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S U S T A I N

SHARING UNITED STATES TECHNOLOGY TO AID IN THE IMPROVEMENT OF NUTRITION
.....

SYMPOSIUM:

INTERNATIONAL TRADE TRENDS IN FOOD INGREDIENTS: IMPROVING NUTRITION IN THE BALANCE

New Orleans, LA

June 24, 1996

SUSTAIN Volunteers

Curtis Busk, Nabisco International
Amanda O'Brien, Hoffman-LaRoche
Clark MacDonald, Frutas Tropicales de Guatemala
Robert Tse, U.S. Department of Agriculture, Foreign Agricultural Service
Anthony Whitehead, United Nations, Food & Agriculture Organization
Barbara Petersen, Technical Assessment Systems, Inc.

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SUSTAIN enlists volunteers from U.S. corporations and scientific institutions to enhance the quality, safety, and availability of food in developing countries. In collaboration with the U.S. Agency for International Development, SUSTAIN helps businesses, community organizations, and other related groups apply appropriate technologies and strengthen skills. SUSTAIN addresses these concerns through problem solving, technical assistance, and training, and by organizing expert advisory panels and conducting scientific studies.

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SUSTAIN Description

I. INTRODUCTION

A. SUSTAIN

SUSTAIN (*Sharing U.S. Technology to Aid in the Improvement of Nutrition*) provides access to U.S. expertise in food processing to help improve the nutritional quality, safety, and availability of food in developing countries. Technical assistance, training, and needs assessments are conducted by executives and technical specialists from U.S. food companies, universities, and professional associations who donate their time and expertise. SUSTAIN is supported by a grant from the U.S. Agency for International Development's Office of Health/Nutrition under the Food Technology and Enterprise project. Cash and in-kind contributions are contributed by individuals and corporations.

B. SYMPOSIUM

SUSTAIN and the International Division of the Institute of Food Technologists (IFT) co-sponsored a symposium at the 1996 IFT Annual Meeting entitled "International Trade Trends in Food Ingredients: Improving Nutrition in the Balance." Speakers were from Nabisco International, Hoffman-LaRoche, Frutas Tropicales de Guatemala, the U.S. Department of Agriculture/Foreign Agriculture Service, the U.N. Food & Agriculture Organization, and Technical Assessment Systems, Inc. Over 140 people from the food industry in the U.S. and abroad attended the session.

IFT is a professional scientific society devoted to the discovery and application of knowledge to improve the availability, quality, and safety of food.

II. SUMMARY OF IFT '96 SYMPOSIUM:

International Trade in Food and Food Ingredients: Improving Nutrition in the Balance

SUSTAIN (*Sharing United States Technology to Aid in the Improvement of Nutrition*) and the **International Division of the Institute of Food Technologists (IFT)** sponsored session 41 of the 1996 Annual Meeting of IFT: "International Trade in Food and Food Ingredients: Improving Nutrition in the Balance."

Barbara Peterson, from Technical Assessment Systems, Inc. opened the session at 1:30 p.m. on Monday June 24. She introduced **Sam Kahn**, Senior Nutrition Advisor of the Office of Health and Nutrition of the United States Agency for International Development. Dr. Kahn, after presenting SUSTAIN to the audience, explained that the general topic of the symposium was the effect of trade liberalization on food safety and nutrition. He noted that it was a continuation of last year's SUSTAIN symposium "Food Safety and Quality Challenges in Emerging Markets: Sharing the Means to Address Barriers and Opportunities".

Dr. Curtis Busk, from Nabisco International, presented the paper "New Dynamics in Sourcing and Supplying Food Ingredients Internationally." Dr. Busk argued that any large US company today must go international as soon as possible. In order to adapt to a "shrunk world" all business systems of major companies should be adapted to the growing demand for quality by consumers throughout the world.

Amanda J. O'Brien, from Hoffman-LaRoche, Inc., presented "Trends in Vitamin Fortified Foods Internationally." She described the prevalence of malnutrition due to micronutrient deficiency, or "hidden hunger," discussed the benefits of enriched, fortified, and functional foods in preventing nutritional deficiencies and chronic illnesses, and reviewed the factors that determine which products are fortified and at what levels.

Clark E. MacDonald, from Frutas Tropicales de Guatemala, spoke on "Guatemala's Non-Traditional Agricultural Exports: Challenges, Barriers and Responses." He explained some of the problems that small less developed countries such as Guatemala face when trying to export non-traditional agricultural commodities to the US. He used three real-life examples (mangoes, melons, and snow-peas) to illustrate these problems.

Robert Tse, from the United States Department of Agriculture, in his presentation "Food and Agriculture Trade Trends" gave an overview of the current situation and trends in the world market for food and agricultural commodities, and discussed the implications of the creation of regional trade markets such as NAFTA, the European Union, and Mercosur. He emphasized the growing importance of Pacific Rim markets and the expected changes in U.S. agricultural exports toward high value products.

Anthony J. Whitehead, representing the Food and Agriculture Organization (FAO) of the United Nations, in his talk "Impact of Food Quality and Safety Rules on International Trade of Developing Countries in Transition" explained the role of the *Codex Alimentarius* Commission and the relationship between *Codex*, FAO, the World Health Organization (WHO),

and the World Trade Organization (WTO). Mr. Whitehead explained that preliminary consideration is being given by *Codex* to food fortification, but no standards or guidelines have yet been proposed. He reviewed the positive and negative aspects of trade liberalization for developing countries and the need to provide technical assistance to these countries to enable them to meet the challenges posed by an increasingly globalized economy.

The last speaker of the symposium was **Dr. Barbara Petersen**, from Technical Assessment Systems, Inc. whose talk was “Mastering a Maze of International Regulations.” She explained how there is a number of national and regional regulations (such as standards of identity, labeling regulations, regulations on food safety, on biotechnology, etc.) whose main purpose is to protect consumers, as well as plant and animal life. Mastering this complicated “maze” of regulations can be very difficult, particularly since regulations vary substantially from country to country and for different food commodities.

More than 144 people attended the symposium. The quality of the speakers and the variety of perspectives presented made the session very lively and interesting. A number of people made comments and questions after each of the talks, and many who stayed on after the session was over had a chance to discuss their points of view directly with some of the presenters.

Barbara Petersen, Ph.D., a member of SUSTAIN’s Steering Committee, served as the organizer and coordinator of this event.

III. Presentation of C. Busk

“New Dynamics in Sourcing and Supplying Food Ingredients Internationally”

**G. Curtis Busk, Jr., Ph.D.
Senior Director, Technical Operations & Services
Nabisco International**

THANK YOU ----- I HAVE TO ADMIT TO YOU FOLKS THAT I DON'T OFTEN TAKE THE OPPORTUNITY TO GIVE SPEECHES SO WHEN I REALIZED THAT I HAD 45 MINUTES OF AIRTIME TO FILL A NUMBER OF THINGS HAPPENED IN QUICK SUCCESSION-----FIRST MY MIND WENT BLANK THEN I BEGAN TO FURIOUSLY THINK OF HOW TO FILL ALL THAT TIME THEN I BEGAN TO PLAN A TRIP TO CHINA WHICH WOULD COINCIDE WITH THIS MEETING. BUT THIS IS BOTH AN IMPORTANT AND COMPLEX SUBJECT SO I ENDED UP TAKING ANOTHER TACT.---I HAVE PUT TOGETHER A TALK WHICH TAKES ABOUT 20 MINUTES TO DELIVER. I WOULD LIKE TO STIMULATE YOUR THINKING WITH MY COMMENTS THEN USE THE REMAINING TIME TO EITHER FIELD QUESTIONS OR, PREFERABLY, TO HAVE SOME AUDIENCE DISCUSSIONS OF THE MATERIAL. FAILING ANY QUESTIONS OR COMMENTS, THIS APPROACH WILL AT LEAST GIVE YOU A COUPLE OF MINUTES TO CATCH UP ON THE SLEEP YOU LEFT ON BOURBON STREET LAST NIGHT.

I HAVE ORGANIZED THIS TALK AROUND THE OLD SCHOOL YARD QUESTIONS OF WHO, WHAT, HOW AND WHEN....ADMITTEDLY A SIMPLE APPROACH BUT NECESSARY WHEN DEALING IN A CROSS-CULTURAL FORUM.

FOR THOSE OF YOU WHO ARE NEW TO THE INTERNATIONAL SCENE I'LL DIGRESS A MINUTE WITH A STORY ILLUSTRATING WHY THIS SIMPLE APPROACH IS NECESSARY AND WHY WE MUST NEVER ASSUME INFORMATION IS CONVEYED ON THE FIRST TELLING.

I WAS IN DUSSELDORF, GERMANY A FEW WEEKS AGO AND, AS IS COMMON WITH INTERNATIONAL TRAVEL, HAD TO MODIFY A FLIGHT TICKET TO RETURN HOME. THE AIRPORT IN DUSSELDORF IS ONE OF THE HIGH VOLUME TRANSFER PLACES IN EUROPE WITH A PRETTY COSMOPOLITAN STAFF. SO THERE I WAS, CHATTING WITH THE TICKET AGENT AT THE AIRPORT---WHERE ARE YOU FROM? THE U.S. WHY ARE YOU IN GERMANY? I'VE JUST ATTENDED A TRADE SHOW..... WHERE DO YOU WORK? NABISCO..... MY COMPANY'S NAME DREW WHAT CAN ONLY BE CALLED AN EXQUISITELY BLANK STARE!! I WAS SHOCKED....NABISCO IS A HOUSEHOLD NAME!! OR SO I WAS ASSUMING WHEN I SAID IT....THIS AGENT HAD LITERALLY NEVER HEARD THE WORD BEFORE....SO I SPENT SOME TIME EXPLAINING WHAT BUSINESSES NABISCO HAS AROUND THE WORLD. AS I HAVE MANY TIME IN THE PAST 4 YEARS---I REALIZED ONCE AGAIN THAT, AS I TALK ACROSS CULTURES, I CANNOT ANTICIPATE UNDERSTANDING AND MUST ASSUME INCOMPLETE COMMUNICATION.

SO THAT IS WHY I'VE TAKEN THE SIMPLE APPROACH AND ALSO WHY I HAVE LEFT LOTS OF TIME FOR DISCUSSION AND QUESTIONS.

SO BEGINNING WITH WHO.....THAT WAS A NICE INTRODUCTION OF WHO I AM---CURT BUSK---BUT WHAT WAS LEFT OUT WERE THE MORE IMPORTANT FACTS ABOUT WHAT I REPRESENT---NABISCO INTERNATIONAL---

WE ARE THE DIVISION OF NABISCO, INCORPORATED WHICH IS RESPONSIBLE FOR ALL THE COMPANIES' BUSINESS ACTIVITY OUTSIDE OF THE UNITED STATES. WE HAVE MANUFACTURING OPERATIONS IN 22 COUNTRIES AS OF TODAY AND SELL IN OVER 85 COUNTRIES AROUND THE WORLD. WE ARE BEST KNOWN FOR OUR BISCUIT BUSINESSES BUT ALSO HAVE LARGE DRY MIX AND CANNING BUSINESSES. WE CAME INTO THIS YEAR WITH JUST OVER 2 BILLION

DOLLARS IN SALES AND BY THE YEAR 2000 WE ARE TARGETING TO TRIPLE THAT NUMBER TO OVER 6 BILLION DOLLARS. OUR PLAN CALLS FOR DRIVING TO THIS GROWTH BY CHANGING FROM A GROUP OF REGIONAL PRODUCERS TO A GLOBAL BRANDED BUSINESS.

MANY OF YOU IN THE ROOM WILL SAY----GEE THAT SOUNDS FAMILIAR!!!---AND IN FACT IT IS. A FEW LARGE COMPANIES HAVE ALREADY ACHIEVED THIS TYPE OF GROWTH---PEPSI AND MCDONALDS TO NAME A COUPLE. MOST OF THE LARGE MULTINATIONALS HOWEVER, ARE IN THE SAME BOAT AS NABISCO AND LOOKING TO GROW USING SIMILAR STRATEGIES.....SO THE GREATER WHO THAT I REPRESENT IS THE MULTINATIONAL CONSUMER PRODUCTS COMPANIES---ALMOST ALL OF WHICH ARE EXPECTING MOST OF THEIR NEAR TERM GROWTH TO COME FROM EXPANDING INTERNATIONAL MARKETS AND GLOBAL BRANDING.

SO WHAT AM I DOING ON THIS PODIUM? WHY IS THIS YEAR A GOOD ONE TO HEAR ABOUT INTERNATIONAL SOURCING AT IFT? I THINK THAT IT IS DUE TO OUR CHANGING WORLD....A COUPLE OF THE CHANGES WHICH ARE KEY DRIVERS OF WHY I'M TALKING TODAY...25 YEARS AGO, OTHER THAN THE DEVELOPED WEST, NOT MANY PEOPLE TRAVELED....THIS WAS DUE IN LARGE PART BECAUSE THERE WAS VIRTUALLY NO MIDDLE CLASS IN MOST COUNTRIES AND NO EXTRA MONEY TO PAY FOR TRAVEL....AND BECAUSE THE TRANSPORTATION SYSTEMS WERE NOT DEVELOPED SUFFICIENTLY TO HANDLE LARGE VOLUMES OF PEOPLE. MOVEMENT OF GOODS WAS ALSO SLOWED BY BOTH THE LACK OF ADEQUATE TRANSPORT SYSTEMS AND BY THE FACT THAT MOST COUNTRIES HAD HIGH TARIFFS FOR IMPORTS TO PROTECT LOCAL ECONOMIES AND LOCAL GOVERNMENTAL STRUCTURES.

WHAT HAS HAPPENED OVER THE LAST FEW YEARS----WE NOW HAVE MANY FOLKS TRAVELING (AND, OF COURSE, PRODUCTS ARE

TRAVELING WITH THEM!!!)...WE SEE THE MIDDLE CLASS POPULATION EXPLODING IN NUMBERS AND PURCHASING POWER...OUR WORLDWIDE TRANSPORTATION SYSTEM IS RAPIDLY DEVELOPING IN BOTH SOPHISTICATION AND CARRYING CAPACITY AND, MAYBE MOST IMPORTANTLY, TRADING BLOCKS ARE FORMING EVERYWHERE. WE HAVE NAFTA HERE IN NORTH AMERICA, IN SOUTH AMERICA THERE IS THE ANDEAN PACT AND MERCOSUR AND THERE ARE OTHER TRADING BLOCKS COVERING VIRTUALLY EVERY CORNER OF THE GLOBE. ALL OF THESE HAVE ONE COMMON OBJECTIVE---TO IMPROVE TRADE BETWEEN PARTNERS BY REDUCING NON-TRADE BARRIERS--- ESPECIALLY TARIFFS!

WHAT HAS BEEN THE IMPACT OF THESE CHANGES ???THIS INCREASED MOVEMENT OF PEOPLE AND PRODUCTS AND THE DRAMATIC SHIFT IN OUR GLOBAL CONSUMER???THEY ARE RAPIDLY BECOMING MORE SOPHISTICATED AND QUALITY CONSCIOUS. OF COURSE THEY HAVE MORE MONEY TO SPEND BUT ALONG WITH MORE DISPOSABLE INCOME THEY ARE DEVELOPING A REFINED SENSE OF VALUE AND THEY ARE DISCOVERING HOW TO DEMAND THIS VALUE FROM MANUFACTURERS.

THIS DESCRIPTION WILL SOUND FAMILIAR TO MOST OF YOU---- IT'S THE ONE WE MARKET TO IN NORTH AMERICA!! SO WHAT REALLY BROUGHT US HERE TODAY???? WE BEGAN TALKING ABOUT IT 25 YEARS AGO----WHAT BROUGHT US TO THIS POINT IS OUR SHRINKING WORLD.

HOW HAS THIS IMPACTED OUR INTERNATIONAL BUSINESSES????

IN ROUGH TERMS, OUR BUSINESS MODEL OF 25 YEARS AGO WAS TO EXPORT TECHNOLOGY FROM THE DEVELOPED COUNTRIES.....SET UP A MANUFACTURING FACILITY JUST LARGE ENOUGH TO SATISFY

LOCAL DEMAND....UTILIZE WHATEVER LOCAL LABOR AND MATERIALS WERE AVAILABLE (AND IF WE NEEDED SPECIAL INGREDIENTS THEY WERE IMPORTED FOR US BY SUPPLIERS AT VERY HIGH COSTS) AND WHATEVER PRODUCT CAME OFF THE LINE WAS SOLD. QUALITY WAS AN ISSUE BUT THERE WAS VIRTUALLY NO ATTEMPT TO MATCH THE QUALITY OF THE "PARENT" BRAND....AND APPARENTLY NO NEED TO DO SO! THIS MODEL WORKED FOR US FOR A LONG TIME.

WHERE HAS OUR SHRINKING WORLD BROUGHT US??? TO AN INCREASINGLY SOPHISTICATED CONSUMER WHO HAS PURCHASING POWER AND IS LOOKING FOR VALUE NOT JUST PRICE!!! NATURALLY BUSINESS MUST FOLLOW.

IN OUR BUSINESS MODEL OF TODAY OF COURSE WE STILL EXPORT TECHNOLOGY BUT WE MUST DO MUCH MORE THAN THAT TO SUCCESSFULLY CAPTURE THE NEW CONSUMER. WE MUST ALSO EXPORT OUR QUALITY AND COST PARAMETERS TO INSURE THE BEST VALUE FOR OUR CONSUMERS, NO MATTER WHERE WE FIND THEM. WE MUST ALSO MARKET OUR PRODUCTS, NOT JUST SELL THEM. THE OLD FINANCIAL MODEL HAS CHANGED DRAMATICALLY!!!

AT NABISCO ON THE TECHNICAL SIDE, THIS MEANS THAT I CAN NO LONGER RELY ON THE LOCAL MILLERS EXPERTISE IN MAKING FLOUR FOR OUR OREOS MADE IN CHINA---I NEED TO MAKE SURE THAT HE CAN MAKE FLOUR TO U.S. QUALITY STANDARDS AND SPECIFICATIONS. IF HE DOES NOT HAVE THE CAPABILITY, I NEED TO FIGURE OUT A WAY TO TRAIN HIM AND IMPROVE HIS CAPABILITY. IT MEANS THAT I CAN NO LONGER RELY ON MY FLAVOR SUPPLIER FOR CHIPS AHOY! TO DELIVER INGREDIENTS TO ME IN BUENOS AIRES AT ANY OLD COST THROUGH WHAT EVER SYSTEM IS CONVENIENT FOR THE SUPPLIER....IT MEANS THAT I MUST WORK WITH THE SUPPLIER TO INSURE THAT THE PRICING AVAILABLE TO MY U.S. SUBSIDIARIES IS THE PRICE AVAILABLE WORLD WIDE.

SO HOW HAS THIS IMPACTED WHAT I LOOK FOR IN A SUPPLIER? IT MEANS THAT I ONLY LOOK FOR THE HIGHEST QUALITY AVAILABLE----IF THE BEST DOES NOT MEASURE UP TO THE U.S. STANDARD, THEN I MUST WORK WITH THEM UNTIL THEY CAN MEET THAT STANDARD. IT MEANS THAT I AM PUSHING TO DEAL WITH FEWER SUPPLIERS...THERE ARE NOT MANY COMPANIES WHO CAN DELIVER WORLD CLASS QUALITY AND CONSISTENCY ON A LARGE REGIONAL OR WORLD WIDE BASIS. AND IT MEANS THAT I AM DRIVING FOR WORLD WIDE PRICING--WHETHER A MATERIAL GOES TO HOUSTON, TEXAS OR JAKARTA, INDONESIA, IN ORDER TO FIT THE NEW BUSINESS MODEL, I NEED TO HAVE IT DISPATCHED AT THE SAME PRICE.

SO FINALLY WE GET TO THE WHEN....AND THAT WHEN IS NOW!!! IN FACT THIS SUBJECT MADE THE FRONT PAGE OF THE WALL STREET JOURNAL ON JUNE 13th. I WOULD LIKE TO READ JUST ONE PARAGRAPH FROM WHAT IS QUITE A LONG ARTICLE.....PAPER.....

THE WORLD HAS SHRUNK, THE CONSUMER HAS CHANGED AND BUSINESS MUST FOLLOW. PEPSICO, COCA COLA, MCDONALDS AND A FEW OTHERS HAVE BLAZED THE TRAIL. THEY HAVE ALREADY BECOME BIG WINNERS AND ARE WINNING BIGGER EACH DAY.

AT NABISCO WE CHANGED OUR COMPANY STRATEGY A COUPLE OF YEARS AGO AND HAVE BEEN PURSUING THE PURCHASING GOALS I'VE TALKED ABOUT SINCE THEN....I THOUGHT THAT IT WOULD BE INTERESTING IF I SPENT A LITTLE TIME GIVING EXAMPLES OF WHAT WE HAVE FOUND.

BEGINNING WITH THE U.S....THE BYE-WORD OF THE DAY IS PARTNERSHIP. EVERY COMPANY WE TALK WITH WANTS TO PARTNER MOSTLY BECAUSE SETTING UP ENTIRELY NEW BUSINESS SYSTEMS IS VERY COSTLY AND OUR SUPPLIER BASE CANNOT AFFORD TO DO THIS

WITH EVERYONE. INTERESTINGLY, LIKE US, OUR SUPPLIERS ARE ALSO LOOKING TO WORK WITH FEWER, LARGER, WORLD CLASS CUSTOMERS TOO! WE HAVE FOUND THAT, IN SPITE OF THE DESIRE HOWEVER, FEW SUPPLIERS ARE PREPARED TO DEAL ON AN INTERNATIONAL BASIS. THEY ARE EITHER TOO GROUNDED IN U.S. OR EUROPEAN CULTURES OR ARE TOO FRAGMENTED ORGANIZATIONALLY. THE MOST COMMON ISSUE WE HAVE FACED IS THAT, WHILE TOP MANAGEMENT WANTS TO PARTNER AND CHANGE, THE MIDDLE LAYERS RESIST. THIS SEEMS TO BE TRUE FOR BOTH COMPANIES WHICH OWN THEIR WORLD WIDE DISTRIBUTION SYSTEM AND THOSE WHICH USE LOCAL COMPANIES TO REPRESENT THEM.

MOVING ON TO THE COUNTRIES WHERE WE DO BUSINESS AROUND THE WORLD, WHAT WE FIND VERY MUCH DEPENDS UPON HOW MUCH CAPITAL HAS BEEN SPENT LATELY AND HOW MUCH DEVELOPMENT HAS BEEN DEVELOPMENT HAS BEEN ALLOWED BY THE LOCAL GOVERNMENT.

