

FOODLINK

U.S.

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IT'S A SMALL WORLD

International buyers have a lot to gain by working with smaller U.S. food companies.

In 2009, the United States exported about \$1.57 trillion in goods and services, such as food, technology, and health equipment. The present goal: at least \$3.14 trillion by 2015.

Small companies in particular have a huge opportunity for increasing exports. Only about 1% – or 280,000 – of small businesses currently export; and 59% of those export to only one country.

U.S. President Barack Obama has recognized the discrepancy, and he is encouraging more small firms to get involved. In his State of the Union address at the beginning of 2010, President Obama announced a National Export Initiative (NEI) to help businesses — particularly small businesses and farmers — increase exports.

During a September 16 meeting with his newly founded President's Export Council, President Obama said that boosting American exports was a top priority and reiterated his goal of doubling U.S. exports during the next five years.

FLEXIBILITY AND MORE

Naturally, the NEI represents significant opportunities for overseas companies to capitalize on importing from smaller U.S. food companies.

And, according to several executives entrenched in the business, there are notable advantages when dealing with smaller companies.

Karl Brown, president of SB Global Foods, Inc., based in Lansdale, Pennsylvania, is one proponent of exporting with smaller companies. SB Global Foods is a manufacturer, distributor, and exporter of Pretzel Pete snacks, a line of gourmet, seasoned pretzel products that are sold in the U.S. and actively marketed in more than 20 countries overseas.

“We find that importers appreciate working with us, as a smaller-sized U.S. company,” notes Brown. He cites the “five biggest advantages” that importers can gain from such collaboration:

- First, Brown says, is flexibility. “We are able to meet their local



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IT'S A SMALL WORLD *Continued*

packaging and ingredient requirements. Instead of forcing our square peg into the importer's round hole, like so many large U.S. food manufacturers, we are adept at sanding off the edges and meeting the importer's local requirements."

- Another advantage, according to Brown, is in the realm of order sizes and mixing containers. "We will accept smaller-sized orders and willingly consolidate our orders with other U.S. suppliers into one container to save shipping costs for the importer," he notes.

- Logistics flexibility is an important benefit for importers, too. "Some large U.S. food manufacturers will restrict which shipping lines or freight forwarders can be utilized to transport their exports," Brown points out. "This often has a negative cost and transit time impact on the importer. Smaller exporters such as SB Global will work with the importer to identify the most cost- and time-effective logistics solution on each shipment."

- Pricing is another area where smaller exporters may stand out, continues Brown. "Surprisingly, many small U.S. exporters are much more price-competitive than some large U.S. food manufacturers, despite the significant economies of scale



enjoyed by the big guys."

Brown says there are two reasons for this: First, many large U.S. food companies have large "sunken" costs, including marketing and overhead, which are often more than the production cost savings. Second, some large U.S. companies purposely maintain consistent pricing between their U.S. and export pricing in order to avoid any risk of their export products being diverted back into the U.S. and creating havoc with their

U.S. pricing programs. Smaller companies, he notes, who are not as worried about diversion, can "back-out" many of the U.S.-based costs, such as brokerage, trucking, and advertising, and provide a net-net export price that is significantly lower than their U.S. pricing.

- Finally, Brown says, "smaller U.S. food companies can offer marketing/advertising support through the Market Access Program (MAP), a program that is not offered to larger manufacturers who don't meet the Small Business Administration's definition of a small business."

THE 'EXCLUSIVITY FACTOR'

At 34 Degrees, a Denver, Colorado-based company that makes crispbread crackers and exports them to Canada, founder and president Craig Lieberman sees many advantages to working with small companies, as well. "The benefits to the retail buyers in Canada who carry our line include the relative ease of importing a product from the U.S., the ability to sell a high-quality, unique product that is not made locally, and a package that meets all their requirements, [as] we ship product to Canada that has French/English labeling," he says.

Outside of the U.S., there are plenty of voices of support for working with small companies. Mark Dundon is marketing director at Dublin-based M&D Ltd., one of Ireland's leading suppliers of soft drinks, fruit juice, bottled water, biscuits, and confectionery. He says, "It is of benefit to us to import from the U.S., because the price can be quite competitive on certain categories such as confectionery when the exchange rate is good."

