

**Participation of the Macedonian Companies on the International
Exhibition Global Food & Style Expo (2008) Chicago,
April 27 - April 29, 2008 and meetings with US processing equipment
manufacturers/dealers in the Chicago, Illinois area**

Report

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1. Background

Every AgBiz project intervention must lead to commercially viable and sustainable transactions. Lasting commercial relationships are always based on a series of successful, near term positive cash flow and profit-generating transactions that build trust and mutual confidence over time. The near term positive cash flow and profit element are critical, since these alone create private sector interest and willingness to make the changes necessary for longer term commercial sustainability. The ARD technical approach is based on this fact.

2. Objective

The objective of this assistance was AgBiz program to develop an effective and efficient study tour for participating Macedonian enterprises to the Fancy Foods Trade Fair in Chicago on April 27-29, 2008 and conducting a study tour to visit US manufacturers and dealers with food (vegetable/fruit) processing equipment in the Chicago area.

3. Justification

The AgBiz program in consultation with the Macedonian Association of Processors identified this Trade Fair as a priority. For the activity to be performed, the consultants (one local STC and one US based STC both engaged by the AgBiz program) focused on a) organization and development of all logistics regarding presenting the interested Macedonian companies on the Global Food & Style Expo (2008) show in Chicago, April 27 - April 29, 2008 and, b) facilitation of a study tour of industry leaders to research the possibilities of identifying sources of processing equipment in the wider Chicago area. The participants in the processed vegetables value chain and the wild harvested foods value chain are very export oriented, exporting respectively around 80 % and 95% of total output. Overseas markets such Australia and the US, due to large communities of immigrants from Macedonia and other Balkan countries, are key specialist markets for the Macedonian agribusiness companies. In addition, large quantities of wild crafted Macedonian food products such as mushrooms and berries end up on the US market through value adding and distribution channels dominated by companies based in the EU.

In general, around 90% from the overall production is vegetable processing, while roughly around 10% is fruit processing activity. In relation to the type of processing, the largest portion of the processors are involved in glass packed product, small number have drying and freezing facilities, while the remainder have combined production lines. In total, there are around 50 processing companies in the country, all of them classified as small or medium size enterprises.

Over the 2003 – 2006 the vegetables processors showed a continuous increase in production, mainly due to the increased demand for Macedonian processed goods by foreign buyers, and domestic market growth resulting from strong penetration of the retail chains and changes in the lifestyle of the population (buying processed products rather than preparing home made preserves). The consolidators and processors of wild crafted foods are solely addressing the export markets. Being that their products presently can be classified as commodity, external forces such as general supply of raw material and global demand for semi processed products. Ability to identify and serve customers buying value added products on the end consumer markets will in large scale determinate the future growth of these Macedonian companies since the margins in producing commodities are declining due to the competitive pressure from emerging suppliers in the far east.

4. About Fancy Foods – a trade fair that promotes export business

The **2008 Global Food & Style Expo**, held April 27-29 at Chicago's McCormick Place, was a resounding success with **more than 12,000 attendees**, especially domestic and international buyers, visiting **over 800 exhibitors** representing **more than 56,000 of the world's most innovative, trend-setting food and lifestyle products**.

The 2008 Global Food & Style Expo was comprised of three distinct events: the National Association of State Departments of Agriculture (NASDA)'s U.S. Food Export Showcase, the Organic Trade Association's All Things Organic™ Conference & Trade Show, and the National Association for the Specialty Food Trade (NASFT) Spring Fancy Food Show.

Many exhibitors were small to mid-sized entrepreneurial businesses passionate about their high-quality products ranging from food to personal care, green packaging, clothing and home textiles, as well as a variety of services that support the specialty foods and organic products industries. Exhibitors from larger companies represented those tapping into key trends that are shaping consumer product choices in the marketplace.

Attendees, primarily large and small retail and food service buyers as well as buyers from around the world, appreciated the diversity and innovation of the Expo's offerings.

US Food Export Showcase exhibitor Mike Solomon, owner of the Yohay Baking Company, said, "The quality of attendees is up. The real customers are here. The people who are here are buying."

"We use the show as a meeting place for key customers, and we've been successful in making deals here," said US Food Expo Showcase exhibitor Kyle O'Brien, Vice President of Sales, Chobani Greek Yogurt, New Berlin, NY.

In addition to the trade show, the 2008 Global Food & Style Expo featured nearly 50 workshops, seminars, product tastings, culinary demonstrations, tours and networking events. The program included keynote speeches by culinary luminary Bobby Flay, and branding expert John Moore. It is America's largest display of export-ready, specialty, ethnic and organic products, with exhibitors, buyers and delegates representing more than 100 countries who are ready to expand their role in the global market.