I'LL USE FLOUR AS AN EXAMPLE SINCE IT IS THE CRITICAL RAW MATERIAL FOR US---AND GIVE YOU A FEW FOR-INSTANCES. IN SOUTH AMERICA, WHILE GOVERNMENTS HAVE BEEN LARGELY OPEN TO DEVELOPMENT, NOT MUCH CAPITAL HAS BEEN AVAILABLE FOR THE PAST 20 OR 30 YEARS. THE MILLS WE FIND THERE TEND TO BE OLD BUT STILL IN PRETTY GOOD SHAPE. THE ISSUE WE RUN INTO IS HOW THEY ARE RUN AND A LACK OF EFFICIENCY WHICH DRIVES UP COSTS. IN ARGENTINA FOR EXAMPLE, OUR BAKERY IS SET UP TO RECEIVE FLOUR FROM 10 DIFFERENT MILLERS AND THEN BLEND THE FLOUR TO OUR NEEDS AT THE PLANT. THIS MAKES FOR SHORT MILL RUNS WHICH IS NOT EFFICIENT---AND EXTRA LABOR AT OUR END. WITH TRAINING IN SELECTED MILLS OVER THE PAST YEAR, WE HAVE BEEN ABLE TO REDUCE OUR SUPPLIER BASE TO A COUPLE OF VENDORS. THEY NOW MAKE LONG RUNS TO OUR SPECIFICATIONS AND REDUCE

THE LABOR AT OUR PLANT BY ELIMINATING THE NEED TO BLEND PRIOR TO MIXING....A WIN-WIN-WIN FOR THE VENDOR, FOR US AND FOR OUR CONSUMER.

IN VENEZUELA WE FACED A DIFFERENT ISSUE....OUR MILLER IS VERY GOOD TECHNICALLY BUT WAS USING WHATEVER CHEAP WHEAT WAS AVAILABLE. THE END QUALITY OF A FLOUR IS VERY MUCH DEPENDENT ON THE WHEAT IT COMES FROM, SO EVEN WHEN OUR SUPPLIER MILLED THE INCOMING WHEAT CORRECTLY, WE ENDED UP WITH A MATERIAL WITH HIGH VARIABILITY WHICH COST THE MILLER IN LOSS OF EFFICIENCY AND COST OUR FACTORY IN TERMS OF HIGH IN-PLANT WASTE. BY TEACHING OUR VENDOR HOW TO BUY WHEAT BETTER AND WHAT WHEAT TO BUY, HE WAS BETTER ABLE TO LINE OUT HIS MILL AND WE HAVE EXPERIENCED DRAMATICALLY IMPROVED THROUGH-PUTS. ANOTHER WIN-WIN-WIN SITUATION.

THESE ARE BUT TWO EXAMPLES OF WHAT WE SEE IN ECONOMIES WHERE CAPITAL HAS BEEN LIMITED BUT NOT TECHNOLOGY.

MOVING AROUND THE WORLD---IN INDONESIA WE FACE A DIFFERENT ISSUE. HERE WE FIND ONE OF THE BIGGEST, MOST MODERN MILLS IN THE WORLD....BUT IT IS A MONOPOLY, ONLY MILLS AUSTRALIAN WHEAT (WHICH IS NOT PARTICULARLY WELL SUITED FOR BISCUIT MANUFACTURE) AND DOES THAT FOR BREAD AND PASTA. BISCUITS ARE EXPECTED TO TAKE WHAT THEY CAN GET AND BE HAPPY. HERE WE ARE FACED WITH BOTH TRAINING THE MILLER AND POTENTIALLY CHANGING OUR FORMULAS AND PROCESSES, TO ACCOMMODATE AN INGREDIENT WHICH IS CONSISTENT BUT NOT OF A QUALITY WHICH WE WOULD LIKE TO USE. IF WE ARE REALLY LUCKY, WE WILL BE ABLE TO TALK NEW COMPANY INTO BUILDING A COMPETING MILL AND GET THE MATERIAL WHICH WE WANT.

CHINA, THE ECONOMIC HOT SPOT IN THE WORLD, REPRESENTS THE LAST KIND OF COUNTRY WHICH WE DEAL WITH---THEY HAVE HAD BOTH RESTRICTED CAPITAL AND RESTRICTED TECHNOLOGY UNTIL JUST RECENTLY. HERE WE FIND A PLACE WHERE MILLS ARE BEING BUILT---IN MANY LOCATIONS FOR THE FIRST TIME---SO THERE IS NO TECHNOLOGY TO RUN THE MILLS NOR AN INFRASTRUCTURE TO GET WHEAT TO IT OR FLOUR AWAY FROM IT. HERE WE ARE IN DEEP DISCUSSIONS WITH THE POTENTIAL VENDORS, HELPING THEM WITH TRAINING IN ALL ASPECTS OF THEIR BUSINESSES.

THAT IS A BRIEF SNAP SHOT OF WHAT WE ARE DEALING WITH AROUND THE WORLD...TO SUMMARIZE -----THE **WHO IS ANY COMPANY WHICH WANTS TO BE SUCCESSFUL IN THE GLOBAL ARENA, THE **WHAT** IS TO ADAPT TO OUR SHRINKING (AND I MAINTAIN NOW SHRUNKEN) WORLD, THE **HOW** IS TO ADAPT ALL OUR SYSTEMS TO BE ABLE TO DELIVER THE VALUE WE ARE USED TO HERE IN THE WEST EVERYWHERE IN THE WORLD AND THE **WHEN** IS TODAY.**

THANKS FOR YOUR ATTENTION..... AT THIS POINT I WOULD LIKE TO OPEN THE FLOOR TO QUESTIONS OR DISCUSSION.

SOURCING INGREDIENTS INTERNATIONALLY

Dr. C. Busk

Sr. Director

Nabisco International



◆ WHO

◆ WHAT

◆ HOW

◆ WHEN

WHO

Curt Busk

Nabisco International



NABISCO
INTERNATIONAL

WHAT

Our Changing World

OLD

- ◆ Few travel
- ◆ Small middle class
- ◆ Difficult transportation
- ◆ High tariffs



NEW

- ◆ Many travel
- ◆ Middle class explosion
- ◆ Systems rapidly improving
- ◆ Trading blocks

IMPACT

- ◆ Sophisticated Consumer
- ◆ Quality conscious
- ◆ High purchasing power
- ◆ Value conscious



SHRINKING WORLD



NABISCO
INTERNATIONAL

OLD

- ◆ Exported technology
- ◆ Utilized local ingredients
- ◆ Sold products

NOW

- ◆ Export technology
- ◆ Export quality requirements
- ◆ Export cost constraints

IMPACT

- ◆ Highest Quality Suppliers
- ◆ Fewer Suppliers
- ◆ International Pricing

WHEN

NOW!!



NABISCO
INTERNATIONAL

WHO

Global Businesses

WHAT

**Adapt to Our
Shrinking World**

HOW

**Deliver Highest
Possible Value**

WHEN

TODAY



**NABISCO
INTERNATIONAL**

HOW

has this impacted business ?



NABISCO
INTERNATIONAL

IV. Presentation of A. O'Brien

“Trends in Vitamin-Fortified Foods Internationally”

**Amanda O'Brien
Senior Marketing Manager, Food Industry Unit
Hoffman -LaRoche**

TRENDS IN VITAMIN FORTIFIED FOODS INTERNATIONALLY

Slide 1

I have 15 minutes to cover what appears to be a very broad title for a presentation, "Trends In Vitamin Fortified Foods Internationally". I decided that what I will do is go from one extreme to the other.

Slide 2

Firstly, I will touch on micronutrient malnutrition and we will see from this the need for vitamin fortification in certain parts of the world.

I will cover some of the terms used for nutrient addition to foods and look at some of the areas of mandatory food nutrition.

From this we will then view some of the trends developing towards functional foods and use beverages as an example of a market sector with a high degree of global diversification.

Slide 3

Hidden hunger is a term used broadly for micronutrient malnutrition. It is a problem in many third world countries and there are a number of bodies and organizations addressing the issue.

We usually consider the distribution of supplements as a first line option. Food enrichment is normally seen as a medium term approach, and dietary diversification as the only long-term and self sustainable solution. These assumptions are based on the idea that the deprived individuals do not know how to select the right components of their diets or cannot afford them. But the situation is not as simple as it seems.

Slide 4

Supplementation programs to treat micronutrient deficiencies have been in use for over 30 years.

Two of the many lessons we have learned from them are that improvements are independent of any other effects on dietary quality and that they are difficult to maintain for any length of time.

The long term success depends greatly on the collaboration of the target group and the political will of the responsible authorities.

Slide 5

Foods which are currently used for mandatory enrichment are: cereal products, dairy products, fats and oils and sugar. There are also regulations for enrichment of infant formulas and foods for special dietary uses ("dietetic") foods, but I cannot cover these in the context of this presentation.

Enrichment of other staple foods is also possible. The best vehicle needs to be selected according to the following criteria.

Slice 6

- The food must be consumed basically by all people in the target population. In this sense it must be a staple product which is easy to reach.
- The daily per capita intake must be stable and uniform.
- The fortified food must be stable under standard conditions of storage and use.
- The added nutrients must be physiologically available from the food.
- The added nutrients should supply optimal amounts without increasing the risk of excessive intake of toxic effects.
- Enrichment should not produce undesirable changes to the organoleptic characteristics of the food.

Neither should it increase the price of the food substantially.

Lastly, the enrichment should be economically feasible through an industrial process.

Food enrichment should preferably be under government control; proper application of regulations should be monitored and strictly enforced. This is important to ensure that nutrient levels are adequate and safe (neither too low or too high) and that the target population is reached economically.

Slide 7

The main reasons for adding nutrients to foods are:

- To restore losses due to processing, storage and handling.
- To correct a recognized dietary deficiency.
- And to improve overall nutritional quality of the food supply.

Slide 8

Before looking at some examples of mandatory food enrichment I just want to differentiate some of the terms that are used for nutrient addition to foods.

Enrichment - this is the addition of essential nutrients to a food.

Nutrification is the addition of essential nutrients to improve the nutritional value of a food.

Restoration is the addition of essential nutrients to replace losses that occur during manufacture, storage and handling of a food.

Fortification is the addition of essential nutrients to levels higher than those found in a food.

Standardization compensates for naturally occurring variations in nutrient levels and lastly,

supplementation is the provision of micronutrients in a pharmaceutical dosage form usually in situations requiring amounts higher than those supplied by the diet.

These terms are used worldwide and usually with different connotations.

Slide 9

What I want to do now after having set the scene is to look at some of those areas where mandatory food enrichment is in place.

The first example is dairy foods. I don't want to go through every detail on the slide but to point out the number of countries and the vitamins required. In this case, aside from Malaysia, the enrichment with both vitamins A and D is mandatory. The products listed are types of milk ranging from fortified non-fat dry milk in the USA to evaporated/unsweetened condensed milk in Malaysia. Also, it is worth noting that these are mandated under regulations specific to those countries.

Slide 10

A second example is sugar. Again, it shows those countries where sugar is an essential vehicle for the vitamins. In this case, we are referring to vitamin A. Special technical processes are developed to incorporate the vitamin A with the sugar to ensure an even distribution.

Slide 11

The last example that I want to look at is the area of fats and oils.

As you can see, in nearly all cases the vitamins that are mandatory are vitamins A and D and this is at varying levels. You will see that the fortification is right across the globe under the respective governing bodies. I chose this lastly as I wanted to review how food manufacturers in certain countries have taken the fortification a stage further based on nutrient needs due to changes in dietary habit.

A case in point is fortification with vitamin E and Omega 3 Essential Fatty Acids.

With the reduction of fat consumption and lack of natural sources of vitamin E in the diet some manufacturers across the globe are seeing the advantages and needs to fortify fat spreads and margarine with this essential nutrient.

Slide 12

One example of this is Gold Sunflower, a low fat spread in the UK which provides 50% of the RDA in a daily intake of 20 g.

Slide 13

Another example is Promise from Van den Bergh Foods Denmark. This is a very low fat spread being 97% fat free supplying E along with vitamins A and D.

Slide 14

In Kenya, East Africa, Industries Ltd. have developed a “superior tasting spread” called Rama which is fortified with vitamin B-1 (thiamin) and B-2 (riboflavin), as well as A and D. Interesting concept to add the water soluble vitamins to a fat based product.

Slide 15

In Dubai, United Foods adds extra vitamin E to the Delite Margarine to reach a claim of 50 IU per 100 g - also contains A and D.

Slide 16

As I mentioned earlier, the Omega 3 Essential Fatty Acids are gaining more and more attention as the science showing the health benefits increases significantly. One 15 g serving of the Life Margarine produced for one of the major supermarket chains, Tesco's in the UK, provides 70% of the recommended daily intake of Omega 3. The spread is also fortified with vitamin E. The message on this product reads, “A delicious reduced vegetable fat spread with added fish oil which may help maintain a healthy heart”. If you look closely at the packaging, you'll see the symbol of two fish forming a heart.

Slide 17

Another along the same line which goes a step further as the tub is heart shaped is PACT Spread produced by MD Foods. The message on this product is enriched with essential Omega 3 for healthy hearts and minds. PACT is enriched with Omega 3 fatty acids (DHA/EPA) which are the same healthy ingredients you find in fresh fish. The Department of Health recommends that we increase our intake of Omega 3 fats to help to maintain a healthy heart. Fifteen grams of PACT a day, enough for 2 slices of toast, will meet their recommendation. From this trend in fat spreads we are seeing a lot of products being launched globally incorporating these essential nutrients.

Slide 18

Taking the US as an example, we look at the nutrient intake of two essential vitamins and see that in both cases the major contributor is supplements (although only 38% of the population currently takes vitamins). It shows, especially in the case of vitamin E, how insignificant the supply of vitamin E from fortified foods is.

Slide 19

We move from here to look at the next stage of fortification and nutrient addition which leads to "Functional Foods". The major difference is that fortified foods prevent nutritional deficiency disease, whereas, functional foods are developed to prevent chronic disease.

Slide 20

There are many definitions of functional foods and every country is reviewing its own guidelines and policies. One example is **"A Functional Food Is One That Provides An Additional Physiological Benefit That May Prevent Disease Or Promote Health"**.

Slide 21

At the same time, we are hearing dozens of other terms for new categories of products - Nutraceuticals, Power Foods, Smart Foods, Designer Foods, Medical Foods".

These are some of the key phrases that we have picked up by looking at articles developed globally or by looking at specific brand names that include one or more of these phrases.

Slide 22

Beyond vitamins and minerals, we are hearing more and more about other compounds with nutritional benefits. Although I do not have the time to go into any detail, I just listed a few to show the extreme we have moved to from talking earlier about micronutrient malnutrition. Again showing how many countries are looking now at prevention of chronic disease again within regulatory status in the different countries.

Slide 23

As a final point, I want to take the example of the beverage industry which globally has become a focal point for vitamin delivery.

The products vary from country to country along with the active ingredients and target groups but I am going to run through a few products to give you an indication of the diversity and the trends in different countries.

Slide 24

In Japan, launched in 1992 by Otsuka Pharmaceutical, is Fibre Mini Plus which has Beta Carotene, C and E and 5 g of dietary fibre per 100 ml bottle.

Slide 25

Staying with Japan is Chikara Mizu (translated as Power Water). This contains DHA, C and 6 B group vitamins positioned as an energy drink.

Slide 26

In Germany, they go for a wider range of vitamins. One example is Cefrisch, which is an instant powder drink with a full day's supply of 10 vitamins per glass, manufactured by Kraft.

Slide 27

Dr. Koch's Trink 10, again from Germany, provides 10 vitamins and a 10 fruit nectar.

Slide 28

In Saudi Arabia, the fortification is not as extensive. This natural orange drink provides 5 vitamins (C, A, B-2, B-1, E) and calcium.

Slide 29

In Poland, a fortified instant lemonade marketed to children. "One sachet covers the daily vitamin needs between 20 and 70%." "It fortifies the body of your child." "Be healthy with 10 vitamins."

Slide 30

In the UK, there is a whole host of fortified juices, juice drinks, milk drinks. One of particular interest at a target group of mothers and mothers-to-be is Boots Fortified Milk Drink. This includes EPA and DHA, folic acid and 4 other vitamins. It explains the need of folic acid for a healthy baby and the essential fatty acids for the brain development of the baby.

We could go on all day looking at examples of different products but my aim was to show you the diversity within just one product range on the basis of bringing levels to RDAs and to higher levels for prevention of chronic disease.

Slide 31

In summary - there are many points to consider when reviewing vitamin fortification of foods and beverages.

In some countries, as we saw, it is mandatory to enrich staple foods to prevent malnutrition. Then within other countries, fortification goes above and beyond this, still within those principles of fortification. This is based on looking at needs of target groups, nutrient intakes and, of course, market opportunities.

Slide 32

“Nature formed the basis of the food we eat. Technology has given us the choice of what we eat. We have the choice and other options and yet the majority of the population still needs to improve its nutritional status.”

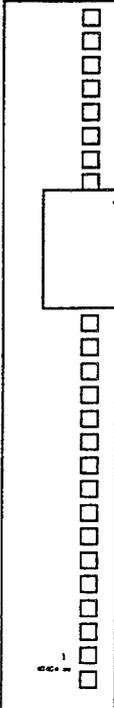


Trends in Vitamin Fortified Foods Internationally



IFT Annual Meeting
June 24th 1996
New Orleans

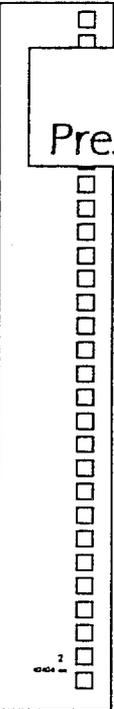
Amanda O'Brien
Sr. Marketing Manager
Food Industry Unit
Hoffmann-La Roche



Trends in Vitamin Fortified Foods Internationally

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Presentation Outline

- Micronutrient malnutrition
- Terms used for nutrient addition to foods
- Mandatory food enrichment
- Development of functional foods
- Using the beverage market as an example of global diversification

Micronutrient Malnutrition

Options:

- Distribution of supplements
... 1st line option
- Food Enrichment
... Medium Term Approach
- Dietary Diversification
... Long term/self sustainable solution

Supplementation programs have taught us:

- Improvements are independent of any other effects on dietary quality
- They are difficult to maintain for any length of time

Mandatory food enrichment

- Cereal products
- Dairy products
- Fats and oils
- Sugar

Vehicles for fortification

- The food must be consumed basically by all people in the target population
- The daily per-capita intake must be stable and uniform
- Food must be stable under storage
- Nutrients must be physiologically available
- Should not increase the risk of excessive intake or toxic effects
- No change to organoleptic characteristics
- Cost of fortification should not be substantial
- Enrichment should be economically feasible through an industrial process

Nutriview issue 1/96. Source: O. Raunhardt, A. Bowley

Reasons for adding nutrients to foods:

- To restore losses due to processing, storage and handling
- To correct a recognized dietary deficiency
- To improve overall nutritional quality of the food supply

Nutriview issue 1/96. Source: O. Raunhadt, A. Bowley

Terms used for nutrient addition to foods

- Enrichment: Addition of essential nutrients to a food
- Nutrification: Addition of essential nutrients to improve the nutritional value of a food
- Restoration: Addition of essential nutrients to replace losses that occur during manufacture, storage and handling of a food
- Fortification: Addition of essential nutrients to levels higher than those found in a food
- Standardization: Addition of essential nutrients to a food to compensate for naturally occurring variations in nutrient levels
- Supplementation: Provision of micronutrients in a pharmaceutical dosage form usually in situations requiring amounts higher than those supplied by the diet

Examples of mandatory food enrichment*

Dairy Foods				
Country	Product	Nutrients		Mandate
		Vit A	Vit D	
USA	Fortified non-fat dry milk (reconstituted)	✓	✓	21 CFR 131.127
	Evaporated milk	✓	✓	21 CFR 131.130
	Evaporated skim milk	✓	✓	21 CFR 131.132
Argentina	Fluid & dried milk	✓	✓	Res. 1505 Act. 1368
Brazil	Dried skim milk for complementary food programs	✓	✓	Portaria MS No. 975
Mexico	Sterilized low-fat milk	✓	✓	Reglamento de la ley Gen. de salud, Art 259
	Pasturized low-fat milk	✓	✓	Act 262
	Evaporated whole & low-fat milk	✓	✓	Act 328

* updated October 1995

Examples of mandatory food enrichment*

Dairy Foods continued ...				
Country	Product	Nutrients		Mandate
		Vit A	Vit D	
Honduras	Milk	✓	✓	Norma Coguanor NGO 34041
Venezuela	Dried milk in powder	✓	✓	Covenin 1981
Malaysia	Evaporated/unsweetened condensed milk	✓		Food Act 1983 and Food Regulations 1985, Amendment 1990
	Filled milk/evaporated or condensed filled milk	✓		

* updated October 1995

Examples of mandatory food enrichment*

Sugar				
Country	Product	Nutrients		Mandate
		Vit A (IU/kg)		
Honduras	Sugar	50,000		Decreto No. 385
El Salvador	Sugar	50,000		Decreto No. 843
Guatemala	Sugar	50,000		Decreto No. 56-74
Costa Rica	Sugar	50,000		Regulation exists (but not enforced)
Panama	Sugar	50,000		Decreto No. 385 (not enforced)

* updated October 1995

Examples of mandatory food enrichment*

Fats and Oils				
Country	Product	Nutrients		Mandate
		Vit A	Vit D	
USA	Margarine	✓		21 CFR 166.110
Canada	Margarine	✓	✓	Food & Drugs Act & Regs B 09.016
Brazil	Margarine	✓	✓	Decree 30.691 Act 350
UK	Margarine	✓	✓	Margarine Regs 1967
Netherlands	Margarine	✓	✓	
Sweden	Margarine	✓	✓	
India	Vanaspati	✓		Prevention of Food Adulteration Act 1954 (37 of 1954) & PFA Rules
	Margarine	✓		
Singapore	Margarine	✓	✓	
	Table Margarine	✓	✓	

* updated October 1995

Top 4 nutrient sources of vitamins C & E in the US diet, including vitamin supplements*

	Percentage of Total Intake
Vitamin C:	
Vitamin Supplements	27.5
Orange Juice	19.2
Fortified Foods	7.8
Grapefruit, Grapefruit Juice	5.2
Vitamin E:	
Vitamin Supplements	45.6
Fortified Foods	4.74
Mayonnaise, Salad Dressing	4.29
Margarine	3.89