The cachet of American products is another benefit for importers who deal with smaller American companies, according to Dundon, who notes, "The Irish love American soft drinks and confectionery products, so I am always on the lookout for them."

Jane Donnelly is the principal at American Food and More Store, another Dublin company that imports from smaller American food companies. She cites a Burlington, Massachusetts company called Cherrybrook Kitchens that has sparked interest overseas because



SEE YOU AT THE TRADE SHOWS

Looking for the latest products from small U.S. food and beverage makers? International trade shows are the leading physical venues for international buyers to acquaint themselves with food products from smaller American companies and the benefits to be derived from importing them.

Executives at Nonni's Food Co., Inc., based in Tulsa, Oklahoma, say they have found trade shows to be critical to building the company's export business.

of the "exclusivity factor" of its line of wheat-free and gluten-free mixes, cookies, and frostings. "I see this as a line of interest because of the lack of availability of anything like this in Ireland and Europe."

GLOBAL BRANDING

Another food company that produces trademark goods is Nonni's Food Co., Inc., based in Tulsa, Oklahoma. Nonni's was built on the tradition of a family biscotti recipe from Italy, and has expanded its business to include baked goods such as New York Style Bagel Crisps, Pita Chips, and Panetini.

"Our company feels that international growth corresponds with the whole global strategic branding process," says Lee York, Nonni's international division manager. The company began exporting seven years ago.

York points out several benefits to international buyers of Nonni's products. "Two of our brands have a long shelf life and broader snacking appeal, making them very conducive to global expansion. We [also] recognized that we produce a commodity that cannot be produced where we ship, which has opened a lot of doors for us overseas." ★

LA DOLCE VITA

Midwesterners are making Mariano's Fresh Market a social event.

When folks think of a night out, it's unlikely that the neighborhood grocery store comes to mind. But that's just what shoppers in one Chicago, Illinois suburb are thinking, now that Mariano's Fresh Market has made its long-awaited arrival.

The store is the first of several planned by Milwaukee, Wisconsin-based Roundy's Supermarkets for its foray into the Chicago market.

At 66,000 square feet, Mariano's features more than 900 varieties of produce from local farmers and beyond, artisan breads, a service meat counter with 30 types of sausages made on-site, seafood featuring items available within 24 hours of being caught, made-to-order sushi, and more.

"The thing that really caught me by surprise was people who come in with their kids at the dinner hour," declares Steve Jarzombek, Roundy's VP of merchandising. "It's an event for the family. They get their pizza, sit down and play some games, get some gelato, and do their grocery shopping. We're busy until 8:30 or 9 p.m. A lot of college kids come between 8 and 10 — they love the gelato. It's a complete social experience."

That's something that's been driven home for Bob Mariano, Roundy's chairman and CEO, since the market opened in July 2010 in Arlington Heights, Illinois, an upper-middle-class community located 25 miles northwest of downtown Chicago.

VISION FULFILLED

The store's name pays homage to the vision and Italian culinary heritage of CEO Mariano, who took the helm of Roundy's in June 2002 after a 28-year industry career.

Vivian King, Roundy's director of public affairs, says the store captures all that Mariano was striving for when plans first got underway. "He envisioned a full-service grocery store for Chicago shoppers that provides them with one-stop shopping, to

address all their needs. The store combines a high-quality shopping experience with competitive pricing," King says.

And because this store bears Mariano's name, King adds: "It has an even more unique commitment of the CEO. It is



his vision, and he is totally committed to making sure it succeeds and learning from it so that we may use best practices in our other stores."

During the planning phase of the Arlington Heights store, Mariano, along with a team of Roundy's executives familiar with the Chicago market, did extensive market research. "The team consulted with a variety of local restaurateurs to develop the fresh offerings in Mariano's," King explains.

Most shoppers' first impression of the store is the produce section, which features high ceilings and an open, rustic, farmers' market feel. "We want every customer to stop and shop as if they were at a farm stand. It's a very European shopping

experience," Mariano says, noting an abundance of European immigrants among the store's clientele. "They love it — it feels like a bustling market square."

From produce, the market's main drag is bracketed by a sumptuous prepared foods area — including a gelato and fried dough bar, salad bar, brick pizza oven, and carving station with entrees and custom-made sandwiches — and the bakery, which delivers in-house offerings, cakes decorated to order, and local favorites brought in from ethnic bakeries in the area.

