EXPORTING TO THE EU

EXPORT GUIDE & ACTION PLAN

PROCESSED & SPECIALTY FOODS

Contents

INTRODUCTION AND BACKGROUND

This export guide and action plan is one of a series of deliverables from the project *Building Private Sector Capacity to Increase Exports* sponsored by the Barbados Private Sector Association (BPSA), through the support of the Inter-American Development Bank (IDB). As the project title suggests, it is intended to elaborate possible opportunities for building export capacity among Barbadian producers to access the EU market, within the context of the Economic Partnership Agreement (EPA). Based on five months of extensive secondary research conducted in 2012, as well as consultations with Barbados based stakeholders and the Project Steering Committee, which is comprised of leading private sector associations, the research is part of a series of four projects that will strengthen the BPSA in its role as a key participant in public policy debates affecting private sector development; while increasing awareness of changes and challenges that confront the sector. The four component projects involve:

- Improving private sector development and competitiveness;
- Providing information on the challenges and opportunities of the EPA to business owners, managers and workers;
- Building capacity to increase exports; and
- Supporting the Institutional strengthening of the BPSA.

The purpose of this report is to propose an export guide and action plan for the enhanced positioning of the Barbadian processed and specialty food sector within the European Union (EU); in order to take advantage of the new market access opportunities created by the Economic Partnership Agreement (EPA). The EU is a unique economic and political partnership between 27 countries. Operating as a single market, the EU is a major world trading power with an estimated GDP of €12,268,387 million in 2010.[1] With just 7% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports. The EU is the world's biggest exporter and the second-biggest importer. Approximately two thirds of EU countries' total trade is done with other EU countries. The United States is its most important trading partner, followed by China.

This action plan is based on a sector study completed earlier with a special focus on the market prospects for Barbadian producers in the EU 27; including an assessment of the value chain for processed food and the market opportunities and market access requirements for food products. The research outcomes formed the basis of a focus group discussion with stakeholders, which was vital to the completion of the proposed action plan. The major focus of the earlier sector study and consultations was the compilation of technical regulations which Barbadian exporters are required to meet in exploring their potential to export to the 27 member states of the EU. EU market requirements can be legal requirements or non-legal requirements. Legal requirements, otherwise known as technical regulations are trending towards harmonization across EU states and represent the minimum requirements that products marketed in the EU must meet. Products that fail to meet these requirements are not allowed on the EU market. Non-legal requirements offer buyers and producers

[1] http://europa.eu/about-eu/facts-figures/economy/index_en.htm

various options in the form of standards and may have varying preferred status across countries. Non-legal requirements go beyond legislation, as companies (buyers) can go further in their requirements than legislation. The main categories of additional requirements are environmental requirements and social (labour) requirements.

The difference between a standard and a technical regulation therefore lies in the issue of compliance. While conformity with standards is voluntary, technical regulations are by nature mandatory. While the research focused on harmonized mandatory regulations enshrined in legislation and immediately pending future legislation, exporters are advised that additional national legislation and specific buyer requirements for particular marketing channels may also apply.

There is an abundance of EU legislation which could potentially affect food products seeking entry to Europe Many producers view these legislative hurdles and technical standards as technical barriers to trade. However, these regulations are imposed equally on EU producers and it is also possible to make the case for the need for these market requirements in order to regulate the protection of consumers and the environment from potential dangers. At the very least, where Barbadian producers are interested in positioning themselves to take advantage of the potential market opportunities, they will have to familiarize themselves with these market requirements in order to engage European buyers in dialogue. The significant responsibilities which buyers hold under European law and the high levels of accountability to which they are held are an important feature of the market requirements. This means that engaging buyers in early dialogue provides the basis for successful market entry and future collaboration. The EU business environment is very dynamic and responsive to both the high levels of advocacy and lobby on the part of its producers and also the general welfare of its citizens. Legislative changes are ongoing. Exporters are therefore advised to remain in close communication with potential buyers on all issues pertaining to prospective market entry.

This export guide and action plan begins with this introduction and background to the plan's context, including definitions and an overview of the value chain for processed food development. This is followed by a situational analysis of the sector in Barbados. An overview of the EU market for processed food products is followed by a brief summary of the opportunities arising from the EPA agreement. A review of the export profile for selected Barbadian processed food products, specific opportunities within the EU, critical success factors in developing export industries in this sector and a SWOT analysis based on consultation with local stakeholders precedes the outline export development strategy and action plan. The export guide and action plan is not intended as a substitute for legal or marketing advice and no liability will be assumed by the BPSA or its authors arising from the use or interpretation of the information contained herein.

Definitions

The Codex Alimentarius Commission, an intergovernmental body with more than 180 members, was established in 1963 by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO) to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this Programme are protecting health of global consumers and ensuring fair trade practices in the food trade, as well as promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations. The Codex Alimentarius (Latin, meaning Food Code) is an evolving collection of internationally adopted food standards, guidelines, codes of practice and other recommendations, which has become the global reference point for consumers, food producers and processors, national food control agencies and the international food trade seeking to achieve the protection of public health and monitoring of fair practices in the food trade. The Codex Alimentarius has always relied on science-based activity. Experts and specialists in a wide range of disciplines have contributed to every aspect of the code to ensure that its standards withstand the most rigorous as scientific scrutiny. The Codex Alimentarius defines food "any substance, whether processed, semi-processed or raw, which is intended for human consumption", and "prepackaged" food as related substances which are "packaged or made up in advance in a container, ready for offer to the consumer, or for catering purposes" (FAO/WHO (2005), p.2). The terms processed, packaged and prepackaged foods are used interchangeably in this report; with accuracy in relation to the specific research sources from which the terms derive.

