

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

2. Contract/Grant Number

3. Publication Date

[Empty box]

LAC 0022 C 00 9041 00

[Empty box]

4. Document Title/Translated Title

PN-ABR-359
1991 7/92

5. Author(s)

1.
2.
3.

6. Contributing Organization(s)

[Empty box]

7. Pagination

8. Report Number

9. Sponsoring A.I.D. Office

21

[Empty box]

LAC/DR/RD

10. Abstract (optional - 250 word limit)

[Empty box]

11. Subject Keywords (optional)

1. 4.
2. 5.
3. 6.

12. Supplementary Notes

[Empty box]

13. Submitting Official

14. Telephone Number

15. Today's Date

Amy Kim Buckner

202 456-0649

12/7/92

16. DOCID

17. Document Disposition

DO NOT write below this line

[Empty box]

DOCRD [] INV [] DUPLICATE []

AGRICULTURE AND RURAL DEVELOPMENT TECHNICAL SERVICES PROJECT
AID/LAC/DR/RD, CHEMONICS INTERNATIONAL, U.S. DEPT. OF AGRICULTURE

PN-ABR-359

THE U.S. MARKET FOR SESAME SEED
FROM ACOPAI IN EL SALVADOR

Kenneth D. Weiss,
Agribusiness and Trade Advisor
Pamela Michel and Karina Mueller
LAC TECH Project (LAC/DR/RD)
U.S. Agency for International Development
Washington, D.C. 20523, USA

June, 1992

THE U.S. MARKET FOR SESAME SEED
FROM ACOPAI IN EL SALVADOR

Contents:

Background

Methodology

Summary and Recommendations

Supply

Demand

Prices

Commercial Market Transactions

Market Projections

Marketing Strategies

Annex I: Partial List of U.S. Companies Trading in Sesame
Seeds & Spices

Annex II: Companies Contacted in This Research and Others
Mentioned by Those That Were Contacted

Background:

On May 15, 1992 USAID/San Salvador asked LAC TECH to carry out a brief study of the U.S. market for sesame seed. A problem statement and a scope of work were provided. The study was to be done for ACOPAI, a federation of agricultural cooperatives, and personnel of the NCBA Cooperative Strengthening Project.

In subsequent discussions, LAC TECH learned that ACOPAI was trying to increase its sales revenue by exporting directly to U.S. buyers rather than selling to H. De Sola or one of the other traditional Salvadoran exporters of sesame seed. It had made only a few sales, principally to Nieman Brothers in Chicago.

On May 19, ACOPAI reportedly had about 500,000 pounds of whole sesame seed, variety R198, in storage and waiting to be sold. ACOPAI had made contact with several U.S. brokers and some end-users but had not found a buyer. Both the Miami office of FUSADES and the APILINK project were attempting to help by contacting potential buyers.

As ACOPAI has reportedly paid for the seed it has in storage, it must be spending money for both interest and storage costs. Since sesame seed cannot be held in storage for more than about 12 months, and should not be held for more than 6 months except in ideal conditions, there is a danger that the product will lose all its value. This creates an urgent need to sell the existing stock.

Also, ACOPAI is reportedly planning to increase its purchases for the next crop year to approximately 2 million pounds of sesame seed. This creates an urgent need to set up a permanent, large-volume distribution channel.

Methodology:

This study was done by means of desk research, using mostly U.S. government statistical publications, and extensive telephone conversations with brokers, importers, and users of sesame seed. Information obtained from the conversations was recorded on contact sheets, which were used in preparing the report which follows.

Summary and Recommendations:

Short Term: We have found that sesame seed from El Salvador is more highly regarded in the U.S. market than seed from India or China, but is not more highly regarded than seed from Guatemala or Mexico. We have found also that the current market is very weak, resulting in low prices, and that it is unlikely that end-users will be willing to buy from ACOPAI without using brokers.

Even if it could sell directly to a U.S. end-user, ACOPAI would not receive much additional revenue because U.S. brokers' commissions on sesame seed are said to be only about 2% of transaction value. Nieman Brothers had no major problems with its previous purchases from ACOPAI and may be willing to deal with them again. This firm, however, will not offer more to ACOPAI than to any other supplier.

It would be dangerous and irresponsible to continue holding the product in the hope of getting a higher price. It seems unlikely that prices will increase in the near future, and the seed will eventually spoil in storage. **Therefore, we recommend that ACOPAI try urgently to reach agreement with Nieman Brothers to sell its existing stock of sesame seed, at the best price that Nieman Brothers will offer.**

If agreement cannot be reached with Nieman Brothers, ACOPAI should ask the APTLINK project manager to contact other firms mentioned in this report. Specifically, Texas International Commodities, International Brokers, and other firms expressed interest in hearing from them (see Annex II for more details). APTLINK should keep in contact with the Miami office of FUSADES to make sure they are not calling the same importers.

Medium Term: Sesame seed is a minor commodity in the U.S. market and is not normally imported by end-users. It is handled by a small number of brokers and importers, who sell mainly to bakery supply companies. Demand is fairly stable and prices fluctuate with supply, and supplies are expected to be good for the foreseeable future.

We recommend that ACOPAI not increase its purchases of sesame seed or encourage farmers to increase production until it has established good working arrangements with one or more U.S. importers. Also, it should make sure the growers understand that prices seem likely to remain weak, that it is hard to sell spices and related products except through established distribution channels, and that middlemen's commissions are considered to be a normal expense in international trade. Therefore, it will be very hard for ACOPAI to pay the growers significantly more than established exporters will pay them.

In making the statements just above, we recognize the importance of maintaining ACOPAI as a marketing intermediary to give Salvadoran producers more selling options. Its presence in the market should encourage other buyers to pay fair prices.

