

EU STRATEGIC MARKETING GUIDE 2002

ANIMAL AND VEGETABLE OILS AND FATS FOR INDUSTRIAL APPLICATION

VOLUME I



CENTRE FOR THE PROMOTION OF IMPORTS FROM DEVELOPING COUNTRIES

EU STRATEGIC MARKETING GUIDE 2002

ANIMAL AND VEGETABLE OILS AND FATS FOR INDUSTRIAL APPLICATION

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INTRODUCTION

This EU Strategic Marketing Guide offers a practical handbook for exporters engaged, or wishing to engage, in exporting animal and vegetable oils and fats to the European Union. It aims to facilitate exporters in formulating their own market and product strategies through the provision of practical information and a methodology of analysis and ready-to-fill-in frameworks.

It is of vital importance that exporters comply with the requirements of the EU market in terms of product quality, packaging, labelling and environmental standards. These items and other issues, which seriously have to be taken into account when entering the EU market, are covered in Chapter one.

Chapter two offers a “Business Guide” or checklist for exporters wishing to engage in exporting animal and vegetable oils and fats to Europe. The guide consists of three parts: Product profiles (in which a few interesting products will be highlighted), a market opportunity analysis to determine suitable sales channel(s), and a checklist for building up a trading link.

Statistical market information on consumption, production and trade, and information on trade structure and prices and margins, which is required for the ready-to-fill in frameworks, can be found in the matching EU Market Survey ‘Animal and vegetable oils and fats’. The EU Market Survey also includes contact details of traders and brokers, trade associations, and other relevant organisations.

Market research

This EU Strategic Marketing Guide and the EU Market Survey serve as a basis for further market research: after you have read the market survey and filled in the frameworks in this strategic marketing guide it is important to further research your target markets, sales channels and potential customers.

Market research depends on secondary data (data that have been compiled and published earlier) and primary data (information that you collect yourself).

An example of secondary data is the EU Market Survey. Primary data are needed when secondary data fall short of your needs, for example when researching your specific type of consumer about the acceptance of your specific product. Sources of information are among others (statistical) databanks, newspapers and magazines, market reports, (annual) reports from branch associations, but also shops in target countries, products or catalogues from your competitors, and conversations with suppliers, specialists, colleagues and even competitors. After you received/collected your information, you should analyse it. In order to judge the attractiveness of the market, sales channel or customer you should use/develop a classification or score system.

For more detailed information on market research, reference is made to CBI’s Export Planner (2000).

1 DOING BUSINESS IN THE EU: REQUIREMENTS FOR ACCESS

1.1 Non-tariff trade barriers

1.1.1 Quality and grading standards

Individual EU countries do not have specific regulations, apart from hygienic regulations, which are general in nature.

Commission Regulation No 2568/91 regulates the characteristics of olive oil and olive-residue oil and the relevant methods of analysis. This includes a threshold limit for halogenated solvents of 0.2 mg/kg olive oil. Regulation (EC) No 258/97 relates to genetically modified organisms used in food. In addition, Regulation 1139/98 and its amendments relate to products containing genetically modified soya/maize. EU Directive 93/43/EC refers to the hygiene of products for food processing and is general in nature. EU Directive 95/63 refers specifically to sea transport of oils and fats.

The worldwide oils and fats trade has established its own set of grading and quality standards. These are laid down in a range of standard contracts issued by the Federation of Oils, Seeds and Fats Associations Ltd. (FOSFA) in London.

Contracts include well-defined product descriptions for each type of product. It is recommended that exporters have samples tested prior to submitting offers. Further information can be obtained from FOSFA and your broker or trader.

Examples of FOSFA contracts can be ordered from the organisation. A manual including all contracts is also available. An example of a FOSFA contract is given in Appendix 13 of the "Market Survey animal and vegetable oils and fats for industrial application".

ISO 9000

The International Organisation for Standardisation (ISO) developed the ISO 9000 series for quality management and assurance of the production process. The ISO 9000 standards represent an international consensus on the essential features of a quality system. Producers who have obtained an ISO 9000 series certificate possess an important asset. It is a major selling point when doing business in the highly competitive EU market. Quality, health, safety and environmental management programmes are usually strongly interwoven with the overall ISO management plan. Importers in the EU value this production quality guarantee strongly. ISO published the new, thoroughly reviewed version of the ISO 9000 quality standards on December 15, 2000. Everyone/everything which is certified according to the 'old' ISO 9000:1994 series will have to adjust their quality management to the new demands before December 15, 2003. The revisions are based on eight quality management principles, which reflect best management practices.

These are:

- Customer focused organisation
- Leadership
- Involvement of people
- Process approach
- System approach to management
- Continual improvement
- Factual approach to decision making

The revision of the ISO quality management standards includes a significant change to the structure of ISO 9001 and ISO 9004, which are repositioned in four main sections:

- Management responsibility
- Resource management
- Product realisation
- Measurement, analysis and improvement.

Although ISO certification is not compulsory for exporters from developing countries, stricter EU food laws might make certification compulsory in the future.

Moreover, food retail organisations in the EU require a system of tracing and tracking of food ingredients in order to improve the safety of food. ISO 9000 fits well in the system of controlling food from farmer to table. Please refer to ISO's Internet site www.iso.ch for up-to-date information and to CBI's publication "Exporting to the European Union" for an overview of all ISO 9000 standards.

HACCP

The need for good quality management is gaining increasing importance. The HACCP (Hazard Analysis and Critical Control Points) procedure applies to the food-processing industry. The HACCP procedure is based on the EU directive on Hygiene for Foodstuffs, 93/43/EC, which became effective in January 1996. This Directive stipulates that: "Foodstuff companies shall identify each aspect of their activities which has a bearing on the safety of foodstuffs and ensure that suitable safety procedures are established, maintained and revised on the basis of the HACCP system".

All food processors in the EU member countries are legally bound to have an HACCP system or they should be in the process of implementing the HACCP system. The HACCP system applies to companies that process, treat, pack, transport, distribute or trade foodstuffs. Companies active in the food sector should counteract possible hazards associated with food production at all stages, from growing of the seeds until the point of human consumption.

The hazards involved include microbiological (vermin), microbiological (viruses, bacteria, moulds),

toxicological (pesticides, heavy metals or dioxin) or physical (wood, metal, glass, plastic) risks. The HACCP regulation is important to exporters in developing countries, as responsibility is passed along the food production chain. This means that importers of animal and vegetable oils and fats will be legally held responsible for the products they import. Although exporters to the EU are not obliged to have an HACCP system and their system will not be subject to control by the food inspection service of the importing country, importers will increasingly require exporters to have a HACCP system implemented. Apart from the arguments mentioned above, exporters who have already implemented an HACCP system have a tremendous advantage in opportunities for export to the EU.

Product regulations

FOSFA International regulates product standards for animal and vegetable oils and fats. The 1994 guideline specifications give standards for fatty acid composition, iodine value, tocopherols and sterol composition.

For detailed information, contact:

- Your broker, agent or trader
- The Federation of Oils, Seeds and Fats Associations Ltd. (FOSFA)

Further reference is made to environmental and health standards in 1.1.2.

Organic products

Although still small in volume, the market for organic food in the EU grew substantially during the last ten years. Organic products are grown without chemical fertilizers and pesticides and contain no artificial colours and preservatives.

EU Council Regulation 2092/91 and its supplement EC 1804/99 govern organic production of agricultural products. The term “Organic” is legally protected in the EU and reserved for products grown and animals raised in accordance with said EU regulations.

In order to export organic animal and vegetable oils and fats to the EU, exporters must obtain certification by one of the EU certification bodies like SKAL (The Netherlands), Ecocert (Germany, France, Belgium, Italy and Portugal) or Soil Association Certification Ltd. (United Kingdom).

These certification and inspection bodies are all approved by their national authorities and accredited in accordance with EU Regulation EN 45011 and ISO/IEC-Guide 65. They operate in up to 50 countries, including all the major countries of supply. SKAL and Ecocert also have offices for instance in Madagascar, Sri Lanka, India and Peru, from which inspections are carried out in many countries.

The certification bodies certify virtually all types of agricultural products whether raw or processed.

Certification for organic products is a complicated matter; therefore consultation of experts is recommended.

Information on certification can be obtained from SKAL, Soil Association or Ecocert. The EU Market Survey ‘Animal and vegetable oils’ and fats contains contact details in Appendix 8.