5. Participating companies

In order to identify a group of suitable companies interested to travel to the US, the local STC conducted a research amongst the F&V processing companies and wild crafted foods. As a result, the following six companies confirmed their interest and commitment to exhibit on the fair in Chicago and take part in a study tour that will be conducted after the fair in order to visit US vegetable processing equipment dealers in the Chicago area:

No.	Company name	Address	Core business activity	No. of participants per company
1	Altra	Slobodan M. Danko 111 1480 Gevgelija R. Macedonia	F&V processing (freezing)	2
2	Lars	Strumicki pat bb 2000 Stip R. Macedonia	F&V processing (drying)	1

No.	Company name	Address	Core business activity	No. of participants per company
3	Bonum	Bul. Vojvodina bb 1040 Skopje R. Macedonia	F&V processing (canning)	1
4	Univerzal Promet	Goso Vikentiev 23 2300 Kochani R. Macedonia	F&V processing (canning)	2
5	Trgoproduct	M. Tito 222 2400 Strumica R. Macedonia	F&V processing (canning)	2
6	Intermak	Andon Surkov bb 1400 Veles R. Macedonia	Processing of wild crafted foods	2

Booking of space and stand construction

AgBiz program started the initiative and contacts with the fair organizer in timely manner in order to secure good position of the Macedonian stand. Also, the program supported MAP in their initiative to approach the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and to request additional financial support, within the framework of the ministry's annual support program. As a result, formal written request was sent by MAP to MAFWE. The request was reviewed and approved by the Ministry, with which they confirmed to pay for the space of the stand. In addition, AgBiz program and the local STC completed the negotiations with stand construction company (Freeman) in regards to the layout and design of the stand, including all relevant stand related specifics, such as stand position (booth number 2558), stand size (27 m²), number of show cases (one per company or 6 in total), carpet colour, number of tables and chairs etc. (photo documentation of the stand and exhibiting companies is available at AgBiz premises). Also, one additional front desk was ordered at the start of the fair for presentation and tasting purposes. The stand was branded as stand of the Republic of Macedonia.

Additional program

Apart from the trade fair participation, the business trip to the US was designed in order companies to have a chance to visit:

- ⇒ Various retails stores (mainstream shops and ethno stores)
- ⇒ Producers of new food processing equipment
- ⇒ Sellers of second hand equipment

Business trip related details were firstly discussed amongst participants, local STC and AgBiz. Then, individual Lols were prepared by AgBiz and completed by the companies. Once defined, a preliminary agenda and list of processing equipment were sent to the US STC for finalization. Final meeting, where all participating companies approved the proposed program, fair related details and financial details took place at AgBiz offices on April 22, 2008. The final program is attached to this report as annex 1.

6. Budget and cost sharing scheme

Details related to costing structure and contributions by the involved parties are provided below:

<i>Fancy Food Show Cost Estimate for Group of 6 companies</i>		in \$US		Final Budget			
I	Investments TOTAL	Quantity	Unit cost	Total	MZSV	AgBiz	Customer
1	Fancy Food Show Chicago Exhibiting+study						
1,1	Air ticket	10	1.295	12.950		0	12.950
1,2	Booth Renting (sqm)	27		9.900	9.900	0	0
1,3	Booth Design (sqm)	27		10.413		10.413	0
1,4	Samples and sample transportation	6	300	1.800		0	1.800
1,3	M&IE Chicago (days)	80	64	5.120		0	5.120
1,5	Accommodation	63	160	10.080		0	10.080
1,6	US Visa	10	143	1.430		0	1.430
1,8	MK Consultant - Facilitation	10	206	2.056		2.056	0
1,9	MK Consultant - Travel	1	3.056	3.056		3.056	0
1,9	US Consultant - Facilitation (days) ¹	6	600	3.600		3.600	0
1.10	TOTAL Fancy food			60.404	9.900	19.124	31.380
Percentage participation					16,4%	31,7%	51,9%

