb): 56.00
 Guatemala cif Europe (\$/mt): 1,400
 Nigerian natural 98% cleaned fob Lagos (\$/mt): 900
 Nigerian natural 99.95% cleaned ex-store UK (£/mt): 700
 Sudan natural cif Europe (\$/mt): unq
 Indian natural cif Europe (\$/mt): 900
 Indian origin mechanically hulled & sun dried 99.9% pure (\$/mt): 680
 Id organic: 1190

Market trends:

Sesame seeds are used in both sweet and savoury dishes. The little ivory coloured seeds can be lightly toasted to enhance the flavour. Sesame seeds are often used as a topping on breads and other bakery products.

4. Main suppliers:

The leading supplying countries of sesame seeds are India, China, Sudan, Guatemala, and Venezuela.

5. How to improve the quality:

Harvesting: care should be taken in harvesting and processing to avoid damaging the seeds, and to eliminating foreign particles, dust and other contamination.

The optimum time for harvesting (physiological ripeness) has been reached when:

- The first, lowest capsules turn brown and begin to pop open,
- The stem turns yellow,
- The leaves begin to fall off,
- Blossoming has finished,
- The leaves have turned yellow.

Storage: Packaged sesame should be stored in a dark place at low temperatures (below 18°C) and low relative humidity. Under optimum storage conditions, sesame can be stored for up to 1 year. However, because high levels of humidity can cause sesame to take on moisture again and go mouldy, it is recommended that storage is only for a short while, and/or in air-tight containers.

11 INTERNAL ANALYSIS: COMPANY AUDIT

The internal analysis is a review of the company's strengths and weaknesses in terms of internal resources and export marketing capabilities. As a result of this internal analysis, you will be able to assess the extent to which your company is able to take advantage of the opportunities identified in the former chapter.

11.1 Product range

A supplier can only select a suitable business partner (and vice versa) when armed with correct information about the range that he or she is able to offer. A precise review of the product range, therefore, aims at matching products on offer with market opportunities. A product range can consist of several product groups (range width), each with several different products (range depth). Again, one product can consist of several varieties (see example). Keep also in mind that varieties are sometimes known under different trade names overseas.

Enter in the following list all products you produce, together with their varieties. Furthermore, state their size, the period in which you are able to supply and the packaging method:

Example of a company's product range				
product range (range width)	products (range depth)	variety	availability	packaging
Grain	Flour	Buckwheat whole flour, Amber	All year round	Netto content 25 kg per paper bag 66 x 41 x 12 cm
Grain	Rice	Basmati rice white	All year round	Netto content 25 kg per PP bag
Sweeteners	Sugar	Cane sugar Golden	All year round	Netto content 25 kg per more layer paper bag 70 x 40 x 11
Pulses	Beans	Soybeans China	All year round	Netto content 30 kg per paper bag 75 x 39 x 16 cm

Source: Do-It, <http://www.organic.nl>

Questions an exporter needs to answer:

- Which products are you currently producing? How comprehensive is your product range?
- Which products do you consider to be the main products you are specialised in?
- Can you offer large enough quantities?
- What new products would you be able to collect / cultivate / produce / processed?

11.2 USP, product standards, quality, and production capacity

USP

In understanding your own company, developing an *Unique Selling Proposition*, or USP, is very helpful. Your USP is what differentiates your product or service from your competitors. Your chances in the market greatly increase when you have a USP!

There are two major benefits in developing the USP. First, it clearly differentiates your business in the eyes of your current and potential customers or clients. Some European importers mentioned that exporters from developing countries easily copy each other.

Second, it focuses your staff on delivering the promise of the USP, thus helping to improve your internal performance.

What a USP could look like:

- One sentence.
- Clearly written, so that anyone can understand it.
- It should be believable.
- Composed of one benefit that is unique solely to your company or product.

How an exporter can distinguish himself from the group during the formulation of his USP is for example:

- Good communication;
- If you can, apart from organic black tea (which many other exporters besides you can supply), you should also supply organic green tea and other products. This will reduce time and costs for the exporter and importer. Moreover, the importer can expand by offering special products. You have even a better USP, if you can offer a very special variety of green tea no one else is able to offer.

How to develop your USP? Sit down with a notebook and:

- Brainstorm.
- List all the benefits your company or product can offer to a customer.
- Prioritise those benefits in order of what is the strongest, and most unique to your business.
- Write one sentence that conveys the first benefit on the list.

☞ Thinking about what happens with your export product, after the importer has received it, can help you find new ideas.

Product standards: conversion, planning and certification

Careful planning is required if a producer decides to convert from conventional to organic agriculture. As mentioned, the EU Regulation 2092/91 defines principles for organic agriculture, including a conversion period of three years or less depending on the crop. This long conversion period requires long-term planning. The producer thus has to weigh the market opportunities and the expected increase in returns (higher prices for organic products after the conversion) against the increased costs (smaller yields during conversion and possibly after).

If a positive decision is taken, the producer has to cease the use of artificial fertilisers and synthetic chemicals and select a certification organisation. It is important to register with a certifying body before commencing the conversion period so as to demonstrate compliance through auditing and monitoring during conversion.

Before entering an agreement with a certifying organisation, it is of vital importance to check whether the certifier is accredited in the EU. Some accredited certifiers are better accepted in the respective EU countries than others. Therefore, if the target EU countries are known, the best certifying organisations in those countries can be selected. If, for instance, France is the target country, Ecocert is better accepted than Skal.

If deciding to export to different continents (Europe, USA and Japan), certification bodies which are accredited in the respective markets must be chosen. It makes sense to choose a certification body that is accredited in the different target markets, in order to avoid multiple certifications and, consequently, higher certification costs.

☞ *It happens often that a company in a developing country believes that it is certified, but in fact it is not (e.g. not aware that not all requirements of certification have been met). Therefore, be clearly informed about certification and its procedures! Please refer to Appendix 2 for a list of accredited certification bodies in Europe and developing*

countries. An interesting publication is *Certification of organic foodstuffs in developing countries*, which can be downloaded <http://www.naturland.de>.

Another fundamental requirement is the availability of know-how on organic farming and organic inputs. Organic farming is generally more labour intensive and requires a high level of management attention in order to avoid contamination and pests. According to FAO (2002), some organic producers state that the highest initial costs of converting towards organic farming were not so much the costs of certification and control, but the huge losses during the first harvests, resulting from insufficient knowledge and capability to protect the crops from pests and plagues.

☞ Please refer also to GTZ's training module for tropical and subtropical farming at <http://www.naturland.de>. The modules provide an overview of the principles of organic agriculture in the tropics and subtropics (location, cultivation techniques and post-harvest management practices).

However, since this market survey is about exporting organic food products to the EU, the focus will not be on certification. Therefore, for more information on conversion and certification please refer to the above given addresses or to consultancy agencies such as Agro Eco, GroLink, Advice, etc.