It is clear that ACOPAI personnel should become more sophisticated regarding marketing and the U.S. market. Specifically, they need a market orientation tour that would include meetings with U.S. government regulatory agencies and with brokers, importers, bakery distributors, and end-users of sesame seeds. They should also receive information such as the spice reports of A. A. Sayia and Company, the U.S. Department of Agriculture, and the American Spice Trade Association.

ACOPAI, with help from FUSADES or APTLINK, should contact shipping companies to try to find the lowest rates to selected U.S. destinations. It is critical to minimize the cost between f.o.b./vessel and c.i.f./U.S. destination.

Finally, ACOPAI should ask FUSADES to help it explore potential markets to the South including Panama, Colombia, Venezuela, and Brazil.

Supply:

The U.N. Food and Agriculture Organization estimates world production of sesame seed as 2.3 million metric tons in 1989. The main producing countries were, in this order, India, China, the Sudan, and Myanmar (formerly Burma). Mexico was in 7th place with estimated production of 50 million metric tons. We understand that Chinese exporters are trying to increase sales to the U.S. and can compete on price because of their low production costs. This is driving the market price down, in spite of the generally poor reputation of the Chinese product.

At the moment, the U.S. market for sesame seed seems to be over-supplied. Buyers have told us this, and prices indicate that it is so.

The generally low prices and the small seasonal variation in prices and quantities imported, in 1991, indicate that supplies are at least adequate. According to statistics from the U.S. Census Bureau, the lowest monthly average price in 1991 was 47.7 cents per pound in March, and the highest was 55.4 cents per pound in September. The lowest quantity imported was 5.4 million pounds in July, and the highest was 8.1 million pounds in December.

Please see Exhibit I, "U.S. Imports for Consumption, 1991 - Sesame Seed."

Exhibit I

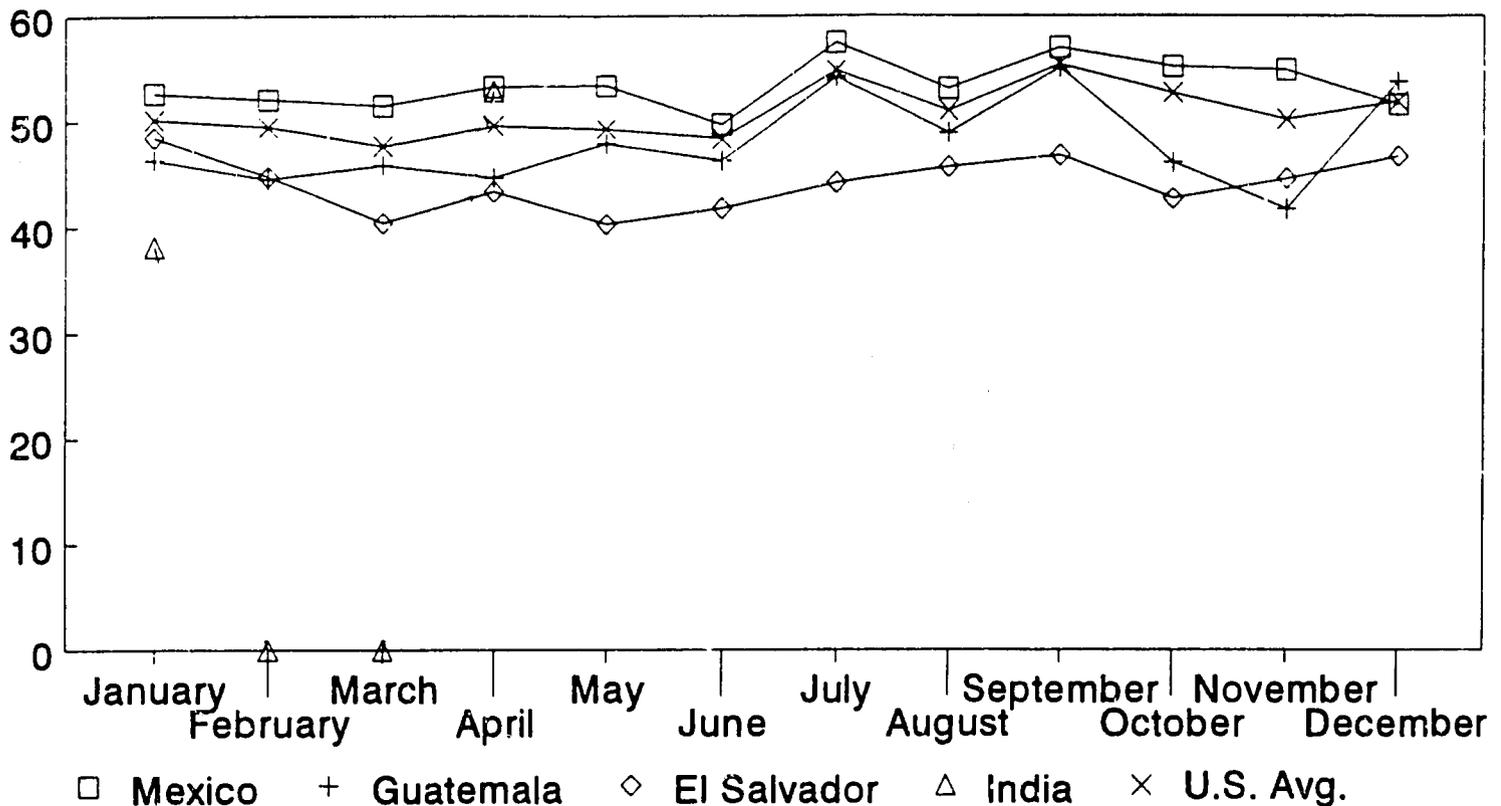
**U.S. Import for Consumption
1991 - Sesame Seed**