According to the United States based National Association for the Specialty Food Trade (NASFT), specialty food products are defined as:

> "…foods, beverages or confections meant for human use that are of the highest grade, style and/or quality in their category. Their specialty nature derives from a combination of some or all of the following qualities: their uniqueness, exotic origin, particular processing, design, limited supply, unusual application or use, extraordinary packaging or channel of distribution/sale, the common denominator of which is their unusually high quality" (NASFT,2012).

In recognizing the significant growth potential for specialty foods and individual market segments, the NASFT has identified 59 individual market segments as shown in Table 1 below. Figure 3 below shows the general value chain for specialty foods.

SITUATIONAL ANALYSIS: THE PROCESSED FOOD SECTOR IN BARBADOS

The Barbados Investment and Development Corporation (BIDC) published a *Profile of the Food Subsector (January to December 2009)*. This report provides a useful indication of the characteristics of the food sector in Barbados at the time and the main the issues affecting its growth and development, most of which are increasingly relevant today. The main issues are summarized below.

- ***Structure of Industry and employment:*** The Barbadian food processing sector is dominated by smaller companies, with 30 companies, or 59% of all operating companies having less than 25 employees. These companies together employed 221 persons or 7.6% of total persons employed in the subsector. Six existing enterprises with 100 to 249 employees accounted for the largest employment, numbering 1020 persons or 36.4% of total subsector employment. These companies represented 12% of all food producing companies in Barbados at the time. There was one medium-sized company operating in 2009, employing 348 persons (12.4%) and one large company, accounting for 650 persons or 23.2% of total persons employed. The subsector employed 1,634 males and 1,168 females. Males were mostly used in the production of sugar and bakery products, while the greatest number of females was engaged in the production of meat and meat products. Overall employment levels fell by 106 persons to 2,802 at December 2009, down from 2,908 at December 2008.

- ***Main Activities:*** Of the 51 companies operating at the end of 2009, 16 were engaged in the production of bakery products; 10 in the production of spices and condiments; and 5 in the production of meat and meat products. Other production included confectionary, dairy products, fish processing, flour and meal, snack foods, sugar refinery and other activities not stated.
- ***Estimate of economic value:*** The Food subsector recorded exports valued at BDS $88.8 million at the end of 2009, a decrease of 18.2% or BDS $19.7 million as compared to 2008 (BIDC, 2010). Major export markets were the UK, Jamaica, St. Lucia, Trinidad and Tobago and St. Vincent and the Grenadines. Imports of food items into Barbados in 2009 reached BDS $421.8 million, decreasing by 13.5% as compared with the corresponding figure for 2008. Despite a decline, food imports for 2009 were at the second highest level on record, reflecting the demand for foreign-made food items.
- ***Impact of developments in the global environment***: Rising energy prices, loss of consumer spending power in domestic and external markets and the loss of business and consumer confidence are some of the challenges facing the subsector. Mergers of large food producers in developed economies are also making it difficult for local producers to compete in these markets. The demand for agricultural commodities for the development of alternative fuels will also pose a challenge to local producers as it creates a scarcity of raw materials and simultaneously triggers inflated prices and rising material costs
- ***High levels of competition and rivalry among firms***: The global food industry is characterized by intense competition. In recent years, there have been a number of mergers and acquisitions, as companies strive to increase their market share, cut costs and diversify, as well as strengthen their product lines. This trend is expected to continue.
- ***Growth segments internationally***: Growing concern in recent years about health and nutrition has resulted in an increasing consumer demand for products offering both convenience and health benefits. The global market for organic food continues to grow annually. Environmental and ethical issues continue to influence consumer choices in mature markets within the EU and green strategies are being devised by the major retailers within Europe in order to satisfy consumer preferences for green product packaging, bag free checkouts and green purchasing initiatives. There is an ever-increasing demand for convenience foods and foods which take less time to prepare. Convenience foods include major meals, snacks and main meals
- ***Increasingly regulated environment***: In the major markets, regulations exist to protect the health of consumers against contamination and disease. Consumers are become increasingly aware of health hazards and, regulatory authorities have sought to mitigate risks by the introduction of various forms of health and safety legislation. Producers intending to ship their products to such markets must ensure that they comply with the regulations enforced. Companies must have in place quality assurance systems which are transparent and allow for the tracing of any food contamination sources along the supply chain.
- ***Best Practices and Linkages***: The recommendation is therefore made that local producers seek to forge vertical and horizontal linkages to derive economies of scale, reduce production costs and also create major benefits in the area of research and development. It is also recommended that

producers have their businesses certified according to international standards, since quality and environmental standards are requirements of all major markets. HACCP and ISO-certification are critical to access markets in Europe. Linkages with distributors may also generate substantial advantages in the channels of distribution in the form of lower costs and expanded market access. Linkages also have the potential to create major benefits for producers in the area of research and development as creative uses are identified for indigenous materials.

- ***Other Issues: Innovation:*** It is anticipated that the Food industry will be driven by new and innovative product developments in the areas of health, wellness and functional foods. Consumers continue to demand new flavours and preparations. With migration creating ethnic diversity in most metropolitan centres, there will continue to be a diversity of tastes and flavours to be satisfied. This will create a number of prospects for local manufacturers of spices and condiments. Increasing emphasis on health and wellness will continue to create niches for healthier food alternatives. Consumers are expected to increase their demand for low-fat, non-fat and sugar-reduced varieties, which tend to be more expensive than traditional products.