Although certification in order to export organic products to the EU is a time-consuming and expensive matter, it can provide the exporter with added value for his products and access to a small but growing market in the EU.

Novel food

Food products containing ingredients that are made by genetically modified organisms (GMO) is an important issue in the EU. The main products in this category are soya and maize.

The use of genetically engineered products meets with a lot of resistance, not only from environmental groups, but also increasingly from consumers and supermarkets alike.

As a result of widespread concern of the consequences of GMO products, a growing number of food processors demand GMO-free ingredients, as supermarkets often refuse to accept products containing GMO ingredients.

The EU has issued Recommendation 97/618/EC and Directive (EC) 258/97 concerning novel foods and novel food ingredients. Furthermore, the EU has issued separate labelling regulations for GMO products: Regulation (EC) 1139/98.

Until now there are no satisfactory international standards for biological safety or for the patenting of living organisms and genetic material.

However, there are plans to add a biotechnological protocol to the United Nations “Agreement on Biological Diversity” which was concluded after the summit in Rio de Janeiro in 1992.

It is expected that the EU will issue stricter controls on the use of GMO products. In the end, public opinion and consumers will decide whether there are market opportunities for GMO products.

1.1.2 Trade-related environmental and health measures

Environmental aspects of products have become a major issue in Europe in recent periods. Depending on the product group in question, environmental aspects may play a vital role in preparing for exports to the European market. Besides governmental actions (legislation and regulations), a strong consumer movement is noticeable especially in the northern parts of the EU (Scandinavia, Germany, The Netherlands and the United Kingdom). “The environment” is more than a trend. It is a lasting issue seen for all products and, presently, even services. Therefore, growers and manufacturers have to view their products and

production processes not just by looking at traditional aspects like price, quality, customer demands and standards, but also at the environmental aspects. It is the objective of this section to briefly highlight several aspects that currently play a major role in the EU. Exporters in developing countries should be aware of the environmental and health considerations of EU consumers and governments alike, as this will have an impact on the product requirements of animal and vegetable oils and fats imported into EU countries.

Financial instruments in the EU

Besides legislation, one of the instruments of the EU to promote environmentally sound products is the awarding of (tariff) preferences or the levying of so-called 'environmental taxes' on products. An example of preferential systems is the General System of Preferences (GSP) encouragement regime. Under the GSP, developing countries are exempted from the main WTO principles of reciprocity and non-discrimination (see Section 1.2).

Since May 1998 the current GSP, which covers the period 1999-2001, includes an encouragement regime to stimulate developing countries to establish and implement trade-related social and environmental policies (Regulation EC 1154/98). Import tariffs for countries, producing in an environment-friendly and humane way, may be reduced by 15-35 percent for a selection of products. For countries that already receive maximum preference, the encouragement regime may not prove to be a direct incentive. Please refer to CBI's Guide 'Exporting to the European Union' for more details on GSP.

The EU is trying to promote cleaner production through the awarding of financial incentives. On the other hand, in the EU, and in some member states in particular, various financial instruments are being used to discourage the entrance of polluting products in the market. This happens through the establishment of specific taxes. A very specific tax is the so-called 'ecotax', which is placed on energy consumption. These taxes can apply to both private households and to companies.

A complete overview of EU Environmental Legislation can be found at <http://europa.eu.int/scadplus/leg/en/s15000.htm>. A list of environmental taxes in the EU, plus Norway and Switzerland can be found at www.europe.eu.int/comm/environment

Sustainable development for businesses

The concept of sustainable development, adopted by nearly all the countries in the world which participated in the 1992 Rio de Janeiro Conference, represents the philosophy that economic development should

automatically take into account the issue of the environment, recognising the fact that polluting activities now will have great (negative) impacts on the way future generations can live. In this respect all parties, including the general public but also growers and processors, are asked to accept their social responsibility and minimise the environmental impact of their activities.

In recent years, issues such as (environmental) Life Cycle Assessment (LCA) of products, Cleaner Production (CP) and Ecodesign have all become important tools for companies to improve on the environmental performance of their products and production processes. These tools enable companies to analyse where the environmental impacts are the largest and how they could improve on these points. This can lead to both internal (improved efficiency) and external (perceived image) advantages.

Results of applying the above tools can be company-internal improvements in environmental performance. However, in order to be able to use the environmentally sound approach of a company to benefit its products and production processes, 'green' marketing tools such as Ecolabels (for products) and environmental management standards (for the whole organisation) have been created both by governments and private parties.

Environmental labels

The hallmarks for environmentally sound products are normally referred to as Ecolabels. Such a hallmark indicates that the product (including its full production process) has a reduced impact on the environment, compared to similar products. Ecolabels have been developed at various levels. Examples are the EU Ecolabel, applicable throughout Europe, and national labels such as the Netherlands Milieukeur, the German Blue Angel and the Scandinavian White Swan. Participation in such an Ecolabel scheme takes place on a voluntary basis.

Ecolabels play an increasingly important role in north European countries like Scandinavia, the United Kingdom, Germany and The Netherlands.

Environmental standards

The ecolabelling procedures are purely aimed at the products and indicate that the product bearing such a label has a reduced impact on the environment. If a manufacturer wants to indicate to external parties that he is manufacturing in an environmentally sound way, then he can comply voluntarily with the following standards:

- ISO 14001
- EMAS.

Both standards are based on the ISO 9000 series of standards for quality management. The relevance of the

ISO 14001 standard for the future can be clearly seen by following the development and use of the ISO 9001 and ISO 9002 quality standard. Although voluntary, customer pressure is resulting in the ISO 9001 and ISO 9002 quality standard becoming increasingly necessary to do business around the world. Similarly, the ISO 14001 environmental management standard may become a de facto requirement for being able to compete in the EU.

Another environmental management standard, which is also operational in the EU, is the Environmental Management and Audit Scheme (EMAS). This scheme was set up by the Comité Européen de Normalisation (CEN) in 1993. As it only applies to companies with production facilities within the EU, it is usually not relevant for manufacturers in developing countries. The EMAS scheme has regularly been criticised as being too difficult, bureaucratic and expensive and it is therefore expected that - also in Europe - companies are favouring ISO 14001. On a global scale, there are more than 8,000 companies ISO 14001 certified, compared to some 2,000 companies with EMAS certification.

Packaging waste

The European Commission presented the Export Packaging Note in October 1992, in line with the effort of the European Union to harmonise national measures concerning the management of packaging and packaging waste. A Directive followed the packaging note in December 1994 (94/62/EC). The directive emphasises the recycling of packaging material. No later than 30 June 2001, the member states (excluding Ireland, Portugal and Greece) are supposed to reprocess between 50 and 65 percent of the packaging waste. Member states are allowed to set higher percentages as objectives, as long as intra-EU trade is not hampered.

Exporters in developing countries targeting the European market should be aware of these agreements and take appropriate measures in order to become or remain interesting trade partners for European businesses. The environmental requirements will be transposed to the exporter. That means that packaging (transport packaging, surrounding packaging and sales packaging) materials should be limited and be re-usable or recyclable. Otherwise, the importer will be confronted with additional costs, thus reducing the competitiveness of the exporter.

Since changes in the environmental policy follow each other at a rapid pace, exporters are advised to ask the importer about the latest regulations and/or requirements related to packaging. For more information about environmental regulations concerning packaging methods, please also refer to ITC.

1.1.3 Packaging

The EU Commission and the International Maritime Organisation (IMO) in London issue packaging requirements for crude and (semi) processed products. Directive 96/3 EU regulates the sea transport in bulk of liquid oil and fats in respect to food hygiene standards. As vegetable oil is transported in tanks, labelling and marking do not apply.

IMO requirements relate to safety of the goods and vessel during transport. The Maritime Safety Division of IMO has advised that animal and vegetable oils and fats are, to some extent, a flammable product. For that reason, oils and fats transported by ships are classified under class 4.2 of the International Maritime Dangerous Goods Code (IMDG).

It is recommended that exporters in developing countries comply with "IMO Guidelines for the Packing of Cargo in Freight Containers and Vehicles". These guidelines also include marking and labelling regulations, which can be obtained directly from IMO in London. Contact details are given in the EU Market Survey 'Animal and vegetable oils and fats', under "Useful addresses".