Cents per pound (customs value)*

	January		February		March		April	
	Price	Pounds	Price	Pounds	Price	Pounds	Price	Pounds
Mexico	52.7	4,222,781	52.1	4,410,452	51.5	4,106,445	53.3	3,644,997
Guatemala	46.4	1,988,028	44.6	1,270,414	45.9	1,168,409	44.7	1,687,943
El Salvador	48.5	1,213,027	44.8	1,356,916	40.4	1,907,347	43.4	1,064,505
India	38.2	231,114	0.0	0	0.0	0	52.9	4,024
U.S. Avg	50.2	7,775,867	49.5	7,097,473	47.7	7,476,669	49.6	6,611,370
	May		June		July		August	
	Price	Pounds	Price	Pounds	Price	Pounds	Price	Pounds
Mexico	53.4	4,384,505	49.7	3,172,052	57.5	3,950,324	53.1	3,510,140
Guatemala	47.9	1,112,670	46.3	1,156,956	54.2	131,043	48.9	1,089,240
El Salvador	40.3	1,873,727	41.8	729,232	44.2	1,061,405	45.7	985,756
India	0.0	0	0.0	0	0.0	0	0.0	0
U.S. Avg	49.3	7,700,139	48.4	5,432,777	54.8	5,402,901	51	6,011,069
	September		October		November		December	
	Price	Pounds	Price	Pounds	Price	Pounds	Price	Pounds
Mexico	57.0	3,393,564	55.2	4,022,315	54.9	4,055,638	51.6	6,021,825
Guatemala	55.1	447,704	46.1	692,512	41.7	2,328,973	53.8	837,793
El Salvador	46.8	580,254	42.7	989,672	44.6	622,732	46.7	547,582
India	0.0	0	0.0	0	69.6	10,978	0.0	0
U.S. Avg	55.4	4,763,574	52.7	6,300,708	50.2	7,583,303	51.9	8,057,150

*Spot market prices show fraction of a cent, critical in this commodity's trade. Example: 58.4 is fifty-eight and four tenths of a cent = .584

1991 Prices (cents per pound)



Mexico is by far the main supplier to the U.S. market. It normally provides about 25 million metric tons of sesame seed, roughly 55% of the volume imported to the U.S.. Other major suppliers to the U.S. are Guatemala, El Salvador, and India.

Please see Exhibit II, "U.S. Imports of Sesame Seed, Percent by Supplying Country."

Exhibit II

U.S. Import of Sesame Seed

Percent by Supplying Country

1989-1992

(Information taken from FATUS 1992 and FT 247 U.S. Imports for Consumption 1990)

	1989	1990	1991	1992 *
Total U.S. Imports (MT)**	40,514	42,878	36,465	10,719
Mexico	66.9 %	55.0 %	60.9 %	49.7 %
Guatemala	9.4	14.0	17.3	22.8
El Salvador	7.5	8.1	16.1	16.9
India	6.6	19.2	.3	3.9
All Others	9.5	3.7	5.4	6.7

* First Quarter (January - March)

**1 Metric Ton = 2204 lbs

According to FAO statistics, the average yield of sesame seed in 1989 was 357 metric tons per hectare. Egypt, Iran, Yugoslavia, and the USSR were all said to have yields of about 1,000 metric tons per hectare. The figure was 417 tons for Mexico, 753 for Guatemala, and 573 for El Salvador.

Thus, El Salvador is above the world average in yield per hectare but is behind Guatemala and far behind the producing countries with the best yields. This will make it hard for El Salvador to compete on the basis of price unless its producers pay less for agricultural imports than producers in competing countries.

Please see Exhibit III, Area Harvested, Yield, and Production of Sesame Seed.