Barbados Exports of Processed Food Products

Table 1 below shows a list of selected processed food products exported by Barbados and Table 2 shows the main destinations for exports from Barbados. The main product exports are sausage and similar products of meat and sweet biscuits, sauces, condiments and preserved fruits. The data shows consistent food export activity over the five year period under review (2007 to 2011), although the value of exports fluctuates significantly over the period. In the case of sausage and similar meat products, prepared and preserved vegetables and sauces, mixed condiments and mixed seasonings there is significant contraction in value over the period. Sweet biscuits, preserved meat and fish, jams, fruit jellies and marmalades, and other food preparations showed significant increases over the period under review. The data confirms that the capacity and capability to export Barbadian processed food consistently. CARICOM, the United States, Canada, United Kingdom, Netherland Antilles, British Virgin Islands and Cayman Islands are major export markets for processed food from Barbados. Small shipments have also been sent to Sweden.

TABLE 1: LIST OF SELECTED PRODUCTS EXPORTED BY BARBADOS						
Code	**Product label**	**EXPORTED VALUE (US$000s)**				
		2007	**2008**	**2009**	**2010**	**2011**
'160100	Sausage & similar products of meat, meat offal/blood & food preparations based on these products	2740	2514	755	761	911
'160241	Hams and cuts thereof of swine prepared or preserved	18	11	19	na	na
'1604200000	Prepared or preserved fish (excluding whole or in pieces)	27	9	29	na	na
'190531	Sweet biscuits	4711	6252	6238	5481	6293
'2005	Prepared or preserved vegetables not elsewhere stated (excl. frozen)	36	35	29	19	26
'2007	Jams, fruit jellies & marmalades	23	19	19	39	37
'2008	Preserved fruits not elsewhere stated	159	231	182	170	164
'2103	Sauces, mixed condiments & mixed seasonings	453	313	285	294	238
'2106	Food preparations, not elsewhere stated	649	1098	951	830	918
Sources : ITC TradeMaps calculations based on UN COMTRADE statistics na- not available at time of writing						

TABLE 2: LIST OF IMPORTING MARKETS FOR SELECTED PRODUCTS EXPORTED BY BARBADOS		
Code	**Product label**	**Country**
'160100	Sausage & similar products of meat, meat offal/blood & food preparations based on these products	CARICOM, Netherland Antilles
'160241	Hams and cuts thereof of swine prepared or preserved	St. Vincent and the Grenadines, Netherland Antilles, St. Lucia, Grenada
'160420	Prepared or preserved fish (excluding whole or in pieces)	St. Vincent and the Grenadines, St. Lucia, Grenada
'190531	Sweet biscuits	CARICOM, US, Canada, UK, Netherland Antilles, British Virgin Islands, Cayman Islands
'2005	Prepared or preserved vegetables not elsewhere stated (excl. frozen)	CARICOM, US
'2007	Jams, fruit jellies & marmalades	CARICOM, UK, US, Cayman Islands, Canada
'2008	Preserved fruits not elsewhere stated	CARICOM, Netherlands, United States
'2103	Sauces mixed condiments & mixed seasonings	UK, US, Trinidad & Tobago, Canada, St. Vincent & the Grenadines, British Virgin Islands, St. Lucia, Sweden
'2106	Food preparations, not elsewhere stated	Trinidad &Tobago, Sweden, St. Lucia, US, Guyana, UK, Grenada, St. Vincent & the Grenadines
Sources : ITC TradeMaps calculations based on UN COMTRADE statistics.		

OVERVIEW OF THE EUROPEAN MARKET FOR PROCESSED/ PACKAGED FOODS

Canada's Agri-Food Trade Service, in the January 2012 report on Packaged Food in Western Europe[2] notes that the top five geographic markets are Germany, France, Italy, the United Kingdom, and Spain.[3] On average in Western Europe, 12% of consumer expenditure, or US$2,330 per capita, was attributed to food expenditure in 2010. The packaged food market in Western Europe was worth over US$587 billion in 2010. Germany, France, Italy, and the United Kingdom were the largest markets, with a combined value of US$367 billion and a market share of over 60%. Between 2005 and 2010, Western Europe's packaged food market grew by 3%, and Norway, Switzerland, and Belgium were among the fastest growing markets. Despite recent economic difficulties, a growth rate of over 3% is expected for Western Europe over the next five years (Euromonitor).

For international entrepreneurs, Europe is potentially one of the most profitable markets in the world. At the same time it also a very complex, competitive and dynamic market. Its structures are changing constantly and buyer motives today are different than they were five years ago. Exporters are constantly facing new regulations and market standards, especially with regard to safety, quality, packaging and the environment. Exporters eager to access the EU market must prepare themselves carefully and thoroughly. As more imported products flood the market, consumers have become smarter in buying and seeking for product originality with quality, stimulated mainly by consumers' thirst for a change and the availability of a wide range of products in the shops

The German Market for Packaged foods

In 2010, Germans spent 10% of their consumer expenditure on food, or $2,126 per capita. Germany's packaged food market is the largest in Europe and is valued at US$104 billion. It is a mature market, with lower growth than the Western European average. The top five retailers (Aldi Einkauf, Rewe Mkt, Unilever, Rewe International, and Ferrero) control 25 percent of the market.

In part as a result of retail consolidation, increasing number of manufacturers are producing health and wellness products to pursue higher profit margins. Meal solutions were the largest subsector of the German packaged food market in 2010, accounting for 37% of the market, followed by impulse and indulgence food, and nutritional food and staples. Between 2005 and 2010, the meal solutions segment experienced the highest growth at 5%, while impulse and indulgence food was the only subsector to decline. Among the market segments, bakery products, dairy products, and chilled processed food accounted for half of the packaged food market, with a combined value of US$55 billion.

[2]Available online at http://www.ats-sea.agr.gc.ca/eur/pdf/6095-eng.pdf

[3] Western Europe, for the purposes of this report, consists of: the United Kingdom, Turkey, Germany, France, Italy, Spain, Belgium, Portugal, the Netherlands, Greece, Sweden, Norway, Austria, Denmark, Switzerland, Ireland, and Finland.