Quality

Quality is probably the main competitive factor in every business. It is an absolute requirement for European importers to receive organic food products that comply totally with EU regulations. It is therefore obvious that it is also the key issue when looking for suppliers in developing countries. Particularly for organic products counts that the product must have the quality of 100% organic.

Good post-harvest handling (e.g. cold storage), good infrastructure and logistics (including harbour/port or airports) will enable products to arrive in sound condition in the country of destination. Limited transport possibilities put a constraint on organic exports, and quality problems can lead to discontinuation of the exports.

Generally, importers trade on annual contract terms in which prices are fixed and other requirements are also laid down in the field of quality, delivery and food safety. In recent years, regulation on food products has become more complex and stringent. The requirements regarding food safety have, in particular, become more demanding. This has led to the introduction of chain management and labelling systems, through which products can be traced back to the producer.

Supermarkets are the fastest growing sales outlet for organic products. For some product groups (in particular fresh fruit and vegetables), larger supermarkets in developed countries specify the requirements for price, quality, delivery and food safety for products originating in developing countries, in order to guarantee year-round supply. Because of the increasing importance of supermarkets as a sales outlet for organic products, it is expected that they may establish similar commodity chains in international organic trade as well.

Quality refers not only to product quality, however, because management quality is just as important. In the case of co-operation agreements, it is the general impression of a company's management that often determines whether the European importer decides to enter into a long-term relationship.

Check your current quality standards with the voluntary and compulsory standards described in Chapter 9. Also refer to Chapters 9 and 10 for information on the importance of the various quality standards for your product-market combinations.

Questions an exporter needs to answer:

- What quality standards does your product and production process comply with?
- What is the general level of your product quality compared to other products in the identified market?
- In case environmental labelling could significantly improve the competitiveness of your export product, which one is the most interesting for your situation?

Production capacity

The foreign buyer is seldom looking for a 'spot' purchase. Instead, he is looking for a quality product at a fair price backed by continued availability. If you are merely seeking to market your sporadic surplus capacity, then entry into the foreign trade market will probably be a great disappointment. On the other hand, if your company is willing to devote even 10 percent of its production capacity to foreign markets and the servicing of these accounts, it can reasonably expect to build substantial and permanent trade in those markets suited to its products.

☞ Keep in mind that, often, the volume of the product marketed is not as important as a consistent and reliable supply of the actual product. As said in Part A of this survey, the organic sector is still characterised by an overflow (coffee) or on the contrary, a shortage of supply. Other critical points are high/low spoilage of raw material and seasonality of organic food products.

Questions that need to be answered:

- Do I have sufficient supply?
- Can I offer consistent quality?
- How efficiently is the present capacity being used?
- Will new export activity hurt domestic sales?
- Is it possible to expand your production capacity if necessary?
- What will be the cost of setting up additional production capacity?
- Is it possible to produce more efficiently and have less spoilage of raw material?
- Is it possible to keep out of seasonality of your organic product?
- What cycles of production apply to your products and how does this match up to the demand in the target market?

11.3 Logistics (internal)

Exports of organic products become successful when the logistics are well organised, adapted to the product and ensure good quality of the end-product. When transporting products overseas, the exporter ideally looks for the fastest and most efficient mode(s) of transportation that will deliver the product in perfect condition at the lowest possible costs. It depends also strongly on the type of food product you want to export. The actual selection will be a compromise among these factors. Please also refer to Section 10.4, in which the external aspects of logistics are discussed.

☞ Because of lower export volumes, logistics of organic food products logistics can give more problems than conventional products. Moreover, to keep the price of your organic product low, it is strongly advised to co-operate with other local exporters of the same organic food product.

Packaging

Packaging is used for hygienic purposes and to protect against mechanical damage. It is an essential factor in determining the product's quality. However, according to the way in which packaging sometimes is applied in developing countries, it can also be a risk to quality, due to bruising and less than optimum conditions of temperature. Moreover, organic products, having no chemical or synthetic post-harvest treatment, are less robust than conventional products.

The packaging has to satisfy conditions in the field of handling. The transportation volume must be as efficient as possible and a high level of uniformity is desirable. Packaging design should take the following into account:

- Proper storage and transport;
- Standard packaging sizes;
- Recyclable materials or two-way systems.

Packaging should be of good quality, even if expensive. The packaging must be sturdy enough to protect the product. It must resist outside pressure and high humidity. Packaging sizes are standardised and adjusted to the respective pallet systems. Packaging must allow for sufficient ventilation. Untreated fruit and vegetables, for example, are more prone to mould formation than conventional goods.

Environmental aspects should also be taken in consideration. As little packing material should be used as possible, and all materials should be recyclable. Sustainable packaging material are specifically required for organic products. The material must be free of pesticides, colours, solvents, or cleaning agents that might contaminate the products. For this reason, new products should never be packaged in used sacks. A trend is to use biodegradable packaging, in order to provide consumers with organic products which are packed in an environmentally friendly manner.

☞ The exporter should always discuss the preferred type of packaging with his European trading partner or organisation.

Two examples illustrate the necessity of this:

- Some big importers in The Netherlands mentioned paper bags as the only right packaging material for dry organic food ingredients (such as pulses, grains and sugar). The bags should be sealed carefully and weight no more than 50/60 kg, the weight which the European law for labour conditions has determined.
- As some of the exported organic products are directly forwarded to the producer or end-user (supermarket), the importing company might want to have the printing work on boxes done already in the export country.

Points of interest when choosing the right packaging:

Have your customers ever complained about the quality of your products?

Look for possible causes:

- Unsuitable packaging material (avoid unnecessary re-packing by the customer)
- Insufficient cooling during transport
- Too many damaged boxes on arrival
- Differences in weight mentioned and actual weight
- Other causes

In the case of marine transport, different kinds of products shipped together in one container should have compatible:

- Temperature needs
- Relative humidity needs
- Airflow characteristics

Does your importer use special transport packaging?

- Perhaps you could use this special transport packaging as well? Using the wrong packaging size can have a negative effect on your business.
- Maybe you could make use of the importer's packaging expertise.

Fully recyclable packages must be used when trading with certain business partners.

- Colouring materials, used for printing, should not be harmful to the environment.
- Do not use metal clips for the cartons.
- Avoid waxed boxes or any combined packaging materials

☞ For packaging details of specific organic products, refer to the publications of Naturland "Organic Farming in the Tropics and Subtropics", downloadable at <http://www.naturland.de>. Chapter 9 of this survey also describes several methods of packaging.

11.4 Marketing and sales

How do you sell to current (export) markets? What works in one market is generally likely to work in another, subject to refinement based on market intelligence and knowledge about specific trade channel requirements.

What existing contacts does the company have in the target markets - relatives, friends, suppliers, etc? It is an advantage to have some local presence in the target market, to gather information, monitor progress and follow up leads.