Exhibit III, Area Harvested, Yield, Production

	SESAME SEED				GRAINES DE SESAME				SEMILLA DE SESAMO			
	AREA HARV SUP RECOLTEE SUP COSECHAD		1000 HA		YIELD RENDEMENT RENDIMIENTO		KG/HA		PRODUCTION PRODUCCION		1000 MT	
	1979-81	1987	1988	1989	1979-81	1987	1988	1989	1979-81	1987	1988	1989
WORLD	6502	6445	7012	6583	308	357	336	357	2000	2303	2354	2352
AFRICA	1553	1766	1908	1805	317	311	305	328	492	549	591	592
ANGOLA	7	7F	7F	7F	286	286	286	286	2	2F	2F	2F
BENIN	3	5	7	10F	383	375	524	500	1	2	4	5F
BURKINA FASO	30	40	18	30F	240	285	465	353	7	11	9	11F
CAMEROON	30	31F	31F	32F	261	415	433	449	8	13F	14F	14F
CENT AFR REP	37	39	32	34F	295	417	571	588	11	16	18	20F
CHAD	32	37F	37F	37F	326	278	203	311	10	10	8	12F
CONGO	1	1F	1F	1F	442	491	500	509				
COTE D'IVOIRE	6	6F	6F	6F	517	500	500	500	3	3F	3F	3F
EGYPT	16	12	14F	15F	996	985	1143	1000	16	12	16	15F
ETHIOPIA	64	63F	63F	64F	582	587	587	586	37	37F	37F	38F
GUINEA	2	2F	2F	2F	200	200	200	200				
KENYA	20	20F	20F	20F	402	375	386	392	8	8F	8F	8F
MOROCCO					650	571	586	586				
MOZAMBIQUE	7	7F	7F	7F	429	429	429	429	3	3F	3F	3F
NIGER	1	1F	1F	1F	318	265	283	279				
NIGERIA	235	250F	250F	250F	311	300	300	280	73	75F	75F	70F
SIERRA LEONE	2	2F	2F	2F	500	545	545	545	1	1F	1F	1F
SOMALIA	84	105	110	110F	520	433	420	427	44	45	46	47F
SUDAN	836	960	1157*	1000F	268	243	240	268	224	233	278*	268F
TANZANIA	58	62F	63F	63F	285	323	336	349	17	20F	21F	22F
TOGO	7	8F	8F	8F	227	266	266	266	2	2F	2F	2F
UGANDA	65	88*	82*	85F	311	500	439	471	20	44*	36*	40F
ZAIRE	10	21	21	21F	379	500	500	524	4	11	11	11F
N C AMERICA	306	165	151	184	594	576	511	468	183	95	77	85
COSTA RICA					533	533	533	533				
DOMINICAN RP	1	1F	1F	1F	467	500	500	500				
EL SALVADOR	12	17	15F	15F	812	472	573	573	10	8	9F	9F
GUATEMALA	16	30	30	20	819	696	687	753	13	21	21	15
HAITI	14	15F	15F	15F	298	293	290	290	4	4F	4F	4F
HONDURAS	3	5F	5F	5F	968	900	900	900	3	5F	5F	5F
MEXICO	247	89	77	120*	586	578	435	417	145	51	34	50*
NICARAGUA	14	7	7	7	515	658	601	316	7	5	4	2
PANAMA					483	500	517	500				
USA	1	1F	1F	1F	709	739	739	739	1	1F	1F	1F
SOUTH AMERIC	104	151	168	164	637	503	475	445	66	76	80	73
BRAZIL	5	5*	7*	20*	600	600	571	600	3	3*	4*	12*
COLOMBIA	24	19	12	14	565	571	606	632	13	11	7	9
ECUADOR	1				551	455	750					
PERU					827	889	889	889				
VENEZUELA	74	127*	149*	130*	667	489	459	400	49	62	68	52*
ASIA	4533	4362	4754	4429	277	363	338	381	1257	1582	1605	1600
AFGHANISTAN	44	34F	35F	37F	808	735	743	740	36	25F	26F	27F
BANGLADESH	95	82	85F	88F	537	598	647	648	51	49	55F	57F
CAMBODIA	8	14F	14F	16F	347	429	500	484	3	6F	7F	8F
CHINA	814	869	1001*	891*	484	606	450	562	396	527	450*	500F
CYPRUS					386	455	500	538				
INDIA	2481	2153	2433	2200*	185	271	274	273	461	583	667	600*
INDONESIA	30	27F	25F	20F	300	296	250	300	9	8F	7F	6F
IRAN	4	3F	3F	3F	990	1000	1000	1000	3	3F	3F	3F
IHAQ	11	17	18	20F	523	539	625	641	6	9	11	13F
ISRAEL					466							
JAPAN	1				587	582	582	582				
JORDAN					230	279	337	325				
KOREA REP	50	94	78	90*	283	459	668	611	14	43	52	55*
LEBANON					871	882	882	889				
MYANMAR	767	798	800F	800F	205	249	237	250	159	199	190	200*
PAKISTAN	44	18	25	25F	407	398	405	404	18	7	10	10F
PHILIPPINES									1	1F	1F	1F
SAUDI ARABIA	2	4	4F	4F	745	803	800	800	1	3	3F	3F
SRI LANKA	28	13	13	20F	404	490	533	450	11	6*	7	9F
SYRIA	36	34	25	14	529	367	448	529	19	12	11	7
THAILAND	39	45	50	55	659	602	343	518	26	27	27	29
TURKEY	43	108	94	95F	594	398	479	411	26	43	45	39
VIET NAM	21	32F	34F	35F	324	719	735	743	7	23F	25F	26F
YEMEN AR	10	11	12	12F	579	314	375	375	6	4	5	5F
YEMEN DEM	5	5F	5F	5F	553	600	600	600	3	3F	3F	3F
EUROPE	4	1	1	1	481	626	605	739	2	1		1
BULGARIA					11							
GREECE	4	1	1F	1F	479	660	667	667	2			
ITALY					745	750	475	500				
YUGOSLAVIA					980	500	410	1030				
USSR					467	1000	1050	1052				
DEV PED M E	6	2	2	2	546	663	655	704	3	1	1	2
N AMERICA	1	1	1	1	709	739	739	739	1	1	1	1
W EUROPE	4	1	1	1	517	626	605	739	2	1		
OTH DEV PED	1				539	582	582	582				
DEV.PING M E	5653	5527	5981	5639	282	316	314	322	1591	1745	1870	1817

	SESAME SEED			GRAINES DE SESAME			SEMILLA DE SESAMO					
	AREA HARV SUP RECOLTEE SUP COSECHAD	1000 HA			YIELD RENDEMENT RENDIMIENTO	KG/HA			PRODUCTION PRODUCTION PRODUCCION	1000 MT		
	1979-81	1987	1988	1989	1979-81	1987	1988	1989	1979-81	1987	1988	1989
AFRICA	700	794	767	790	360	383	387	391	252	304	297	309
LAT AMERICA	411	315	318	347	604	541	491	456	249	171	157	158
NEAR EAST	1098	1188	1167	1204	338	292	293	318	340	347	401	382
FAR EAST	3534	3231	3509	3298	212	296	289	293	750	924	1016	967
CENTR PLANND	844	916	1049	941	479	607	460	567	406	556	483	534
ASIAN CPE	843	915	1049	941	479	607	460	567	406	556	482	534
E EUR-USSR	1				428	1000	1050	1052				
DEV PED ALL	6	2	2	2	505	677	673	720	3	2	2	2
DEV PING ALL	6496	6443	7010	6580	307	357	336	357	1997	2301	2353	2351

F = FAO Estimate

Source: FAO Production Yearbook, 1989

Demand:

According to a spice trade publication from the U.S. Department of Agriculture, there are only about 100 small farms producing sesame seed in the United States. U.S. exports of the product in 1991 totaled just 2,583 metric tons worth \$2.5 million. Imports are approximately 40,000 metric tons per year. Using a figure of 250 million people, per capita consumption comes to only about 0.16 kilograms or 0.35 pounds per person per year. This assumes U.S. production roughly equal to exports and no major changes in stocks.