The French Market for packaged foods

Food expenditures accounted for 10% of consumer expenditure in France, or US$2,869 per capita, in 2010. In this year, France's packaged food market was worth over US$90 billion, the second-largest in Europe. Western European neighbours Spain, Belgium, and Germany were the top suppliers. In 2010, multinationals dominated this fragmented sector, whose top five manufacturers (Lactalis, Galec, Carrefour, Nestle France, and Danone) hold a market share of only 16%. Overall, the market grew by only 2% between 2005 and 2010, a growth rate below the Western European average. In recent years, the French have shown a rising interest in environmentalism and health and wellness, as is shown by the increasing popularity of organic food and sustainable food manufacturing processes.

Meal solutions were the leading subsector in 2010, accounting for 36% of the market, followed by impulse and indulgence food, and nutritional food and staples. The meal solutions segment was the only subsector to experience growth over the past five years in the French market. Among the market segments, bakery products, dairy products, and chilled processed food share 60% of the sector. Chilled processed food grew by 16% in 2010, while dairy products and bakery products declined. All three segments are relatively mature markets.

The Netherlands market for packaged foods

The turnover of the Benelux food retail industry for 2011 is estimated at € 56.3 billion. For 2012, turnover is expected to increase by 2.5 percent. The retail market is fairly consolidated with the top three food retailers in the Netherlands have a market share of 64 percent while in Belgium the leading 3 retailers have 72 percent of the market. Sustainable food (including organic products) is one of the most important growth markets in food retail. The market share for private label products continues to go up in both Belgium and the Netherlands. The demand for convenient, healthy and new innovative products continues to be strong.

The food markets of the Dutch Caribbean

The term "Dutch Caribbean" refers to the five islands of the Netherlands Antilles (Curaçao, Bonaire, St. Maarten, Saba, and St. Eustatius) and Aruba. Geographically the islands are divided into two separate groups. Aruba, Bonaire and Curacao (also known as the "ABC Islands") are located just off the coast of Venezuela. St. Maarten, Saba, and St. Eustatius (also known as Statia) are located in the northeastern Caribbean. Aruba seceded from the Netherlands Antilles in 1986 and now in an important new development, the Netherlands Antilles are in the process of further political change. Despite these changes, all the islands of the Dutch Caribbean retain close ties with the Netherlands.

The islands of Aruba, St. Maarten and Curaçao have fairly developed retail sectors with large, modern stores. Seattle-based Cost-U-Less operates a warehouse club store in both St. Maarten and Curaçao. Similarly, San Diego-based PriceSmart operates a warehouse club in Aruba. A Dutch supermarket chain, Albert Heijn, has also recently opened a store in Curaçao. In addition, there are several locally-owned supermarkets in each of the three islands. The four major stores in Aruba are located next door to each other just outside the capital city of Oranjestad. The best product prospects in the Dutch Caribbean market include beer and wine and non-alcoholic beverages, frozen chilled and processed meats, cheese, fresh and processed vegetables and fruits, bakery products, sweet & savory snacks and pet food.

MARKET SEGMENTATION

When the packaged food sector is reviewed by segment, impulse and indulgence food was the leading market segment in Western Europe in 2010, with 39% of packaged food sales and a value of almost US$245 billion, followed by meal solutions, and nutritional food and staples. Among the major market segments were bakery products, dairy products, and chilled processed food, which amounted to US$345 billion. Meal solutions grew by 7% over the past five years, benefiting from increasing consumer demand for convenience across Europe.

Understanding Market Requirements

Market access and penetration for the exporter is conditional on meeting general and specific market requirements. Market requirements may vary widely between countries. They may take the form of:

- **Process requirements**: for example; scientifically based technical regulations in relation to specific hazards, use of batch coding and other systems which impact traceability
- **Product requirements:** including standards and mandatory legislation affecting packaging and labelling
- **Border measures:** including mandatory licensing procedures and or requirements for import permits
- **Marketing channel requirements**: for example, the expectation of usage by producers of barcodes and other specific inventory and/or product management systems in certain marketing channels, specific quality requirements which may be required access specific marketing channels (i.e. wholesale, retail, hotel supply, restaurant supply, etc.)
- **Consumer Health, Safety and Protection requirements:** for example, sanitary and phytosanitary measures and data protection and privacy measures.

Figure 1 below illustrates further examples. Because each of the market requirements can act as a barrier to accessing and penetrating a new market, a successful exporter begins the process of investigating market potential with research to identify the requirements for trading legally within the market.

Figure 1: Market requirements to be considered by exporters seeking market access and penetration

SUMMARY OF MAIN EPA OPPORTUNITIES

The CARIFORUM EPA in Brief

At the end of 2007, the first comprehensive Economic Partnership Agreement (EPA) was agreed through various rounds of discussion, consultation and negotiation between the EU and CARIFORUM (Caribbean Forum of ACP States, comprising CARICOM plus the Dominican Republic). The EPA is a successor, reciprocal trading agreement which replaced the long standing unilateral preferential access to European markets enabled by the Cotonou Agreement with ACP countries. The EPA Agreement was signed in October 2008 and is provisionally applied as from 29 December 2008. In addition to the reciprocal relationship, the EPA modernizes the provisions for trade and development, by the inclusion of provisions aimed at boosting goods trade, as well as trade in services; investment; intellectual property and a wide range of other trade-related areas. Sustainable development and regional integration are major themes running through the agreement, which includes development cooperation provisions. The EPA also establishes new joint oversight bodies for the implementation of the agreement and provides for ongoing monitoring and review. As of the 12 of June 2012, 4 out of 15 CARIFORUM countries and 10 out of 17 EU countries have ratified the agreement, enshrining the provisions in national legislation. The agreement will continue to be provisionally applied until ratification is complete.