A serious export marketing campaign requires substantial management time to execute it properly. Therefore, the company needs to be realistic as to how much time can be devoted to export marketing.

A well-functioning sales department is an absolute prerequisite for successful market participation. Marketing and sales form the commercial department responsible for all export activities to EU countries. Whether to employ different persons for marketing and sales depends entirely on the size of the company, the capabilities of the relevant employees and the possibilities to invest in the commercial department.

In order to assess marketing and sales functions as part of the internal analysis, the responsibilities of both functions are given below:

Marketing

- Familiar with all non-tariff and tariff barriers relevant to the export of the company's products to the EU.
- In co-operation with production and finance departments, adjustment of products and packaging to EU requirements.
- Preparation of promotion material like brochures and product specifications.
- Installation of communication tools like internet sites and e-mail.
- Organisation of participating in EU trade fairs.
- Carry out market research.
- Preparation of MES and EMP.
- In co-operation with sales and finance departments, the preparation of annual budgets.

Sales

- Selection of potential trade partners in the EU.
- Contacts with trade partners.
- Familiar with all export documentation to ship products to EU markets.
- Familiar with sales contracts, payment and delivery terms.
- Negotiation with trade partners in the EU.
- Responsible for the margins made on exports to EU destinations.
- Negotiations with logistic service suppliers (transporters, shipping agents, custom agents, inspection bodies).

An essential tool used in the sales department is a detailed and up-to-date customer database. The customer database contains basic data on the customer (long-term data such as name, address, telephone number, e-mail etc.) and changing data on the customer (data resulting from business with the customer such as telephone calls, offers, sales statistics, etc.). For an example of a customer database refer to Section 13.5. Although it appears from above-mentioned description that different employees should occupy both functions, a combination of both functions in one position is quite possible. Much depends on the complexity of the work, the number of export destinations and the selected trade partners in the EU.

☞ *More information on how to make use of your marketing tools to foster your export activities will be described in Chapter 13.*

Questions that need to be answered:

- Does your company have people specifically assigned to marketing and sales activities?
- Does your company need re-organisation of the sales, marketing etc. departments in order to be successful in exporting?
- Which persons do you know in the target markets?
- What sales support material is available?

11.5 Financing

Export marketing is expensive. If financial resources are limited, then marketing plans will have to be modest. It is no good developing five new markets if the company only has the money to develop one.

The company should not only have access to sufficient funds to invest in adaptation of products, packaging and possibly production equipment, but also the company's credit facilities should be large enough to cover extended payment terms. Moreover, the company should have sufficient financial funds to withstand commercial risks (quality problems, non-payment, late delivery, etc.) that are often inherent to the start of exports to new destinations.

For the internal analysis, the following financial aspects should be assessed:

Investments

- Product development (adjustment of products to EU standards)
- Packaging
 - Adjustment of content
 - Adjustment of packing material
 - Packing for long-distance shipments
 - Labelling requirements (barcodes, information)
- Human resources (qualified export staff)
- Production equipment
- Certification (organic, ISO, HACCP)
- Promotion (participation in EU trade fairs, travel to EU countries, brochures, etc.)

Payment terms

- Credit terms, for example payment 60 days after receipt of goods
- Local interest rates
- Bank charges, for example confirmation of Letter of Credit, handling of documents
- Non-payment risks, for example with 'open account' payment

Commercial risks

- Claims, for example in case of late delivery and quality problems
- Consignment shipping, for example selling price is below cost price
- Insurance premiums, for example credit insurance

Miscellaneous costs

- Export documentation
- Inspection certificates
- Stationery for export purposes
- Communication expenses

Local banking systems in developing countries are sometimes insufficient to handle exporting. It is therefore recommended to use an international bank, which is also

located in the importing country. Moreover, this will also simplify the payments between you and your business partner. Each country has a list of their local banks with their corresponding banks in other countries or special relationships with financial institutes outside their country. Choosing the right bank can facilitate and speed up money transfers considerably.

External financing is often necessary for product and process adaptation to EU standards. More specifically, converting from conventional to organic products requires extra investments. It is recommended that you obtain information through the EU or other international business supporting organisations (for example CDE, The Centre for the Development of Enterprise) about international organic financing programmes. Development organisations or financial institutions in The Netherlands, such as Hivos, Cordaid and Triodos Bank, provide commodity financing and/or are active in the field of organics and biodiversity.

For methods and terms of payments, please refer to paragraph 13.4 *Handling the contract*.

Questions that need to be answered:

- What amount of money can be allocated to setting up new export activities?
- What level of export operating costs can our company support?
- How are the initial expenses of export effort to be allocated?
- What other development plans are in the works that may compete with export plans?
- Is outside capital necessary to support efforts?

11.6 Capabilities

Apart from the subjects mentioned above, the following capabilities should be assessed as part of the internal analysis

Human Resources

Knowledge of exporting (organic) food ingredients to EU countries is a basic requirement for a company. This knowledge does not only apply to technical matters regarding exports (documentation, export calculations, shipping possibilities, etc.) but also to knowledge about EU requirements and market developments relevant to food ingredients in the EU. This knowledge is necessary to negotiate with your trade partners in the EU on the same level. Ignorance on the part of the exporter is often (mis) used by trade partners to extract more favourable trading conditions at the expense of the exporter.

Commitment to export

It is important to consider whether the company has staff who are sufficiently educated/able to sell and develop an international business. The company should be able to generate the physical and administrative infrastructure to deal with increased activities related to exporting - not only in dealing with orders but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Questions that should be answered are:

- What kind of commitment is the top-level management willing to make to an export effort? How much senior management time should be allocated? How much could be allocated? Is it worth to invest in the necessary education?
- What organisational structure is required to ensure that export sales are adequately serviced? Who will be responsible for the export activities (export department's organisation and staff)?
- What are the management's expectations of the effort?

Export experiences

It is important to learn from past experience. If the company has tried and failed to penetrate an export market previously, this can be analysed to determine where things went wrong.

Questions that should be answered are:

- In which countries has business already been conducted?
- From which countries have inquiries already been received?
- What general and specific lessons have been learned from past export experience?

Language skills

When dealing with European trade partners in organic food products, English is the most commonly used language. Although European trade partners will not be English native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market. When dealing with France, knowledge of the French language is a distinct advantage. If you can communicate in Spanish, you have a competitive advantage if you address the Spanish market.

On the few occasions when correspondence and documents in English do not suffice, exporters can usually find sources of translation capabilities for the more popular European languages (Spanish, French, and German). Language capability can be advantageous since it facilitates cultural and social relationships.

Questions that should be answered are:

- Which language skills are necessary when dealing with your selected markets?
- Which language capabilities are available within the export company?