* includes both single vitamins and multivitamins
Source: NHANES II

Fortified Food

Prevention of Nutritional Deficiency Disease

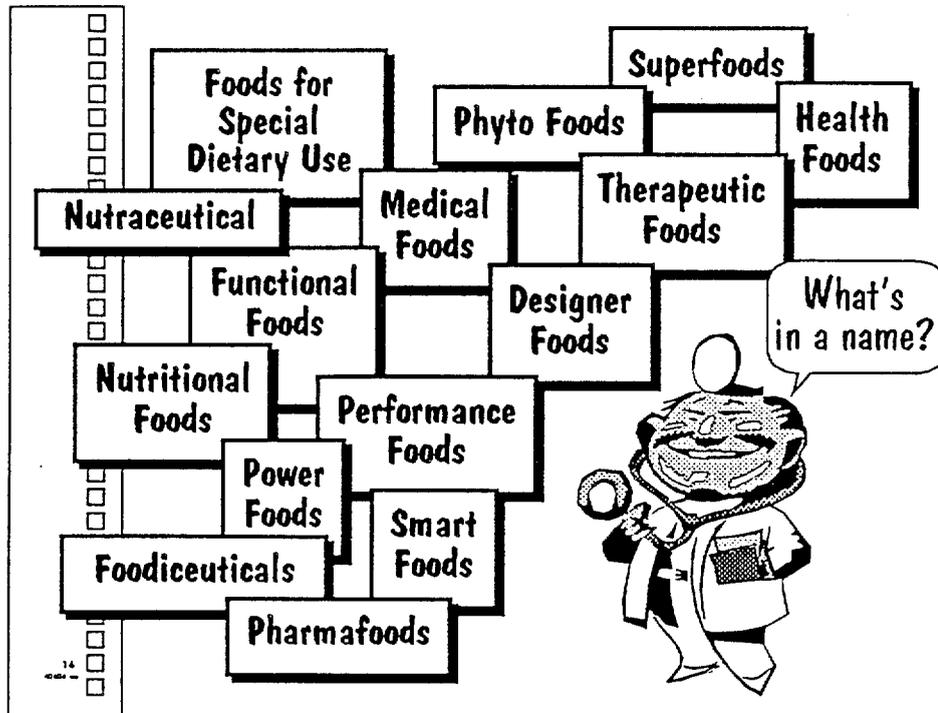


Prevention of Chronic Disease

Functional Food

Functional Food

One which provides
an addition physiological benefit
that may prevent
disease or promote health



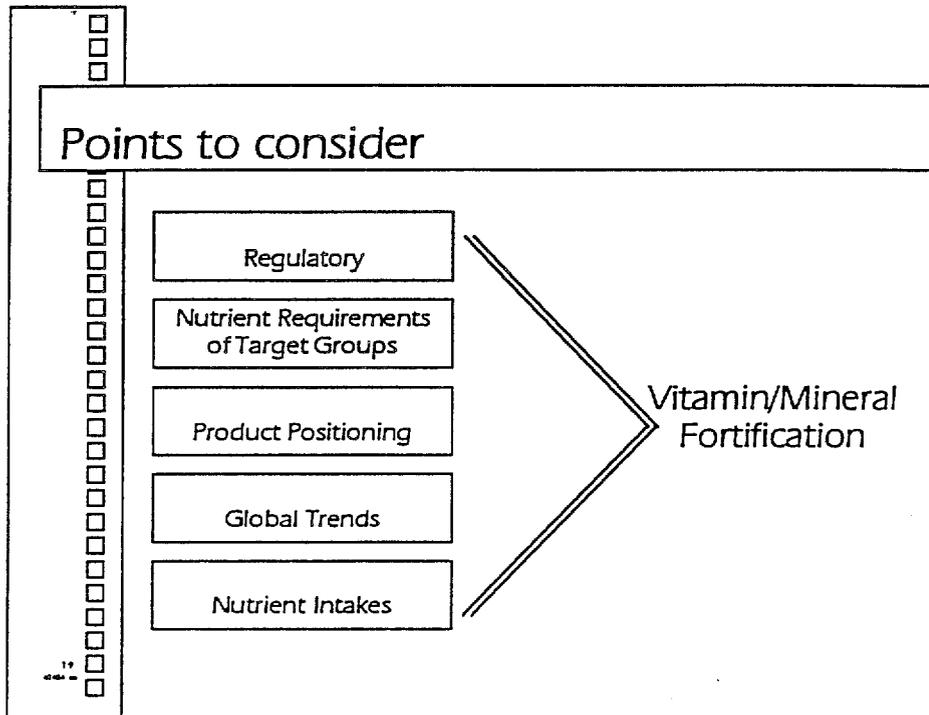
Phytochemicals -- examples

Isoflavones in Soy	Genistein, daidzein	<ul style="list-style-type: none"> • Protective roles against certain cancers • Serum cholesterol
500 carotenoids (10% converted to vitamin A in the body)		<ul style="list-style-type: none"> • Reduced risk of certain cancers, heart disease, macular degeneration
Lycopene		<ul style="list-style-type: none"> • Reduced risk of prostate cancer
Flavonoids/polyphenolic antioxidants		<ul style="list-style-type: none"> • May reduce platelet activity • Minimize blood clotting
Allicins (onions & garlics)		<ul style="list-style-type: none"> • Reduced serum cholesterol and LDL cholesterol

17

Beverages ...
an
innovative
market

18



“Nature formed the basis of the food we eat.
Technology has given us the choice of what we eat.
We have the choice and other options and yet the majority of the population still needs to improve its’ nutritional status”

20



PRODUCT PROFILE



Name:

PACT, Reduced Fat spread



Name:

LIFE, Vegetable Fat Spread (59% Fat)

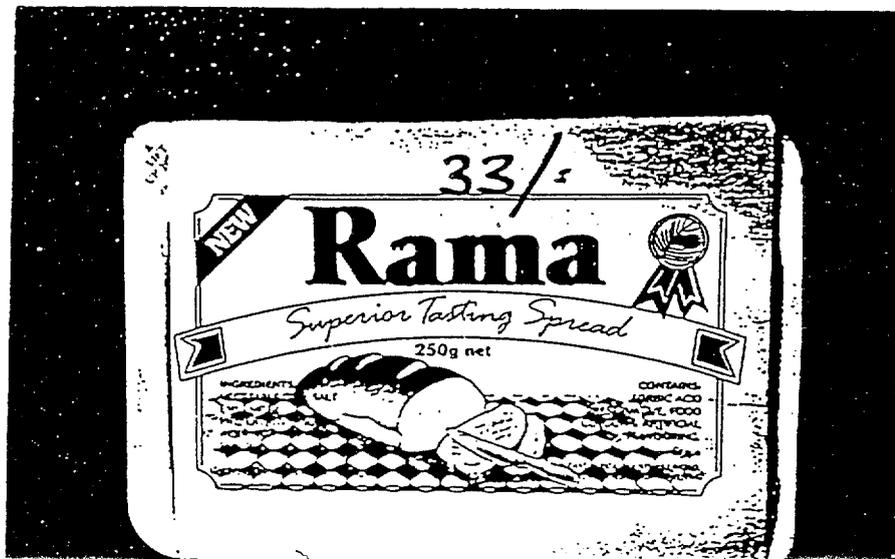


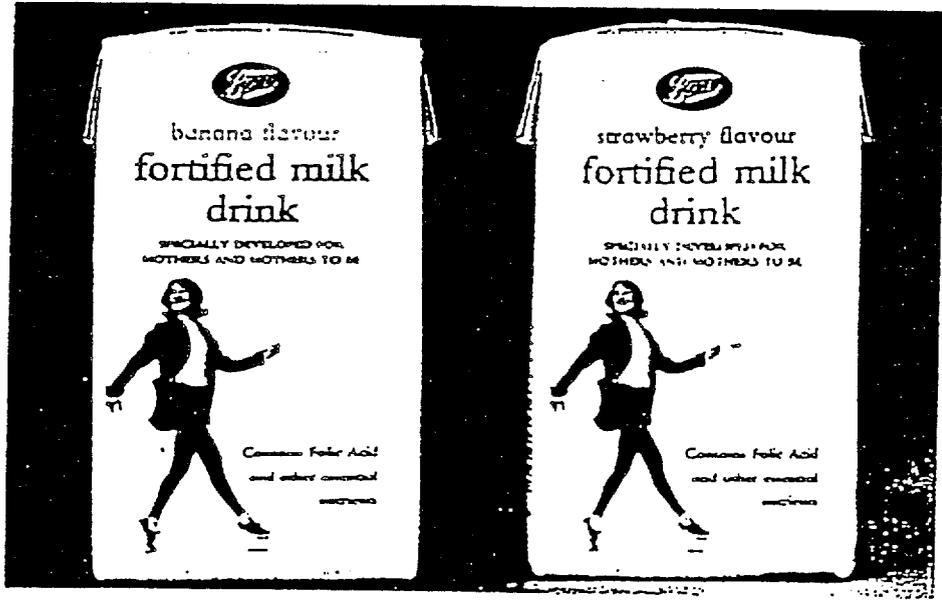
DELITE MARGARINE



Vitamins and Fine Chemicals Division

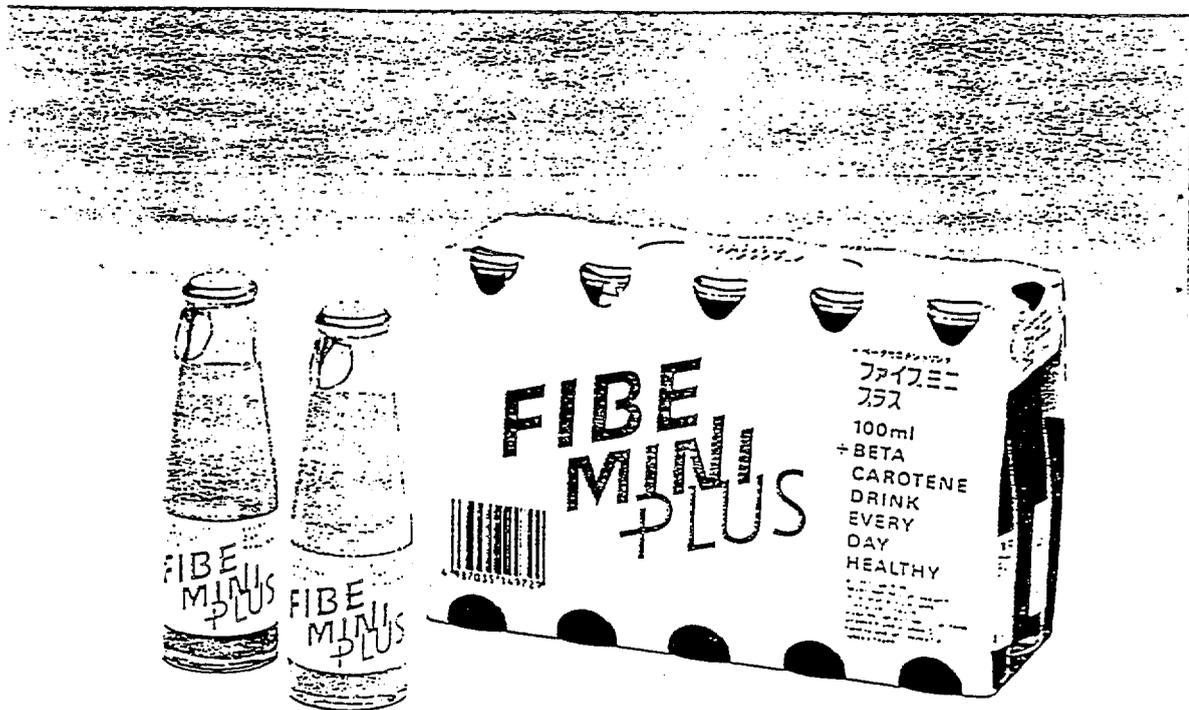
RAMA





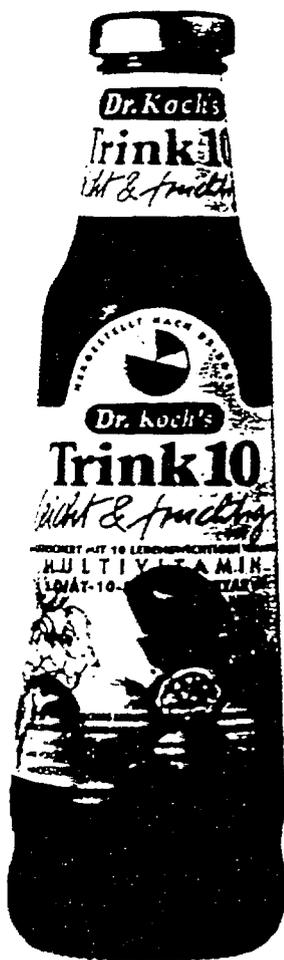
PRODUCT PROFILE

Product Profile



Product Profile





V. Presentation of C. MacDonald

“Guatemala’s Non-Traditional Agricultural Exports: Challenges, Barriers, and Responses”

**Clark MacDonald
Assistant General Manager
Frutas Tropicales de Guatemala, S.A.**

**GUATEMALA'S
NON-TRADITIONAL
AGRICULTURAL
EXPORTS:**

**CHALLENGES,
BARRIERS
AND RESPONSES.**

**PRESENTED BY CLARK MACDONALD,
ASS. GENERAL MANAGER, FRUTESA,
GUATEMALA CITY, GUATEMALA.**

GUATEMALA'S NON TRADITIONAL AGRICULTURAL EXPORTS: CHALLENGES, BARRIERS AND RESPONSES.*

I.-BACKGROUND:

The United States has traditionally been Guatemala's main trading partner, with a considerable flow of goods and services between both countries. In 1984 the Caribbean Basin Initiative (CBI) took effect, giving preferential tariff access to the U.S. market to products from Central American and Caribbean countries, with the goal of promoting economic prosperity through export-lead growth. After more than 10 years, the results speak for themselves.

Since then, Guatemala's export crops like snowpeas, melons, mangos, raspberries, blackberries, minivegetables and others, developed and grew considerably, as shown in the following graphics.

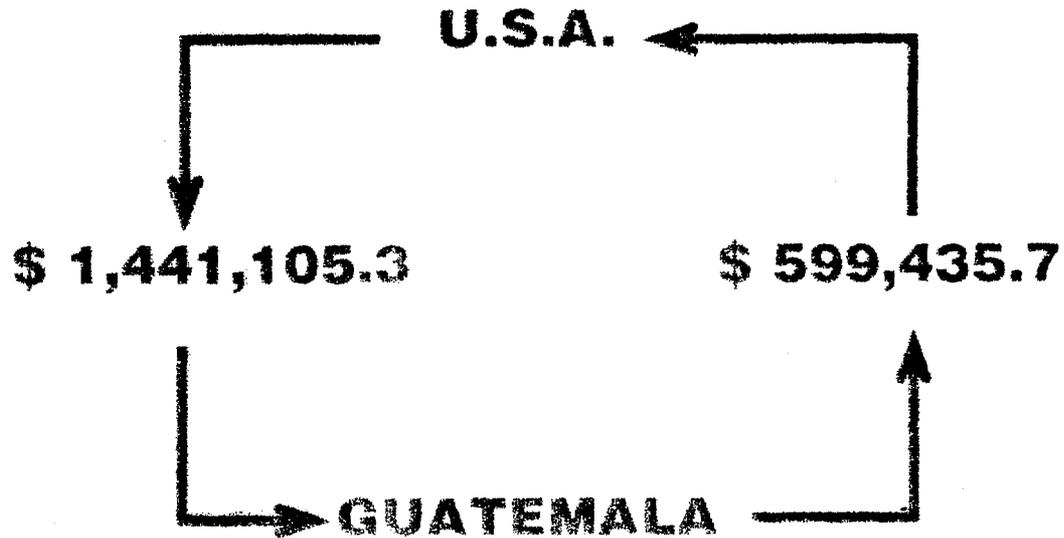
These crops have become very important, not only as a source of hard currency for the country, but also as a source of employment and income for a considerable number of small growers in Guatemala. For example, we know now that more than 18,000 small grower's families depend on snowpeas alone and their standard of living has experienced considerable improvement comparing it to that of 10 years ago.

The growth and prosperity of Guatemala's non-traditional agricultural products has come however, not without their own problems and we have struggled to comply with the U.S. requirements and regulations.

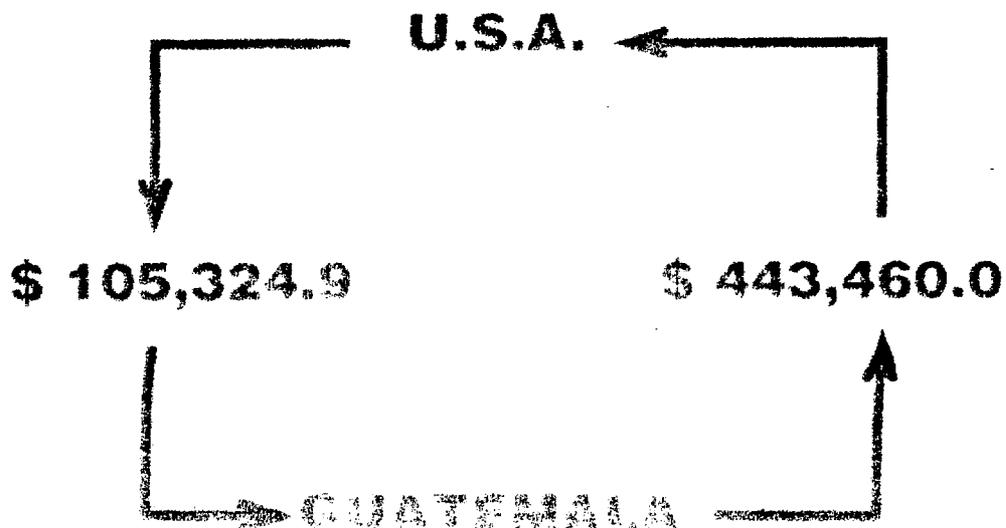
GUATEMALA-U.S.A. TRADE 1995

(THOUSAND \$)

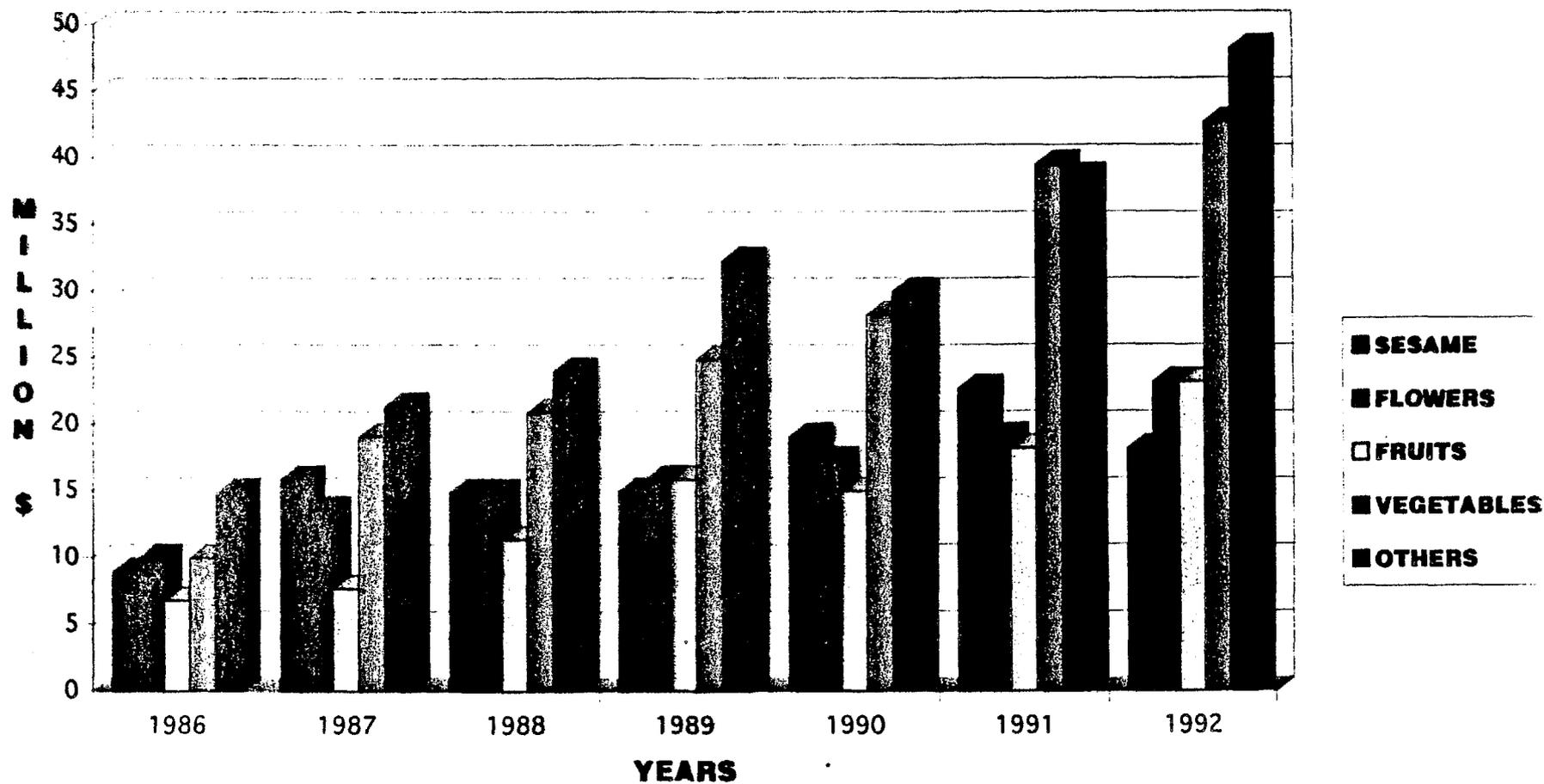
ALL PRODUCTS



AGRICULTURE AND ANIMAL PRODUCTS

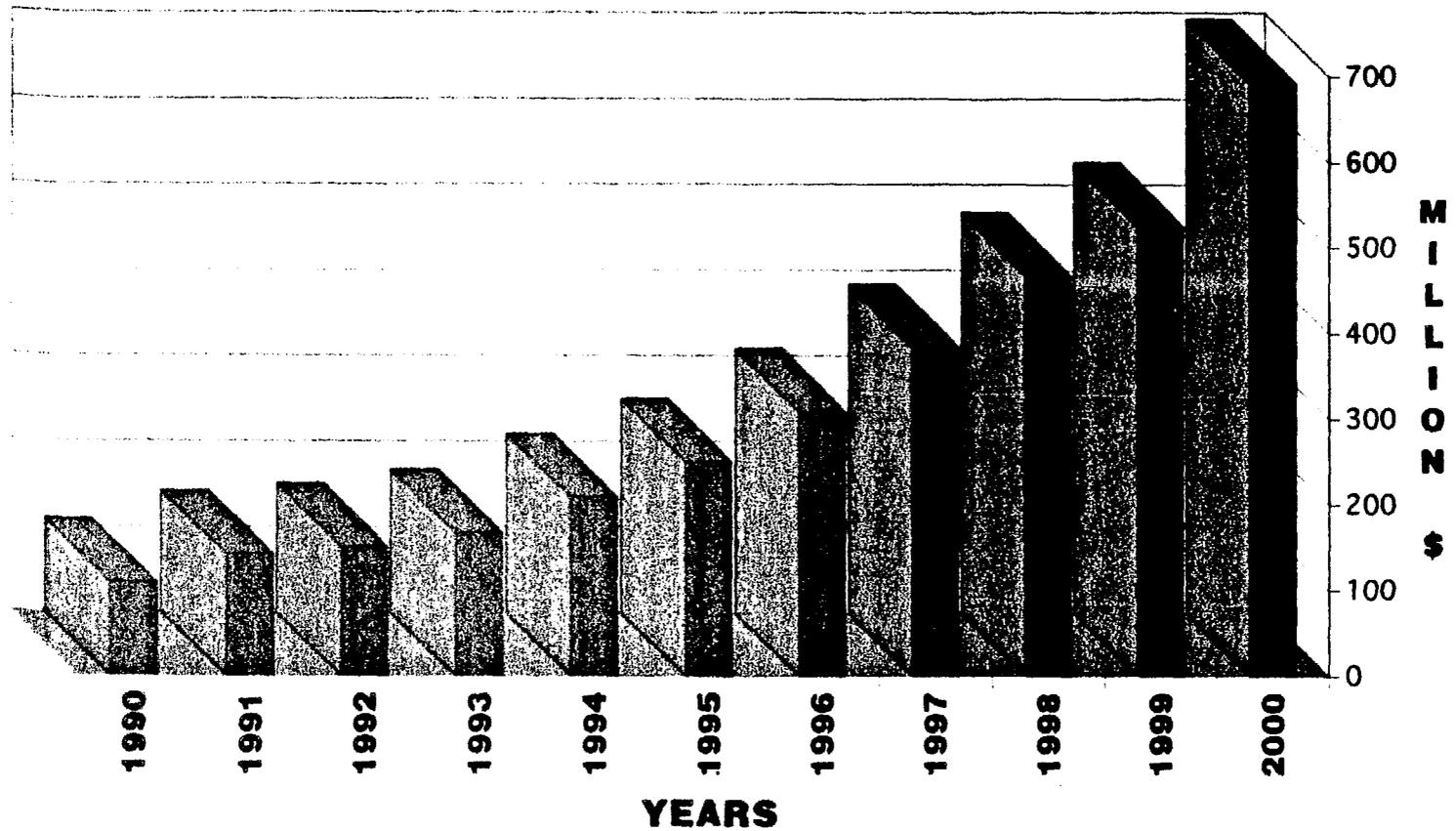


GUATEMALA'S NON-TRADITIONAL AGRICULTURAL EXPORTS



Source: Bank of Guatemala

FORECAST OF GUATEMALA'S NON-TRADITIONAL AGRICULTURAL EXPORTS



SOURCE: 1990-1994 BANK OF GUATEMALA
1995-2000 FORECAST GEXPRONT EXPECTED GROWTH RATE:22%

The paramount importance of these crops for our small growers and small and medium size exporting companies and the problems they have faced, have brought private and public sectors to work together in tackling these problems in a constructive way with a view of moving forward to do what it takes to comply with the countries of destination's requirements and regulations. So in 1991 we created the Agriculture and Environment Protection Integral Program (PIPAA) which is part of the Guatemalan Ministry of Agriculture, and in its board of directors there are representatives of the Non-traditional Products Exporters Association, the Association of Manufacturers of Agro-chemicals and Guatemalan Universities.