Vegetable oils and fats are shipped in tankers of 3,000 – 5,000 tonnes. The tanks must be clean; a surveyor of the purchasing party inspects the tanks before loading. When in order, the surveyor issues a certificate of cleanliness.

Furthermore, the shipping line must make information available about the three previous cargoes carried. Directive 96/3 EU specifies a list of acceptable previous cargoes. These cargoes:

- should not trigger a chemical reaction with vegetable oils and fats
- can be removed during the refining process

At this moment, storage in tanks at the port of destination still falls outside any regulations. However, it is expected that regulations will be extended to cover tank storage in the future.

The shipping of bulk liquid cargoes requires that ships operate to a high standard. Particular attention is paid to avoid risks of contamination from other cargoes, whether carried in adjacent tanks or as a previous load. All ships loading oils and fats under the terms of the FOSFA contracts are required to comply with qualification standards and to adhere to specific operational procedures.

FOSFA is involved in continuous research into the shipping of liquid products, involving participation by all sectors of the trade, including ship owners and technical experts.

EU requirements relate to health and environmental aspects, facilitating re-use and recycling of packaging material to reduce waste. In order to harmonise the

different forms of national legislation, the EU has issued a directive for packaging and packaging materials (Directive 94/62/EC) in which minimum standards are regulated. The Directive sets maximum levels for heavy metals used in packaging materials.

EU Directive 93/43/EC applies to bulk packaging of animal and vegetable oils and fats. Requirements in this Directive primarily relate to the quality of the inner coatings and the seams of the oil drums. Both must be safe and must rank on the Positive List of Plastics that forms an integral part of the Directive concerned. Copies of this Directive are available in fifteen languages, for instance English, French, Spanish and Portuguese.

1.2 Tariffs and quotas

In general, all goods entering the EU are subject to import duties. External trade conditions in the European Union are mostly determined by EU regulations.

The level of the tariffs depends on:

- country of origin
- product.

In order to support exports from developing countries, the EU operates the Generalised System of Preferences. Under the GSP scheme of the EU (Regulation 2820/98/EC), imports of animal and vegetable oils and fats from a number of developing countries are

admitted at a reduced tariff of 15, 30, 65 or 100%, depending on the economic sensitivity of the products involved.

A list of GSP-countries can be found in Appendix 10 of the EU Market Survey 'Animal and vegetable oils and fats for industrial application'.

Apart from the GPS countries, a number of Least Developing Countries (LDC's), countries belonging to the Andes Group and countries belonging to the Central-American Common Market can export their oils and fats products mostly at zero tariff to the EU. The countries belonging to this group are mentioned in Appendix 10 of the EU Market Survey 'Animal and vegetable oils and fats for industrial application'.

The third group enjoying preferential import tariffs are called the ACP-countries (African, Caribbean and South Pacific). These countries have on the basis of the Lomé agreements the possibility to export a great number of industrial and agricultural products, i.e. animal and vegetable oils and fats, to the EU at a reduced tariff or even zero tariff. The countries belonging to this group are mentioned in Appendix 10 of the EU Market Survey 'Animal and vegetable oils and fats for industrial application'.

No import quotas apply to the imports of vegetable oils into the EU.

HS group	GSP Tariff	ACS Tariff	LDC/Andes /Central America	Proposal EU GSP Tariff 2002-2004
15042010	7,6%	0%	0%	
15071090	5,4%	0%	0%	2,9%
15079090	8,1%	0%	0%	6,1%
15081090	4,4%	0%	0%	2,9%
15089090	6,7%	0%	0%	6,1%
15091090	EUR 1.245/t	EUR 1.245/t	EUR 1.245/t	
15099000	EUR 1.346/t	EUR 1,356/t	EUR 1.346/t	
15111090	1,3%	0%	0%	0%
15119019	4,4%	0%	0%	
15119099	3,1%	0%	0%	5,5%
15121191	5,4%	0%	0%	2,9%
15121991	8,1%	0%	0%	6,1%
15131199	2,2%	0%	0%	
15131919	7,6%	0%	0%	
15131999	6,7%	0%	0%	
15132190	2,2%	0%	0%	
15132919	7,6%	0%	0%	
15132991	6,7%	0%	0%	
15141090	5,4%	0%	0%	2,9%
15149090	8,1%	0%	0%	6,1%
15151100	2,2%	0%	0%	
15151990	6,7%	0%	0%	
15152190	4,4%	0%	0%	
15152990	6,7%	0%	0%	
15155019	4,4%	0%	0%	
15155099	6,7%	0%	0%	
15153010	0%	0%	0%	
15153090	3,5%	0%	0%	2,6%

Note 1 Excluding Indonesia, Malaysia and Philippines
Note 2 Excluding Indonesia, Malaysia and Macedonia
Source: <http://www.douane.nl/taric-nl/>, April 13, 2001

2 TERMS OF TRADE AND TRADE PROMOTION

2.1 Terms of trade

FOSFA International in London is a professional international contract and arbitration body, concerned exclusively with the global trade in oilseeds, oils, fats and edible groundnuts.

FOSFA International represents 700 members in 67 countries. Its members consist of producers and processors, shippers, dealers, traders, brokers, agents, superintendents, analysts and ship owners.

2.1.1 The contract

FOSFA has an extensive range of 57 standard form contracts, covering goods shipped CIF, C&F or FOB. The contracts provide the terms of trade for the oils, fats, oilseeds and groundnut commodities. They cover the principal oilseeds, vegetable and marine oils and fats, refined oils and fats and groundnuts, from different origins worldwide and for different methods of transportation.

Internationally, 85% of the global trade in oils and fats is traded under FOSFA contracts.

All ships loading oils and fats under the terms of the Federations contracts are required to comply with certain qualifications and to adhere to specific operational procedures. All these documents are covered by a set of papers called the Contract Referred Documents.

FOSFA offers a well respected Arbitration Service through which the delay and expense of taking a case to court is avoided. Members of the trade, commercial people who are in touch with current market practices and behavior, judge contractual disputes.

Trading relations between exporter and importer are based on trust and can only be built up by meeting the high expectations of the importer. If an importer finds that the product does not meet his expectations, this will immediately backfire on the business relationship with the exporter.

Details that must be mentioned in a contract are:

1. The contract parties: The seller, the buyer and the brokers. Of course all names and addresses must be correctly spelled.
2. The quantity in metric tons and the price per metric ton in the agreed currency, net delivered weight, must be sufficiently specified, so that no misunderstandings can arise. If the buyer and the seller agree to more than or less the agreed quantity, the tolerance in the FOSFA contract is 5%.
3. The quality and specifications on shipment and at discharge must be mentioned.
4. The delivery terms are mentioned according to the description specified in the Incoterms 2000 (please refer to www.iccwbo.org/home/incoterms/the_thirteen_incoterms.asp).
5. The payment and shipping documents must be spelled out in detail.
6. The declaration of destination is a vital piece of information on which the seller and the buyer will have to agree.
7. If one of the parties has negotiated special conditions, this has to be mentioned in the contract.

2.1.2 Payment methods and delivery terms

The determination of payment conditions for a regular export transaction is part of the package of negotiations between seller and buyer, who actually have more or less opposing interests.

The seller wants to have the largest possible guarantee of financial coverage for the goods he has to supply according to his sales contracts. The buyer wants to be sure about availability, quantity and quality of the goods he buys, before he pays the agreed price.

Transfer of payments depends very much on the payment practice of the EU country in question. In general, northern European countries apply a period of 30 days, while southern European countries pay on 60 days or longer. A Letter of Credit is common practice, but is often considered cumbersome and expensive and prevents the option of retaining the money if the consignment does not prove to be as good as expected. When relations are established, cash against documents (CAD) is often used.

Letter of Credit (L/C) and Cash against Documents (CAD) are payment methods commonly used in the trading of animal and vegetable oils and fats. After the sale is concluded, the importer can determine the levy with the Customs, and pay a deposit. If the products are not imported within two months after this has been done, the fixed levy is no longer valid anymore and the importer loses his deposit. This means that on-time delivery is vitally important. Another possibility for the importer is to pay the current levy at Customs clearance.

General methods and terms of payment

Letter of Credit (L/C)

The irrevocable confirmed L/C is very often used in the beginning of a business relationship when the importer and exporter do not know each other very well yet. The L/C is irrevocable and the issuing bank guarantees payment providing the documents required are in accordance with the ones mentioned on the L/C. The costs are higher when compared to the CAD method. This method is widely used in the European Union when dealing with exporters in non-European countries.