The volume of U.S. sesame seed imports increased about 5% from 1989 to 1990, but decreased by 15% from 1990 to 1991. Since prices also decreased from 1990 to 1991, we conclude that demand went down.

Average import prices for the first quarter of 1992 were slightly higher than average prices in 1991, but buyers are reporting that supplies are plentiful and demand is weak. Weak demand is attributed mainly to the current economic recession. Thus, the sesame seed market at the moment is not attractive.

In the U.S. the main uses of sesame seed are on hamburger buns and in pastries, Middle Eastern condiment paste ("tahini") and desserts, Jewish halvah bars, and some Asian foods such as Korean "bulgoki." The large spice companies such as McCormick are major users. McDonald's restaurants account for about 5% of total consumption, but the McDonald's Corporation does not buy sesame seed. Rather, each of its 33 supplying bakeries in the U.S. purchases separately.

Only small amounts of sesame seed are crushed for oil, however, the volume is increasing because of the increase in U.S. consumption of Japanese and Korean food. In this brief study we were not able to speak with oilseed crushers.

Japan imports at least three times as much sesame seed as the U.S. does, and the European Community imports about half the U.S. quantity. Shipping from El Salvador to the Far East, however, would be expensive and the quality of the seed might deteriorate. If the seeds become sticky and cling together they are harder to use and their value decreases.

Production of sesame seed is limited in countries to the south of El Salvador including Panama, Colombia, Venezuela, and Brazil. ACOPAI should ask FUSADES to help in exploring these potential markets.

Prices:

According to USDA statistics, average annual New York spot prices for Central American natural recleaned sesame seed have varied in the past 12 years from \$0.30 per pound in 1986 to \$0.70 per pound in 1990. Prices for hulled Central American seed have varied from \$0.487 in 1988 to \$0.84 in 1990. New York spot prices for hulled sesame seed seem to average about 18% higher than for natural recleaned seed from Central America.

U.S. import statistics do not distinguish between hulled and natural sesame seed. Average import prices for all sesame seed, at Customs Value, were \$986 per metric ton in 1989, \$1,326 in 1990, \$1,115 in 1991.

Exhibit I shows 1991 average monthly prices at Customs Value, in cents per pound, for sesame seed from the 4 largest suppliers to the U.S. market. Note that Mexico consistently receives the highest price. This is due to perceptions that Mexico's quality is higher as well as to lower transportation costs to some U.S. importers. One person told us he prefers the larger, shinier seeds and that the best seeds are found closer to the U.S. border.

Exhibit IV shows U.S. import prices for the first three months of 1992. The average customs value for the 3 months was 56.31 cents per pound. "Customs Values" are normally about equal to prices f.a.s./Vessel (Free Along Side the ship in the Salvadoran seaport). The term "Free" means that all charges to that point have been paid. El Salvador's prices in all 3 months were somewhat below the average and were below the prices received by Guatemala.

Please see Exhibit IV, "U.S. Imports for Consumption, 1992 - Sesame Seed.

Exhibit IV

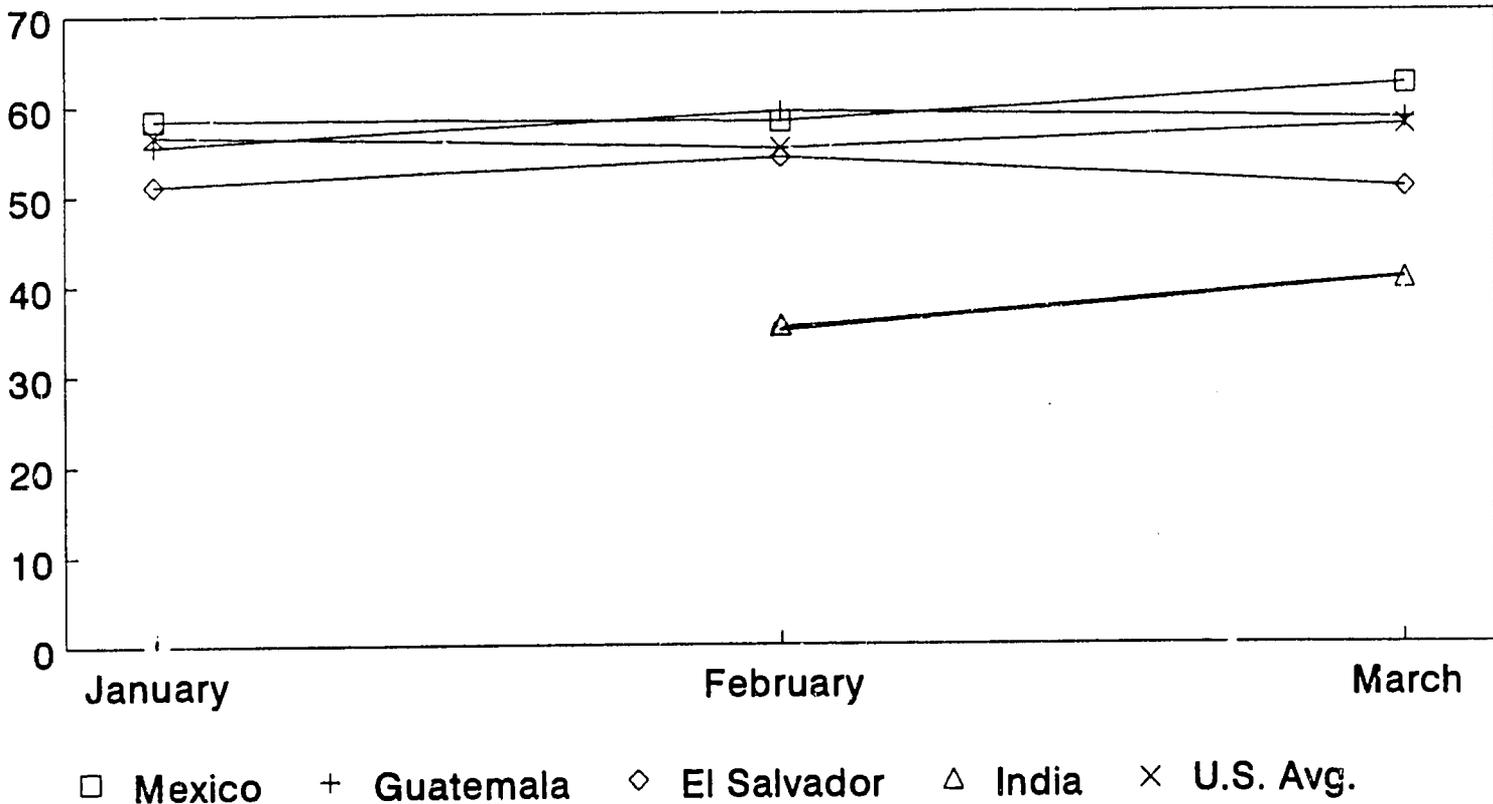
U.S. Imports for Consumption 1992 – Sesame Seed