New market access for food products

In principle, effective January 1, 2008, the EU has liberalized market access for most processed food products through the EPA. Duty-free and quota free (DFQF) access is provided for 98% of trade in goods and 94% of trade in services immediately, as of the effective date of January 1, 2008 (CAPRI, 2009).[4]

Opportunities

The economic downturn has increased unemployment, reduced household incomes, and lowered consumer confidence in Western Europe. Growth in the packaged food sector is generally expected to be stifled by declines in consumer expenditure. However, growth opportunities exist for private labelling and the offering of premium products, based on the switch by some consumers to better value products. As hypermarkets, supermarkets and discounters expand throughout Western Europe, they present opportunities for packaged food manufacturers to supply private label products. Consumers are increasingly health and eco-conscious, and have demonstrated a willingness to pay premiums for products with such attributes and for higher quality products in general. Therefore, manufacturers should market activities to be specialized and premium products in their pursuit of higher profit margins. High potential growth segments include:

- ***Snack foods:*** an increase in demand for prepared and pre-packaged convenience goods has been a trend among consumers. Due to fast paced lifestyles, snack food, including snack bars, snack mixes and energy bars is one of the fastest growing sectors. Trends for organic, fortified, and functional products have shaped the emergence of high- value snacks including energy bars and cereal bars, which have high future potential market value.
- ***Frozen Foods:*** Due to an improvement in living standards, an increasing need for convenience and the potential for storage over an extended period of time, frozen processed foods continue to gain popularity with EU consumers. Consumers have become more price-conscious and are coming to appreciate the value that frozen foods can offer. The segment faces strong competition from chilled prepared foods, which are increasingly being perceived as offering superior taste and quality compared to their frozen equivalents.
- ***Meal solutions:*** In the recessionary environment, European consumers are cutting back on eating out and meal solutions which offer good approximations of their restaurant equivalents are seen as an attractive option for economizing.
- ***Health and Wellness:*** Western European consumers are aging, which has created a large segment of individuals for whom health is a primary concern and, in turn, driving their eating habits. Consumers have embraced the concept of nature in their eating habits, focusing on a well-balanced and naturally healthy diet. This behavior has led consumers to cut down on elements such as sugar, salt, fat and cholesterol while encouraging consumption of food that is

[4] Source: CAPRI (2009), The Long-term Impact of EPA in the Caribbean: Jamaica and St. Lucia, A Working Paper, retrieved from http://www.slideshare.net/testing123456/economic-partnership-agreement-epa-st-lucia

either made from 100% all natural ingredients or is certified organic. There is, also a movement toward nutraceuticals, which focuses on adding beneficial ingredients to one's diet to achieve the specific health function claimed by the product. Functional foods represent a key focal point for product innovation and are growing strongly despite recent economic uncertainty. As a result, the health and wellness sector is expected to see a greater diversity of products available in mainstream stores. The segment is strongest in Germany, with almost double the sales seen in Spain and Italy. France and the U.K. are comparable, both achieving sales between 22 and 26 billion in 2009.

CRITICAL SUCCESS FACTORS IN DEVELOPING EXPORT INDUSTRIES IN PROCESSED/ PACKAGED AND SPECIALTY FOOD

In developing export industries in processed and specialty food, there are several basic requirements to enable producers to enter the value chain. Basic optimal conditions include:

- sustainable supply of quality agricultural inputs and other raw materials
- packaging sourced from suppliers compliant with GMP and EU standards
- adherence to packaging and labelling regulations and composition requirements for foods
- adequate transportation infrastructure: roads, ports and airports
- refrigerated cargo facilities to enable maintenance of the cold chain in transport
- sanitary and phytosanitary regulatory systems
- appropriate testing systems to monitor compliance with technical regulations
- ability to target specific niches and develop partnerships with buyers in the target markets; convenience, health and wellness, organic, fair trade, etc.
- trade policies which favour suppliers entering the market on competitive terms
- understanding market needs and requirements in the context of the buyer-driven supply chain; maintenance of open lines of communication regarding demand preferences in products, quality and packaging requirements and fostering buyer involvement at all stages of the chain
- particularly in the case of processing, willingness to meet hygiene requirements, manage food safety and develop on site laboratories for testing of product and staff and support Hazard Analysis and Critical Control Pont (HAACP) analysis
- understanding of the role of investments in new technologies and good quality packaging materials in preserving quality and increasing shelf life and the ability to source these good quality packaging materials economically
- understanding the role of workforce training and development to meet the needs of a more highly developed and competitive value chain
- understanding the role of research and development, innovation and technology as driving forces in new product development
- recognition of the role of economies of scale and by extension, collaboration among small producers in convincing the market of the ability to deliver consistent quality supply on a timely basis
- need for sector-specific collaboration among SMEs in the areas of advocacy, lobby, trade promotion, brand development and integration with global supply chains.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT) ANALYSIS

Table 3 below highlights the key points of a SWOT analysis of the Barbadian processed food sector, undertaken through focus group consultations with some companies in the sector.