Mariano says the store brings a number of firsts to its market. "I don't know anybody else who has a gelato bar," he says. "I don't know anybody with a sushi chef on premise to make real sushi."

DIVERSE ASSORTMENT

Moving into center store, or the area with dry packaged goods, Mariano points out the large overhead pricing signs that stress what he says is the great value this market delivers. "We identify special items customers are aware of and price them — not cheapest, but well," he says. "Comments we get from customers are that our pricing is good."

The pricing spectrum ranges from the Clear Value label on the low end, Roundy's own private brand in the middle, and name brands on the high end.

For many folks, price isn't the only driver, according to Mariano. "The consumer is really aware of their choices and what they want to buy," he says.

For example, the Mariano's daily low price for a gallon of whole milk is \$1.99, but "we struggle to keep organic milk on the shelf," Jarzombek says. Similarly, Mariano's prices a dozen large eggs at 99 cents, but shoppers routinely clear out the two full doors of natural, organic, and cage-free eggs priced at up to \$2.79 a dozen.

"It's not all about pricing — folks want to eat good foods," Jarzombek says. "It's an evolution in the food industry." ★

Calendar of Events

APRIL

26-29: Seoul Food 2011*
Seoul, Korea
KINTEX
www.seoulfood.or.kr

MAY

5-6: Symposium on Fine Food and Drink*
Munich, Germany
www.symposium-feines-essen-und-trinken.de

11-13: SIAL Canada*
Toronto, Canada
Metro Convention Centre
www.sialcanada.com

11-14: HOFEX 2011*
Hong Kong, China
Hong Kong Convention & Exhibition Centre
www.hofex.com

18-20: SIAL China*
Shanghai, China
Shanghai New International Exhibition Centre
www.sialchina.com

18-20: International Food Ingredients and Additives Exhibition*
Tokyo, Japan
Tokyo Big Sight
www.ifiajapan.com

21-24: National Restaurant Association Show*
Chicago, Illinois
McCormick Place
www.restaurant.org/show

24-26: Sweets and Snacks Expo*
Chicago, Illinois
McCormick Place
www.sweetsand-snacks.com

** Food Export Association of the Midwest USA and Food Export USA-Northeast will be at this show.*

FEATURED PRODUCTS

Popping fun

Jolly Time, a brand synonymous with popcorn since 1914, has launched a new flavor called



Homemade.

This microwave popcorn with the taste of stovetop popped popcorn is drizzled with real butter and lightly salted. Sioux City, Iowa-based American Pop Corn Company, the maker of Jolly Time, has also introduced an innovative bag that goes from bag to bowl with just a pull of a string. Jolly Time is currently sold in more than 40 countries worldwide. Its top-selling flavors include Blast O Butter, Big Cheez, FunMania, and Healthy Pop. For more information e-mail info@foodexport.org.



Sweet presentation

Palmyra Trading, based in Chestnut Ridge, New York, now offers a full line of D&P (Dryden and Palmer) specialty sugar, including Rock Candy on strings, sticks, and as loose crystals. The products are specifically designed for sweetening coffee or tea, making them ideal for hotels and restaurants. All D&P products are made with 100% pure sugar cane. A variety of packaging is available. For more information e-mail info@foodexport.org.

Treasures of the sea

Painesville, Ohio-based OmegaSea, Ltd., manufacturer of OmegaOne premium fish foods and aquarium accessories, has introduced OmegaOne Super Color Vacation Feeders. When placed in an aquarium, these small white shells slowly dissolve, revealing food for fish. Like all OmegaOne fish foods, they are made with fresh seafood instead of fishmeal. They contain premium color-enhancing pellets made with ingredients such as salmon, herring, and halibut. OmegaOne Super Color Vacation Feeders are available in both three- and seven-day shells. For more information e-mail info@foodexport.org.



All-natural ketchup

York, Maine-based Stonewall Kitchen offers an all-natural Country Ketchup among its selection of gourmet preserves and condiments. The ketchup features a smoky homemade flavor and chunky texture that goes well with burgers and fries, but can also be used with shrimp cocktail, eggs, and other dishes, according to the company. Stonewall Kitchen was launched in 1991, when its founders, Jonathan King and Jim Stott, took jars of preserves to a local farmers' market. Since then, the company's products



have received accolades from the National Association for the Specialty Food Trade (NASFT) and other organizations. For more information e-mail info@foodexport.org.