Cash against Documents (CAD)

The buyer takes possession of the goods only after payment. It is safe and the costs are relatively low. One can also make use of a 'documents against acceptance of a bill of exchange'. However, the bill of exchange does not guarantee that the bill will be paid; it is less secure than CAD.

Clean payment – open account

The process is fast and reliable, depending on the credit worthiness of the importer. The bank carries out the transactions through swift electronic data system and the transfer costs are not very high. This is the most frequently used method when parties know each other well.

Bank guarantee

The buyer's bank will present a bank guarantee for the amount of the invoice.

Cheques

Bank guaranteed cheques are generally not a problem though cashing may take some time, up to six weeks. Not all personal cheques are accepted.

Advance payment

Although this method provides maximum security for the exporter, it is usually not acceptable to importers. This method is not really used in the trade of animal and vegetable oils and fats.

It is recommended that quotations to European customers should be made on a CIF basis.

However, supplier and importer are free to negotiate and agree whether quotations and subsequent trade are based on CIF or FOB prices.

Most common delivery terms:

- **FOB (Free On Board):** The buyer arranges for transportation and insurance. FOB must specify the port of departure.
- **CFR (Cost & Freight):** The exporter pays the freight, the buyer arranges for the insurance.
- **CIF (Cost, Insurance & Freight):** The exporter pays the freight and the insurance.

2.1.3 Business practice

The trade in oils and fats used to take place on a personal basis. Today, however, contracts play an important role and strict adherence to the conditions is required.

Exporters dealing with EU importers should be willing to adapt to importers' requirements.

Although the EU works on harmonising rules and regulations and already applies uniform import tariffs, there are vast differences in the cultural aspects of doing business in EU countries. Below, a summary is given of the business culture in the EU countries most important for the import of animal and vegetable oils and fats:

Germany

Germans are very formal in their business dealings. They like to be addressed by their surname, preceded by Mr. (Herr), Mrs. (Frau) or Miss (Fraulein). When your partner has a title, it is important to address him/her with his/her title as well. E.g. Herr Doktor Schmidt.

When you have an appointment with your German counterpart, make sure you are punctual and be there right on time. It is advisable to come straight to business, as appointment schedules are usually tightly planned and full. As in most northern EU countries, your trade partners will be quite direct and clear in their communication.

France

The French are quite formal in their business dealings. It is advisable to dress well and conservatively. Hand shaking takes place before and after the meeting. Do not refer to your partners by their first names, but as Mr./Mrs./Miss.

Trade fair	Location	Month/year	Subjects
Anuga	Cologne, Germany	October 2003	Food and beverages
SIAL	Paris, France	October 2002	Food and beverages
IFE	London, United Kingdom	March 2002	Food and beverages
Natural Products Expo Europe	Amsterdam, The Netherlands	June 2002	Organic and natural food and beverages
Bio Fach	Nurnberg, Germany	February 2002	Organic food and beverages
Food Ingredients Europe	Frankfurt, Germany	November 2003	Ingredients for health, functional and organic food
Health Ingredients Europe	Paris, France	September 2002	Food ingredients, semi finished products, product development, quality control
Sana	Bologna, Italy	October 2002	Health and nutritional products

Contact details are listed in Appendix 6 of CBI's EU Market Survey "Animal and vegetable oils and fats".

The Netherlands

Dutch business partners are quite open and direct in their communications. They are less formal compared to German and French business partners. Business is usually discussed in the office and much less during lunches and dinners. English is widely spoken.

Italy

It is advisable to make appointments well in advance. Business is often conducted on the basis of personal relationship and is less formal and direct than in the northern EU countries. English is not as widely spoken and it is advisable to check on the language aspect in advance. Often it is common to use an interpreter. Bureaucracy is well ingrained in Italian society.

United Kingdom

Business entertainment is done more often at lunch than at dinner. British business partners are quite formal in their communications and famous for their understatement. British humour is unique and full of self-irony and mild sarcasm. Pub life is very active, where many businessmen meet after work.

2.2 Trade promotion

2.2.1 Trade fairs

Trade fairs are well known in Europe as an international promotional platform and a meeting point for traders. Participants are exporters, importers, selling and promotion organisations. Activities concentrate on specific, potentially interested buyers/importers. Information in this respect can be obtained by contacting the European branch organisations (see Appendix 5).

Exporters in developing countries are advised to visit these fairs to evaluate the trends concerning end products and ingredients. However, to introduce their oils and fats for industrial application in the EU participation in trade fairs should not be considered. Contacts with importers and brokers is the most important tool to introduce oils and fats for industrial application to the EU market.

The important trade fairs for the European trade in food and food ingredients are mentioned in the table above.

2.2.2 Trade press

The following are the main (inter)national trade magazines which can be relevant for exporters, who want to develop a better insight into the EU markets. Please refer to Appendix 7 of CBI's EU Market Survey "Animal and vegetable oils and fats" for the names and addresses of the publishers.

Magazine	Country	Language	Subject
The Public Ledger	United Kingdom	English	Prices
Oil World	Germany	English	Prices, forecasts, supply and demand
Oils & Fats International	United Kingdom	English	General background and developments

2.2.3 Assistance with market entry

Before approaching organisations abroad, an exporter should first check with the local trade promotion organisations, Chambers of Commerce and foreign representatives in his/her country whether the information required is readily available.

There are a great number of organisations in the EU and in other European countries, which are important in the field of general representation, promotion and public relations activities for exporters in developing countries.

Trade Promotion Organisations

In most EU countries, there are organisations, which promote imports from developing countries through specific export promotion programmes. The services of a Trade Promotion Organisation can include:

- information:
 - statistics and publications about the national market
 - regular news bulletins
 - databases of importers
 - product market opportunities
- individual assistance:
 - management training
 - product testing/exhibitions
 - product adaptation services establishing contacts:
 - collective trade fair missions
 - selling missions.

Branch organisations / trade organisations

In some European countries (or at EU level) producers and wholesalers are organised in branch organisations. These organisations can be of use to new exporters to the EU, for the gathering of information about the market and for identifying potential trade partners. Contact details of Trade Promotion Organisations and other organisations, which can be of assistance in entering the European Union market, can be found in Appendix 8 and Appendix 5 of CBI's EU Market Survey 'Animal and vegetable oils and fats'.

3 MARKETING GUIDELINES

This Chapter offers a “Business Guide” or checklist for exporters wishing to engage in exporting animal and vegetable oils and fats to the European market. The Business Guide aims to facilitate exporters in formulating their own market and product strategy, through a methodology of analysis and ready-to-fill-in frameworks.

Due to the nature and market conditions of animal and vegetable oils and fats for industrial application, some of the checklist items mentioned below (such as packaging materials) are not applicable.

The Business Guide consists of three parts:

- 1. Product profiles, in which a selection of products will be highlighted.**
- 2. A market opportunity analysis to determine the most suitable target market(s) and the most appropriate sales channel(s) for your company’s range of products**

Market opportunity analysis:

1. Country evaluation
2. Sales channel assessment
3. Company assessment
4. Supply and demand comparison

- 3. A checklist for building up a trading link**

Building up a trading link:

1. Reviewing the products and the product range
2. Identifying a suitable trading partner
3. Drawing up an offer
4. Handling the contract
5. Sales promotion

Please refer to the CBI EU Market Survey ‘Animal and vegetable oils and fats’ for statistical market information on consumption, production and trade, and information on trade structure and prices and margins, which is required for the ready-to-fill in frameworks in the “Business Guide”.

The EU Market Survey also includes contact details of importers, trade associations, and other relevant organisation

3.1 Product profiles

The Leatherhead Food Research Association has extensively researched the major vegetable oils traded internationally on FOSFA International contracts. Important data obtained from this research has been used to draw up Guideline Specifications to assist the trade by giving a quality profile for each oil. The profile is used to assess whether, given the normal conditions of trade, a batch of oil is pure and authentic. Actual trading specifications remain a matter for agreement between buyer and seller, subject to contract.