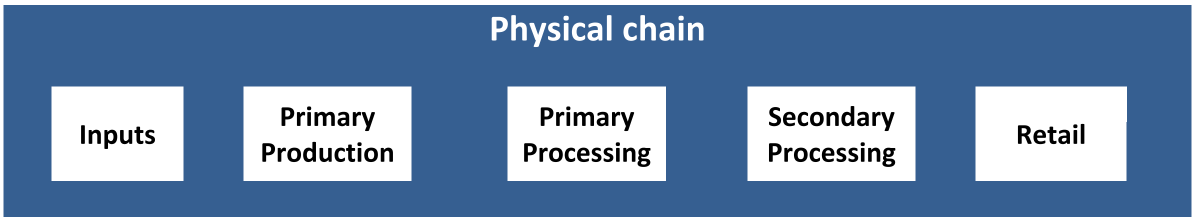
<table>
<tr><th colspan="3">TABLE 3: SWOT ANALYSIS: BARBADIAN PROCESSED FOOD SECTOR</th></tr>
<tr><th rowspan="2">INTERNAL TO THE SECTOR</th><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
<tr><td>• experience of local processors- some experience of export
• some established businesses with an understanding of the challenges
• Independent local laboratory (BNSI) in expansion mode</td><td>• testing systems for compliance with specific EU technical regulations and SPS measures for food-current testing done mainly to US FDA standards
• sourcing and selection of inputs, machinery and packaging for EU market
• Weak awareness of, and adherence to, quality standards and EU technical regulations non-implementation of HAACP
• lack of in-plant quality control systems
• effective branding and consistent and sustainable international marketing and promotion
• sensitized as to the needs and flavours and tastes of EU consumers
• workforce orientation and training and development towards food safety and HAACP
• low levels of innovation and lack of ongoing research and development
• EU based distribution arrangements and insertion into supply chain
• Low levels of collaboration</td></tr>
<tr><th rowspan="2">EXTERNAL</th><th>OPPORTUNITIES</th><th>THREATS</th></tr>
<tr><td>• Health and wellness products
• Convenience foods
• Novel and traditional Barbadian foods
• Research and technology partnerships
• Receptivity towards Caribbean cuisine while market is interested in new product lines
• Organic food markets
• Fair trade markets
• Global migration and Diaspora markets
• Pre-packaged and frozen foods</td><td>• High global prices for agricultural commodities and energy
• Significant levels of competition from food imports
• High levels of competition and rivalry among firms in the global market, mergers and acquisitions creating conglomerates with significant bargaining power at the expense of smaller firms
• Inefficient functioning of the CARICOM Single Market and Economy (CSME)
• Requirements for increasing levels of environmental and ethical standards at increasing cost
• Increasing regulatory environment
• Downward pressure on prices created by the conditions in the global economic market</td></tr>
</table>

GUIDE TO EXPORTING TO THE EU: BASIC REFERENCES FOR EXPORTERS

The Processed Food Value Chain

Figure 2 below shows the elements of the processed food value chain leading to the development of export markets. Producers need to address each component of the value chain within their operations or through outsourcing; in a manner consistent with the specific requirements of each export market being targeted.

Figure 2 (below): The Processed Food Value Chain



Source: George Morris Value Chain Management Centre

A summary of useful information references related to exporting to the EU is outlined below.

Inputs and Primary Production

Inputs are elements needed for production, such as seeds, fertilizers, agrochemicals (herbicides, fungicides and pesticides), farm equipment and irrigation equipment. EU Food Law legislation requires traceability throughout the value chain to ensure compliance with hygiene requirements and sanitary and phytosanitary regulations.

- EU Food Safety: http://europa.eu/legislation_summaries/food_safety/index_en.htm
- EU Food Hygiene rules: http://europa.eu/legislation_summaries/food_safety/veterinary_checks_and_food_hygiene/index_en.htm
- Plant Health Checks, pesticide residues: http://europa.eu/legislation_summaries/food_safety/veterinary_checks_and_food_hygiene/index_en.htm

Processing

At the beginning of the 2000s, the European Union introduced an initiative called 'From the Farm to the Fork' based on risk analysis and traceability, with the aim of guaranteeing food safety. In line with this approach, foodstuffs are monitored at all susceptible stages of the production chain, in order to make sure that strict hygiene rules are adhered to. It is critical that processing plants are willing to meet hygiene requirements, manage food safety and develop on site or external laboratories for testing of product and compliance with EU sanitary and phytosanitary regulatory systems.

- EU Food Safety: http://europa.eu/legislation_summaries/food_safety/index_en.htm
- EU Food Hygiene rules: http://europa.eu/legislation_summaries/food_safety/veterinary_checks_and_food_hygiene/index_en.htm

HACCP Implementation:

- EU HACCP Guidance Document: http://ec.europa.eu/food/food/biosafety/hygienelegislation/guidance_doc_haccp_en.pdf
- Food Safety Jamaica Initiative: http://www.fsjamaica.org/en/haccp_/
- SGS HACCP Certification: http://www.sgs.com/en/Agriculture-Food/Food/Transportation/GFSI-Certification/HACCP-Certification.aspx

Packaging and Labelling

It is imperative that all packaging is sourced from suppliers compliant with Good Manufacturing Practice (GMP) and EU technical regulations, as well as any standards imposed by buyers or retailers. The packaging which is sourced must adhere to all harmonized packaging and labelling regulations. Additional national regulations may also apply and these should be identified through dialogue with buyer. EU Regulations that apply include:

- Product labelling and packaging http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/index_en.htm
- Labelling, presentation and advertising of foodstuffs http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/l21090_en.htm
- Nutrition and health claims http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/l21306_en.htm
- Nutrition labelling (until 2014) http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/l21092_en.htm
- Production and labelling of organic products http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/f86000_en.htm
- Alcoholic strength by volume '% vol' (until 2014) http://europa.eu/legislation_summaries/consumers/product_labelling_and_packaging/l32005_en.htm

Assessing Export Readiness

Market promotion should only be undertaken when the exporter has assessed export readiness and the potential viability of export to a specific target country within a specific market segment (i.e. wholesale, retail, food service and catering, e-commerce, etc.). The following resources may be useful for exporters in assessing their export readiness.