Cents per pound (customs value)*

Country	January		February		March	
	Price	Pounds	Price	Pounds	Price	Pounds
Mexico	58.4	4,471,390	58.0	3,701,258	61.9	3,554,518
Guatemala	55.5	2,262,154	59.1	1,609,513	58.1	1,526,782
El Salvador	51.1	1,471,292	54.0	1,323,550	50.5	1,191,496
India	0.0	0	35.4	710,391	40.4	225,676
U.S. Average	56.6	8,395,372	55.0	7,730,171	57.4	7,089,718

*Spot market prices show fractions of a cent, critical in this commodity's trade. Example: 58.4 is fifty-eight and four tenths of a cent = .584

1992 Prices (cents per pound)



Persons contacted by phone in early June, 1992 told us that New York spot prices were about \$0.49 per pound for natural and \$0.66 per pound for hulled sesame seed. A.A. Sayia and Company said Nicaraguan natural seed was being offered for \$0.38 per pound, C&F New York.

Assuming that natural seed is the product most likely to be purchased and that transportation costs from San Salvador to the U.S. buyer's warehouse are approximately 6 cents per pound, brokerage costs are about 1 cent per pound, and miscellaneous costs are about 1 cent per pound, the Customs Value of natural seed in San Salvador must now be approximately 41 cents per pound (.49 - .08). It would be difficult to sell for more than this price. Inland freight and related expenses in El Salvador must be subtracted to calculate the revenue to ACOPAI.

Commercial Market Transactions:

Sesame seed for the U.S. market is usually packed in paper pounds, 50 pounds per bag, and palletized or floor-loaded. Shipments from Mexico move by road or rail, while those from Guatemala and El Salvador move either by sea or by sea-land routes through Miami or New Orleans. Many shipments move by two or more methods of transportation, on inter-modal bills of lading, to the ultimate consignee.

Gel Spice Co. told us that some 95% of the purchases were on C&F terms, although Nieman Brothers reported buying FOB port of lading and McCormick Spice said some importers buy FOB at the processing plant. International Brokers Inc. said that payment was usually by Irrevocable Letter of Credit, payable at sight after a shipment passed FDA inspection.

All sesame seed is classified in Harmonized System number 1207.4. It is free of import duty to "Most Favored Nation" countries, a category which includes all the major suppliers to the U.S. Therefore, El Salvador does not have an advantage on customs duty.

In Fiscal Year 1991, the U.S. Food and Drug Administration placed sesame seeds from Mexico and India on its "Automatic Detention" list and placed this product from other countries on "Surveillance" status. It detained sesame seeds from Guatemala because of insect filth, sesame seeds from Honduras because of inadequate labeling and oil contamination, and "Various Edible Seeds" from El Salvador because of unsafe color additives, omission of mandatory labeling, and insect filth. ACOPAI must be extremely careful to avoid these problems.

Importers of spices in general are concentrated in New York and Chicago, however, companies in the sesame seed business are more widely dispersed. Selected information about the firms that were contacted by phone in this study, and other firms mentioned by those contacted, is annexed to this report.

Brokers and importers normally sell to spice manufacturers, bakery distributors, Middle Eastern and Asian food distributors, and oilseed crushers. Nieman Brothers said that about 10% of the sesame seed is used in halvah bars, however, this figure was not confirmed by anyone else.

The bakery trade is highly fragmented, with about 1,000 bakery supply firms, 7,000 wholesale bakers, and 28,000 retail bakers. This is an average of 35 bakers per supply firm (7,000 + 28,000 / 1,000). The value of bakery shipments in 1990 was approximately \$25 billion. Bakers often buy sesame seed in 200 pound lots consisting of four 50 pound bags.

It appears that the best hope for shortening the distribution channel is to contact bakery supply firms that now import through brokers and try to persuade them to eliminate the brokers. The bakery supply firms, however, would save only the brokerage fee of about 2%. They may not be willing to increase their business risk and their administrative overhead in order to save 2% on what is, for most of them, a very minor ingredient.

Two major firms told us that major importers usually contract in early and mid-December for a year's supply. Seed that is not sold in that period must be sold later at a lower price. This means that ACOPAI is 6 months late in contracting for the sale of the seed it has in stock. If this seed is still unsold before the next contracting period in December of this year, it will probably have no commercial value.

The existence of a small summer crop of sesame seeds in some supplying countries makes the problem of left over stock even more critical.

It is possible that U.S. middlemen who normally deal with major Salvadoran exporters of sesame seed are reluctant to offend them by buying from ACOPAI, however, no importer or broker mentioned this in the course of the study.