PIPAA's objectives are: to promote phytosanitary protection programs, to strengthen phytosanitary inspection and certification mechanisms, to coordinate technical assistance and education about the appropriate use of pesticides and to watch over the protection and preservation of our environment.

PIPAA and other organizations have worked together in a series of programs aimed at solving any phytosanitary access problems of our products. This task has not been an easy one, as in many instances those requirements and regulations are not clear or they are enforced unfairly, responding to interests other than the rights and safety of the consumer, thus becoming a trade barrier. In this context, we have lots of stories, many of them very successful ones, others not so successful. Let me tell you some of them, so that you may become aware of our efforts to comply with your country's requirements.

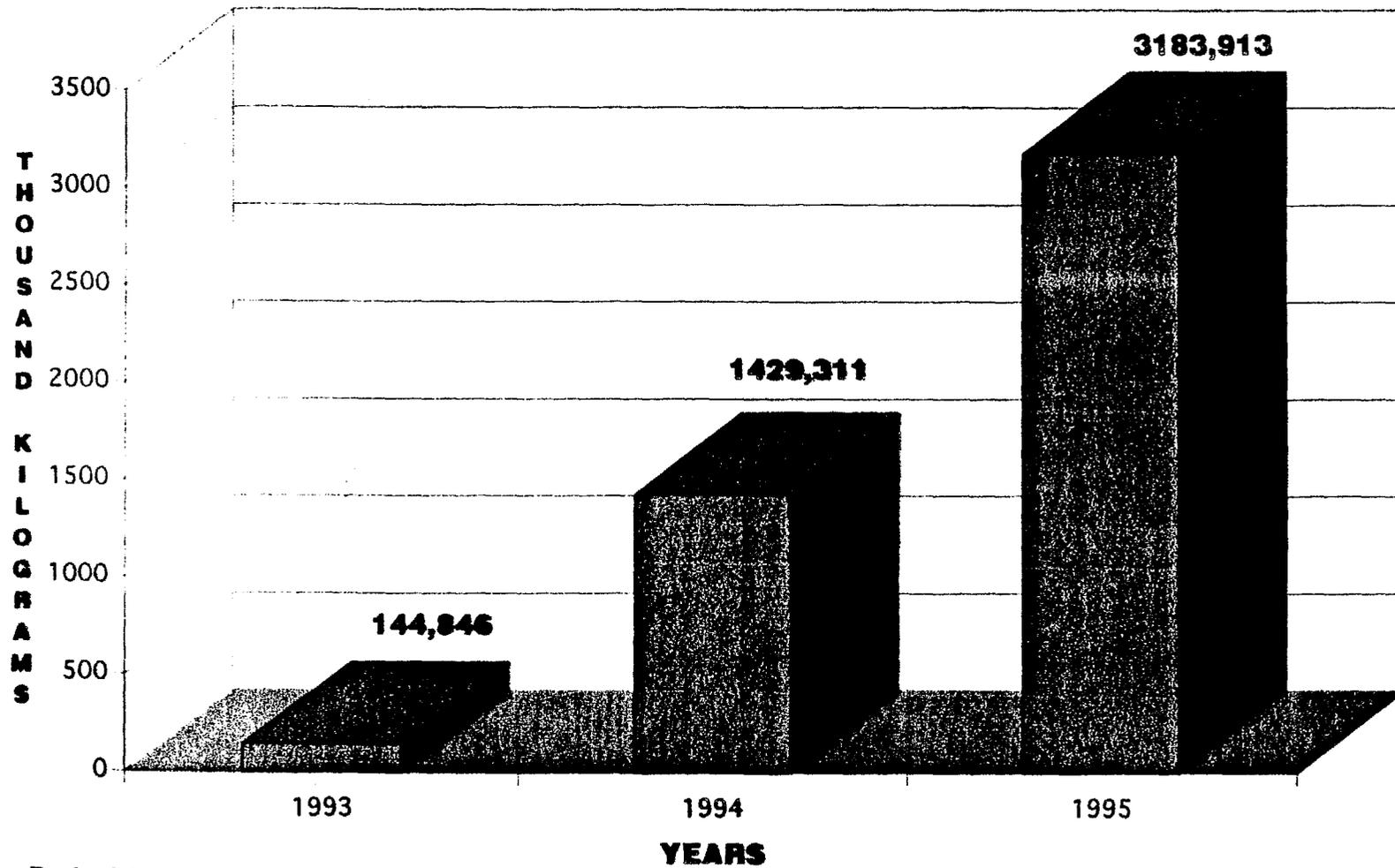
I.- CASE I, MANGOS.

Ten years ago you wouldn't have seen a mango from Guatemala in the U.S. market due to the presence of the Mediterranean Fruit Fly in our country. This pest does not exist in The U.S. That is a clear regulation and so we began to work on how to comply with it. Based on similar experiences in other countries, we developed a research program that involved the Non-traditional Products Exporters Association and the Guatemalan Ministry of Agriculture with help from USAID, that resulted in a hot water treatment that kills the fly, it's eggs and larvae and that was approved by USDA to be used in mangos to be exported to the U.S. packed in packing plants approved and under direct supervision of an USDA in-plant supervisor. To get to this point took us 5 years and an investment of approximately \$375,000.00. Today we have 6 mango packing plants approved by USDA and we export approximately 700,000 cartons per year to the U.S. Today we also have in place an inspection program in which all mango plantations are inspected by an organization belonging to the Ministry of Agriculture, called PROFRUTA, who also gives technical assistance to the growers on how to control the Med-fly in their plantations.

II.- CASE II, MELONS;

Melons are another example of a success story. In 1990, 25 shipments of Guatemalan melons entering the U.S. were

GUATEMALA'S MANGO EXPORTS TO THE U.S.



Source: Bank of Guatemala

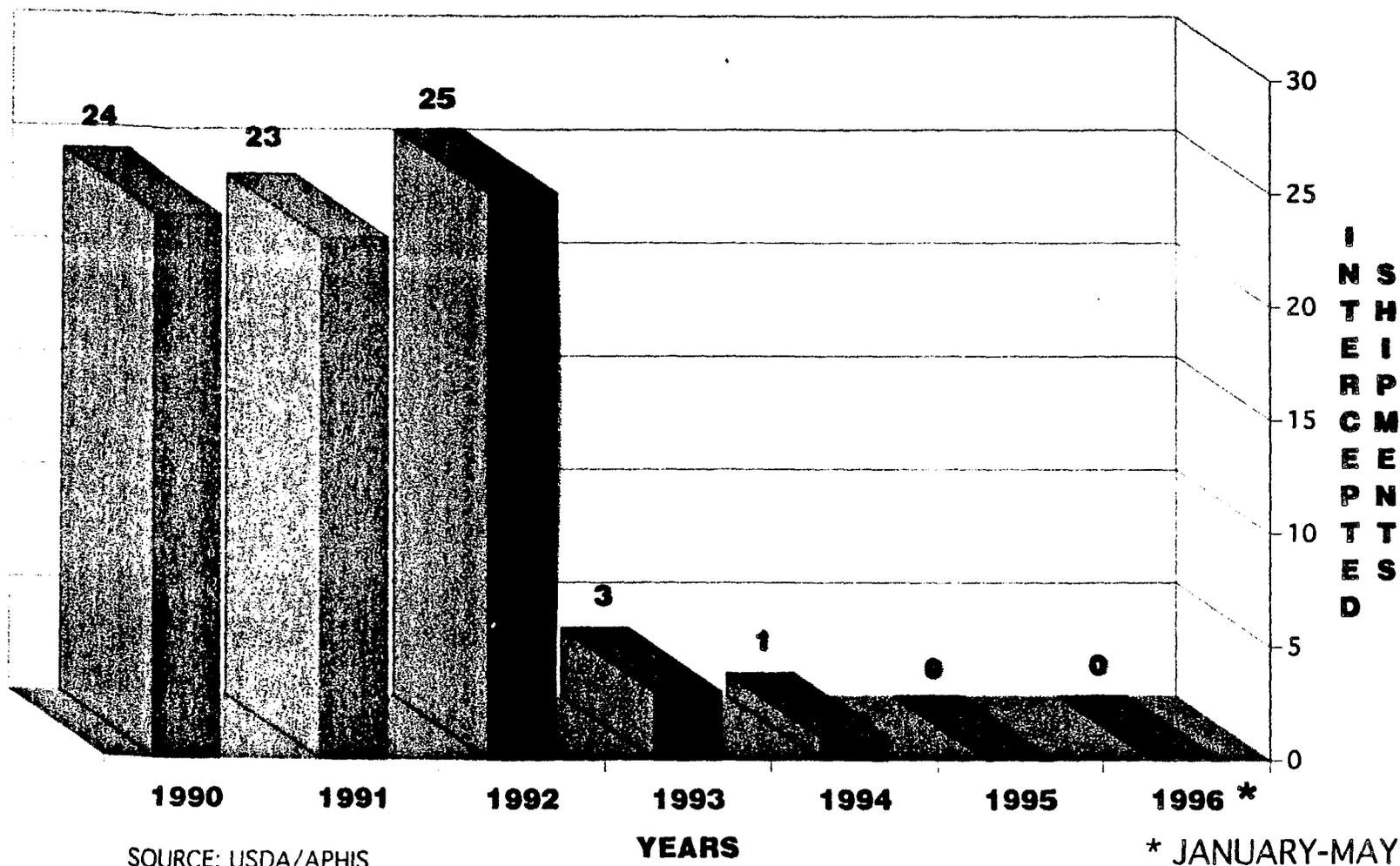
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intercepted due to the presence of insects in the containers, in 1991 and 1992 the number of shipments intercepted was very similar. All these shipments were fumigated with methyl bromide at the port of entry, affecting not only the quality, but also their price and costing the exporter an extra \$700.00 per shipment for the fumigation. These problems were also damaging the image of Guatemalan melons on the market. Also on the horizon we saw the future banning of the use of methyl bromide as a fumigant due to the damage that this causes to the ozone layer.

For these reasons, it was necessary to find a way of guaranteeing the compliance of the Guatemalan melons being exported to the U.S. Therefore, exporters and government once again got together through the PIPAA program to come to an agreement with USDA and APHIS in order to solve this problem once and for all. After a careful analyses of the situation that compared the pests affecting melon growing and the pests detected in Guatemala's shipments, they found that they were not the same, therefore concluding that the problems were not related to the plantations but to the packing plants, where insects were getting inside the containers while being loaded or in the carton boxes during storage.

Therefore, in 1993 a Pre-inspection Pilot Project was designed and implemented in one growing area.. The pre-inspection mechanism included inspection of the pesticides used in melon growing, testing of water quality and chlorination processes, and inspection of packing facilities. All this was done by USDA-APHIS and the Guatemalan Ministry of Agriculture personnel with full cooperation of the exporters, who in many

INTERCEPTED GUATEMALAN MELON SHIPMENTS



instances had to redesign or renovate their packing facilities to comply with the inspectors recommendations. At the end of 1993 the pre-inspection project covered all melon growing areas of the country and in 1994 the pilot project became a National Pre-inspection Program. As a result of this program, there were only 3 shipments intercepted in 1993, only one in 1994 and none in 1995 and 1996, when we exported to the U.S. approximately 4 million cartons each year.

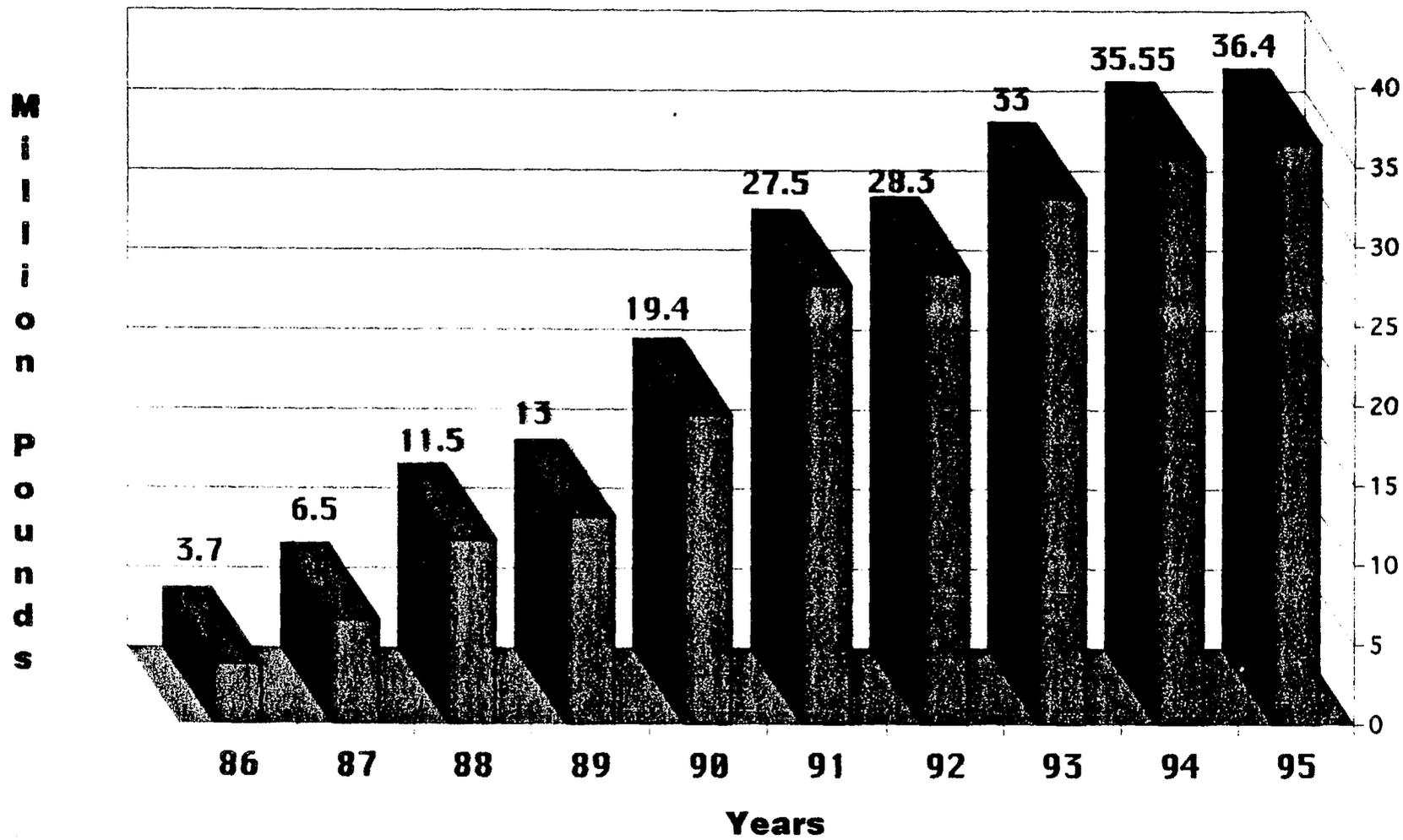
The last two examples showed our commitment as a country to comply with your requirements and although it was a struggle, at the end results were satisfactory. However in the case of snowpeas, the struggle has been going on for a longer time and the results are still uncertain.

III.- CASE III, SNOWPEAS;

The snowpeas case is a rather complicated but interesting one, therefore it is necessary to take some time to explain it's background.

First of all allow me to explain that differing from mango and melon growers, who are mostly well educated growers with medium to large size farms, snowpeas are grown by approximately 18,000 small growers, mostly Indians with very little formal education. The average size of their plantations is less than one acre. Snowpeas are exported by approximately 20 export companies. Guatemala's exports of snowpeas have grown considerably in the last 12 years, from 3.7 million pounds

GUATEMALA'S SNOWPEA EXPORTS 1986-1995



Source: 1986-90 DTSU / 1991-95 GEHPRONT

in 1986 to 36.4 million pounds in 1995.

Nowadays Guatemalan snowpeas represent 70 to 80% of the snowpeas consumed in the U.S. Guatemala competes during certain seasons with snowpeas produced in California and Mexico. Although in lesser quantities than to the U.S., Guatemala also exports snowpeas to Canada and other countries in Europe. In these countries they have different legislation regarding pesticide residues in snowpeas than in the U.S.

Since snowpea production started in Guatemala, the small growers have developed agricultural practices that with time have become habits. These habits have been very hard to change since the communication with such a large number of growers living in the rural areas, their low level of education, and the fact that many of them don't even speak Spanish, make it most difficult to get any message across. These practices have had negative results, since in many instances the growers have used pesticides not allowed in the United States or have used registered pesticides in larger doses, thus resulting in surpassing the residue limits.

The first problem that Guatemalan snowpea exports faced was in 1989, when registration for the fungicide Zineb was cancelled. The growers found other fungicides that they could use as substitutes for Zineb, however many of them were of the EBDC's family.

In 1991 EPA revoked the use of EBDC's for 55 food crops, and the growers were faced this time with a bigger problem, since now the list of fungicides that could be used in snowpeas

efficiently was very small. This began to exercise pressure on the growers, specially during the rainy season, and many of them were using chlorothalonyl, a fungicide with no tolerance registered for snowpeas in the U.S., but with 5 ppm of tolerance for broccoli and with 7 ppm for beans . Both broccoli and french beans are crops that they grow as alternatives to snowpeas, thus the fungicide is readily known and available in the snowpea production areas. To make the situation even more confusing for the grower, chlorothalonyl is allowed to be used in snowpeas exported to Europe (2 ppm) and Canada (0.1 ppm).

Many exporting companies and government agencies tried to prevent the growers from using clorothalonyl in snowpeas to be exported to the U.S., but when a small grower sees his crop becoming infested by a fungus and knowing that the crop is his subsistence for the next 6 months or so, the pressure to apply whatever to save his crop is overwhelming. This explanation doesn't intend to justify the use of a fungicide that its not allowed in the country of destination, but tries to help you understand how difficult it is to solve the problem. We did realize that the open market system that the export companies used to buy the product from the small growers represented a big part of the problem. Under this open market system, any small grower could apply chlorothalonyl and take his 20, 40 or 100 pound sack to the market where an intermediary buyer would mix it with the product of other 20, 30 or more growers, making it impossible to identify the grower whose product has the forbidden pesticide.

In 1991 Guatemalan snowpeas were placed on automatic detention for the second time in the last 5 years and the problem

was hurting growers, exporting companies and the country in general to the extent that exporting companies, the Ministry of Agriculture and the Ministry of Economy (the equivalent of the Department of Commerce) joined together and formed the National Snowpea Committee (NSPC), in order to try to solve this problem, and also to promote growing and exporting of snowpeas in an orderly way. The National Snowpea Committee's activities included a research program with several protocols aimed to generate integrated pest management technology applicable to snowpeas. Also a program to transfer this technology to growers and technicians working with the exporting companies and with the government. The NSPC also implemented a radio advertisement campaign explaining to the growers, intermediary buyers and exporters about the problems that the use of not-registered pesticides were causing to the snowpea industry of Guatemala. Another action taken by the NSPC was a sampling and analysis program for the snowpeas before being exported. This last program failed after some shipments tested clean in Guatemala's lab but were detected with chlotholonyl residues in the U.S., thus revealing that Guatemala didn't have laboratories trustworthy enough to guarantee results in this type of program. Also the installed capacity of the labs was not enough once the high season began and thus creating a big backlog in the exporting process. Soon it was clear that this sampling program and other actions undertaken by the NSPC were not giving good enough results.

In May 1992 the number of shipments detained with chlorothalonyl residues started to increase as we entered the

rainy season. In September 1992, the FDA had no choice but to place all companies on automatic detention once again, and this time they demanded a full program with full endorsement by the Guatemalan government to prevent this from recurring.