12 DECISION MAKING

Answers to the questions mentioned in Chapters 10 and 11 can help an exporter not only to decide whether or not to export but also determine what methods of exporting should be initially used. A SWOT analysis can be used as a tool to analyse the identified opportunities and threats and the company's identified relative strengths and weaknesses. Carrying out an analysis using the SWOT framework helps an exporter to focus his activities into areas where he is strong and where the greatest opportunities lie. It should be noted that the matrix included in Section 12.1 should be treated as an example and that it should be adapted to the exporter's own situation.

Questions that should be answered:

Strengths:

- What are your advantages?
 - What do you do well?
 - What relevant resources do you have?
 - What do other people see as your strengths?
- ☞ Consider this from your own point of view and from the point of view of the people you deal with. Do not be modest, but be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths.
- ☞ In looking at your strengths, think about them in relation to your competitors. For example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

Weaknesses:

- What could you improve?
 - What do you do badly?
 - What should you avoid?
- ☞ Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:

- Where are the good opportunities awaiting you?
 - What are the interesting trends you are aware of?
 - Useful opportunities can come from such things as: changes in technology and markets on both a broad and narrow scale, changes in government policy related to your field, changes in social patterns, population profiles, lifestyle changes, etc.
- ☞ A useful approach to looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating the weaknesses.

Threats:

- What obstacles do you face?
 - What is your competition doing?
 - Are the required specifications for your job, products or services changing?
 - Is changing technology threatening your position?
 - Do you have bad debt or cash-flow problems?
 - Could any of your weaknesses seriously threaten your business?
- ☞ Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

☞ You can also apply SWOT analysis to your competitors. This may produce some interesting insights.

☞ **Simple rules for successful SWOT analysis**

- Be realistic about the strengths and weaknesses of your organisation.
- Analysis should distinguish between where your organisation is today, and where it could be in the futures.
- Be specific. Avoid grey areas.
- Always analyse in context to your competition i.e. better than or worse than your competition.
- Keep your SWOT short and simple.

An example of a SWOT analysis for an exporter of organic food products in developing country is given in Table 12.1. It should be noted that the matrix should be treated as an example and that it should be adapted to the exporter's own situation.

12.1 SWOT and situation analysis

A SWOT analysis is a framework for analysing strengths and weaknesses, the opportunities and threats an exporter is facing. This will help an exporter to focus on his strengths, minimise weaknesses, and take the greatest possible advantage of opportunities available. A SWOT analysis is just one of many good techniques that can help an exporter to build a strong competitive position for his organisation. An example of a SWOT analysis for an exporter of organic food products in developing country is given in Table 12.1. It should be noted that the matrix should be treated as an example and that it should be adapted to the exporter's own situation.

A distinction can be made in the SWOT figure between internal factors (strengths and weaknesses) and external factors (opportunities and threats). Nevertheless, factors of sectoral and of company level are both found under the internal factors in this figure. For example, "lack of marketing knowledge" and "low level of organisation of the industry" are both internal factors, although the first is at company level and the latter at sectoral level.

Such an analysis should be adapted to your personal circumstances since the factors differ for each exporter in the world. While for one exporter of organic food products to Spain "language skills" is a weakness, for another exporter this problem does not exist.

Please note that, also within a company, a threat or weakness can change into an opportunity or strength. A good example concerning this matter is "certification". The path to organic certification can be a threshold for exporting to the EU. However, when an exporter has walked through the conversion process and adapted the export product to EU standards, he will have access to the EU market. In this way, the factor of technical trade barriers can be seen as an opportunity instead of a threat.

Table 12.1 Example of a SWOT analysis for exporters of organic food products in developing countries

INTERNAL FACTORS	
<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> • Low raw material prices • Low labour costs • Tropical climate and tropical products • Access to natural resources • Diverse agricultural base • Conventional local production method is close to that of organic production • EU qualified certifier has started inspection of another company in the region 	<ul style="list-style-type: none"> • Lack of knowledge and skills (marketing, language, communication) • Lack of information on regulations, prices etc • Most farm production is small scale, limiting export quantities and would require certification of all farms connected to each processor • Low level of organisation in the industry • Limited access to finance / banking systems • Inadequate hygiene conditions in processing plants • Record keeping standards not developed adequately for international certification • Difficult export distribution channels • International certification expensive relative to farm income
EXTERNAL FACTORS	
<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> • Enlargement of EU • Growing and more extensive demand on the EU market • Potential of exotic and seasonal products • Assistance from EU governments through development programmes • Contribute to stabilisation of rural sector by developing new and profitable domestic and export markets • Potential for cost sharing of certification between agribusinesses and international agencies 	<ul style="list-style-type: none"> • Entrance of East European countries to the EU • Price premiums under pressure • Air transport no longer accepted by consumer • Technical trade barriers, especially for agricultural products into the EU • High investments needed, especially for conversion and international certification process • Lack of transparency and access to accurate research data, especially on agricultural and health issues

Be aware that success in export is by no means guaranteed by taking into account all the factors mentioned so far. Your environment consists of other critical conditions and success factors, that are often more difficult to influence as an individual company, than changing for example internal factors. Some of the critical conditions such as low level of organisation in the industry and financing have already been included in the figure above. However, other (sector-specific) factors at which the exporter should also pay attention are:

- sector policies;
- availability of sector/branch organisations;
- clustering/co-operation within the sector, organisation of supply and production, value chain management (please also refer to Section 10.5);
- know-how and technical assistance;
- foreign trade assistance;
- financing.

☞ *Inquiring of local business support organisations or colleague exporters can be a good starting point in being aware of other critical conditions for successful exporting.*

12.2 Strategic options and objectives

Through of conducting the external analysis (market audit) and internal analysis (company audit) (Chapters 10 and 11), you will be able to come to a decision whether or not to export.

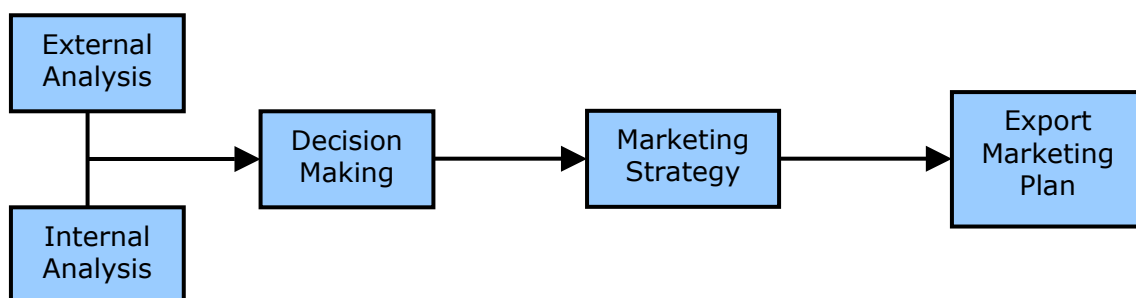
- ☑ You have identified products suitable for export development. Also, you know what modifications, if any, must be made to adapt them to overseas markets.
- ☑ You know what countries and market segments you are going to target for sales development and/or co-operation agreements.
- ☑ You have identified the best sales channel (direct exporting or co-operation agreements).
- ☑ You know what special challenges pertain to the selected markets (competition, import controls etc.) and what strategies you will use to address them.