Market Projections:

Sesame seed is a minor basic commodity of which supply, demand, and price are relatively stable. Average monthly prices have not varied greatly in the past 3 years, and we have heard no information to indicate that they will change significantly in the near future. We have not heard forecasts of any major changes in supply or demand.

We believe sesame seed prices are weak, as are the prices of most other commodities, because of the world wide economic recession. If this is so prices will improve when the economies of the industrialized nations strengthen. There is, however, no certainty as to when this will occur.

Over the 11 year period from 1980 to 1991, the quantity of U.S. imports of sesame seed was volatile but generally increased about 2% per year. Similar statistics for other countries are not readily available. The most reasonable forecast is that supply will about keep up with gradually increasing demand and that prices will do little better than keep up with inflation.

Marketing Strategies:

ACOPAI has the advantage of having been selected to participate in the APTLINK project. We suggest that ACOPAI and the APTLINK manager work out two marketing plans, one for the seed that is now in stock and another for the next buying season.

More information about suggested strategies is in the earlier section on recommendations.

ANNEX I

PARTIAL LISTING OF MAJOR U.S. COMPANIES TRADING IN SESAME SEEDS & SPICES

T.J. HARKINS BASIC COMMODITY BROKERS
P.O. BOX 747
WOOD DALE, IL 60191
(708) 350-2345 FAX (708) 350-2348

INTERNATIONAL BROKERS, INC.
185 RIDGEDALE AVENUE
CEDAR KNOLLS, NJ 07927
(201) 539-0707 FAX (201) 539-5625

JOHN H. ELTON, INC.
118-21 QUEENS BOULEVARD
FOREST HILLS, NY 11375
(718) 520-8900 FAX (718) 263-5708

LUDWIG MUELLER, CO. INC.
TWO PARK AVENUE
NEW YORK, NY 10016
(212) 967-6220 FAX (212) 213-1296

MC CLEMENT SALES CO. INC.
1 S. 280 SUMMIT AVENUE
OAKBROOK TERRACE, IL 60181
(708) 691-1800 FAX (708) 691-1087

GEORGE UHE, CO. INC.
76 NINTH AVENUE
NEW YORK, NY 10011
(212) 929-0870 FAX (212) 627-8428

HERBERT MARMOREK & SON
2153 78TH STREET
BROOKLYN, NY 11214-1591
(718) 256-8080 FAX (718) 256-1187

L.A. CHAMPON & CO. INC.
1404 OAK TREE ROAD
P.O. BOX 950
ISELIN, NJ 08830
(908) 283-2000 FAX (908) 283-0791

ACCURATE INGREDIENTS, INC.
160 EILEEN WAY
SYOSSET, NY 11791
(516) 496-2500 FAX (516) 496-2516

A.A. SAYIA & COMPANY, INC.
ONE NEWARK STREET
HOBOKEN, NJ 07030
(201) 659-4504 FAX (201) 659-3167

HARRY SCHLICHTING
90 BRANT AVENUE, 1D-DORSET
WHITE PLAINS, NY 10605
(914) 948-3612

E.L. SCOTT & COMPANY, INC.
ONE WORLD TRADE CENTER, SUITE 1313
NEW YORK, NY 10048
(212) 432-0100 FAX (212) 432-7700

CTC SPICE CORPORATION
152 MADISON AVENUE, SUITE 300
NEW YORK, NY 10016
(212) 689-4330 FAX (212) 481-3129

HENRY BROCH & COMPANY
9933 LAWLER AVENUE, SUITE 340
SKOKIE, IL 60077
(708) 676-2244 FAX (708) 676-2314

WORLD COMMODITY TRADING, INC.
98 CUTTER MILL ROAD, SUITE 333N
GREAT NECK, NY 11021-3003
(516) 829-4120 FAX (516) 829-4253

V.A. CORDOVI, INC.
TWO PARK AVENUE, P.O. BOX 763
MANHASSET, NY 11030
(516) 627-6610 FAX (516) 627-4061

L.J. COOPER COMPANY
116 JOHN STREET
NEW YORK, NY 10038
(212) 406-3970 FAX (212) 962-6603

GLENN INDUSTRIAL SALES, INC.
509 COMMERCE STREET
FRANKLIN LAKES, NJ 07417
(201) 337-9360 FAX (201) 337-5289

Note: In presenting this list, no discrimination is intended and no guarantee of reliability of the firms mentioned is implied.

ANNEX II

FIRMS CONTACTED AND MENTIONED

Accurate Ingredients, Inc.
160 Eileen Way
Syosset, New York 11791
Tel. 516 496-2500, Fax 516 496-2516
Mr. Rich Hamerschlag

This firm acts as a broker representing foreign suppliers of spices, flavors, and fragrances. It imports approximately 100 tons of sesame seed per year from Guatemala, El Salvador, and (formerly) India. It usually buys C&F/New York in 20 foot containers, and sells mainly to bakery suppliers.

Mr. Hamerschlag would welcome a communication from ACOPAI.

L. A. Champon & Company, Inc.
1404 Oak Tree Road
Iselin, New Jersey 08830
Tel. 908 283-2000, Fax 908 283-0791
Mr. Jensen Young

The Champon company is a broker and sells to importers and bakery distributors. It is now importing both hulled and natural sesame seed from El Salvador and is also importing from Mexico, Guatemala, and Venezuela. It has a buying relationship with H. De Sola.

Mr. Young thinks the Mexican seed is too varied because there are numerous producing areas. He says most U.S. buyers have adequate or excess inventory so that offered prices are low, even below cost in some cases. Also, some new production will be coming in as early as July.

Gel Spice Company
48 Hood Road
Bayonne, New York 07002
Tel. 201 339-0700
Mr. Gershon Engel

Gel Spice currently imports about 2,000 metric tons of sesame seed per year. It is buying from Guatemala and also Honduras, Nicaragua, and El Salvador. It sells mainly to bakery suppliers.