In March of 1993 the Permanent Program to Standardize and Promote the Production and Export of Snowpeas was published by the NSPC. To describe this program would take longer than the time I was given for this talk, so in general terms let me tell you that it is a very complete program that comprises 5 main components: Information, Education, Control Mechanisms, Research and Development and General Measures. It proposes specific actions to keep growers and export companies well informed about everything concerning snowpea growing technology and exporting regulations. To continuously

educate growers and technicians on the rational use of pesticides and to permanently conduct research projects in order to generate our own technology and be able to produce snowpeas with sound phytosanitary controls. But perhaps most important, the program establishes control mechanisms for growers, intermediaries, exporters and pesticides distributors in order to avoid growing and shipping product with non-allowed pesticide residues. These are just some of the measures that the Program proposes. It really contains all the actions we must undertake to solve this complex problem once and for all. However it lacks one essential thing, it is not mandatory by law and therefore there is no official institution in charge of enforcing it, so we have growers and companies that adopted the program and those who did not, and of course, the problem of violative

shipments continued.

In 1994 and 1995 the problem continued, and so did the efforts of the NSPC to solve it. The FDA understood that it was a very complex problem and very much focused on the few companies that accounted for the majority of the violations. We then reached an agreement with the FDA where by the companies that had 5 consecutive clean shipments backed with lab analyses done in the U.S., from samples taken by a third party and the endorsement of the NSPC, could be released from automatic detention.

As mentioned earlier, the NSPC keeps trying to make the Permanent Program mandatory and workable and has started actions to present to the EPA a formal petition for an Import Tolerance for clorothalonyl in snowpeas. This last action will mean a considerable investment of money, time and human resources, but we at the private and public sectors of Guatemala have a serious view of moving our exports forward and will combine our efforts in order to comply with the requirements and regulations of the countries of destination, as long as these requirements and regulations are clear, evenly enforced and fair.

We continue facing new challenges, and some of them are neither clear nor fair. Just as recently as last November, several shipments of Guatemalan snowpeas were detained in Florida due to the presence of a leaf miner insect. After that, the most rigorous inspection that we have seen in decades was exercised in

all shipments of Guatemalan snowpeas entering the State of Florida. All these shipments were fumigated with the consequent

damage to the quality and a severe reduction in their sale price, causing a severe and direct economic impact on exporting companies and growers. After several discussions with people from the USDA, APHIS and The U.S. Embassy in Guatemala trying to convince them that the species of leaf miner was not strange to the U.S., and therefore, the Guatemalan snowpeas shouldn't be placed in a quarantine status, we agreed to have a third party (the IPM-CRSP program) run a taxonomic survey of leaf miners in snowpeas in Guatemala. To come to this agreement took two months, the survey took three months and to get the results took another month. For 5 months the industry suffered very low prices due to this problem, but we complied with a requirement of the country of destination, and we went ahead with the plan and beared the losses, knowing that at the end the problem would be solved. Finally, at the end of March 1996 the report was finished and it read: "all tests thus far concluded that the species in question is *Liriomyza huidobrensis*, the same leaf miner species commonly found in the United States. The IPM-CRSP technical Assistance and research support program will continue through to the end of 1996, but based on these test results, we will make recommendations targeted to ease the Guatemalan snowpea detention problems in the U.S. port of entry." However, it took 2 more months for APHIS to officially notify the results of the survey and to make a suggestion to the Florida State Department of

Agriculture to revoke the quarantine status for Guatemalan snowpeas. Even so, the Department of Agriculture of the State of Florida did not revoke the quarantine status arguing that they do not agree with the protocol of the survey. This we do not understand. The USDA assigned the third party. The third party designed the

protocol. The USDA approved the protocol. The survey was done and the results speak for themselves. With a great sacrifice we fulfilled our part of the agreement and we see no technical reason for the other party not do likewise.

We feel that the rules of the game have to be clear and that all players have to be treated fairly and with respect. If it is true that “completely free trade” does not exist, we at least ask for “fair trade”.

I would like to finish with an article that appeared in The Packer last March as an example of the attitudes that have no place in the modern commercial world. In this article some grower-shippers in the California's Santa Maria Valley are complaining about Guatemala's snowpeas taking over the market and asking for imposing “some type of restrictions” on Guatemalan snowpeas during the California season. But their arguments are: “It's making it hard for the California grower because they (Guatemalan growers) have such a climate that they are capable of growing year-round. California doesn't have that option” or others like “Guatemalan growers are able to produce large quantities of sugar peas cheaper than U.S. growers because labor costs are lower in Guatemala. It's an attempt to push California out during the California season”. Arguments like this just highlight our strong points that makes us more competitive, our wonderful climate, our labor costs... that is why we export

Growers seek import relief

Dominating supplies make it hard for domestic producers to compete.

By Tom Burfield
Western Correspondent

SANTA MARIA, Calif. — Guatemalan sugar peas seem to flood the U.S. market every year about this time, and a number of grower-shippers in California's Santa Maria Valley don't like it one bit.

Probably the most outspoken of the local Santa Maria pea growers are Johna Dykstra-Ruz and her husband, Danyal Ruz, partners in Go West Distributing, Oceano.

They compiled a thick file of information and correspondence tracking their efforts to have some type of restrictions imposed on Guatemalan snow peas and snap peas, at least during the California season.

Although they say shipments were halted by the federal Food and Drug Administration for one three-month period about two years ago, no permanent relief is forthcoming.

The couple say the effect of Guatemalan sugar pea imports is becoming more prohibitive every year.

"It is making it hard for the California grower because they (Guatemalan growers) have such a climate that they are capable of growing year-round," Dykstra-Ruz said. "California doesn't have that option."

In addition, she said, Guatemalan growers are able to produce large quantities of sugar peas cheaper than U.S. growers because labor costs are lower in Guatemala.

Although specific import figures were not available, the pair estimates that Guatemala probably produces 70 percent of the world's snow peas and snap peas, and they said two years ago at this time, Guatemala reportedly was exporting 90,000 boxes a week to the U.S.

"It's an attempt to push California out during the California season," Dykstra-Ruz said.

"It's not worthwhile for (U.S.) growers to continue packing."

The problem is not a new one, said Danny Donovan, general sales manager at Pismo-Oceano Vegetable Exchange, Oceano, Calif.

"Guatemala has been a major sugar pea source for the United States for the last 10 years," he said.

"The U.S., especially California, just can't compete quality-wise, so the buyers are going to dictate the market, and they demand quality."

"If that is where the quality is, they are going to be bringing them in."

Donovan doubts that anything will be done to reduce imports at a time when the North American Free Trade Agreement and the General Agreement on Tariffs and Trade are in the news.

"You're not going to be able to go backwards on a deal like that," he said.

Steve Adlesh, director of sales at Aplo Inc., Guadalupe, said Guatemalan snow peas are just another part of the supply picture. He said Aplo buys them when the company's own supplies are exhausted.

"If you've got a protectionist attitude, I guess you would say, 'Yeah, they're a thorn in our side.' But chances are, we are not going to be stopping any of that anytime soon," he said.

"We're not going to keep Guatemalan peas out of the country."

But Adlesh did not deny the effect Guatemalan

It (Guatemalan imports) is making it hard for the California grower because they (Guatemalan growers) have such a climate that they are capable of growing year-round. California doesn't have that option.

Johna Dykstra-Ruz
Go West Distributing

sugar peas have on the local growers.

"When there is an oversupply of Guatemalan peas, things aren't good for local snow pea growers," he said. But "when Guatemalan snow peas have problems with weather and they're not available and we have the only supplies in the world, then it's very good."

Adlesh said the key to surviving in a tight snow pea market is promotion and information.

"You've got to know what's going on globally to be able to compete," he said. "The people who don't understand what's going on in the marketplace aren't going to be able to react, and they are going to be left in the dust."

"Whoever is the better producer and the more efficient is going to end up getting the business."

But Ruz said Guatemalan growers can sell product cheaper than U.S. growers and still make money.

Whoever is the better producer and the more efficient is going to end up getting the business.'

Steve Adlesh
Aplo Inc.

Dykstra-Ruz claims that, despite regulations governing importation of product that adversely affects U.S. growers, nothing is being done about the Guatemalan situation.

"I feel they should be only allowed a certain amount of product in during the domestic season," she said.

She also claims Guatemalan sugar peas sometimes fail to meet FDA

standards.

Ken Gilliland, manager of international trade for Western Growers Association, which would pursue the issue with the U.S. government on behalf of growers, said WGA received complaints about Guatemalan imports last year and was in the process of surveying growers when imports decreased. No action was taken.

He said in late March that no complaints had been received so far this year.

Gilliland said it would be necessary for U.S. growers to prove that foreign product was coming into this country below cost before anti-dumping action could be pursued.

He said a simple increase in volume brought about by two countries producing at the same time probably would not justify initiating anti-dumping action against Guatemala.

George Ellis Jr., sales manager at Byrd Produce Co., Guadalupe, said Guatemala's cheap labor is the big problem.

Ellis said his break-even price on snow peas is probably around \$6, and the break-even price for Guatemalans is probably a lot lower. And the quality of Guatemalan product can hold its own, he said.

"I'd like to say their product lacks in quality, but generally the quality is not too bad," he said.

Ellis said growers often quit picking when prices dip below \$6.

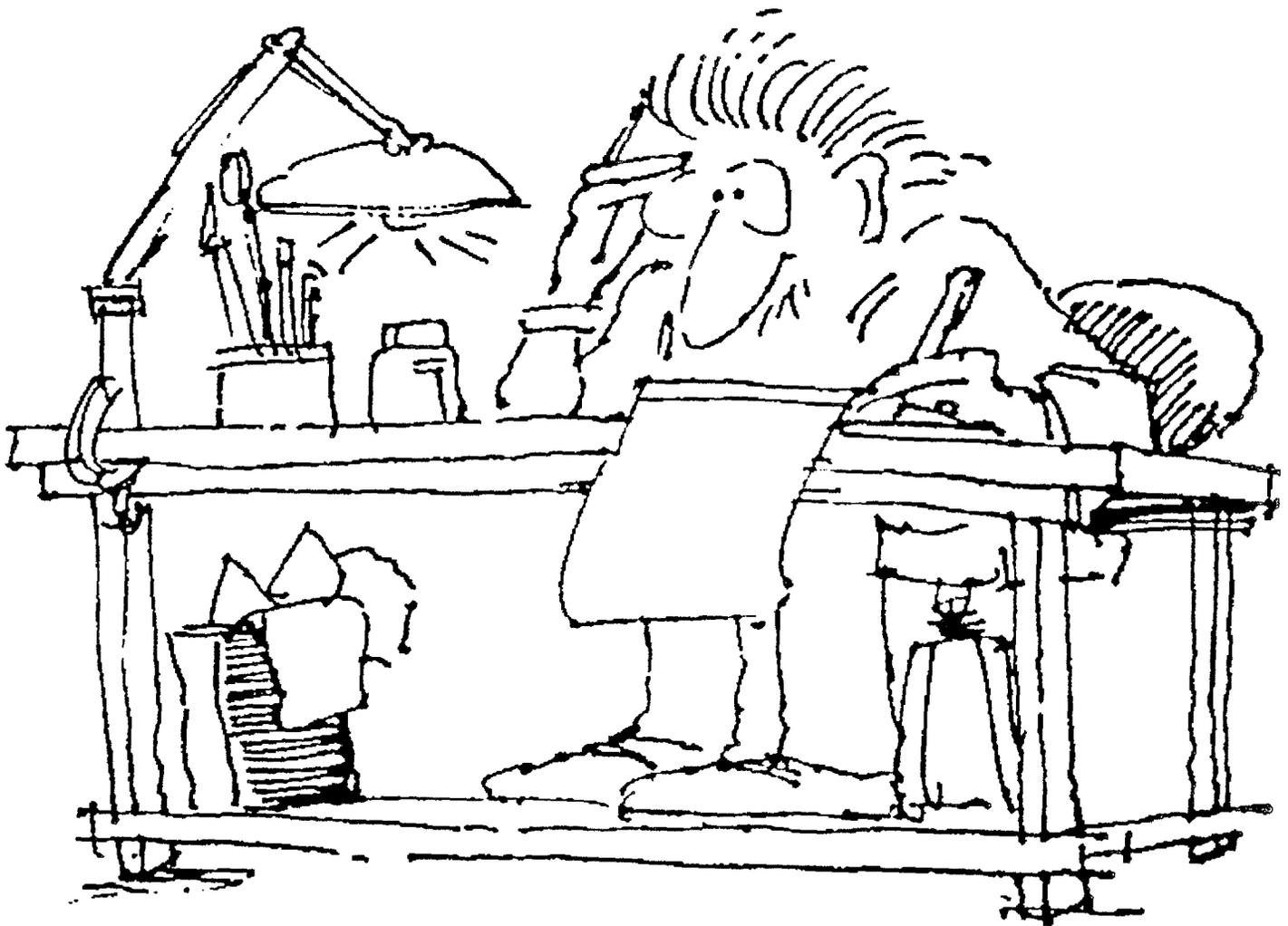
"I would love to see quotas implemented on foreign product," he said.

snow peas instead of computers or chemicals. Fortunately not everybody thinks like that. In the same article other shipper-growers comments are: "The U.S., specially California, just can't compete quality-wise, so the buyers are going to dictate the market, and they demand quality. If that is where the quality is, they are going to bring them in." and others that added, "Whoever is the better producer and the more efficient is going to end up getting the business".

A final comment: I hope that with this presentation you have become aware of the efforts we undertake to comply with your country's requirements and regulation's. Some times the things are not too clear at this end, and sometimes some of us don't do what we should at our end, but I am convinced that as long as we keep the channels of communication open and treat each other with respect, things shall get better at both ends and hopefully we won't end up like my friend in this picture: "Just when I had all the answers..... they changed the questions."

* Presented by Clark MacDonald, Assistant General Manager, FRUTESA, Guatemala City, Guatemala, at The Institute of Food Technologists Annual Meeting, New Orleans June 22-26, 1996.

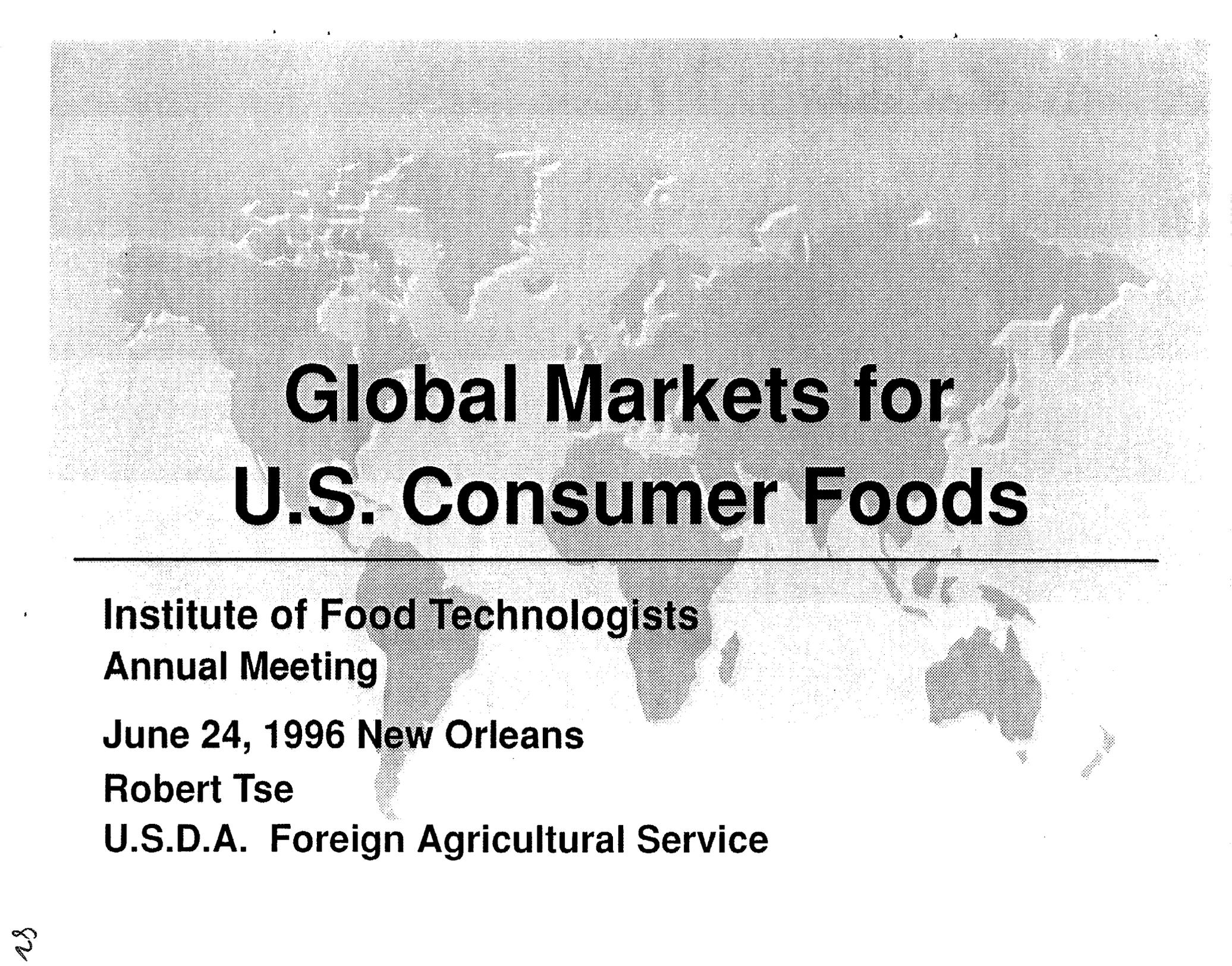
**JUST WHEN I HAD ALL
THE ANSWERS...
THEY CHANGED THE QUESTIONS!**



VI. Presentation of R. Tse

“Foods and Agriculture Trade Trends”

**Robert Tse
Agricultural Economist
U.S. Department of Agriculture, Foreign Agriculture Service**



Global Markets for U.S. Consumer Foods

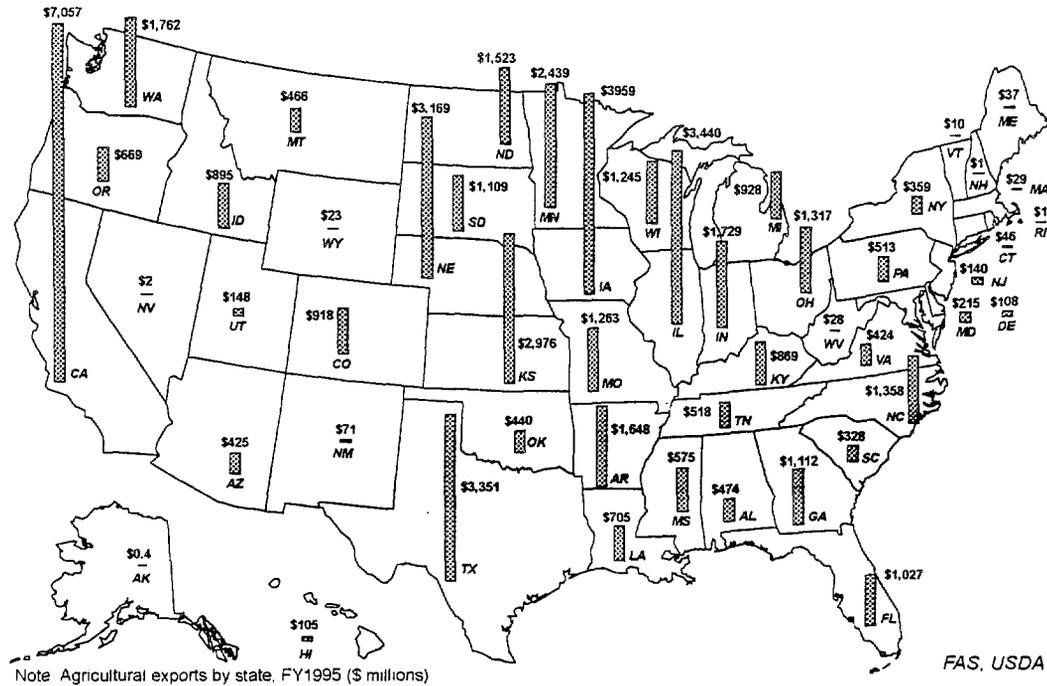
**Institute of Food Technologists
Annual Meeting**

June 24, 1996 New Orleans

Robert Tse

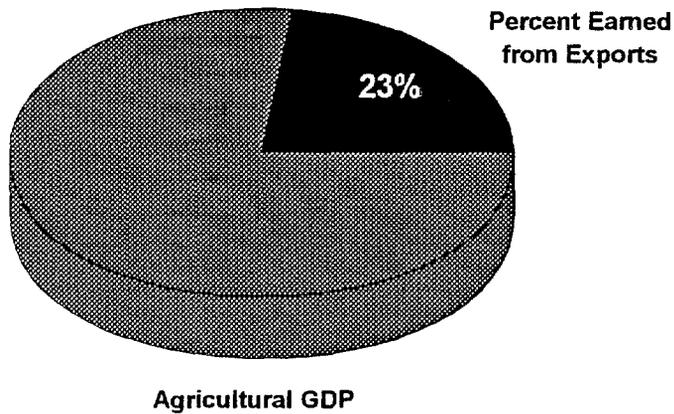
U.S.D.A. Foreign Agricultural Service

Ag Exports Are Important to All Fifty States



Exports Are Vital to American Farmers

Agriculture is One of the Most Export-Dependent Industries in the United States



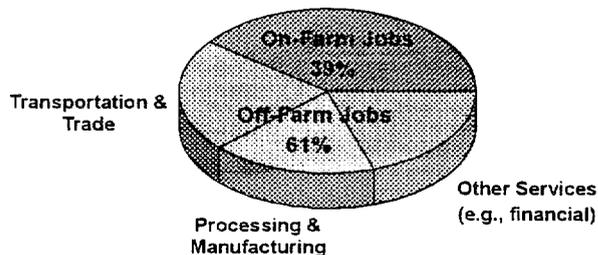
The production from more than 1/3 of all U.S. acres planted are bound for export markets

FAS, USDA

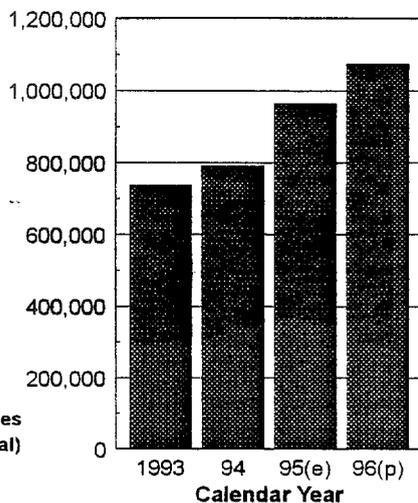
Agricultural Exports Mean Jobs!