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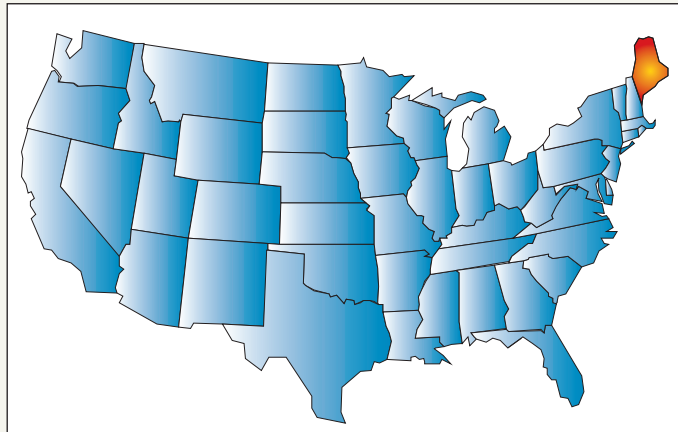
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STATE SPOTLIGHT: Maine



✓ Maine's nearly 8,000 farms are the stewards of 1.3 million acres of land.

✓ Farms across Maine supply niche markets with organic produce and meat, and value-added products, as well as fiber products.

✓ Maine is the largest producer of brown eggs and wild blueberries in the world, and ranks eighth in the U.S. in production of potatoes and second for maple syrup.

✓ Maine ranks second in the New England region in milk and livestock production.

✓ The region is home to many small- and medium-sized renowned manufacturers of condiments, jams, confectionary products, cheeses, baked goods, and organic foods.

✓ In 2009 Maine exported nearly \$83 million in processed food products, with top markets including

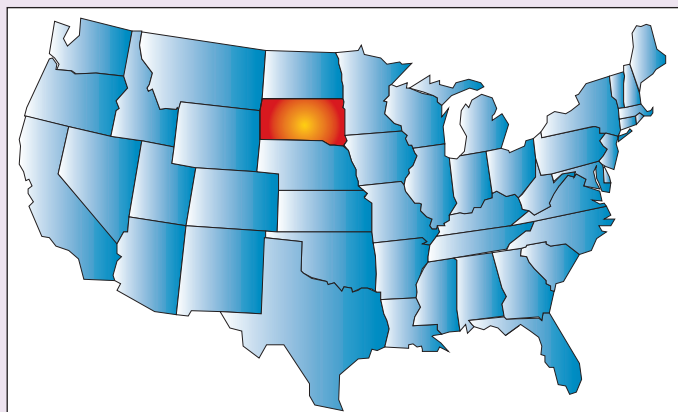
Canada, Mexico, China, Guatemala, Japan, and Hong Kong.

✓ In 2009 exports of fish and seafood from Maine added up to \$180 million, ranking fifth in the nation.

2009 TOP AGRICULTURAL EXPORTS:

WOOD PRODUCTS	Total Value: \$219.5 million
LOBSTER, FRESH, CHILLED & LIVE	Total Value: \$110.2 million
SALMON, FRESH & CHILLED	Total Value: \$33.5 million
POTATO PRODUCTS, PREPARED & FROZEN	Total Value: \$25.3 million
CHICKEN MEAT, PREPARED & PRESERVED	Total Value: \$24.3 million
BLUEBERRIES & OTHER BERRIES, FRESH	Total Value: \$20.1 million
MOLLUSCS, FRESH, CHILLED & LIVE	Total Value: \$19.6 million
MUCILAGES & THICKENERS, DERIVED FROM VEGETABLE PRODUCTS	Total Value: \$10.1 million
FRUITS & NUTS, FROZEN	Total Value: \$6 million
SCALLOPS, FRESH, CHILLED & LIVE	Total Value: \$5.9 million

STATE SPOTLIGHT: South Dakota



✓ There are more than 31,300 farms in South Dakota. The state has 43.7 million acres of farm and ranch land, which account for 90% of the state's total land.