PRODUCT PROFILE	CRUDE PALM OIL	
1. Product name: crude palm oil		
<p>2. Market requirements: <u>European quality standards:</u> general hygienic standards</p> <p><u>FOSFA quality standards apply to:</u></p> <ul style="list-style-type: none"> - fatty acid composition (% by mass of methyl esters) - iodine value - tocopherols - triglyceride carbon number % - sterol composition - slip melting point - fatty acids at the 2-position % - enrichment factors <p><u>Transport standards:</u> EU Directive 96/3 refers to sea transport of oils and fats.</p> <p><u>Import regulation:</u> The general import tariff for palm oil ranges from 0 – 1.3% (GSP)</p>	<p>Relevant import documents:</p> <ul style="list-style-type: none"> - AWB or Bill of Loading - Commercial invoices - EUR 1 form for ACP countries - FORM A for other countries <p>3. Market structure:</p> <p><u>Average prices:</u> US\$ 28 – 56 per 100 kg CIF Rotterdam in bulk</p> <p><u>Main markets:</u> The main EU markets for palm oil are The Netherlands, Germany and United Kingdom followed by Italy and Belgium</p> <p><u>Market trends:</u> stable in the EU. Market very dependent on availability, demand and subsequent price levels</p>	<p>4. Main suppliers: The leading supplying countries are Malaysia, Indonesia and Papua New Guinea.</p> <p>Leading EU refiners and processors are Unilever (The Netherlands) Cargill (The Netherlands) Aarhus (Denmark) Karlshamns (Sweden, United Kingdom, The Netherlands) Fuji Oils (Belgium)</p>

PRODUCT PROFILE	CRUDE COCONUT OIL	
1. Product name: crude coconut oil		
<p>2. Market requirements: <u>European quality standards:</u> general hygienic standards</p> <p><u>FOSFA quality standards apply to:</u></p> <ul style="list-style-type: none"> - fatty acid composition (% by mass of methyl esters) - iodine value - tocopherols - triglyceride carbon number % - sterol composition - slip melting point - fatty acids at the 2-position % - enrichment factors <p><u>Transport standards:</u> EU Directive 96/3 refers to sea transport of oils and fats.</p> <p><u>Import regulation:</u> The general import tariff for coconut oil ranges from 0 – 2.2% (GSP)</p>	<p>Relevant import documents:</p> <ul style="list-style-type: none"> AWB or Bill of Loading Commercial invoices EUR 1 form for ACP countries FORM A for other countries <p>3. Market structure:</p> <p><u>Average prices:</u> US\$ 36 – 71 per 100 kg CIF Rotterdam in bulk</p> <p><u>Main markets:</u> The main EU markets for coconut oil are Germany and The Netherlands followed by Belgium, Italy and Spain</p> <p><u>Market trends:</u> stable in the EU.</p>	<p>4. Main suppliers: The leading supplying countries are Indonesia, Philippines and Papua New Guinea.</p> <p>Leading EU refiners and processors are Unilever (The Netherlands) Cargill (The Netherlands) Aarhus (Denmark) Karlshamns (Sweden, United Kingdom, The Netherlands) Fuji Oils (Belgium) Uniquema (Germany, The Netherlands) Henkel (Germany) Akzo (Germany)</p>

PRODUCT PROFILE	CRUDE PALM KERNEL OIL	
1. Product name: crude palm kernel oil		
<p>2. Market requirements: <u>European quality standards:</u> general hygienic standards</p> <p><u>FOSFA quality standards apply to:</u></p> <ul style="list-style-type: none"> - fatty acid composition (% by mass of methyl esters) - iodine value - tocopherols - triglyceride carbon number % - sterol composition - slip melting point - fatty acids at the 2-position % - enrichment factors <p><u>Transport standards:</u> EU Directive 96/3 refers to sea transport of oils and fats.</p> <p><u>Import regulation:</u> The general import tariff for palm kernel oil ranges from 0 – 7.6% (GSP)</p>	<p>Relevant import documents: AWB or Bill of Loading Commercial invoices EUR 1 form for ACP countries FORM A for other countries</p> <p>3. Market structure:</p> <p><u>Average prices:</u> US\$ 36 – 62 per 100 kg CIF Rotterdam in bulk</p> <p><u>Main markets:</u> The main EU markets for palm kernel oil is Germany, followed by United Kingdom, Belgium and Spain</p> <p><u>Market trends:</u> stable in the EU, but very sensitive to demand, supply and price levels</p>	<p>4. Main suppliers: The leading supplying country is Indonesia.</p> <p>Leading EU refiners and processors are Unilever (The Netherlands) Cargill (The Netherlands) Aarhus (Denmark) Karlshamns (Sweden, United Kingdom, The Netherlands) Fuji Oils (Belgium) Uniquema (Germany, The Netherlands) Henkel (Germany) Akzo (Germany)</p>

PRODUCT PROFILE	CRUDE GROUNDNUT OIL	
1. Product name: crude groundnut oil		
<p>2. Market requirements: <u>European quality standards:</u> general hygienic standards</p> <p><u>FOSFA quality standards apply to:</u></p> <ul style="list-style-type: none"> - fatty acid composition (% by mass of methyl esters) - iodine value - tocopherols - triglyceride carbon number % - sterol composition - slip melting point - fatty acids at the 2-position % - enrichment factors <p><u>Transport standards:</u> EU Directive 96/3 refers to sea transport of oils and fats.</p> <p><u>Import regulation:</u> The general import tariff for crude groundnut oil ranges from 0 – 6.7% (GSP)</p>	<p>Relevant import documents: AWB or Bill of Loading Commercial invoices EUR 1 form for ACP countries FORM A for other countries</p> <p>3. Market structure:</p> <p><u>Average prices:</u> US\$ 28 – 56 per 100 kg CIF Rotterdam in bulk</p> <p><u>Main markets:</u> The main EU markets for groundnut oil is France, followed by Italy and Belgium</p> <p><u>Market trends:</u> small market, rather expensive oil</p>	<p>4. Main suppliers: The leading supplying countries are Senegal, Argentina and Sudan.</p> <p>Leading EU refiners and processors are Romi (The Netherlands) Anglia (United Kingdom) Karlshamns (Sweden, United Kingdom) Cereol (France)</p>

3.2 Market analysis

In this section, a market opportunity analysis is conducted through a methodology of ready-to-fill-in frameworks. The analysis consists of four parts:

1. **Country evaluation**, to identify suitable target countries and markets for selling animal and vegetable oils and fats
2. **Sales channel assessment**, to estimate the requirements of potential sales channels in respect to product standards, logistics and marketing.
4. **Company assessment**, to assess your company's performance in respect to product standards, logistics and marketing.

Supply and demand comparison, to compare the requirements of the sales channels with your own company performance, in order to identify the most suitable sales channel(s).

The basic questions a future exporter has to ask himself are:

- Is there a market for my products?
- Can I reach this market?
- Can I offer my product at an acceptable and competitive price?

3.2.1 Country evaluation

The country evaluation helps to quickly determine particularly attractive markets. Exporters can complete the ready-to-fill-in framework for each country to which they intend to export.

Markets are assessed on five criteria:

1. **Market potential**
2. **Product standards**
3. **Trade situation**
4. **Export conditions**
5. **Exporting experience**

- There are three possible answers to each question, which are awarded 1, 2 or 3 points each. If there is no exact answer to a question, it should always be awarded 2 points, to avoid distorting the statistics of the overall results.
- The points awarded for each criterion and the total points awarded are entered in a table for the final results.
- The total points awarded give a ranking for the markets analysed (top ranking for the country with the highest number of points, etc.).
- Finally, the markets can be evaluated relatively (ranking) and absolutely (each market individually), in order to assess the opportunities and constraints within each market.

Subject evaluated	points
1 Market potential	
1.1 What is the estimated market size for your products?	
<input type="checkbox"/> large (3 pts.)	<input type="checkbox"/> average (2 pts.)
<input type="checkbox"/> small (1 pt.)	.....
1.2 How has the market volume developed during the last 3-5 years?	
<input type="checkbox"/> grown (3 pts.)	<input type="checkbox"/> unchanged (2 pts.)
<input type="checkbox"/> declined (1 pt.)	.....
1.3 How have imports of your products developed during the last 3-5 years?	
<input type="checkbox"/> grown (3 pts.)	<input type="checkbox"/> unchanged (2 pts.)
<input type="checkbox"/> declined (1 pt.)	.....
Evaluation of the market for animal and vegetable oils and fats	
2 Product standards	
2.1 What standards are set on the quality your products?	
<input type="checkbox"/> low standards (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high standards (1 pt.)	.....
2.2 To what degree are regulations in force?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	.....
2.3 How high are the standards demanded on packaging methods?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	.....
2.4 How high is the demand on environmentally sound production methods ?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	.....
Evaluation of product standards	

3 Trade situation

3.1 How high is the demand for new suppliers?

- large (3 pts.) average (2 pts.) small (1 pt.)