7. Outcomes

- ⇒ Visit to Urschel laboratories Inc. – The Macedonian delegation had a unique opportunity to visit the most prestigious food processing equipment manufacturer in the world – Urschel, based in Valparaiso, Indiana. The tour, organized by Ms. Patricia Kunkle and Ms. Katherine Harvey (international sales coordinators at Urschel), lasted for approximately 3 hours and covered all production aspects and processes. The participants got familiar with equipment production, testing, quality inspection and shipment to the Urschel clients. Detailed presentation on Urschel product ranges was also organized by the company. Video material (on DVD) about various processing equipment (capacity, usage and other technical details) could be sent to the interested companies upon request.
- ⇒ Visits to various food retail stores – The group visited several food retail outlets, some of them specialized in selling ethno food products (Devon street market), while others being mainstream retail outlets (Sam’s club and Dominick’s). More details related to this visits are available in the report prepared by Mr. David Ropa – US STC.
- ⇒ Fancy Food Exhibition – Macedonian companies that exhibited on the show presented various products mainly roasted peppers, ajvar (home made style and ‘industrial’), lutenica, mixed processed vegetables, stuffed peppers (with cheese and tuna fish), wild

grown mushrooms (boletus), and dried vegetables. Also, product tasting (ajvar and lutenica in particular) was organized during the fair days in order visitors to sample the products directly. The stand had an excellent position and was professionally arranged. Many meetings that took place during the fair days are mentioned in the report of Mr. Ropa and in the evaluation report provided by the local STC.

- ⇒ Visits to second hand equipment dealers – Due to the fact that Macedonian companies were particularly interested to visit potential suppliers of second hand equipment, 3 companies involved in this business were visited by the group: Loeb Equipment, Frain industries and Aaron equipment. All three companies handle second hand equipment for the F&V processing, meat processing, pharmaceutical industry, packaging equipment etc. Each company handles a minimum of 10,000 products on stock. Loeb and Aaron equipment are involved in sales of the equipment as it is, while Frain industries have their own tool shop for renewing of the equipment and adjusting the same according to client requirements. Although all companies have lists of available equipment on the web sites (search engines), they recommended Macedonian companies to send direct inquires to the companies in order an up-to-date list/offers to be sent back in timely manner.

8. Evaluation

8.1 Companies' feedback

The business trip to the US, participation on the Fancy Food Show and contacts with potential providers of the second hand equipment was very important and valuable experience for the participating companies. Although they have been continuously present on EU and regional trade shows, they have never had an opportunity to jointly exhibit in the US until now. Fancy Food provided them a possibility to present their products, to identify and contact potential clients, to learn about market trends and to discuss as well as to exchange experiences with competing companies from other countries. Also, availability of various F&V processing equipment gave them an opportunity to think about upgrading (extending) their existing production lines.

Evaluation sheets that were completed by the participants clearly indicate that travelling to the US was fruitful for the participating companies. The evaluation process was completed on May 2-3, 2008.

The companies replied that the results from the participation in terms of improving the company performance were concentrated in the area of know how (clear insight about the latest product and market trends on the US market). They also underlined improvements in the areas of mentality and behaviour (improved company and product presentation).

Regarding the value of their participation, the respondents described the same as very good (6 answers). They also replied that the organisation of the trip was very good (6 answers). Negative comments were not registered.

In regards to the stand and stand construction comments obtained by the participants were the following:

- Fantastic overall organization of the food show;
- Excellent position of the Macedonian stand;
- Good quality of the materials used for stand construction;

- Nice layout of the stand; end each company having equal opportunity for presentation. In terms of follow-up, majority of the companies stated the following:

- to initiate contacts with companies/individuals met during the fair;
- to start sending product/price information to the interested importers from the US;
- to send inquiries to the second hand equipment suppliers;
- to agree with other participating companies on eventual joint purchase and shipment of the equipment from the US.

In regards to the involvement and support by the AgBiz, they indicated that the program supported the Macedonian participants in very professional manner, and it should carefully monitor the effects of the business trip and provide additional assistance when necessary. Finally, regarding the future activities of AgBiz, the companies expressed their opinion that the program should continue the cooperation with the processing sector and MAP in particular in order to stimulate Macedonian institutions to additionally support food promotional activities. They also stated that AgBiz should support the processing companies in their intentions to participate on B2B meetings and food fairs of regional and international importance in the forthcoming period. Finally, the participants suggested similar activity to be repeated in order other Macedonian F&V processing companies to have a chance to present their products in the US.

8.2 Summary of results

- The average number of serious business contacts per company was 10-15, out of which 20 % were regarded with potential for concluding business deals.
- Most of the companies were interested in slicing/dicing equipment, peelers, heat exchangers etc. and will have to submit request for quotations directly to the providers of the equipment.
- Individual preliminary results:
 1. Bonum – 25 more serious contacts for exporting of ajvar, lutenica and other processed vegetables, interested in buying slicers, dicers, peelers and blanchers
 2. Lars – 5 more serious contacts for roasted peppers and dried vegetables, interested in slicing, dicing and peeling equipment.
 3. Trgoprodukt – 15 serious contacts, concluded 2008 export contract worth 500,000 \$ US with the existing importer Max's imports from Detroit (value of the 2007 contract was 300,000 \$US), interested in steam peeler and slicing/dicing equipment.
 4. Altra – 10 serious contacts for export of berries, interested in acquiring heat exchanger and slicing/dicing equipment.
 5. Intermak – 20 contacts for potential export of wild grown mushrooms (frozen and dried) to the US, interested to purchase metal detectors.
 6. Univerzal promet – 15 more serious contacts for potential export of stuffed peppers, will reconsider the offers for the second hand equipment.