- CBI Export Marketing Planner (2009): http://www.cbi.eu/marketintel/Export-Marketing-Planner-A-manual-on-how-to-enter-European-markets/158976
- SIPPO Export Manual, Exporting to Europe: An Introduction: http://www.slideshare.net/olgan/exporting-to-europe-an-introduction-sippo-cbi

Targeting Buyers through Promotion

Trade Fairs and in-store promotions are two of the most common methods of targeting buyers. In store promotions are usually conducted through contractual arrangements with agents or distributors at the local level, based on the potential to have an exclusive arrangement for distribution. Some prominent trade fairs in the EU are listed below.

- ***The Anuga Fair*** in Germany (http://www.anuga.com), to be held next in October 2013, is not only the largest food and beverage fair in the world, it is also the sector´s most important fair for new markets and target groups. Organizers state that it is the perfect venue for all the latest trends and themes and a great place to make first-rate contacts and business deals. Anuga 2011 was attended by 6,596 companies from 100 countries, which occupied a gross exhibition space of 284,000 m². Over 155,000 trade visitors from 180 countries attended.
- ***The SIAL Fair*** in France (http://www.sialparis.com) to be held next in October 2014, hosted about 5,900 exhibitors from 100 countries in 2012 as well as 140,000 food professionals from 200 countries from the retail and trade, food industries, foodservice, the wine professions and buyers from all around the globe looking for new food products and/or new suppliers. It is recognized as a hub event for food innovation.
- ***The International Food & Drink Event*** (http://www.ife.co.uk) held in London in the United Kingdom, in March. Over 1,100 exhibiting companies at the last event did business face-to-face with an increased audience of 28,135 retailers, foodservice buyers, wholesalers, distributors, importers, exporters and manufacturers from 83 countries. IFE is split into 9 sections to make the event easier for visitors to navigate, and to make it easier for exhibitors to meet the right buyers. These sections are; Specialty & Regional Food from Britain, Cheese & Dairy, Meat & Seafood, Walk the World, Bakery & Confectionery, Ingredients, Health & Wellbeing, Drinks, and General Food.

Logistics and Distribution

It is important that exporters understand the framework for distribution and the attendant costs which will apply to transportation through roads, ports and airports. For chilled and fresh drinks, refrigerated cargo facilities are critical to enable continuous maintenance of the cold chain in transport. Laparkan Shippers in Barbados, during an interview in October 2012, advised that from Barbados, shipments are occasionally sent to the EU by air or freight. Air cargo is done via British Airways and Virgin Airlines. As such, there are no direct air routes to the continent and cargo must pass through the UK before being transferred on to the EU. Ocean freight is less expensive than air freight and is the preferred medium for movement of less than a container load of products, since it offers the possibilities of consolidation with other producers which is a more economical option. Transfer to the EU is also done through the UK where Laparkan maintains an agent who makes contact with EU freight forwarders to arrange cargo transfer to the EU. The company is also connected with a range of agents in the EU through its membership in the World Customs Agents (WCA) Association. Shipments are demand based and in general vessels leave every two weeks, however with full container loads, these can be shipped weekly. If groups or clusters are interested in accessing cold chain transportation, dialogue on collaboration could be pursued with Goddard's catering which maintains a cold storage facility at the airport or BICO which maintains cold storage close to the port. Air freight rates are based on weight or dimensions of a particular package (whichever is more). In general, rates for ocean shipping can be estimated as follows:

- ***Barrels (Barbados to Portsmouth, UK):*** range between BDS$650.00 (consolidated) to upwards of BDS$1000.00 (consolidated)
- ***Containers (Barbados to Portsmouth, UK):*** upwards of US$1800.00 (approximately).

On the EU side, intra-EU transportation is mostly handled by truck or rail through freight forwarders. Air transportation is more expensive and given the extensive rail and road network, this is much less frequently used. There is an association of freight forwarders in every country and very often, there may be relationships between distributors in the market and particular forwarders. Handling charges are approximately 0.6% of the shipment value for the first 30 days and 0.15% of the value for an additional 30 day period.

EXPORT DEVELOPMENT STRATEGY AND ACTION PLAN

Objectives of the Strategic Export Development Initiative to the EU

The general objective of the strategic export development initiative is to assist producers in tapping into potential market opportunities arising from the EPA. The specific objectives are:

- To increase the market penetration of Barbadian processed food within the middle to high end segments of the EU market, and
- To establish a functioning working committee of producers and organizations across the value chain to contribute to long term advocacy and lobby initiatives in entering the EU market and hence the development of EPA monitoring mechanisms.

Rationale

The EU market offers significant opportunities based on the number of consumers and current population trends such as increasing multiculturalism and interest in health and wellness and novel food items. Despite this, the recessionary economic conditions have created increasing competition and rivalry in the market which has triggered downward pressures on prices and an ongoing hunt for value on the part of the EU consumer. The levels of regulation concerning food safety and potential hazards are very high and European Food Law places significant legal responsibilities on both the manufacturer and the importer to ensure compliance. Within this context and with so many products globally seeking entry to this potentially lucrative market, Barbadian firms are unlikely to gain the audience of buyers unless they can demonstrate systems to ensure compliance with both sanitary and phytosanitary (sps) measures and technical regulations. There are also the technical, functional and aesthetics aspects of packaging and labelling to be considered and many locally produced products will not meet the market expectations in this regard. There is evidence that in general, new product development and innovation is inconsistent, unstructured and unfocused within firms and this means that where firms are successful in entering the market, there is very limited chance of their long term survival and success. Collaboration among firms is weak and levels of trust are low. This will be a major challenge, since firms seeking to penetrate the EU market with products can expect to face well organized, established and effective lobby from the multiple sector-specific associations in the EU and there will be a future need to replicate sector-specific advocacy on the local level. With the comparatively small size of the private sector in Barbados, it is unlikely that multiple associations will be sustained, hence the proposed approach of establishing a sector-specific, private sector led working committee is considered more feasible.