3.2 How many producers (sellers) are there in the country concerned?

- few (3 pts.) average (2 pts.) many (1 pt.)

3.3 What is the average price level for your products?

- high (3 pts.) medium (2 pts.) low (1 pt.)

3.4 Is there a clear trade structure allowing for easy identification of trade partners?

- very clear (3 pts.) rather clear (2 pts.) not at all (1 pt.)

Evaluation of the trade situation

4 Export conditions

4.1 Are there import restrictions which limit sales opportunities?

- none (3 pts.) few (2 pts.) many (1 pt.)

4.2 How high are the import duties?

- low (3 pts.) average (2 pts.) high (1 pt.)

4.3 To what degree is the domestic industry subsidised?

- not at all (3 pts.) somewhat (2 pts.) strongly (1 pt.)

4.4 Can I reach the market easily (cost of freight)?

- competitive (3 pts.) possible (2 pts.) difficult & expensive(1 pt.)

Evaluation of export conditions

5 Exporting experience (of potential exporter)

5.1 What is the level of information available on this market?

- high (3 pts.) average (2 pts.) low (1 pt.)

5.2 Do (or did) trade relations exist with the country concerned?

- yes, at present (3 pts.) yes, in the past (2 pts.) no, never (1 pt.)

5.3 Is language a problem?

- not at all (3 pts.) somewhat (2 pts.) very much (1 pt.)

Evaluation of exporting experience

Total evaluation of the individual market

points appraisal

18-29 Either there are certain difficulties in trading with these markets or countries, or their attraction rating is under-average. Examine individual cases to see whether special circumstances might have a positive effect on trade with some markets or countries.

30-41 These markets or countries have an average attraction for trade. Examine individual low-rating criteria to see whether, in special cases, they might have a decisive influence on building up a trading link.

42-54 These markets or countries are highly attractive. Building up or expanding trade relations could prove to be worthwhile.

3.2.2 Sales channel assessment

After evaluating the prospective countries and markets, the particular sales channels within these markets must be assessed. After assessment of the performance of your own company (next section), comparison of the requirements of the sales channels with your company's performance will enable you to identify the most suitable sales channel(s) (3.2.4).

Each sales channel is appraised on three criteria:

1. Product standards
2. Logistics
3. Marketing

The final evaluation of the sales channels takes place after the evaluation of your own company performance.

1 Product standards			
<hr/>			
1.1 What quality standards does this sales channel demand?			
<input type="checkbox"/> low	<input type="checkbox"/> average	<input type="checkbox"/> high	
1.2 What package sizes does this sales channel demand?			
<input type="checkbox"/> no specific	<input type="checkbox"/> standard packaging	<input type="checkbox"/> specific sizes:	
	sizes: .....	.....
	
1.3 What packing materials does this channel demand?			
<input type="checkbox"/> not specific	<input type="checkbox"/> specific packing:		
1.4 What are the requirements of this sales channel regarding production techniques and certification?			
<input type="checkbox"/> no special requirements	<input type="checkbox"/> country-specific regulations	<input type="checkbox"/> FOSFA certified regulations	
1.5 What product groups does this sales channel demand?			
<input type="checkbox"/> no specific requirements			
<input type="checkbox"/> specific requirements:	not required	required	products required:
palm oil	<input type="checkbox"/>	<input type="checkbox"/>
palm kernel oil	<input type="checkbox"/>	<input type="checkbox"/>
coconut oil	<input type="checkbox"/>	<input type="checkbox"/>
fish oil	<input type="checkbox"/>	<input type="checkbox"/>
castor oil	<input type="checkbox"/>	<input type="checkbox"/>
sunflower oil	<input type="checkbox"/>	<input type="checkbox"/>
groundnut oil	<input type="checkbox"/>	<input type="checkbox"/>
sesame oil	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>			
2 Logistics			
2.1 How often does this sales channel normally require deliveries?			
<input type="checkbox"/> seldom (once a year)	<input type="checkbox"/> average (once per quarter)	<input type="checkbox"/> often (more than once per quarter)	
2.2 What formalities does this channel demand from the exporter?			
<input type="checkbox"/> none	<input type="checkbox"/> complete shipping documents without Customs declaration		
	<input type="checkbox"/> complete shipping documents including Customs declaration		
<hr/>			
3 Marketing			
3.1 Where do negotiations for this sales channel take place?			
<input type="checkbox"/> in the producer country	<input type="checkbox"/> in a third country:	<input type="checkbox"/> in the country of destination	
		
3.2 Which persons influence business contacts in this sales channel?			
<input type="checkbox"/> head of company/ general buyer	<input type="checkbox"/> product group buyer	<input type="checkbox"/> sales manager	<input type="checkbox"/> marketing manager
3.3 How often does this sales channel expect a personal visit from the exporter?			
<input type="checkbox"/> seldom	<input type="checkbox"/> once a year	<input type="checkbox"/> more than once a year	
3.4 What cycles of delivery does this channel demand?			
<input type="checkbox"/> none	<input type="checkbox"/> seasonal emphasis	<input type="checkbox"/> equally distributed throughout the year	
<i>continued</i>			

continue

3.5 What quantities are demanded by this channel?

	not required	lowest quantity	normal quantity
palm oil	<input type="checkbox"/> t per year	..... t per year
palm kernel oil	<input type="checkbox"/> t per year	..... t per year
coconut oil	<input type="checkbox"/> t per year	..... t per year
fish oil	<input type="checkbox"/> t per year	..... t per year
castor oil	<input type="checkbox"/> t per year	..... t per year
sunflower oil	<input type="checkbox"/> t per year	..... t per year
groundnut oil	<input type="checkbox"/> t per year	..... t per year
sesame oil	<input type="checkbox"/> t per year	..... t per year

3.6 What sales support material is necessary for business contacts with this sales channel?

- none price list sales statistics
 sales brochure company brochure

3.7 What promotional material is necessary in this sales channel for the further sale of the products?

- none product information
 product sample
 other:

3.8 Which references are needed to guarantee my payment?

- none usual strong references

3.9 Which are the usual methods of payment? (see Section 2.1.2)

- letter of credit document against payment other:

3.10 Which are the usual terms of payment? (see Section 2.1.2)

- FOB CFR CIF

3.2.3 Company assessment

In order to identify the most suitable sales channel(s) for your company in the paragraph below, it is important to evaluate your company's performance on the same three criteria as applied in the sales channel assessment:

1. Product standards

2. Logistics

3. Marketing

1 Product standards

1.1 What quality standards do your products fulfil?

- low average high

1.2 What package sizes and materials do you use?

- standard sized specific sizes:
.....

1.3 What packaging materials do you use?

- none usual ones specific packing:

1.4 What requirements on production techniques do you fulfil?

- no special requirements sales country-specific regulations

1.5 How comprehensive is your product range in each product group?

	not produced	one variety	several varieties
palm oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
palm kernel oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
coconut oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
fish oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
castor oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
sunflower oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
groundnut oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
sesame oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

continued

2 Logistics

2.1 How often are you able to deliver?

- seldom (once a year) average (once per quarter) often (more than once per quarter)

2.2 What formalities does this channel demand from the exporter?

- none complete shipping documents without Customs declaration
 complete shipping documents including Customs declaration

3 Marketing

3.1 Where do you hold your sales negotiations?

- in the producer country in a third country:
 in the country of destination

3.2 Which persons do you know who influence business contacts?

- head of company/
 general buyer product group buyer sales manager marketing manager

3.3 How often do you visit your customers personally?

- seldom once a year more than once a year

3.4 What cycles of delivery apply to your products?

- none seasonal emphasis equally distributed throughout the year

3.5 What quantities do you generally produce?

	not produced	lowest quantity	normal quantity
palm oil	<input type="checkbox"/> t per year	..... t per year
palm kernel oil	<input type="checkbox"/> t per year	..... t per year
coconut oil	<input type="checkbox"/> t per year	..... t per year
fish oil	<input type="checkbox"/> t per year	..... t per year
castor oil	<input type="checkbox"/> t per year	..... t per year
sunflower oil	<input type="checkbox"/> t per year	..... t per year
groundnut oil	<input type="checkbox"/> t per year	..... t per year
sesame oil	<input type="checkbox"/> t per year	..... t per year

3.6 What sales support material is available for your product?

- none price list sales brochure
 campaign brochure

3.7 What promotional material is available for the further sale of the products?

- none product information
 product sample
 other:

3.8 What is my financial availability for meeting the proposed terms of payment?

- good acceptable insufficient

3.9 Which are my usual methods of payment? (see Section 2.1.2)

- letter of credit document against payment other:

3.10 Which are my usual terms of payment? (see Section 2.1.2)

- FOB CFR CIF

3.2.4 Determining the most suitable sales channel(s) and opportunities for strategic alliances

Using the checklists in the previous sections, you can now compare the corresponding checklists of the sales channel assessment and the company assessment, so as to identify the most suitable sales channel(s) for your products.