...both on and off the farm

- Agricultural Exports support nearly 1 million American jobs
- Over 60% of agriculture related jobs are in the non-farm sector, including trade and transportation, services, food processing and other manufacturing.

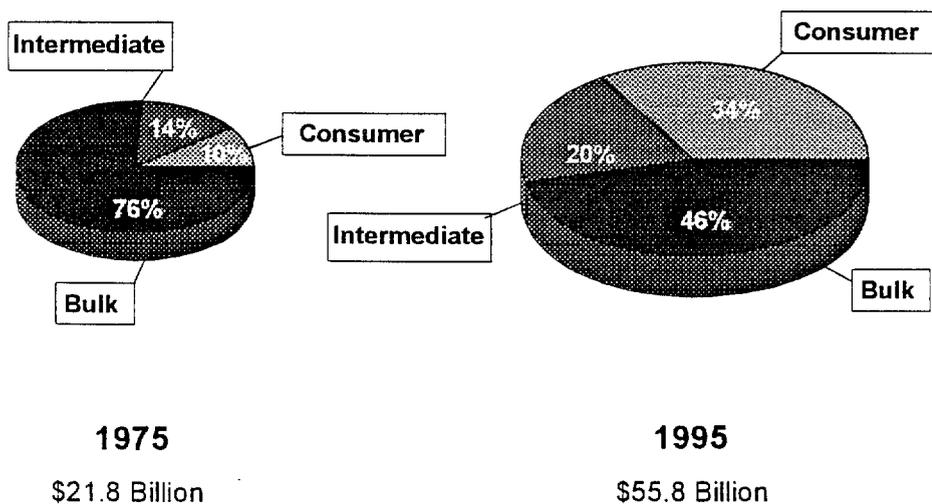


U.S. Jobs Supported by Exports



FAS, USDA

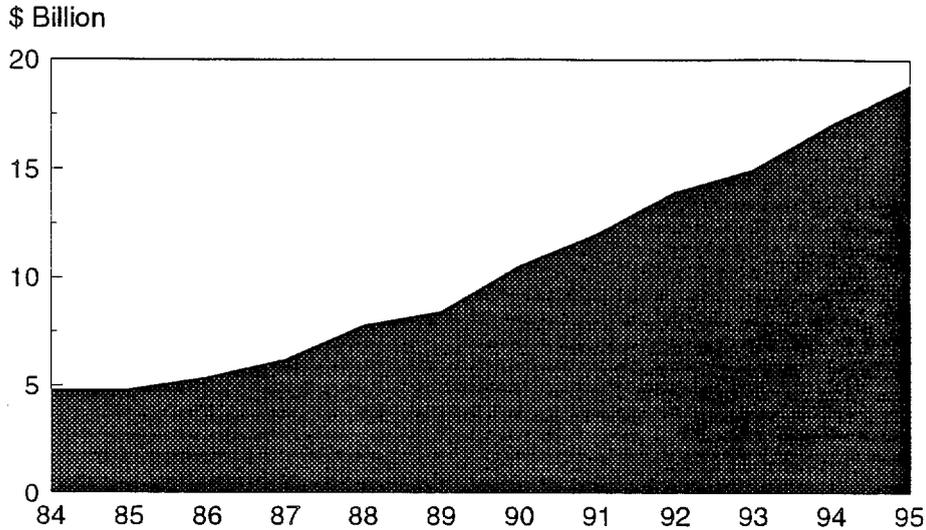
Composition of Exports Diversifies Consumer Foods Grow in Share of Ag Export Pie



FAS, USDA

Consumer Food Exports Set New Record 9th Year in a Row

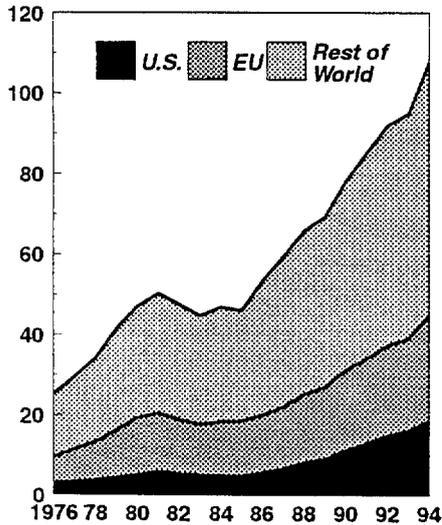
\$18.8 Billion in 1995 - 10% Percent Increase Over '94



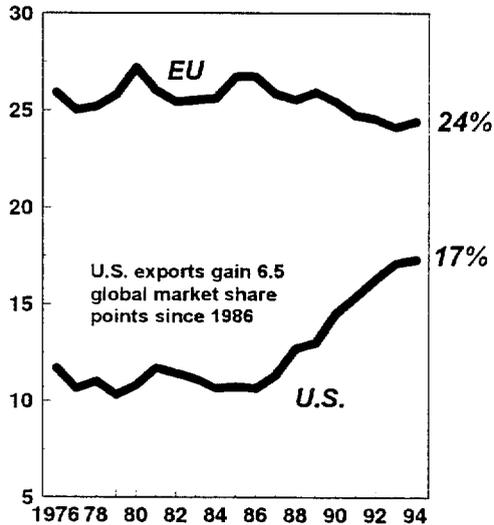
FAS, USDA

U.S. Share of Global Consumer Food Trade Grows

World consumer food trade exceeds \$100 billion
\$ Billion



...EU leads but U.S. share rises to record 17%
Share of World Exports (%)

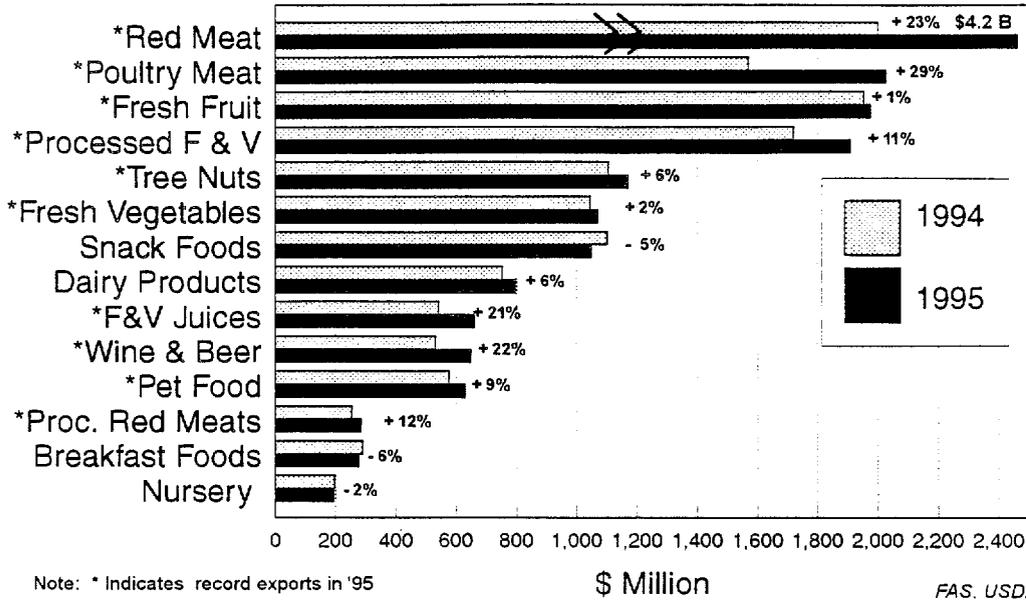


Note: EU and world data exclude EU intra-trade

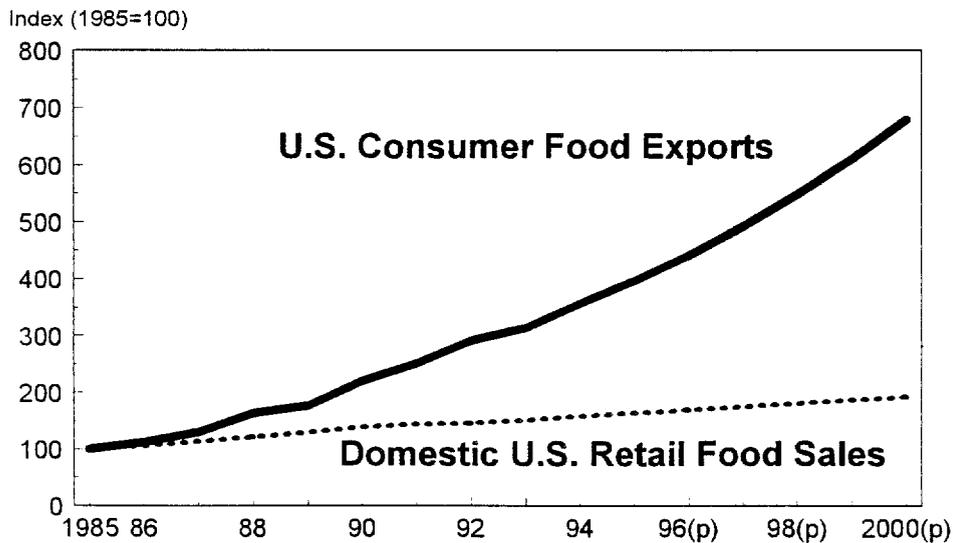
FAS, USDA

Strong and Broad-Based Export Gains for U.S. Consumer Foods

1995 Closed with Most Products at New Record Highs!



Export Markets Are the Answer for a Healthy U.S. Food and Ag Industry

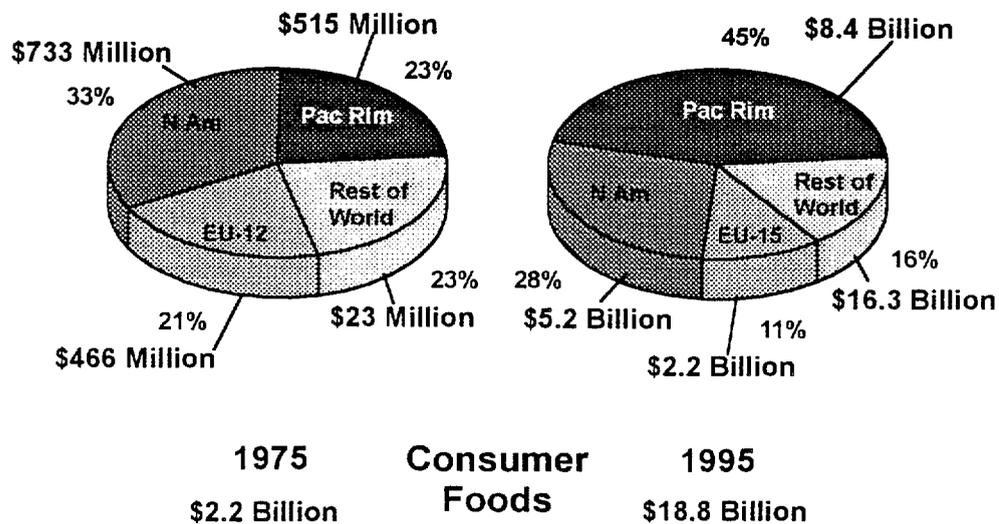


What's Behind the U.S. Agricultural Export Boom?

- Strong Income Growth in Most Major Markets
- Rising Consumerism and Expanding Middle Class
- Trade Liberalization
- Lower Value of U.S. Dollar
- Comparative Advantage in Food Production
- Increased Consumer Food Export Promotion
- Increasing Food & Fiber Consumption
- Decline in World Agriculture
- Rapidly Increasing Urbanization in Developing Countries
- Improvements in Transportation Technology and Port Facilities
- Growth in World Food Processing Industry

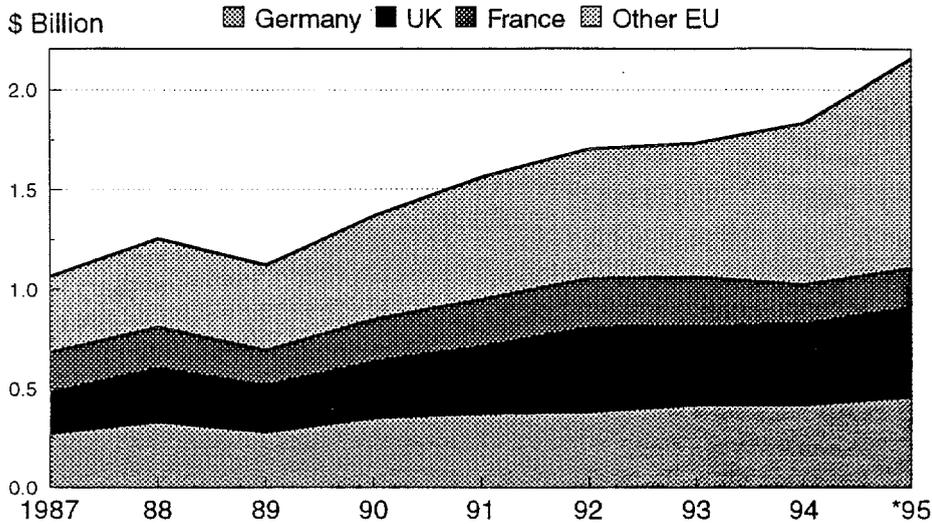
FAS, USDA

Pacific Rim Emerges as Largest U.S. Consumer Food Market



FAS, USDA

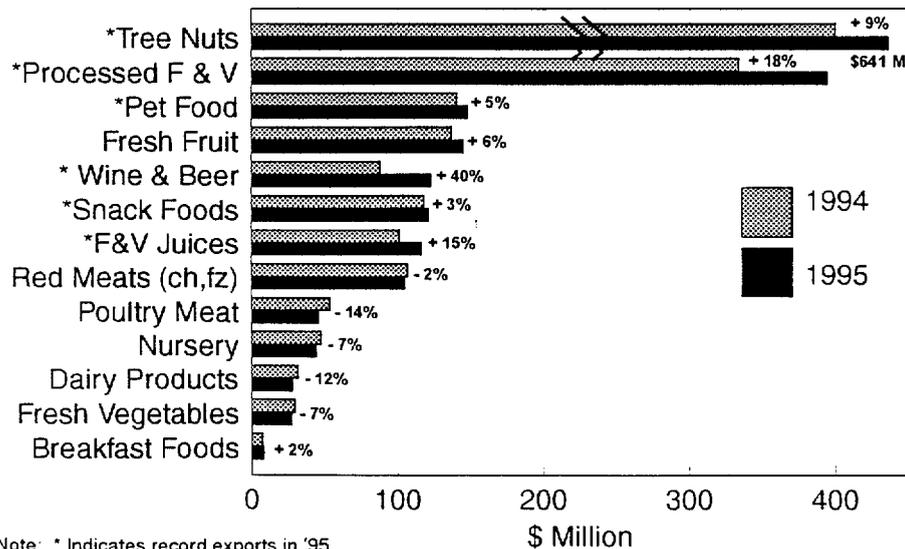
EU is 3rd Largest Regional Market Exports Reach Record \$2.2 Billion in '95



USDA Foreign Agricultural Service

EU Overall Record Set, but Sales Concentrated in Five Categories

Tree Nuts, Processed Fruit & Vegetables, Pet Foods, Fresh Fruit, Wine & Beer



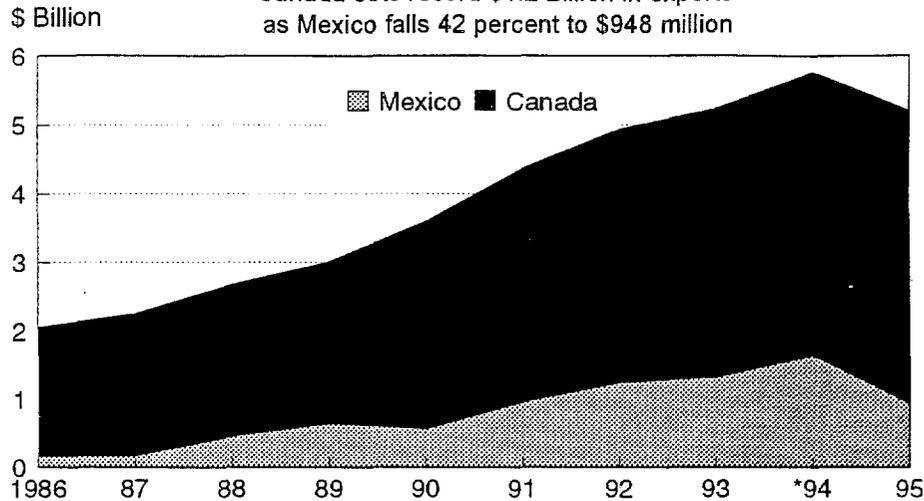
Note: * Indicates record exports in '95

USDA Foreign Agricultural Service

NAFTA Region is 2nd Largest Regional Market for U.S. Consumer Foods

\$5.18 Billion in 1995

Canada sets record \$4.2 Billion in exports as Mexico falls 42 percent to \$948 million



Note: U.S. exports to Canada were underreported prior to 1990. Totals have been adjusted by \$1 billion annually to correct for this.

USDA Foreign Agricultural Service

Global Markets for U.S. Consumer Foods

Institute of Food Technologists
Annual Meeting

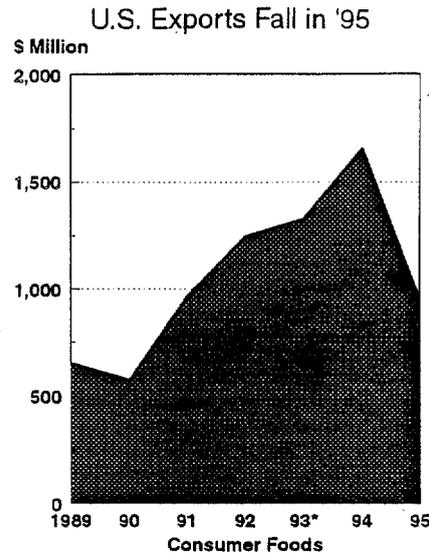
June 24, 1996 New Orleans

Robert Tse

U.S.D.A. Foreign Agricultural Service

Snapshot: Mexico

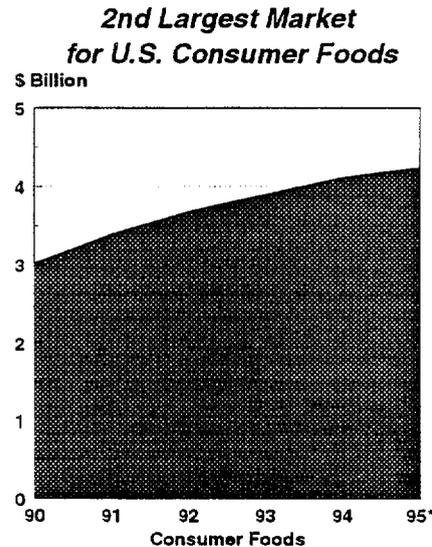
- At \$948 million, '95 exports fell to '91 levels; still much higher than '88 exports (\$468 million). Since January trade rebounding -- '1st Quarter 96 exports growth rate if sustained would lead rebound in sales to '92 levels of \$1.2 billion.
- U.S. dominates imported foods sales with market share 70 to 90%
- Consumers consider U.S. foods high quality, safe, and a good value
- Sales of U.S. consumer foods still concentrated in urban areas of Mexico City, Guadalajara, and Monterrey but expansion is occurring in areas bordering these cities



USDA Foreign Agricultural Service

Snapshot: Canada

- Product categories topping \$300 million or more in '95: fresh vegetables, fresh fruit, processed fruits & veg, snack foods, and red meats
- Growth in exports largely due to NAFTA -- consumer food tariffs were either zeroed or reduced 70 percent.
- Population growth driven by immigration of peoples from Asia -- new arrivals are highly educated, congregate in urban areas and have higher average family incomes than past generations.
- Health conscious consumers attracted to U.S. sauces and condiments -- increased demand for salsas and U.S. salad dressings.

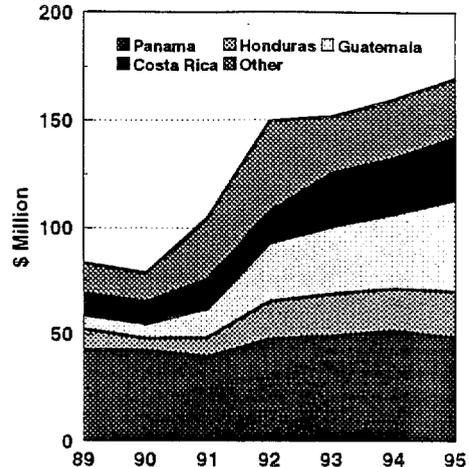


USDA Foreign Agricultural Service

Snapshot: Central America

- Recent reductions in tariffs on consumer ready foods throughout the region have made U.S. exports more competitive relative to local products.
- Frozen food space in Guatemalan and Honduran supermarkets is projected to more than triple by 1997 presenting opportunities for frozen deserts, breakfast foods, meats, and juices.
- Christmas gift baskets containing consumer foods such as fresh grapes, marshmallows, wines, and snack foods are common in Guatemala and Honduras.
- Eco-tourism in Costa Rica has resulted in significant opportunities for consumer foods in the hotel and restaurant sectors. Developing tourism industries in other countries in the region may pose similar opportunities.