Methodology and Approach to implementation

The key aspect of the proposed initiative which differs from many similar export development initiatives is the underlying objective to establish a small private sector led working committee of producers under the Barbados Small Business Association, the Barbados Manufacturers Association or the Barbados Private Sector Association to oversee the project development and implementation. Experience all over the world has shown that where small firms engage in focused collaboration this leads to shared learning and catalyzes innovation. The focused collaboration in this case is an export development initiative to develop cluster members. It is important that clustering encompass all stages in the value chain, for example to include suppliers of inputs (particularly packaging) as well as producers, packaging logistics and transportation providers and representatives of all agencies involved from concept to consumer promotion. During the research consultations, a representative of Laparkan shippers has already expressed interest in working with producers on such a Committee over the long term to derive mutually beneficial commercial expansion. The absence of value chain engagement is a significant failing of many cluster initiatives in the Caribbean. It is widely accepted that inter-firm cooperation can allow firms to retain their autonomy while:

- Developing markets faster at reduced cost and risk, in particular, export markets
- Undertaking joint activities such as market research and product development beyond individual firm capabilities or resources
- Exploring new business opportunities abroad and promote integration into global markets
- Improving profitability by sharing administrative and promotional costs
- Achieving efficiency gains by shared access to technology
- Accumulating knowledge and information
- Saving time and cost using joint transportation and other export facilities
- Moving from 'reactive' to 'active' exporting.

Scope of Activities to be Undertaken

The proposed scope of activities to be undertaken represents another outcome of the consultation discussions. The strategic activities identified reflect immediate priorities to be addressed on the local level, which also offer capacity building possibilities for BPSA as an organization.

1. ***Strategic Activity 1: Establishment of a working committee***

As an outcome of the focus group consultations, the firms and individuals in attendance agreed to pursue the formation a working committee. The merits of the committee have been discussed previously. A decision should be taken on the local level which organization will incubate the committee. While every attempt should be made to be inclusive in the approach to working with local producers who are willing, there is no need for the committee to be huge in numbers. As the development of the initiative progresses, various components of the value chain can be engaged according to the priority needs.

2. ***Strategic Activity 2: Programme to support HACCP implementation in small firms***

HAACP implementation and eventual certification is a benchmark requirement for entry into any international market, but it is particularly significant in the context of EU food law and certain technical regulations. The initial costs of audit and certification can be costly for small firms; however this is a requirement of safe food production. There is a need to guarantee traceability from farm to fork and HAACP provides a template management system which is considered universal. A consultant is required to begin diagnostic audits and some firm level support to implementation may also be required. There may be opportunities to partner with the BNSI, Government Laboratory, the BIDC or a relevant Ministry on this activity and these possibilities should be explored by the working Committee.

3. ***Strategic Activity 3: New product development initiative among cluster firms***

Among firms present at the consultations, there was agreement to commence working together as a small cluster, with each firm retaining its independence, but pursuing greater collaboration ensuing to engage partners along the value chain. It is recommended that a pilot initiative be developed, with each firm contributing one or two products lines for development towards the EU and international markets.

A product development initiative encompassing the development of safe formulations which meet the prevailing EU product standards, taste profile of target EU consumers, nutrition labelling and intellectual property branding should then be developed in collaboration with the firms to bring these product lines to the standard which would ensure market acceptance.

4. ***Strategic Activity 4: Technical Assistance (packaging selection and labelling development)***

Expertise should be engaged to support cluster firms in the selection of their packaging and development of labelling, consistent with the technical regulations outlined in the research reports as well as the individual EU product standards and in consultation with an in-market consultant. The bilingual nature of EU commerce needs to be considered as well as technical requirements such as nutritional labelling.

5. ***Strategic Activity 5: Cluster attendance at a major EU food fair which can facilitate building of market awareness and also sourcing of inputs as well as machinery to generate compliance with EU standards and technical regulations***

Attendance at a major trade fair will support cluster members in understanding market standards, observing distribution channel requirements and gaining knowledge to inform sourcing of inputs to comply with EU market standards and technical regulations. The Anuga Fair in Germany (http://www.anuga.com), to be held next in October 2013, is not only the largest food and beverage fair in the world, it is also the sector´s most important fair for new markets and target groups. Organizers state that it is the perfect venue for all the latest trends and themes and a great place to make first-rate contacts and business deals. Cluster members should attend first as visitors and attend market orientation seminars before staging an exhibition of the group in future years, provided the new product development initiative is successful.

6. ***Strategic Activity 6: In-market promotion***

Brand recognition and market penetration can only be accomplished with consistent in-market promotion through in-store promotions, trade events or other promotional activities. These activities are best undertaken with the guidance of in-market experts, who can navigate the technical regulations, but also the wider legal and social environment of doing business in the EU.

Action Plan and Timeframe

It is suggested that a one year pilot programme be developed to support the market penetration initiative. Figure 4 below shows possible sequencing of the indicative work plan.

TABLE 4: INDICATIVE WORK PROGRAMME					
	ACTIVITY	Q1	Q2	Q3	Q4
1	Establishment of a working committee and project coordinator				
	Engagement of EU-based in-market expertise				
2	Programme to support HACCP implementation in small firms				
3	New product development initiative among cluster firms				
4	Technical Assistance (packaging selection and labelling development)				
5	Cluster attendance at a major EU trade fair				
6	In market promotion				

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