- Use the table below to record the number of answers for each sales channel, which agree with one another and those that do not.
- The sums of corresponding and non-corresponding answers show which sales channel is the most suitable. Non-corresponding answers represent problems that must be solved, before you can sell your products through a particular sales channel.

	conditions agree	conditions disagree
1 Product standards	<input type="checkbox"/>	<input type="checkbox"/>
1.1 Quality standards	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Package size	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Packaging materials	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Production techniques	<input type="checkbox"/>	<input type="checkbox"/>
1.5 Product range	<input type="checkbox"/>	<input type="checkbox"/>
2 Logistics		
2.1 Delivery frequencies	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Formalities	<input type="checkbox"/>	<input type="checkbox"/>
3 Marketing		
3.1 Place of negotiations	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Decision-makers	<input type="checkbox"/>	<input type="checkbox"/>
3.3 Frequency of visits	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Delivery cycles	<input type="checkbox"/>	<input type="checkbox"/>
3.5 Quantities required	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Sales support material	<input type="checkbox"/>	<input type="checkbox"/>
3.7 Sales support material for further sale	<input type="checkbox"/>	<input type="checkbox"/>
3.8 Guarantee	<input type="checkbox"/>	<input type="checkbox"/>
3.9 Payment terms	<input type="checkbox"/>	<input type="checkbox"/>
	conditions agree	conditions disagree
Number of answers	.....	.....

3.3 Building up a business relationship

The Business Guide for building up a trading link consists of five sections:

<p>1. Reviewing the products and the product range:</p> <p>(a) specifying range, width and depth; (b) specifying the product characteristics; (c) packaging design.</p> <p>2. Identifying a suitable trading partner:</p> <p>(a) filling out a contact exchange form; and (b) evaluating the information.</p> <p>3. Drawing up an offer:</p> <p>(a) drawing up a general offer; (b) drawing up a specific offer; and (c) general remarks.</p> <p>4. Handling the contract:</p> <p>(a) contract terms; and (b) contract fulfilment.</p> <p>5. Sales promotion:</p> <p>(a) advertising and communication; (b) sales organisation; and (c) participation in trade fairs (d) Internet.</p>

3.3.1 Reviewing the products and the product range

SPECIFYING RANGE, WIDTH AND DEPTH

Definition

A product range consists of several product groups (range width), each with several different products (range depth).

One product can consist of **several varieties**, depending on fatty acid composition, iodine value in the producing country

Example:

- A product range consists of vegetable oils (**range width**).
- The products for sale are palm oil, coconut oil and palm kernel oil (**range depth**).
- The palm oil **varieties** are dependent on country of origin (East Malaysia, Sumatra)

Reasoning

A supplier can only select a suitable business partner if he/she knows exactly what range he/she can offer.

product	characteristics	quantities to supply	specifications	availability

A precise review of the product range, therefore, aims at identifying the most **suitable** candidate(s)

Specifying the product characteristics

Enter in the following list all products you produce, together with their characteristics. Furthermore, state their packaging, the period in which you are able to supply and the packaging method:

Special remarks:

- The reviews must enable potential customers to make an appraisal of your complete product range.
- The reviews must therefore always be kept up-to-date.
- The products and the range should be flexible so that adjustments and changes can be made, if the need arises.

Transport

Special transport tanks are necessary to ensure that animal and vegetable oils and fats arrive in perfect condition at their destination. Unclean tanks often cause damage to the product. The transport tanks should take the following into account:

- **Proper transport**
- **Clean tanks**
- **Previous cargo transported in tanks**

The following questions aim at assisting you in ensuring suitable transport conditions:

Proper transport

- (1) **Have your importers ever complained about the quality of your products?**

Possible causes:

- previous cargo
- unclean tanks
- wrong climatic conditions (cooling) during transport

- (2) **Do your importers require a certificate of cleanliness?**

Reasoning:

- chemical reactions caused by previous cargo.
- remains of previous cargo could not be removed during refining process.

3.3.2 Identifying a suitable trading partner

Definition

Among the many potential customers, you must identify a trading partner who matches your own company profile and product range and is therefore potentially most suited for building up a trading link.

Check your potential buyers' financial status, credibility.

At the end of the identification phase, the supplier should have selected the names and addresses of suitable trading partners.

Contacting one or more sources of information

In the **producer country:**

- The foreign-trade chamber of commerce of the country of destination.
- The Economic Affairs department of the official representative (Embassy or Consulate) of the country of destination.

In the **country of destination:**

- Trade promotion organisation
- Trade associations
- Your own country's public and private trade promotion bodies
- Your own country's diplomatic and consular representatives
- Chambers of commerce
- Trade fair organisers (catalogues)

Points of attention:

- Many sources of information only answer **written** inquiries!
- As a general rule: a concise but detailed inquiry improves the chances of precise identification

Evaluating the information

Evaluate the names and addresses you receive, using the following criteria:

- Is the information complete?
 - full address;
 - telephone and fax number, e-mail;
 - name of the person to contact.
- Is the importer active in the country you have selected?
- Does the importer focus his activities on the corresponding product groups?

- Do I have enough sound information about the reliability of this partner?

Using these criteria, draw up a priority list of the contact addresses you have received.

3.3.3 Drawing up an offer

There are two different kinds of offers:

1. a general offer;
2. a specific offer.

Drawing up a general offer

The purpose of a general offer is to make the first contact with potential trading partners with whom the supplier is not yet personally acquainted.

A general offer consists of sending a short profile of your own company and a summary of your product range.

In a personal letter, briefly introduce your company and tell what you have to offer.

Drawing up a specific offer

A specific offer is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of contract. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

When sending a specific offer, it should consist of two parts:

(1) written offer:

- Name of the person responsible in your company;
- Exact description of the goods offered (preferably using an internationally valid quality standard specification such as FOSFA specifications);
- Price of the goods offered in accordance with the Incoterms 2000 (ICC publication; if applicable, split up by delivery quantities or quality); and
- Possible delivery date and terms of delivery.

(2) product samples:

- Product samples must correspond to the goods available for delivery (if they do not, this can have a lasting negative effect on business relations);
- State the treatment methods used (if possible, provide quality certificates from an internationally recognised inspection organisation and send a reference list of existing customers).

General remarks

Recommendable action for both kinds of offer:

- A telephone call to ask whether the offer (and the samples, if applicable) has/have arrived.
- An invitation to visit your company.
- Possibly propose a visit to the country of destination.

In that case:

- If necessary, hire an interpreter.
- Ask your own consulate or other intermediaries for assistance.

3.3.4 Handling the contract

When handling the contract, you should consider the terms and the fulfilment:

Contract terms:

- Conclude the delivery conditions according to international guidelines (e.g. Incoterms 2000)

Contract fulfilment:

- Procure the delivery documents in good time.
- Comply strictly with all parts of the supply agreement.
- If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time, ask if he is prepared to accept this unforeseen deviation.
- Co-operate on a partnership basis and seek a common solution, even if conflicts arise.
- Fulfilling the contract should have a high priority, particularly when delivering for the first time.

3.3.5 Sales promotion

Sales promotion measures relate to developing and expanding the following:

- customer relations;
- supply quantities.