✓ South Dakota is the first state to have a government-initiated certified beef age and source verification program, South Dakota Certified™.

✓ As a leading livestock state, South Dakota ranks near the top in several production areas, including

bison, pheasants, honey, and sheep and lambs.

✓ South Dakota's main crops are hay, wheat, corn, and soybeans.

✓ South Dakota is ranked in the top 10 nationally in crops such as alfalfa, flax, sunflowers, oats, and wheat.

✓ South Dakota exported \$312.3 million in processed foods in 2009; the largest markets were Mexico, Canada, the Philippines, Japan,

and Hong Kong.

2009 TOP AGRICULTURAL EXPORTS:

DISTILLER'S GRAINS	Total value: \$85.7 million
FATS OF BOVINE ANIMALS	Total value: \$47.9 million
PORK HAMS & SHOULDERS, BONE IN, FRESH & CHILLED	Total value: \$43.4 million
SOYBEAN OILCAKE	Total value: \$43.4 million
PORK MEAT, FROZEN	Total Value: \$39.7 million
PORK MEAT, FRESH & CHILLED	Total Value: \$25.5 million
SOYBEAN FLOUR AND MEAL	Total value: \$24.3 million
WOOD PRODUCTS	Total Value: \$23.9 million
ETHYL ALCOHOL & OTHER DENATURED SPIRITS	Total Value: \$18.2 million
BEEF, BONELESS & FRESH & CHILLED	Total Value: \$15.8 million
PORK OFFAL, EDIBLE FROZEN	Total Value: \$14.4 million
ANIMAL PRODUCTS	Total value: \$10.6 million
HIDES, SKINS & LEATHER	Total Value: \$8.2 million
DOG & CAT FOOD	Total Value: \$7.8 million

NEWS BRIEFS

The United States' oldest grocer, the Great Atlantic & Pacific Tea Co. (A&P), has filed for Chapter 11 bankruptcy protection after years of struggling with debt, falling sales, and rising competition from low-priced food retailers. The **Montvale, New Jersey**-based company operates 395 stores in eight states under such banners as A&P, Pathmark, and Super Fresh. In its filing in bankruptcy court, A&P listed total debts of more than \$3.2 billion and assets of about \$2.5 billion.

Salisbury, North Carolina-based Food Lion, which is part

of the Delhaize Group, has developed a mobile application that allows customers to access weekly specials, new recipes, and store directions by using their iPhone, iPad, and iPod devices. The new tool was developed in partnership with Mercatus USA.

U.S. FOODLINK SUBSCRIPTIONS

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TRENDS TO WATCH IN 2011

As the United States begins to emerge from recession, restaurants are seeing lapsed customers return. But this isn't the same restaurant industry as before, according to Technomic, a foodservice research and consulting firm based in Chicago, Illinois. Big changes are on the way.

Here are a few of Technomic's predictions of the top trends emerging in 2011:

♦ **Action in adult beverages.** As Americans decide they're once again ready to celebrate, we'll be seeing lots of action in retro

cocktails, high-cachet gin and bourbon, craft beers, and punch (including sangria).

♦ **Beyond bricks-and-mortar.** "Food trucks," or to-go eateries that operate out of trucks, were a fad in Los Angeles and Manhattan a year ago; now they're proliferating around the country.

♦ **Farmers as celebrities.** Restaurants will feature their celebrity suppliers by offering special menus, inviting them to comment on blogs, and even hosting visits.

♦ **Social media and technology.** We'll see constant changes in applications for marketing and operations in 2011.

♦ **Back to our roots.** Consumers' hunger for comfort food will result in homestyle Southern fare, from grits to seafood; retro Italian; gourmet donuts and popsicles for dessert; family-style service formats; and family-size portions.

♦ **New competition from c-stores.** Retailers have been encroaching on restaurant turf for some time, but now the hottest action is among convenience-store operators upgrading their foodservice, where margins are 40% to 60% instead of the 5% typical for gas.

MISSION STATEMENT

The U.S. Foodlink newsletter and e-mail bulletin are brought to you by the Food Export Association of the Midwest USA and Food Export USA – Northeast, two state regional trade groups located in the U.S. that promote exports of U.S. food and agriculture. Through a partnership with *Progressive Grocer*, U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

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