Mr. Engel welcomes specific offers and would be pleased to receive an offer from ACOPAI.

T. J. Harkins Basic Commodity Brokers
P.O. Box 747
Wood Dale, Illinois 60190
Tel. 708 350-2345, Fax 708 350-2348
Mr. Tom Harkins

This firm is mainly an importer but sometimes works as a broker. It handles spices in general and seeds in particular. It buys about 110 trailers per year of sesame seed, 90 hulled and 20 natural, mainly from Mexico, Guatemala, and El Salvador. It also buys from Honduras and Nicaragua, but has stopped buying from China because of quality problems.

This firm brings in 48,000 pound shipments from Central America, by sea to New Orleans and then by rail to Chicago (note, the weight limit for trucked containers is 45,000 pounds in many states). It sells mainly to distributors, not end-users.

ACOPAI is welcome to send Mr. Harkins an offer, by fax, followed by samples of the product.

International Brokers, Inc.
185 Ridgedale Avenue
Cedar Knolls, New Jersey 07927
Tel. 201 539-0707, Fax 201 539-5625
Mr. Rich Ahrens

This firm is a major spice broker. It imports 200-500 metric tons per year of sesame seed from El Salvador and about the same amount from Guatemala, both hulled and natural. It sells to bakery suppliers.

International Brokers had phytosanitary problems with sesame seed from India and found seed from China too oily.

Mr. Ahrens would welcome communication from ACOPAI, preferably by fax.

McCormick Spice Company
10901 Gilroy
Hunt Valley, Maryland
Tel. 301 771-5070, Fax 301 527-0384
Mr. Fritz Schwartz

McCormick is a huge importer, end-user, and retailer of spices. The import buyer for sesame seed makes annual buying trips in September-October, beginning in northern Mexico and traveling south through Central America. Mr. Schwartz thinks Salvadoran, Nicaraguan, and Guatemalan seed are about the same quality.

He is not interested in buying the seed ACOPAI now has in stock, but McCormick may be willing to include ACOPAI in fall buying trip. Communication should be by letter from ACOPAI to Mr. Schwartz.

McDonald's Corporation
One McDonald's Plaza
Oakbrook, Illinois 60521-1900
Tel. 708 575-3000, Fax 708 575-5700
Mr. Elgin Fields, Manager of Quality Assurance, Tel. Ext. 7060

According to Mr. Fields, sesame seeds are used on many hamburger buns to add flavor and crunch. McDonald's served 4.5 million pounds of sesame seed in 1991 on products from its 33 supplying bakeries. He said a few of the bakeries were importing directly, without using brokers. The preferred source is Mexico because the seeds are larger, brighter, cleaner, and more consistent and they adhere well to buns.

McDonalds consumption of sesame seeds is not expected to increase because the company is diversifying its product line.

Ludwig Mueller Company, Inc.
Two Park Avenue
New York, New York 10016
Tel. 212 967-6220, Fax 212 967-6401
Mr. Alvin Slobard

This firm is a well established spice broker which also handles essential oils, dried fruits, and nuts. It is importing about 1,000 tons a year of natural sesame seed from El Salvador and 400-500 tons per year of hulled seed from Guatemala. Mr. Slobard says the Guatemalan hulled seed is better than its counterpart from El Salvador and so receives a higher price.

Nieman Brothers
3322 W. Newport Avenue
Chicago, IL 60618
Tel. 312 463-3000, Fax 312 463-3181
Mr. Seymour Nieman

Nieman Brothers is a large importer and broker of spices. it imports about 30 trailers per year (45,000 pounds each) of sesame seed and sells mainly to bakery suppliers. It has handled hulled and natural sesame seed from Mexico, Guatemala, Nicaragua, and El Salvador. This year's main source of hulled sesame seed is Guatemala. The main Salvadoran supplier is H. De Sola.

Mr. Nieman thinks the quality of sesame seed from El Salvador is as good as that of the competition but not better. Therefore, ACOPAI should not expect to receive a higher price than other suppliers are getting.

A.A. Sayia & Company, Inc.
One Newark Street
Hoboken, New Jersey 07030
Tel. 201 659-4504, Fax 201 659-3167
Mr. Peter Sayia

This company is a well established spice broker. It handles sesame seed mainly from Nicaragua, Honduras, and Guatemala and sells it mainly to bakery suppliers. It also publishes a weekly report of spot prices for spices, which it offers to foreign subscribers for \$125 per year.

Peter Sayia is interested in hearing from ACOPAI if they have very good quality sesame seed and wish to sell through a broker.

Texas International Commodities
3545 East 14th Street, Suites A and B
Brownsville, Texas 78521
Tel. 512 546-6666
Ms. Josie Creamer

This firm imports various products including sesame seed, raisins, and garlic. It formerly produced tahini but is no longer in this business.

Ms. Creamer would welcome a contact from ACOPAI at any time.

The following companies were mentioned by one or more of those listed above and are not on the list of brokers obtained from the U.S. Department of Agriculture. We do not have any more information about them.

- Hans Schmidt, San Francisco, California, Tel. 415 956-5811. A major importer. Reportedly buying now from H. De Sola in El Salvador.
- Generic Brands, Miami, Florida, Tel. 305 372-8730, Mr. Frank Tomasino. Reportedly buys from Central America and exports to Europe.
- Young Lee, a Korean broker in Arlington, Virginia. We could not find his telephone number.
- Ben Williams, Dallas, Texas.
- Universal, Tucson, Arizona.
- Transit Trading Corporation, 196-198 West Broadway, New York, New York 10013, Tel. 212 925-1020. This firm has been contacted by the APTLINK Project Manager.
- Joachim Obroch, Guatemalan broker, tel. 502-2-314226.
- Alberto Chamorro, Nicaraguan processor and exporter, Tel. 505-554391.