*More additional contacts and business deals are expected to take place since the evaluation was completed immediately upon the arrival of the companies in Macedonia. Two additional evaluations will be performed on 3 and 6 month basis.

9. Recommendations

The study tour and participation of the Macedonian companies at Fancy Food Show proved that US market in comparison to the EU and/or regional markets seems more welcoming to new products. For example, products that were offered by the Macedonian exhibitors on the fair (especially ajvar and lutenica) were well perceived by the show visitors. However, the size of the US market, existence of various distribution/trading channels and lack of market knowledge could act as very serious impediments to successful exports of Macedonian processed products in to the US. In addition, other market/marketing related subtleties are also missing such as product and taste preferences of the US consumers, packaging and labelling details, entry strategies, budgets, etc. Macedonian processors of F&V are simply too small in terms of final output to individually approach serious buyers/distributors (except small importers dealing with ethno products and retail outlets). Therefore, the final recommendations resulting from the business trip to the US are the following:

- Macedonian processors/exporters will have to make a decision between a) exporting small individual quantities to importers that mainly supply ethno shops or b) organizing joint production under defined recipes, packaging, labelling etc. and to meet requirements of larger importers from the US or (mainstream retail chains). The second alternative requires enormous efforts in preparations, internal and external negotiations, promotion, budgets and support not only by foreign donor projects but also by governmental authorities. Yet, on a long run it seems more acceptable since it can create stabile and long lasting business relationships. Finally, AgBiz could initiate a discussion amongst industry (or MAP) members in order to evaluate the readiness of the domestic processors to operate within the above mentioned alternatives.
- Exhibiting on Fancy Food Show was first organized participation of the Macedonian processing companies in the US. All of the participants were satisfied with the show, stand location, construction etc. AgBiz should continue with support to the Macedonian companies willing to exhibit in the US (not only in Chicago, but also Fancy Food Show in New York or other food shows). Improvements related to the trade show participation should include: identification of potential business partners, pre-arrangement of the meetings, selection of the most appropriate samples for exhibiting (based on recommendations from the US / AgBiz consultants), development of suitable promotional materials etc.
- AgBiz to promote the possibility for acquiring equipment from the US (new and second hand) and to provide logistical and/or administrative support to the interested companies.

Annex 1: Travel itinerary

Date	Time	Description
Thursday, April 24	3:35 pm	Arrive in Chicago from Zurich Pick up by Embassy Limousine 1-773-719-2087
Friday, April 25	11:30 – 2:30 pm	Meeting scheduled with Urschel Equipment Lab. Valparaiso, Indiana Steven Johnson 219 464 4811
Saturday, April 26	10:00 – 3:00 pm 3:00 – 6:00 pm	Visits to various food retail stores Exhibitor registration and booth setup.
Sunday, April 27	08:00 10:00 - 5:00 pm	leave for McCormick Place Exhibition hall to staff booth, meet with prospective clients and conduct research.
Monday, April 28	08:00 10:00 - 5:00 pm	leave for McCormick Place Exhibition hall to staff booth, meet with prospective clients and conduct research.
Tuesday April 29	08:00 10:00 - 5:00 pm	leave for McCormick Place Exhibition hall to staff booth, meet with prospective clients and conduct research.
Wednesday April 30	8:30 9:00 – 11:00 1:00 – 2:30 pm 3:00 – 4:00 pm	Leave for equipment suppliers meetings Meet with Mark Israel of Loeb Equipment 4131 South State Street Chicago, IL 60609 PH 773-451-3660, Main 773-548-4131 x106 Fax: 773.548.2608 www.loebequipment.com Meet with Sean Prena from Frain Industries 313 Rohlwing Road Addison, IL 60101 PH: 630-629-9900, FX: 630 629 6575 www.fraingroup.com Meet with Nik Ospina from Aaron Equipment 735 E. Green St. Bensenville, IL 60106 630-350-2200 x7583, 630-350-9047 www.aaronequip.com
Thursday May 1	3:00 pm	Depart Hotel for Airport Return to Zurich
Friday May 2	7:00 pm	Arrival in Skopje