Once a company has determined that it has exportable products, it must still consider whether the development of an export business adheres to the company objectives. In order to arrive at this conclusion the management should ask itself the following questions:

- What does the company want to gain from exporting?
- Is the goal of exporting consistent with other company goals?
- Are the benefits worth the costs or would company resources be better spent developing new domestic business?

☞ Advantages and disadvantages of exporting	
Advantages:	Disadvantages
<ul style="list-style-type: none"> • enhance domestic competitiveness • increase sales and profits • gain global market share • reduce dependence on existing markets • exploit corporate technology and know-how • extend the sales potential of existing products • stabilise seasonal market fluctuations • enhance potential for corporate expansion • sell excess production capacity • gain information on foreign competition • ... 	<ul style="list-style-type: none"> • develop new promotional material • subordinate short-term profits to long-term gains • incur added administrative costs • allocate personnel for travel • wait longer for payments • modify your product or packaging • apply for additional financing • obtain special export licenses • ...

Companies can waste a lot of time and money attempting to enter markets which do not have potential or for which their product is not suitable. To be successful in export marketing, exporters need to focus on specific products and markets and be prepared to deal with all foreseeable situations. Therefore, several possible strategies have to be considered.



The above figure could be summarised in the following strategic steps:

- External analysis (market audit, Chapter 10) and internal analysis (company audit, Chapter 11)
- SWOT (Chapter 12)
- Decision making & formulation objectives (Chapter 12)
- Elements which can be used as inputs for the Market Entry Strategy and Export Marketing Plan (Chapter 13).

If you have come to the decision to export, the next phase of the export marketing process is to draw up an Export Marketing Plan (EMP) which defines a marketing strategy stating how the company is going to penetrate the identified market. The marketing strategy is designed around the information collected in the internal and external analysis and the marketing tools will be described in the following chapter.

☞ An international business plan should define your company's:

- readiness to export
- export pricing strategy
- reason for exporting
- potential export markets and customers
- methods of foreign market entry
- exporting costs and projected revenues
- export financing alternatives
- legal requirements
- transportation method
- overseas partnership and foreign investment capabilities
- corporate commitment to the exporting process

Formulating an export marketing strategy based upon sound information and its proper assessment increases the chances that the best options will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion.

For assistance in writing an EMP and formulate answer on the questions asked in this chapter, please refer to the CBI's "*Export Planner*".

13 EXPORT MARKETING

Which marketing tools are available to you to help build up your export business? This Chapter will provide you with insight and give tips on how to make use of your marketing tools to promote the sales of your products and to build a favourable trade relationship.

13.1 Matching products and the product range

In the company audit (see Section 11.1), the exporter reviewed the company's product range and product characteristics. The aim of this review was to enable the exporter to match market opportunities with the company's products on offer. This review can also be used as a starting point for considering opportunities for improving the exporter's product range.

In most cases, exporters will find out that the current product range does not match the demand of the identified market segments and sales channels. The cause of this mismatch can, for example, lie in the fact that currently produced varieties are outdated.

In the case of exporters who are looking for varieties to improve their product range, a couple of possible sources exist:

- ① **Trade magazines** like the mentioned BioFach newsletter, World Organic News, Organic Business, Foodnews etc.
- ① Visiting **trade fairs** is also a good way of becoming informed about potentially interesting varieties.
- ① From more **detailed trade statistics** (for instance auction sales), you can often determine which varieties are most popular in the target markets.

Note that one of the most important issues in selecting new varieties is the question whether or not the variety can be successfully produced under your production circumstances.

13.2 Building up a relationship with a suitable trading partner

Possible weak points concerning companies offering organic food products in developing countries can be solved for the greater part with the help of a business partner. Co-operation with a European partner may have the following benefits:

- Direct access to the EU market through the network of an European partner;
- Moreover, in such a way, the risk of a debtor is covered;
- Access to up-to-date information (market, prices, trends and EU regulation);
- Control of the value chain from the producer all the way to the consumer;
- Educational opportunities;
- Fewer communication problems.

It is better to have one long-term trade contact than several scattered and unsteady relations. Once you have build up a relationship with an European trade partner, stick to the strategy both of you have chosen.

☞ It is understandable that exporters want to get an indication from the importer as to the amount of purchase/supply per year. However, because of large fluctuations of supply and demand on the international organic market, it is often difficult for the importer to give an accurate indication.

One of the most ominous obstacles for exporters can be the search to contact, attract and secure a good importer or trade partner. Many avenues are available for locating trade partners. You should employ any and all, which seem appropriate for your product-market combination. Confidence between the trade partners is the most important condition on which one selects the other.

How to find a potential trading partner

In order to export successfully, good and reliable relations with an importer in the target market are vital. Importers have experience with organising production, trade and sale to end-users. Moreover, they have up-to-date information on the latest market developments.

The main ways European importers use to look for new suppliers from developing countries are the following:

- Searching on Internet;
- Visiting the country in which one intends to set up/expand production capacity;
- Recommendation by someone he knows; and
- International trade fairs (e.g. BioFach).

The best ways for exporters in developing countries to approach potential European customers are:

- Direct mail: You can write a letter (post, fax or e-mail) directly to a European company. Most companies will respond that they are not interested or that they already carry a competitive line. However, only a few positive replies are needed to continue your search and evaluation of prospective distributors.
- Indirect by an Internet site of your company. A simple Internet site with the products, vision and address of the company suffices. You can also make use of export directories where you can register or publish your company information (for example <http://www.green-tradenet.de> (free subscription), <http://www.greentrade.net/en/> or <http://www.linksorganic.com>). If you leave an address of a website of your company in the direct mail of the previous point, the European company can immediately check for an example of information on your offered products.
- Personal visits: Once you have received a number of interested replies, plan a trip to that market. Additionally while travelling, stop in other potential markets to assess the situation as well as attempt to make contacts. Many times a personal visit will pay for itself in terms of the benefits gained.
- Invite EU importers or potential business partners to visit your company. Due to the strict terms for organic products, it is more common that an importer visits an exporter than vice versa. Moreover, the importer can assist in the conversion and certification process.
- Build a network in order to extend your contacts.
- Visit international trade fairs, such as BioFach. Because the organic market is relatively small, it is quite easy to get to know the players in this market. Not only trade fairs for only organic food products are recommended, but also for related food products.
- To find a business partner, exporters can make use of several directories giving contact details, such as www.organicts.com or <http://www.biofach.de>. IFOAM's directory of member organisations and associates provides a good starting point for contacts in the organic sector in almost 100 countries world-wide.

Also refer to the recently published CBI manual "*Your Image Builder*".