Exports Reach \$170 Million in '95



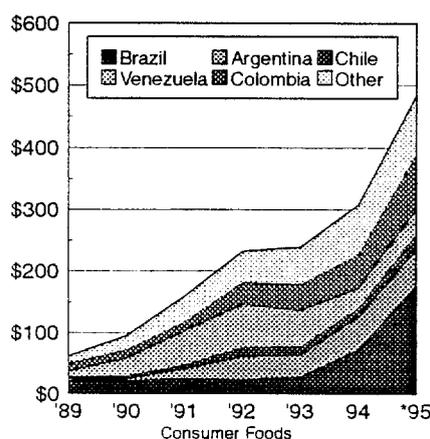
Other includes: Nicaragua, Belize, & El Salvador

USDA Foreign Agricultural Service

Snapshot: South America

- Exports soar 57% to South America approach \$500 million threshold
- Red meat & poultry account for \$75 million
- Records set for Snack Food (\$54 million +17%); Fresh Fruit (\$39 million + 19%); Processed Fruit & Veg (\$47 million +84%); Wine & Beer (\$72 million + 111%)
- Led by 146% increase in exports to Brazil - \$176 Million
 - Economic & exchange rate reforms take effect
- Pent up consumer demand for US product
- Rise of hypermarkets in Brazil and Argentina creates new food outlets

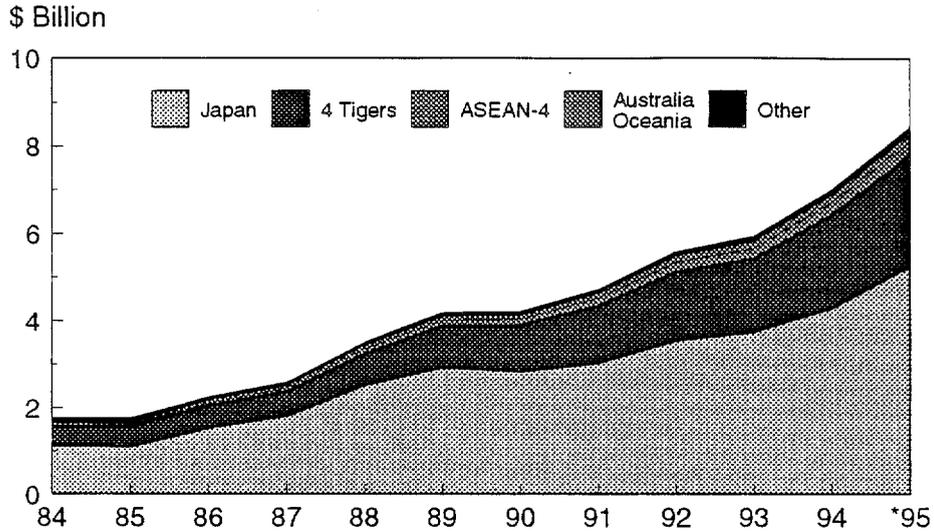
Exports Reach \$484 Million Record in '95



USDA Foreign Agricultural Service

Pacific Rim is Leading Regional Market for U.S. Consumer Foods

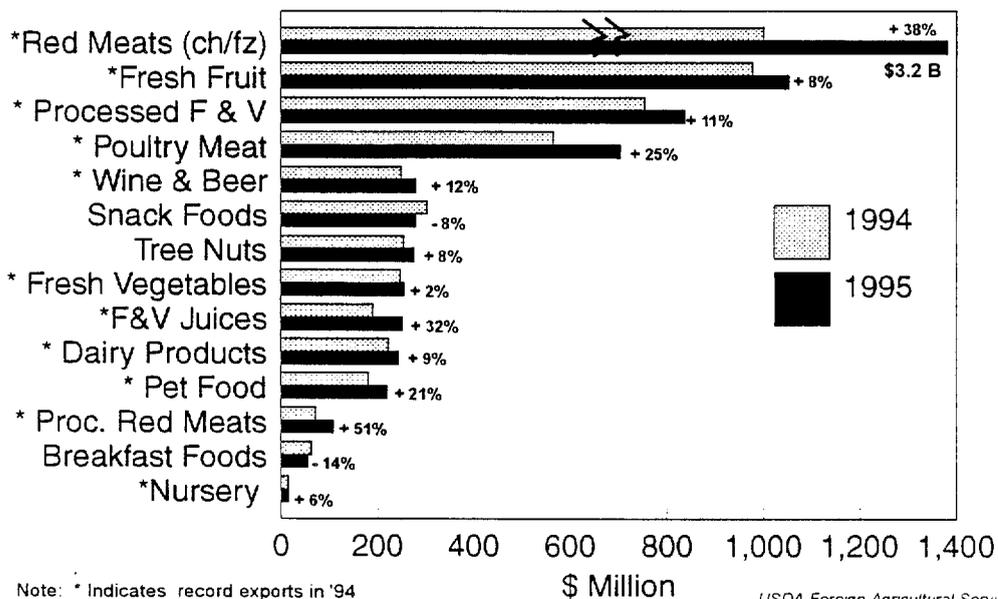
\$8.4 Billion Record in 1995 - 20 Percent Increase



USDA Foreign Agricultural Service

Broad-Based Product Growth for Pac Rim

Nearly All Categories Set Records in '95



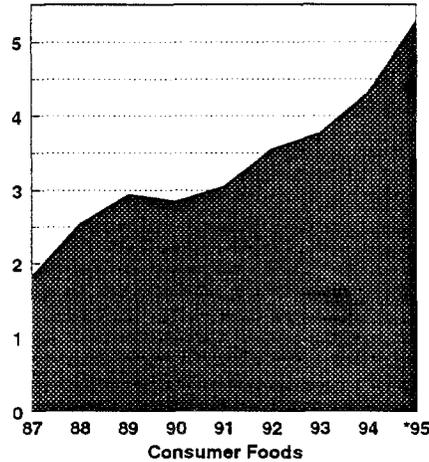
Note: * Indicates record exports in '94

USDA Foreign Agricultural Service

Snapshot: *Japan*

- U.S. exports to Japan rise 22% in '95, reaching a record \$5.3 billion
- New record sales reached in 13 categories
- Strong Yen lowers price of U.S. goods
- Price Conscious Consumer
 - trend toward discounting
 - shift toward cheaper cuts of beef
 - less eating out in high price venues
- More households headed by singles and more working women
 - aging population
 - increased demand for convenience
- Growing concern about diet and health
- Western-style foods popular and convenient, especially for teens, school children, and businessmen

Japan Became Largest U.S. Consumer Food Market in '94
\$ Billion

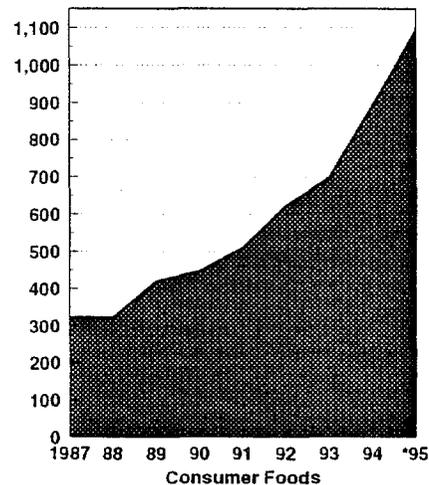


USDA Foreign Agricultural Service

Snapshot: *Hong Kong*

- Exports rise 22% in 1995.
- Record sales in 12 of 16 consumer food categories in '95 -- poultry, red meat, fruit, proc. F&V, beer best bets
- High incomes, large middle class with preference for U.S. products support growing demand for premium U.S. foods. Incomes to grow 5%/yr through '99
- Supermarkets, western diets, and restaurants fuel U.S. sales. Warehouse shopping has arrived
- 50+% of women work = more emphasis on convenience foods and eating out. Half of all meals eaten in restaurants
- Booming re-exports to China help fuel growth

Exports Reach \$1 Billion Record in '95
\$ Million

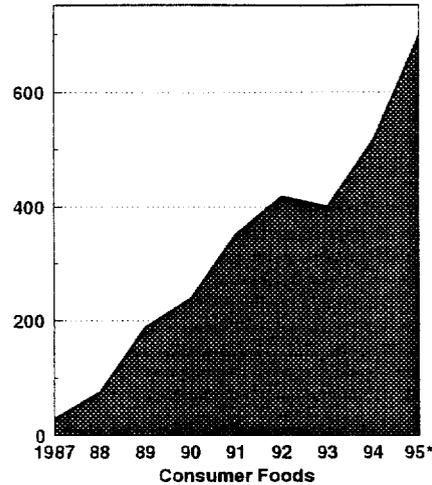


USDA Foreign Agricultural Service

Snapshot: South Korea

- 1995 U.S. consumer food exports rise 35%. New records for 11 of 16 categories
- Many grew by more than 50%
- Strong income growth past 6 years, Less hostility to imported foods fuel demand for western-style foods. Younger generation drives demand
- Red meat accounts for half of exports. Positive outlook for citrus fruit, processed fruit & vegetables
- Export sales hurt by high tariffs, quotas, licensing - automatic licensing for 200 food products by mid-90s should boost sales
- GATT agreement lowers tariffs and removes bans on some items. Still, trade policy issues loom large!
- Supermarkets growing - carry wide variety of imported foods. Hypermarkets arrive - bring lower food prices

Sales Reach Record \$697 Million in '95
\$ Million

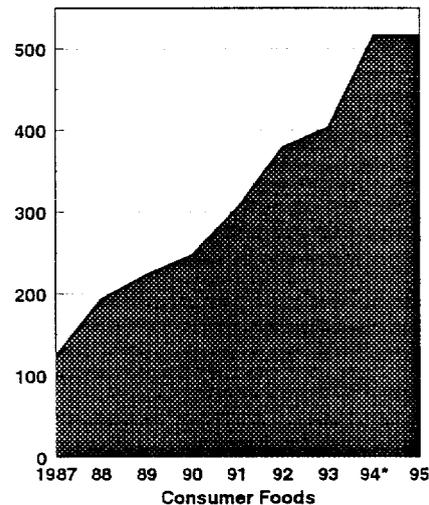


USDA Foreign Agricultural Service

Snapshot: Taiwan

- Consumer food exports 5 times higher now than ten years ago
- Record sales in 8 of 16 product categories in '95
- Red meats, poultry, juices, wine and beer had strongest growth in '95
- Country's economic success has led to low unemployment, more women working. Result: more emphasis on convenience foods, eating out.
- Best bets - single serving frozen foods, snacks, juices, beer, pet food - largest market for apples
- U.S. foods perceived as safer than local products by Taiwan consumers
- Supermarket chains expanding. Hypermarkets also present since '89
- Rising popularity of western diets

'95 Sales of \$516 Million Tie '94 Record
\$ Million

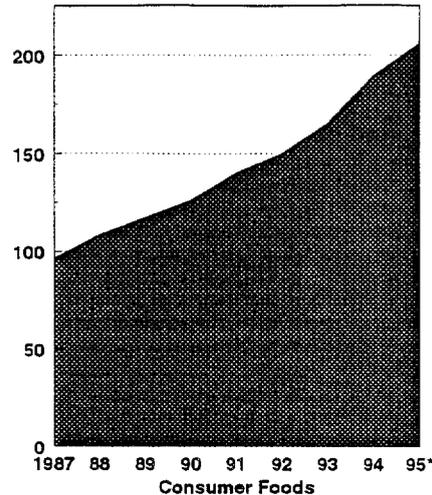


USDA Foreign Agricultural Service

Snapshot: Singapore

- U.S. exports rise 9% in '95 to record \$206 million. New records set in 7 of 16 product categories
- U.S. leading supplier of fruits, frozen vegetables, french fries, tree nuts, processed chicken, premium ice cream. Strong potential for introduction of snack items
- High incomes/standard of living. Half of female population employed; avg 9% increase in incomes for last 3 years, wealthiest nation in S.E. Asia
- U.S. brands appeal to high end of market, but competition abounds in lower end of market
- Fast food established, now family restaurants appearing (i.e., Tony Roma's, Chili's, TGIFridays)
- Major re-export market to ASEAN

Exports Reach Record \$206 Million
\$ Million

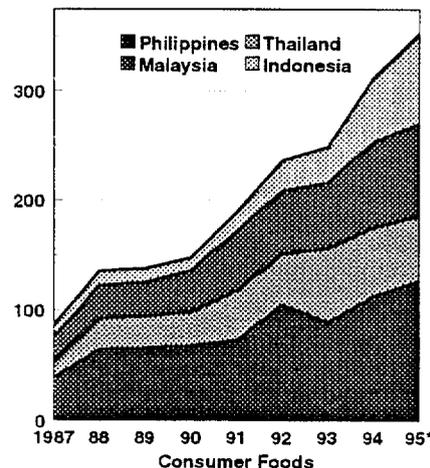


USDA Foreign Agricultural Service

Snapshot: ASEAN-4

- U.S. exports rising rapidly despite high tariffs (up to 60%), restrictive licensing, & bans. Liberalization slow but steady. WTO agreement will help markets grow faster than economic growth. Excellent growth market potential!
- Income levels deceiving, As a whole, still low, but among fastest growing in the world
- Middle class is the target market, i.e. higher income professionals, managers & business owners; 10-40K annual incomes estimated for 25-30 million (roughly 10% of population). Travel and education in the U.S. leads to preference for U.S. products
- Modern supermarkets, fast food/family restaurants continue rapid expansion

ASEAN-4 Sales Exceed \$350 Million
All but Thailand Reach Record Level
\$ Million



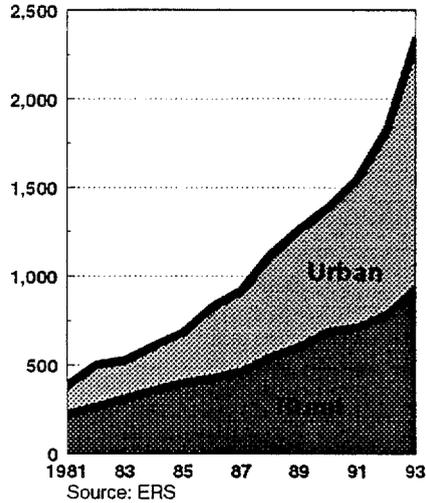
ASEAN-4 includes Indonesia, Malaysia, Philippines & Thailand

USDA Foreign Agricultural Service

Snapshot: China

- Direct U.S. Exports of Consumer Foods Approach \$70 Million in '95; ATO Guangzhou estimates up to \$500 Million Transshipped through Hong Kong
- Expanding Urban Middle Class Driving Demand
- Urban Population of Over 300 Million
- Potential Customers Estimated at 200 Million; 100 Million Earn 10-40K/yr (PPP-Adjusted)
- Target customer: Dual income, one child household, well educated, professional technical job
- Target Markets: Coastal Cities - Guangdong Province, Shanghai, Beijing, Dalian, Wuhan
- Popularity of Fast Food Restaurants
- Supermarkets spread and hypermarkets arrive

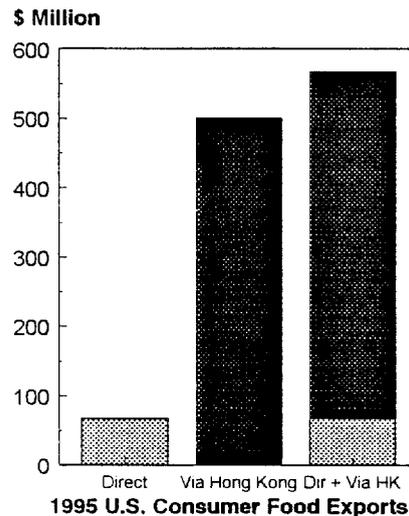
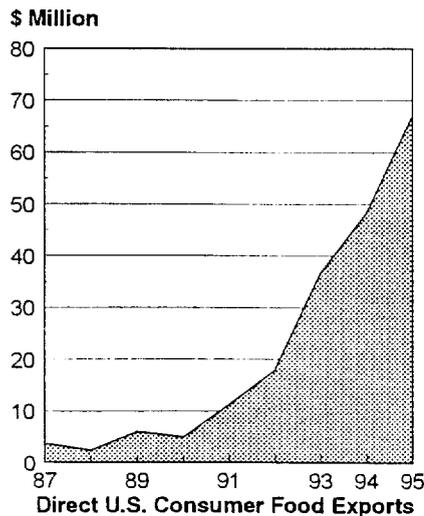
Rising Urban Income Drives Demand
Per Capita Income in Yuan



USDA Foreign Agricultural Service

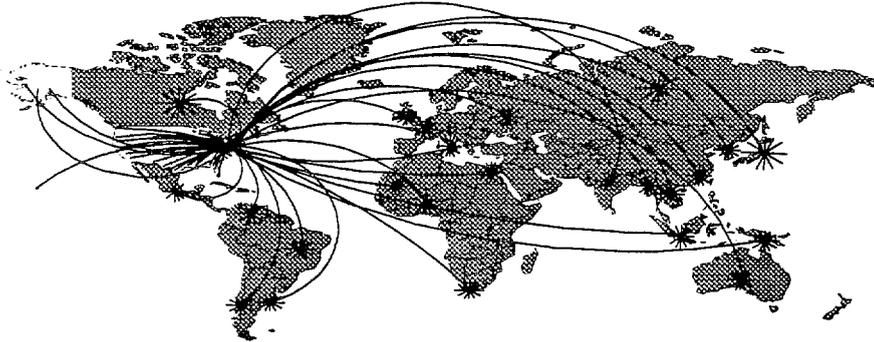
Snapshot: China

Total U.S. Consumer Food Shipments Makes China 7th Largest Market ... *Most Shipments Enter Via Hong Kong*



USDA Foreign Agricultural Service

FAS at Your Service
Bringing Global Market Opportunities Home



- ▶ **Helping to Develop New Markets for Your Product!**
- ▶ **Tapping into the World's Largest Network of Market and Foreign Competitor Intelligence!**
- ▶ **Breaking Down Overseas Market Barriers!**

FAS, USDA

Export Services at Your Fingertips...

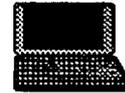
- ✓ **Trade Shows**
- ✓ **Trade Leads**
- ✓ **Export Promotion Programs**
- ✓ **Market Reports**
- ✓ **Subscription Magazines and Newsletters**
- ✓ **Technical Assistance**
- ✓ **Export Credit Assistance**
- ✓ **Online Information Access via Internet**

FAS, USDA

Where to Turn for Assistance:

- State Departments of Agriculture
- State Regional Trade Groups
- Cooperators

- FAS Home Page on the Internet
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VII. Presentation of A. Whitehead

“Impact of Food Quality and Safety Rules on International Trade of Developing Countries in Transition”

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**1996 ANNUAL MEETING OF THE INSTITUTE
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**IMPACT OF FOOD QUALITY AND SAFETY RULES ON
INTERNATIONAL TRADE OF DEVELOPING COUNTRIES
IN TRANSITION**

by

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**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
ROME, ITALY**

Abstract

IMPACT OF FOOD QUALITY AND SAFETY RULES ON INTERNATIONAL TRADE OF DEVELOPING COUNTRIES IN TRANSITION

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Food standards, guidelines and other recommendations of the Codex Alimentarius have been identified as the "benchmark" for requirements of food quality and safety in international trade by the terms of the Agreement on Sanitary and Phytosanitary Measures of the World Trade Organizations (WTO). Risk analysis based on sound scientific methods and evidence are required if food standards are to be applied at a higher level than those established at the internationally accepted levels, making food control for exported and domestically marketed food even more important today than ever before. A well structured, effective and efficiently administered national food control system is required to provide the necessary assurance to consumers that health and safety risks from food are minimized or prevented. These requirements have serious consequences for developing countries and countries with economies in transition, who lack the technical and financial resources to fully comply with these international trade rules, resulting in serious consequences in their ability to compete in the international markets. Technical and financial assistance is required to these countries to bring about the appropriate balance of their continued development and assuring a world wide safe and high quality food supply. This paper describes the important facets of these new events and the efforts of FAO to coordinate the necessary assistance needed to meet these requirements.

Key words: *Food Safety, Food Trade, Food Standards, Codex, Technical Assistance*

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IMPACT OF FOOD QUALITY AND SAFETY RULES ON INTERNATIONAL TRADE OF DEVELOPING COUNTRIES IN TRANSITION

Presented by
Anthony J. Whitehead¹

Introduction

Today, nearly 800 million people in the world, mostly from developing countries, suffer from malnutrition. Nearly 3 million children under age 5 each year die from diarrhoeal disease, including dysentery, mostly from poor quality and unsafe food and water supplies. As much as 25% of most childhood deaths are caused by inadequate diets leading to protein and energy deficiency and lack of key vitamin and minerals. Many developing countries lack the year round supply of the variety of foods necessary to sustain and maintain good health. These developing countries, consequently, continue to look to developed countries and international organizations for help.

The International Conference on Nutrition (ICN), which was held in Rome in December 1992, was attended by delegations from 159 countries and the European Union, along with delegations from 15 United Nations Organizations, 11 Intergovernmental Organizations, and 144 Non-governmental Organizations. After thorough discussion, the Conference unanimously adopted the World Declaration and Plan of Action on Nutrition and all attending countries pledged themselves to vigorous and concerted efforts to enable rapid implementation of this landmark document. This document called for, *inter alia*, recommendations for improving food production, processing and marketing to provide adequate supplies of high quality and safe food for all. The Conference emphasized the need for improved policies and programmes in food quality and safety and food based approaches to solve the problems of nutritional deficiencies.

In November of this year, FAO is hosting a World Food Summit of which the central theme is food security. It is another attempt to attract the attention of the world community to the problems of ensuring the year round availability of an adequate, nutritionally balanced, safe, high quality food supply for the world's population today and into the future.

The Codex Alimentarius Commission (CAC)

The world wide recognition of the importance of ensuring the quality and safety of food for the world's population and the important role of international food trade in economic, social and human development, led to the establishment of the Joint FAO/WHO Food Standards Programme in 1962. This Programme was implemented through the establishment of the inter-governmental body known as the Codex Alimentarius Commission (CAC). The global charter of the CAC is to protect consumer health and ensure fair practices in the food trade. It meets these responsibilities and obligations through the development and adoption of food

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standards, codes of practice, guidelines, recommendations, and other texts suitable for use as standards for food in international trade. The CAC also has the additional mandate to harmonize food standards developed by other organizations, including national governments, regional organizations and international governmental and non-governmental agencies.

The CAC is truly a unique inter-government and international body with 154 member countries. It is also the only international body in the food field that brings together government regulators, scientists, technical experts, consumers and industry representatives in both official and advisory capacities to help develop standards for food manufacturing and trade, including those for raw, semi-processed and processed products. Its standards are unique in that they are developed by consensus on a global basis on the basis of the best scientific and technical advice available. It follows therefore, that Codex Standards are the only credible reference points for foods in an international sense.

Counted among its achievements in the short period of its existence, the CAC has adopted over 237 international standards covering a wide range of food groups; Guidelines on maximum levels for 25 common contaminants of food; general standards for the labelling of prepackaged food and irradiated food; 3274 maximum limits of residues in food for over 185 major pesticides; the safety, efficacy, and maximum levels of use for over 780 food additives; maximum residue levels for 54 veterinary animal drugs; and, developed 44 codes of hygienic and technological practices concerning a range of food commodities.

The Uruguay Round of Multilateral Trade Negotiations (GATT/WTO)

The Uruguay Round of Multilateral Trade Negotiations on the General Agreement on Tariff and Trade (GATT), which were concluded in April 1994 and came into effect on 1 January 1995, included negotiations between countries on removing non-tariff barriers in subject areas of food safety and animal and plant quarantine, while still maintaining appropriate levels of protection for human, plant and animal health and life. The result of these negotiations was *The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS)* which covers all relevant laws, decrees, regulations, requirements and procedures including, *inter alia*, end product criteria; processes and production methods; testing, inspection, certification and approval procedures; animal and plant quarantine measures; provisions on relevant statistical methods, sampling procedures and methods of risk assessment; and, packaging and labelling requirements directly related to food safety. This Agreement is supplemented by *The Agreement (1994) on Technical Barriers to Trade (TBT)*, also part of the Uruguay Round package of agreements. Together, these two Agreements cover all aspects of food standards, including food safety and quality and additional concerns related to labelling and consumer fraud.