In the case of organic food products, a number of European importers came in touch with exporters of organic food products in developing countries through a programme financed for example by the EU or the local government, in which the production and trade in organic products is supported. Another good advice from one importer is trying to make direct contact with the trade of the importing company. He or she is able to make the decision concerning import.

How to identify the most suitable trade partner?

Evaluate the potential trade partners on which you have obtained information, using the following criteria:

- Is the information complete? (full address, telephone / fax number, e-mail address, contact person)
- Is the importer active in the country you selected?
- What kind of trade relation is the potential trade partner interested in (arm's-length, co-operative agreement, joint venture)? Does this correspond with your preferred type of relations?
- What is the position of the potential trade partner in the market?
- What is the financial status and credibility of the company? Although difficult to find out, an annual report and a personal visit can give you some insight into the financial status of a company. It is also possible to take out an insurance on credits.

Using these criteria, draw up a priority list of the contacts you have received.

Going by the priority list, you must identify the trade partners who best match your own company profile, product range and export strategy. Particularly in the case of future long-term close co-operation, it is important to gain a clear picture of the company you are dealing with and understand their business activities.

Cultural differences

The single most common reason for export failure is inattention to cultural factors, a maxim frequently repeated in international business literature. People choose service providers and strategic business partners with whom they feel at ease, and this comfort level is dictated initially by cultural factors. National cultures are numerous, and subcultures are even more so. Increased travel has resulted in a large group of people socialised in more than one culture, and widespread television access gives exposure to different cultural values.

The factors that can affect cross-cultural business include:

- who speaks first
- attitude to God and nature
- decision-making time
- thought patterns
- personal space
- social behaviour
- material possessions
- family relationships
- risk avoidance
- competitiveness
- short- and long-term planning

For example in Germany, first names are reserved for family members and close friends. Moreover, in German business culture, it's not uncommon for colleagues who have worked together for years not to know of each other's first names.

☞ It is important to be aware of and deepen yourself in cultural differences between your country of origin and European countries. By the way, even great varieties in cultural behaviour exist between the EU countries themselves! An overview of the business culture in the UK, The Netherlands, France, Germany and Belgium are given in Appendix 5.

13.3 Drawing up an offer

After establishing contacts with potential trade partners in the EU, the exporter might be requested to make an offer to an importer or directly to a food processor. The preparation of an offer should be done with great caution. An offer without escape clauses, but which has been accepted by an EU trading partner, is a legally binding document requiring the exporter to deliver, even when the trading conditions are unfavourable to him.

There are two different kinds of offers; general offers or a company introduction and specific offers.

(A) Drawing up a general offer

- The purpose of a general offer is to make the first contact with potential trading partners not yet personally known to the supplier.
- A general offer consists of sending a short profile of your own company and a summary of your product range.
- In a personal letter, briefly introduce your company and what you have to offer.

(B) Drawing up a specific offer

A specific offer is legally binding for a certain period. You must therefore be capable of fulfilling the terms of contract. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

Before making a specific offer, the exporter should verify the following items:

- It is important to check whether the trade partner requesting an offer is well established and has a good reputation. Sources to check are:
 - Branch organisations in the EU (see Appendix 3)
 - Trade registers in the country of the trade partner, for example the Chamber of Commerce
 - Commercial organisations, which can supply company profiles like Dun & Bradstreet, Cofaz and Graydon. Although the provided information is extensive, reports from these organisations can be quite expensive.
 - Rules, regulations and quality standards, which can be found in Chapter 9 of this market survey.
- When making an offer, the following elements should be included:
 - Date of quotation and reference number. This number can at a later stage be used on contracts, payment and shipping documents as easy reference to the consignment in question.
 - Full names and addresses of both parties
 - Product and product specifications
 - Packaging specifications
 - Quantity in kgs, litres
 - Price per kg/litre, currency and total amount
 - Delivery terms (Incoterms 2000)
 - Delivery period
 - Payment terms
 - Validity of the quotation. The period of validity depends very much on the volatility of market prices. In very volatile markets, the validity of the quotation might only be 24 hours.
 - Waiver. A very important element of the quotation. The waiver gives the exporter an escape clause not to honour the quotation, even when accepted by the EU trade partner. A waiver in the offer is quite customary and can be worded as follows:
 - "This quote is subject to our confirmation."
 - "This offer is without any obligations."

"This offer is subject to confirmation by means of a sales contract."

An offer made without waiver and accepted by the buyer obliges the exporter to deliver the goods according to the quotation

- Referral to the general sales conditions of the exporter. General sales conditions apply to all offers and contracts and stipulates items like:
 - Retention of title of the goods (in case of non-payment)
 - Product liability
 - Force majeure (when an exporter cannot supply due to circumstances beyond his control like strikes, fires, political unrest, perils of the sea)
 - Resolution of disputes
 - Delayed payment, late/non delivery
 - Inspection procedures
 - Exclusion of Value Added Taxes (VAT) in price quotationsPlease remember that the general sales conditions of an exporter might conflict with the general purchasing conditions of an importer.
- In case a sample of the product is required:
 - Product samples must correspond to the goods available for delivery (if they do not, this can have a lasting negative effect on business relations).
 - State the treatment methods used. If possible, provide quality certificates from an internationally recognised inspection company.

☞ Some more tips to increase the effectiveness of your offer:

- A telephone call to ask whether the offer (and the samples, if applicable) has arrived.
- An invitation to visit your company.
- Possibly, propose a visit to the country of destination. In that case:
 - -If necessary, hire an interpreter.
 - -Ask your own consulate, business support organisation, or other intermediary for assistance in planning your visit.
- First-time exporters should start with small samples, rather than large high-value commercial shipments. An exporter should be able to use the sample to test whether his products meet the phytosanitary requirements, transportation routing, handling and packing methods.

Price setting

To establish an overseas price, you need to consider many of the same factors involved in pricing for the domestic market. These factors include market conditions (competition and demand) and operating costs in producing the product (production, packaging, transportation and handling, promotion and selling expenses).

Generally the exporter is confronted with the reality of having to accept the given market price. In such cases, the exporter must work backward from this market price to establish the profit margin that will remain for himself after expenses. However, in the case of some products, like speciality products, you will be able to set your own export price.

There are two common methods of calculating your price for exports:

- Domestic Pricing is a common but not necessarily accurate method of pricing exports. This type of pricing uses the domestic price of the product as a basis and adds export costs, such as packaging, shipping and insurance. Because the domestic price already includes an allocation of domestic marketing costs, prices determined using the method might be too high to be competitive.
- Incremental Cost Pricing determines a basic unit cost that takes into account the costs of producing and selling products for export, and then adds a mark-up to arrive at the desired profit margin. To determine a price using this method, first establish the 'export-base cost' by stripping away profit mark-up and the cost of domestic selling. In addition to the basic cost, include genuine export expenses (export overheads,

special packing, shipping, port charges, insurance, overseas commissions, and allowance for sales promotion and advertising) and the unit price necessary to yield the desired profit margin.

☞ A good method to set the maximum selling price of your product is to take part in a trade fair such as BioFach. Trade fair participation is expensive and requires long-term preparation, but CBI may possibly be able to support you.

How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit. Take some time to research the following management questions:

Questions to ask when setting your price

How much does it cost to make your end product?

- Production costs not only include costs for growing and processing, but also for certification, financing, packaging, distribution and promoting your products.
- The costs of unsold products also should be included.

What are your profit goals?

- A profit goal states how much a business should earn.
- You can set the profit goal as a percentage (margin) above the product costs or set the total profit figure for the entire business.
- A profit goal can guide decisions on the amount of your production and the price you will charge.

How will you market your product?

- Are you producing on a contract basis for a European importer or processor?
- Do you sell your products on an arms-length basis to customers in Europe?

What price do competitors charge?

- Try to gain an industry focus on your pricing by researching your competitors' price levels.
- By walking through the steps indicated in Section 10.2, you will know the prices competitors charge and why they charge what they do. Use the competitive analysis to develop the upper limit of your price range. Be sure you compare your products to comparable competitors.
- If competition is intense, you should price at the lower end of the price range unless you can distinguish your product through quality or a unique selling feature.

What is the customer demand for my product?

- How unique is your product?
- To price according to demand you have to know more about the size and nature of your customer base and their feelings about pricing.
- You will need to keep an eye on general market trends, particularly if your product range has many substitutions. See also Chapter 3.
- Who is responsible for rate differences? You sell in foreign currency and buy from farmers in local currency. Understanding banking with regard to currency can increase profit.

Understanding how to price your product is an essential step in developing your business. You must continually monitor your price including your costs of production, your competition and your customers and be prepared to make adjustments.

Below, you find an overview of the way you can calculate the price of your export product (for information on Incoterms see the next Section).

Export price calculation

Total costs per unit
+ Profit
+ Commissions
+ Domestic banking fees
+ Palletisation / export packing
+ Freight forwarding and documentation fees
+ USDA inspection and phytosanitary certificate fees
+ Other direct expenses related to special shipping requirements such as temperature recorder charges
= EXW price (Ex Works)
+ Inland transportation
= FAS price (Free Alongside Ship)
+ Terminal handling charges
= FOB price (Free On Board)
+ Ocean freight charges
+ Ancillary charges
= CFR price (Cost & Freight)
+ Insurance
= CIF price (Cost, Insurance, Freight)

13.4 Handling the contract

When handling the contract, you should consider the contract terms and the fulfilment:

Terms of payment

There are various methods of receiving payment for your exports. The most commonly used terms in the trade of organic food products are documents against payments (D/P). Exporters prefer a Letter of Credit (L/C), but, due to the risks importers are not very keen on it. For long-term contracts and contracts, it is normal that the payment term will change into an open account.

- *Documents against payments*
Also known as cash against documents (CAD). The buyer takes possession of the goods only after payment. Although this method is not very popular, it is very safe and the costs amount to one pro mille. One can also make use of a 'documents against acceptance of a bill of exchange'. However, the bill of exchange is not commonly used in the European Union and it does not guarantee that the bill will be paid; it is less secure than the D/P.
- *Open Account*
Selling on open account carries the greatest risk for the exporter. Under this method, the buyer does not pay for the goods until they have been received. If the buyer refuses to pay, the only recourse by the exporter is to seek legal action in the buyer's country. Thus, the open account method should only be utilised when there is an established relationship with the buyer and the country of the buyer possesses a stable political and economic environment. If your sales must be made on open account, the date upon which the payment is due should be stipulated. Ask for a bank guarantee and request references.
- *Payment in advance*
This method is the most desirable from the seller's standpoint, because all risk is eliminated. While cash in advance may seem most advantageous to you, insisting on these terms may cost you sales. Just like domestic buyers, foreign buyers prefer greater security and better cash utilisation. Some buyers may also find this requirement insulting, especially if they are considered credit worthy in the eyes of the

rest of the world. Advance (partial) payments and progressive payments may be more acceptable to a buyer, but even these terms can result in a loss of sales in a highly competitive market.

In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Cocoa

While most conventional cocoa traders use standard contracts issued by one of the international trade associations (Federation of Cocoa Commerce for Europe), most organic importers have their own specific contract formats. This may be somewhat confusing for exporters coming from the conventional trade.

Terms of sale

Export terms of sale determine what costs are covered in the price of the cargo. They also indicate at what point ownership transfers to the buyer and at what point responsibility for the cargo is transferred. International commercial terms (Incoterms) provide "the international rules for the interpretation of trade terms."

The most commonly used trade term is:

- *FOB (Free on Board)*
Under this term, the seller quotes a price for goods that includes the cost of loading at the port of departure. The buyer arranges for transportation and insurance.

Other trade terms less frequently encountered are:

- *CFR (Cost and Freight)*
For shipments to designated overseas port of import, the seller quotes a price for the goods that includes the cost of transportation to the named point of debarkation. The buyer is responsible for the cost of insurance. This is referred to as C&F in the old Incoterms. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer.
- *CIF (Cost, Insurance, Freight)*
Under this term, for shipments to designated overseas port of import, the seller quotes a price for the goods, including insurance costs and all transportation and miscellaneous charges, to the point of debarkation from the vessel or aircraft. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer. European buyers prefer this type of trade terms as FOB increases the costs for freight very much.

Contract fulfilment

It is important that an exporter discusses the 'what ifs' with his trade partner: what if there is a problem with inspection, what if a claim is necessary because the organic products are mishandled during transport by a third party, and what if your customer has a problem with product quality after arrival.

Important issues are:

- Procure the delivery documents in good time.
- Comply strictly with all parts of the supply agreement. If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.
- Co-operate on a partnership basis and seek a common solution even if conflicts arise.
- Fulfilling the contract should have a high priority, particularly when delivering for the first time.

Regarding risks such as destruction or sending back freights, it is important to make clear agreements with the customers.

Other more practical questions that should be asked are:

- When is the shipment needed?
- Does the customer have a preferred freight carrier?
- Which ocean port (or airport) is most convenient?
- Does he have an agent to clear the shipment through Customs?
- Does the customer want to pay the shipment to be insured?

To get more insight in different payment conditions and terms of delivery please refer to "*CBI Export Planner*".

13.5 Sales promotion

One of the major critical success factors for exporters of organic food products to the European Union is attention to customer requirements and the ability to maintain good relationships with their European business partners. Sales promotion revolves around developing and expanding these customer relations and thereby maintaining and increasing sales quantities.

Some tips for developing customer relations:

- Take good care of existing contacts. This includes for example expressions of thanks to business partners, regular information on the company developments like product range, quality improvements, etc.
- Always answer a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him for the next campaign.