The Agreement on the Application of Sanitary and Phytosanitary Measures recognizes that while countries have the right to take sanitary and phytosanitary measures for the protection of human, animal and plant life, those measures should be applied only to the extent necessary to achieve their objective and be consistent with recognized scientific evidence. It states that these measures must not be applied in such a way as to create arbitrary, disguised or unjustifiable obstacles to international trade. As a point of reference, Codex Standards are presumed to meet the requirements of this Agreement as being both necessary for the protection of consumers' health and appropriate for use in international trade. Countries can, however, apply more stringent standards than Codex if they can show a scientific justification for the additional stringency and apply risk analysis methods in making this determination. The Agreement also asks governments to embark on a process of harmonization of their national standards based on Codex standards, guidelines and its other recommendations.

The Agreement on Technical Barriers to Trade is a revision of the Agreement of the same name first developed under the Tokyo Round of GATT Negotiations in the 1970s. The objective of the Agreement is to prevent the use of national technical requirements or standards in general as unjustified technical barriers to trade. It covers all types of standards, from the dimensions of tin cans to the performance of computer components. It also covers quality requirements for foods *except requirements related to Sanitary and Phytosanitary Measures* and a very large number of measures designed to protect the consumer against

deception and economic fraud. The Agreement basically says that all technical standards and regulations must have a legitimate purpose and that if there are two or more ways of achieving the same objective, the least trade-restrictive alternative should be followed.

Impact on Developing Countries

There is insufficient time during this forum to provide a detailed analysis of the impact of these trade agreements on developing countries. Certainly, there are positive and negative aspects and for some countries more positive than negative and for other countries more negative than positive. My intention today is to provide you with an overview of FAO's analysis of those elements which need to be considered when comparing international food trade requirements with the current ability of developing countries' to meet these requirements.

When viewed from a positive perspective, both the SPS and the TBT agreements and the significant role that the Codex standards and guidelines play in the implementation of these agreements, provide developing countries with defined levels of acceptability for quality and safety of food in international trade. It is better to have one standard than to have a different standard for each country to which you export. While meeting these requirements, food product quality and safety levels for food produced for domestic consumption are often improved as well. Through the facilitation of their trade, developing countries have opportunity to improve:

- their economies through foreign currency exchange;
- their employment opportunities are enhanced, often with higher *per capita* income for their workers;
- opportunities for technology transfer and development and other sustainable development measures are increased; and,
- success of programmes for overall human, economic and social development are generally more favourable.

When considering the negative impact of these agreements, acceptable international food quality and safety trading requirements often establish target levels which are often out of the reach of developing countries to achieve. It is like having a net to catch the fish, but it is too weak to allow the fish to be landed. For this reason, the requirements of the agreements are to be phased in over a 2-5 year period with the clock starting on 1 January 1995. Also for this reason, the agreements call for bilateral and multilateral technical assistance to be provided to developing countries as needed to assist them in meeting these requirements.

Technical Assistance Needs

When considering the ability of developing countries to meet international trade requirements, you must be aware that most developing countries lack the infrastructure needed in food quality and safety control. They lack the required resources to up-grade their technical capability and capacity. They need training, education and information for food control personnel in government, food quality control in industry and for consumers.

FAO has recognised these needs long before SPS and TBT and has taken the lead to assist developing countries since the early 1980s in building their food control systems where they are lacking and to strengthen and improve those systems where they do exist. It has been FAO's experience, after years of assessing developing countries food control activities, providing assistance through technical projects and training, that most developing countries have basic and common reasons for their inability to apply standards and other food control measures to protect their domestic consumers and ensure favourable attention in the international market place. From this experience, we have found the following factors to be key elements in categorizing their needs. They include:

- inadequate or out-dated legislation and regulations;

inadequate resources and/or failure to maximizing available resources;

failure to develop and implement a national food control strategy;

inadequately administered, implemented or managed food control programmes and activities;

inadequately equipped laboratories and inspectorate;

inadequately trained and technically deficient personnel; and,

insufficient coordination and cooperation amongst food control agencies, other concerned government agencies, the industry, and the consumer.

Since the early 1980s, some 300 or more projects have been implemented or executed by FAO to improve food control in nearly every developing country, including those countries which have been newly established and those that are in transition, such as Central and Eastern Europe following the break up of the Soviet Union. Some of these projects have been supported by or in conjunction with other cooperating UN agencies or donor countries. The projects have provided assistance at the national government level by:

assessing and evaluating the existing food control systems and recommending the need changes to make it more effective, at the same time determining their needs;

establishing or up-dating food control legislation and regulations;

strengthening food laboratory services by providing laboratory equipment, instruments, supplies, up-to-date methodology, personnel training, and facilitating technology transfer;

improving inspection activities, by providing equipment, developing inspection procedures using new approaches such as HACCP and conducting training programmes; and,

providing expert consultation in the areas of developing food control strategy, programme management, contaminants monitoring, import and export inspection and certification programmes, and training of food control officials at all levels.

FAO also operates a number of regional projects, some with support from other UN agencies. Through a joint FAO/UNEP project, a training network was established in Asia in Mycotoxin detection, prevention and control. Another training network was established in food control through a joint FAO/UNDP project, establishing training centres for food control programme management, food inspection, laboratory management, low acid canned food inspection and a training centre to train trainers of food control techniques and methods.

Among its many other activities, FAO has:

Organized and conducted conferences and workshop at the national, regional and global level for problem solving, defining issues, and recommending solutions related to food safety problems;

Organized and conducted expert and technical consultations on specific food control issues to provide expert, technical and advisory information to food control officials;

Recent examples are the Joint FAO/WHO Expert Consultation on Risk Analysis, March 1995, Geneva; FAO Technical Consultation on Food Fortification, November 1995 Rome; FAO Expert Consultation on Food Allergies, November 1995, Rome; and, FAO Expert Consultation on the Integration of Consumer's Interest in Food Control Programmes, June 1993, Rome.

Scheduled in the near future are Consultation on Biotechnology related to Food Safety, Risk Management, and Feedstuffs Safety and Safe Animal Feeding Practices.

Preparation and publication of reports, "How-to" manuals, study results and instructional materials, including technical and policy opinions services on a correspondence basis to enquiries received by the Organization.

FAO will continue to be a primary source of expertise and technical assistance in food control throughout the world. But we need your help and the help of donor countries, from government and non-government organizations, agencies and institutions. There is a lot to be done, and too few of us to do it. Resources are needed, both financial and technical to undertake the mission of making the world's food supply safe and in sufficient supply to defeat the pains of hunger, the effects of malnutrition and to improve the overall health of consumers everywhere. Thank you.

VIII. Presentation of B. Petersen

“Mastering a Maze of International Regulations”

**Barbara Petersen, Ph.D.
Principal
Technical Assessment Systems, Inc.**

IFT - MASTERING THE MAZE OF INTERNATIONAL REGULATIONS:

I am sure that everyone in this room agrees with me that with GATT, NAFTA and other similar agreements in removing monetary barriers we will find many countries becoming very creative in developing non-tariff trade barriers.

Is it currently happening....???

According to the USDA Foreign Ag Service

Almost 5 billion dollars worth of U.S ag exports were threatened, constrained or blocked last year at least half of that is in the area of limitations on market expansion and new markets.

And among the reasons cited for restricting our expansion and access to those markets FOOD SAFETY ranked first with plant health second.

Among the types of ag products that were constrained, PROCESSED PRODUCTS were more affected than any other product category...

(Which demonstrates the adage that just because you're paranoid doesn't mean they aren't out to get you!!!)

It won't surprise any of you that the problems are greater with some countries than others. According to FAS, the top ten "fortress" countries are:

South Korea, Japan, China, EU member states, Mexico, Brazil, Australia, Chile, Czech Republic and Argentina....

If your MBOs for this year include delivering product to any of those countries you have even more work to do....

Let me set the stage:

1. What are the types of trade issues that arise?

They vary from category to category - we recently looked at the outstanding trade issues for one category of foods - salad dressings and sauces.

SLIDE: WE FOUND DIFFERENCES IN REGULATIONS FOR AT LEAST 6 DIFFERENT AREAS INCLUDING:

- Standards of Identity
- Labeling
- Biotechnology
- General food safety issues
- Additives
- Pesticides

SLIDE: STANDARDS OF IDENTITY

SLIDE: LABELING

This is a fertile area for differences - but by and large these are not SPS issues -- they are nutrient labeling, health claims, ingredients ---and a key as to whether they are discriminating against your product is not so much whether their labelling requirements are the same as the U.S. (or other country) requirements but whether they require their domestic industry to do the same things they are requiring you to do...

SLIDE: BIOTECHNOLOGY

This is an area in transition regarding regulations in most countries. There is a current CODEX committee that is deliberating the labelling of foods made with biotechnology. Consumer education and opinion is going to be the key.

The debate is essentially between those who champion a consumer "right to know" and those who believe that mandated labeling should deal only with nutritional, health, or safety issues. The former group, including most European countries, argue that it is not necessary to demonstrate that a food derived from biotechnology differs in any significant way from a non-engineered counterpart; that consumers should have a right to decide for themselves whether they wish to consume such foods. They point as precedents to country-of-origin, organic, and religious labeling.

Opponents of across-the-board labeling of foods produced using biotechnology, including the U.S., argue that the "sound science" principles accepted by the Codex Commission require that all Codex guidelines, including those for labeling, must demonstrate a scientific rationale. They are that labeling should be required only when the engineered food differs from its parent in nutritional content or in handling or preparation requirements, or if it may pose a safety or health issue such as allergenicity.

This is a trade issue for the U.S., because the FDA has taken a very supportive posture regarding biotechnology and U.S. industry has developed a strong economic interest in this area.

SLIDE: GENERAL: HACCP; IRRADIATION, CERTIFICATION

SLIDE: PESTICIDES

SLIDE: WHAT FORCES AFFECT THE PROCESS:

- You need to get comfortable with the new jargon, particularly the CODEX and EU jargon.

SLIDE: CODEX (Definition)

SLIDE: RECENT EU ADDITIVE DIRECTIVES

Look at the European Union activities on salad dressing and sauces:
CODEX Draft General standard

SLIDE: CODEX DRAFT GENERAL STANDARD

Objective: If (maybe I should say when) you encounter one of these issues, what do you do? Let's begin with GATT and your opportunities under its provisions.

Fairness: The GATT treaty organized has two major agreements:

1. Technical Barriers to Trade (TBTs)
2. Sanitary Phytosanitary

Which fall under TBT and which under SPS? It would be too easy to say that labelling is a TBT and microbial levels is SPS. However, the determination depends upon the "objective of the measure" that is if the labelling is related to food safety it falls under SPS; if the regulation concerns issues such as positioning, letter size, nutrient content, grade, etc., it is TBT.

Likewise in the area of containers for the shipment of grains; its SPS if relating to fumigation or other treatment of these containers, i.e. disinfection in order to prevent the spread of disease; TBT is the regulation regards the size of the structure of the containers.

Specifically,

SLIDES: SPS - covers those regulations whose objective is: protection of animal, plant or human health or life from foodborne risks and animal and plant carried diseases.

Let's break them down further:

- Protect human life
- Protect animal life
- Protect plant life
- Protect a country

from Risks arising from...

- additives
- contaminants
- toxins
- plant or animal carried diseases
- disease causing organisms
- pests
- damage caused by entry, establishment or spread of pests

TBT covers technical regulations, standards and conformity assessment procedures:

- most labelling of food, beverages & drug products
- quality requirements for fresh food products
- packaging requirements for fresh food products

- packaging and labelling of dangerous chemicals and toxic substances

How are these agreements being implemented? Or more importantly for you, what is your recourse when they aren't implemented by a country you want to export to? The WTO succeeded GATT as the organization responsible for ensuring that the provisions of GATT are implemented and the CODEX ALIMENTARIUS was designated the authoritative body for developing principles, regulations, etc.

The WTO has designated CODEX as the authority body in determining sanitary and phytosanitary regulations thus it will be important to comply with CODEX if you are to prevail in a WTO dispute.

Many countries already rely on CODEX either by reference or by duplicating CODEX standards in their own national law. Eventually most will do so as they implement the terms of the GATT agreements.

Although, the CODEX regulations will not help you in many current disputes -- because many of the standards are under development, it is extremely important that you monitor the development of standards/regulations/principles/procedures by CODEX Committees and where appropriate make sure your issues are addressed.

I personally think that now is the time to have the most influence -- certainly the EU members states have determined that and are working very actively to ensure that CODEX regulations are favorable for their agricultural and food industry.

While CODEX has promulgated standards for a long time, its role has changed dramatically and also the pressure to move forward more promptly --- with increased transparency; with continued attention to scientific principles ---

The June 4, 1996, U.S. Federal Register summarized all of the major agenda items of each of the CODEX Committees --- it is more than 26 pages. if you don't have a copy and would like one leave me your card..

... Let me talk about one that I mentioned earlier in regards to the salads and salad dressings which should be of particular interest to you.

General Standard for Food Additives:

The June 4 FR identifies the food additives that are under consideration in several functional categories. A brief review highlights the lack of concordance with U.S. standards - in particular GRAS - some countries regard items we call GRAS as food additives and conversely others regard some GRAS substances as foods;

Time delay; requirement for JECFA to establish ADIs or determine that one isn't needed because the substance has no tox issues, etc....therefore.

you need to be planning ahead - to have substances placed on the priority list for review several years before you're ready to go to market.

General Standard for Contaminants --- discuss lead; others:

CODEX labelling --- now's the time to contribute to the discussion regarding biotech labelling --- once the wording has passed through the 8 laborious steps of CODEX it could be 20 years before significant changes will be made. It is important competitively and also for the credibility of the organization - unenforceable regulations are not good for anyone.

While these standards are being debated it is relatively easy to make suggestions; the authors are receptive to high quality solutions; the U.S. delegations are committed to the process and anxious to ensure that the regulations address the concerns of U.S. consumers (and thus of U.S. industry) However, we also have a huge problem because of our diverse population and business --- its very hard to reach a U.S. consensus -- but we need to remember that other trading blocks are reaching consensus and putting forward unified positions - with enough support to prevail.

Once the standards have been adopted by CODEX it will be much much harder to change them - remember each change will have to go through the full 8-step CODEX process --- and there will be a great reluctance to revisit issues that have been hotly debated.

We saw that this year at CCFAC with the impurities in salt standard India would have liked to see the standard changed --- but their actions came to nothing-- the issue had been debated in other years and although India didn't participate and now had good justification --- the rest of the group simply didn't want to start the process over without overwhelming reasons.

LIKewise IT IS IMPORTANT TO FOLLOW CODEX BECAUSE UNANTICIPATED DECISIONS DO GET MADE: At last year's CCPR meeting, the Committee acted in frustration because the manufacturer had not responded to requests for additional toxicological and residue data.

Pesticides - Folpet CODEX CXLs were removed -- not because of safety concerns but because of missing data ... you will see some countries adopt their own levels others will simply note that if there aren't CODEX MRLs it can't be used, in the meantime, the manufacturer has begun to develop the missing data.

Let me spend a couple of minutes clarifying the roles of various CODEX bodies --- it is complex and I'll only focus on those that have to do with our immediate topic:

CODEX is trying to follow the recommendation of separating risk management and risk assessment:

The risk assessment bodies are JECFA - Joint Expert Committee on Food Additives and JMPR - Joint Expert Committee on Pesticide Residues

The corresponding risk management bodies are CCFAC and CCPR.

However, the separation of duties has not been clearly defined and thus JECFA, JMPR, CCFAC and CCPR are all attempting to address the biggest current issue arising during the evaluations of the safety of food additives, food contaminants and pesticides:

For both pesticides and food additives, a major CODEX stumbling block is currently the evaluations of dietary intake and this has been an effective trade barrier for many countries for a number of years they simply state that our population's diets are sufficiently different that this will result in unacceptable exposure.....

And this is true (SLIDES showing difference in consumption and exposure: U.S., UK and Germany) -- food consumption is different, forms of the foods are different and it's possible that the levels of the additive/contaminant or pesticide are different

depending upon the ultimate methodology that is developed you will be able to understand, predict and handle this --- before you are detained.....and develop the necessary information to stop it from happening.

A few years ago, we handled an issue where Japan was maintaining that an American food had more cyanide than the Japanese variety ---- we conducted analytical work to demonstrate that, in fact, the levels were not different.... an approach that will be more effective with WTO than it was with the Japanese authorities.

- summarize joint consultation
- talk about the need for use level information - lack of mechanism at the moment - world wide vs. local.

Preventing An Issue:

Figure out what is going on in the country not only what regulations they have on the books but which they actually care about and enforce....

And who does the enforcing???? Who sets the regulations?????

Getting Help With a Dispute:

But do you always have to take a dispute all the way to the WTO??? ---- most of us would expect that by the time a WTO dispute is resolved we would be out of the related business....fortunately there are many less drastic ways to resolve trade issues:

Know the Country:

SLIDE

I have had more than one client go to the wrong agency to get assistance - if you need a pesticide tolerance in the U.S. FDA can't help you --- if you have a product detained - EPA can't help you!!! and so on.

Besides local experts, look at what's happening around you continuing the just because you're paranoid doesn't mean they're only after YOU what else do they have concerns about?

SLIDE: IDENTIFY THE CHEMICALS & ESTABLISH PRIORITY FOR ASSESSMENT

If you look at the U.S. Pesticide regulations and FDA's enforcement activities you will understand what they are concerned about - look at trends in the past 3 or 4 years - particularly in how they are handling imports:

A quick glance through the FDA detention records highlights a significant problems in the area of pesticide regulations. If you compare U.S. and Mexican pesticide/commodity listings you will find relatively few concordances

Although there are legitimate reasons --- manufacturers don't request tolerances or MRLs unless there are pest pressures sufficiently frequently to offer markets for the compounds.....but the way foods move it is a major problem.

SLIDE: COMMON DIFFICULTIES IN ESTABLISHING A PESTICIDE PROGRAM

This is a friendly warning -- many companies find pesticide issues to be an ongoing problem.

SLIDE: HOW DO YOU GET CONTROL

SLIDE: CHARACTERIZE YOUR PRODUCTS

SLIDE: WHAT CAN YOU DO?

If you need a particular pesticide to get effective control of a pest -- - it may be that the most cost-effective solution is to obtain a U.S. IMPORT tolerance or work to get MRLs elsewhere.

IMPORT TOLERANCES

SLIDE: WHAT IS A TOLERANCE???

SLIDE: WHAT IS THE ISSUE????

SLIDE: EXAMPLE

SLIDE: KEY ISSUES TO CONSIDER

SLIDE: DATA YOU'LL NEED TO GET AN IMPORT TOLERANCE

SLIDE: THERE ARE WAYS TO USE EXISTING DATA ---PARTICULARLY IF THERE ARE CLIMATIC SIMILARITIES, ETC.

IF you have products that have meat, milk, poultry and eggs:

There are sometimes issues regarding secondary residues....

SLIDES: ANALYTICAL SENSITIVITY:

SLIDE FOR ON-GOING COMPLIANCE MONITORING

Once you identify a discriminatory TBT/SPS problem: Get your documentation together.

What is the problem? How much will it cost you to comply with the country's unreasonable demand (and this can include the cost of reformulating a product, etc.)

Contact the Foreign Agricultural Service to review options - they have a variety of options running from discreet behind the scenes calls to bilateral negotiations to bringing a full blown WTO case. They - like all governments and companies - have limited resources - and thus must set priorities - without better reason probably based on the \$ volume of the problem --- but there are other reasons as well.... but they are responsible for making sure that the GATT agreements are adhered to and that American food products aren't restricted from international markets.

SLIDE: SUMMARY

KNOW:

- Regulations --- and don't be afraid to bring a protest!!!
- Residues
- Monitoring program
- Source of commodities -- and likely issues --- ignorance isn't going to make for better business opportunities

S U S T A I N

SHARING UNITED STATES TECHNOLOGY TO AID IN THE IMPROVEMENT OF NUTRITION

.....

SUSTAIN is a unique resource in mobilizing volunteers from the U.S. food industry to address international humanitarian and business needs. Founded in the late 1970's by the U.S. food industry and the U.S. Agency for International Development, SUSTAIN works to improve the quality, safety, and availability of food in developing countries. SUSTAIN combats the interrelated problems of hunger, diseases related to malnutrition and micronutrient deficiencies, poverty, and environmental degradation.

Many developing countries produce sufficient food, but it goes to waste due to a lack of food preservation technology and knowledge. Wasted food unnecessarily burdens the land, water, animal and human resources deployed for its production and introduces biological and chemical contaminants to the environment. Poor preservation techniques and unsanitary manufacturing conditions hamper the progress of many small food processing businesses. Through SUSTAIN, people in developing countries who are working to solve their own problems reach out to request assistance and expertise. SUSTAIN links these needs with skilled volunteers and staff, drawing upon many specialties and scientific disciplines.

More than 200 highly-skilled business executives and technical specialists are active as SUSTAIN volunteers. They have knowledge in such fields as food processing, preservation, packaging, fortification, microbiology, laboratory technologies, nutrition, pollution prevention, waste utilization, quality assurance, and marketing. SUSTAIN works with a variety of businesses, associations, scientific institutions, non-profit groups, and governmental agencies in developing countries. By addressing problems together, SUSTAIN volunteers and their developing country counterparts foster on-going business and professional relationships.

CAPACITY BUILDING CRITICAL TO SUSTAINABLE DEVELOPMENT

SUSTAIN's work is founded on the belief that improving nutritional well-being in developing countries is critical to achieving sustainable development. Building the capacities of local businesses and organizations contributes toward that goal. Through education, the application of appropriate technologies, and one-on-one problem solving, SUSTAIN volunteers help make food in developing countries safer, diets more diverse, and businesses and economies more viable. As a result, SUSTAIN's assistance contributes significantly to achieving these countries' nutrition, public health, economic growth, and environmental goals.

SUSTAIN's record of success increasingly is recognized nationally and throughout the world. Through the generosity of its sponsors at USAID's Office of Health and Nutrition, foundations, corporations, volunteers, and international participants, SUSTAIN continues to grow in size and significance. In conjunction with its partners in developing countries, SUSTAIN is creating a series of educational programs for ongoing delivery to their food industries. And in 1995, SUSTAIN began working with USAID to assess micronutrients used to fortify U.S. donated food for peace commodities and to suggest ways to reduce potential losses of nutrients in these foods.

As its resources are limited, SUSTAIN reviews assistance requests on a priority-needs basis. Guidance to SUSTAIN is provided by a steering committee representing a cross-section of the U.S. food processors and scientific institutions. When it responds to a request for assistance, SUSTAIN typically funds international travel costs, while USAID missions or host organizations provide in-country costs. SUSTAIN does not fund product or equipment purchases, nor does it provide financing for projects. For further information or to receive the food technology periodical, *SUSTAIN Notes*, please write:

.....

SUSTAIN

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