Communication

In general, European business partners understandably appreciate clear communication. In practice it is advisable to commence with communication measures, which only require a small amount of planning and co-ordinating, such as revising the company's standard printed matter:

- Standardise all printed paper used outside the company (letterheads, business cards, fax form, etc.);
- A brochure of your company (including photos of production sites and produce) can be useful for promoting new contacts and sales;
- A company Internet site with information on the products, contact details and possibly a request form.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with your customers. If possible, smaller firms should also try to be reachable by (mobile) phone during office hours.

Sales organisation

The term 'sales organisation' refers to the organisational system that carries out the sales of the company's products. A sales organisation usually consists of back office and sales force.

As most sales are conducted by telephone, fax or e-mail, having well functioning sales staff is an absolute precondition for successful market participation. This also applies to smaller companies where one person has to fulfil different (sales) functions.

An essential tool used in sales is a detailed and up-to-date customer database. This database can vary from a simple collection of customer data sheets to an advanced customer relation management system. However, the customer database should at least contain the following information:

- Basic information on the customer: name, address, telephone numbers, etc.
- Changing data on the customer: data resulting from business activities with the customer, such as telephone calls, offers, sales information, preferences etc.

The customer database should give the sales person a quick review of the most important customer information when making or answering a telephone call or planning a visit. If possible, the database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer database should be on file cards.

Example customer data sheet	
General information	
Company name: Postal address: Street address Country: Telephone: Fax: E-mail: Contact name:	Customer no.: First contact date: __ / __ / ____ Customer class*: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D Customer type: (<i>manufacturer, importer, agent</i>)
Other info:	
Sales information	
Sales realised: (<i>last year</i>) Sales planned: (<i>this year</i>) etc..	
Contact record	
No. 1	Contact date: __ / __ / __ Contact type: (<i>telephone, visit, fax, etc.</i>) Information:
No. 2	Contact date: __ / __ / __ Contact type: (<i>telephone, visit, fax, etc.</i>) Information:
No. 3	Contact date: __ / __ / __ Contact type: (<i>telephone, visit, fax, etc.</i>) Information:

* Classify your customers by importance to your company (*sales, quality of relation, etc.*)

Internet

As a source of information and means of communication, Internet is generally considered to have many opportunities for companies in developing countries. The main advantages of the Internet are:

- Low cost of communication;
- Fast delivery of information;
- Independence of distance and timeline;
- Multimedia possibilities.

Besides one-to-one communication by E-mail, Internet offers opportunities for presentations, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/processors in overseas countries, you can advertise for (new) customers on your Internet site, showing your company, product range and indicating the production circumstances. Please be advised about the do's and don'ts of an Internet site. It is better to have a simple but clear site than a comprehensive but unfinished one.

☞ Exporters should realise that the Internet is an important medium in sourcing of organic food products. A number of traders of organic food products mentioned that they use the Internet in order to find new suppliers, especially when they are referred in an introducing e-mail of the exporter.

Trade fairs

Although trade fairs are not the one and only solution to finding your European trade partner, visiting or even participating in a trade fair abroad can be an efficient tool for communicating with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market developments, production techniques and interesting varieties.

Important motives for companies visiting European trade fairs are:

- Establishing contacts with potential customers;
- Orientation on the European market;
- Gathering information on specific subjects.

Especially for the relatively small market of organic food products, international trade fairs are one of the best opportunities to show your product and meet potential buyers. Although significant costs are involved, actually participating in a trade fair could be interesting for a number of companies to meet, for example, European companies interested in setting up organic production facilities in third countries. One of the major advantages of participating in a trade fair is the ability to present your company and products in a more extensive way (3-D presentation, company video, and product displays).

Trade fairs are organised in many European Union countries. The most relevant fairs for exporters of organic food products are listed in the box below. The contact addresses of these and other trade fairs are listed in Appendix 2.

Trade fairs	Where?	When?	What?
Tea & Coffee World Cup	Hamburg, Germany	11-13 September 2005	Marketplace for tea and coffee products and ideas.
ANUGA	Cologne, Germany	biennial, 8-12 October 2005	One of the leading trade fairs for the food and beverage industry world-wide
BioFach	Nuremberg, Germany	annual, 16-19 February, 2006	Organic and natural products and relevant services
Food Ingredients Europe (FI)	Frankfurt, Germany	biennial, 29 November-1 December, 2005	Food products, product development and quality control
Health Ingredients Europe (HI)	Amsterdam, The Netherlands	biennial, 14-16 November, 2006	Food products, product development and quality control
IFE	London, United Kingdom	biennial, 2007	International food and drink exhibition
Natural Products	Amsterdam,	annual,	Organic and natural

Europe	The Netherlands	June 2006	products and food supplement industries
NATEXPO	Paris, France	biennial October 2005	Organic, health food and ecological products
SANA	Bologna, Italy	annual, September 8 -11, 2005	Health products, nutrition, environment-friendly agriculture
Sial	Paris, France	biennial, 22-26 October 2006	International food and drink exhibition

For additional information on trade fair participation, please refer to CBI's Handbook *"Your show master - a guide for selection, preparation and participation in trade fairs."*

Assistance with market entry

Local business support organisations

Before approaching organisations abroad, an exporter should first check with local business support organisations (trade promotion organisations, Chambers of Commerce, etc.) and foreign representatives in his or her country.

Import Promotion Organisations

In most EU countries, there are organisations that promote imports from developing countries through specific export promotion activities:

- They supply information on: statistics and other information on national markets, regular news bulletins, importer databases, and market opportunities;
- Individual assistance is offered: management training, testing products by display and adaptation services; and
- They can establish contacts: collective trade fair participation and selling missions.

☞ CBI export development programmes (EDP)

On the basis of the results achieved in previous programmes and on the basis of expected market

opportunities, CBI has initiated a new Export Development Programme for companies that

manufacture or produce organic food products. Only companies in a number of selected countries in Latin America, Asia and Africa are eligible for participation.

A step-by-step approach provides intensive support for selected exporters in developing countries, so that they can secure a firm footing on the EU market. Programmes are made to measure, demand-driven and flexible, combined with fixed elements such as:

- pre-selection of candidates based on kick-off workshops;
- technical assistance during company visits and distance guidance by CBI branch experts;
- export marketing training (for instance through the EXPRO seminars);
- market entry (for instance via participation in European trade fairs);
- market consolidation by way of follow-up support, further technical assistance and/or repeat market entry activities.

☞ For more information please refer to CBI's Internet site: <http://www.cbi.nl>

Branch organisations

As is probably the case in your own country, in most European countries, producers, wholesalers and often retailers are also organised in so-called branch organisations.

These organisations can be of use to new exporters to the EU. An example is BNN (<http://www.n-bnn.de>), a German branch organisation for the natural food sector. In The Netherlands, the Association for Organic Processors and Traders can be contacted (<http://www.vbpbbiologisch.nl>).

Information how to reach other organisations can be found in Appendix 2.