Developing customer relations:

- Take good care of existing customers. This includes, for example, expressions of thanks to business partners, regular information on the product range, etc.
- Brochures on your company and the product range can be useful for promoting sales.
- Ask existing customers for letters of reference. Such recommendations are particularly important when initially approaching new contacts.

Expanding supply quantities:

- In some cases, you may be able to increase supply quantities to existing customers.
- The product range should be guided by the demand. Changes to the product range may become necessary.
- If you can increase the present quantities produced, you could look for new sales outlets.
- You can use your existing export experience to trade with other importing countries.
- Always answer a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him if/when the supply situation changes.

Advertising and communication

Definition

Advertising refers to communication measures with the aim of increasing the sales of your products. The prerequisites for successful communication measures are:

- A clearly defined target group → “Who buys my products?”
- A well formulated message → “What do I want to tell the customer?”

Costs and dispersion losses

Two parameters are used to measure the costs of any communication measure:

- Cost per contact → “How much does it cost to convey the message to one target company/person?”
- Total costs → “How much does the whole campaign cost?”

It must be borne in mind that not all messages sent actually reach the addressees (target persons). The costs for messages that do not reach the right addressee are called dispersion losses.

Recommendations

It is advisable to commence with communication measures that only require a small amount of planning and co-ordination, such as revising the company’s standard printed matter:

- Standardise all **printed paper** used outside the company (letterheads, visiting cards, fax form, etc.).
- Prepare long-term **sales documentation** (company

brochure, product range reviews, etc.).

- Prepare product-specific **sales folders**.

If your company has an Internet site, you can make sales documentation and folders available electronically. By making sales documentation available electronically, you can reduce the amount of printed documentation you need to send, as well as the related costs.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with a customer.

Sales organisation

The term “sales organisation” refers to the organisational system that carries out the sales of the company’s products and pursues quality control. A sales organisation usually consists of office personnel and a field force.

Organising sales

Business with partners overseas is often concluded on the telephone, by fax or by e-mail. A well-functioning sales department is therefore an absolute prerequisite for successful market participation.

- The essential tool used in the sales department is a detailed and up-to-date customer database. The customer data base contains the following information:
 - Basic data on the customer (e.g. long-term data such as name, address, telephone number, e-mail, etc.);
 - Changing data on the customer (data resulting from business with the customer such as telephone calls, offers, sales statistics, etc.).

Measures	Criteria	Target group	Amount of planning and co-ordination	Cost per contact	Total costs	Dispersion losses
Standard printed matter (letterheads etc.)		Existing customers	+	+	+	+
Telephone and mailing campaigns		Existing and potential customers (known by name)	++	++	++	+
Advertising in trade journals		Existing and potential customers (partly unknown)	++	++	++	++
Promotion through an Internet site		Existing and potential customers (partly unknown)	+++	+	++	+

+++ = high ++ = medium + = low

Office personnel	Field force
<ul style="list-style-type: none"> • Handling correspondence • Handling offers and orders • Issuing forwarding instructions • Issuing and checking invoices • Controlling schedules • Keeping customer records • Expediting product samples • Keeping sales statistics • Evaluating markets • Dispatching goods • QUALITY CONTROL 	<ul style="list-style-type: none"> • Selling • Visiting customers • Presenting new products • Holding yearly reviews with customers

- The customer database gives a sales person a quick review of the most important customer data when planning to contact the customer whether by telephone, fax or e-mail.
- If possible, the customer database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer data should be kept on file cards (see samples).

Customer Data Sheet			
Company:			
Company:	Customer No.:		
Street:	Customer class*: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C		
P.O. Box:	First contact date: __/__/__		
Postal code:	Sales person:		
Town:	Customer type:		
Country:	(agent, importer, manufacturer)		
Tel.:	Sales last year:		
Fax:	Sales planned this year:		
E-mail:	Method of payment:		
Internet:	Delivery conditions:		
Bank:	Remarks:		
Bank address:			
Account No:			
Business partners:			
1 Title:	First name:	Name:	
Function:	Tel.:	Fax:	E-mail:
2 Title:	First name:	Name:	
Function:	Tel.:	Fax:	E-mail:
3 Title:	First name:	Name:	
Function:	Tel.:	Fax:	E-mail:
4 Title:	First name:	Name:	
Function:	Tel.:	Fax:	E-mail:
* Classify customers by their importance to your company (sales, quality of relation, etc).			

Customer contact record			
Date	Contact person	Topic / Offer	Contract

Internet

Internet is generally considered to have many opportunities as a means of communication between people and organisations.

The advantages of the Internet are:

- low cost of communication
- fast delivery
- independence of distance and timeline
- hardly any limits in size
- multimedia possibilities
- etc.

Besides one-to-one communication, Internet offers opportunities for presentation, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/industries in overseas countries, you can advertise for (new) clients on your Internet site, showing your product line and indicating the conditions. A good Internet site can present your company to every potential client in any country with access to the Internet. You must realise, however, that your organisation must be thoroughly prepared to receive inquiries and requests from all over the world.

To find the right site offering the right product is very time-consuming. Internet users are increasingly looking for sites that offer a line of products around a certain theme or area of interest. Consequently, unlike

traditional marketing, export marketing through Internet should focus on themes or areas of interest. It may also be useful to present your organisation’s name at several search engines on the Internet.

When using Internet you will have to look at complementary products and products fulfilling the same demands. Internet sites of Standard Organisations and Trade Associations (see respectively Appendix 3 and 5 of CBI’s EU Market Survey ‘Animal and vegetable oils and fats’) provide good information on guidelines, services, news and events.

If you include links to other interesting sites on your site to other interesting places on the Internet, your site might add value as well. If other sites put a link to your site, you will also attract more visitors.

As each customer decides by himself where he browses on the Internet, it is important to address him personally. Internet offers many opportunities to personalise your offer. You need to keep in mind that Internet is a ‘pull medium’ so you have to attract the customer to your site with a good offer. The visitor will choose his own way in the structure of your site. Therefore, you have to facilitate this through easy access to your message, by adding the most important issues to your homepage and providing easy-to-use search engines, good keywords for your database selections and a fast but attractive lay-out. By adding ‘cookies’ (small software

Value Carrier	Multi-media	Interactivity lingual	Multi-of market	Capacity	Compatibility	Penetration	Price
Diskette	++	++	++	--	+	++	+
Video	-	--	--	+	--	++	0
CD-rom	++	++	++	+	++	+	-
DVD	++	++	++	++	-	--	--
Internet	+	++	++	++	++	+	+

DVD: Digital Versatile Disc
 ++ very good; + good; 0 reasonable; - average; -- poor
 Source: CBI News Bulletin, No. 263, March 1999

tools that register and recognise a customer when he comes back) you can give your customer a personal welcome.

Besides the Internet, there are other electronic media which can be used in export marketing such as video, CD-ROM and diskette. In the box below, an overview of the value of a number of carriers is presented.

For further information about electronic media in export marketing, please refer to the CBI News Bulletin No. 263 of March 1999. Information on setting up an Internet site can be found in the CBI Bulletins No. 273, 274, 275 and 276 issued in 2000.

CBI puts you in touch with the markets of Europe

CBI, the Centre for the Promotion of Imports from developing countries, is an agency of the Netherlands Ministry of Foreign Affairs. Since its establishment in 1971, CBI operates within the policy framework set by the Minister for Development Co-operation. Its mission is to contribute to the economic independence of developing countries. To fulfil this mission, CBI aims at strengthening the competitiveness of companies in those countries on international markets, primarily the West-European market, by improving conditions in enterprises and business support organisations. CBI considers social values and compliance with the most relevant environmental requirements to be an integral part of its policy and activities

CBI offers various programmes and services to its target groups:

Market information

- CBI News Bulletin (6 times annually);
- CBI guide "Exporting to the European Union";
- Market surveys and strategic marketing guides covering the EU including The Netherlands;
- Quick scans on environmental, social and health issues;
- Manuals on subjects such as technical and environmental regulations, trade fair participation, Fashion Forecast etc.;
- CBI's extensive Web site at www.cbi.nl providing general information about CBI, details about CBI programmes, CBI publications (downloadable free-of-charge) and the GreenBuss database on European trade-related environmental policy and technology;
- CBI's Trade Documentation Centre offering supply-related information to importers, such as exporters' directories, country and sector information, periodicals from developing countries, and - to visiting exporters - demand-related information such as market information, trade magazines, address books of European companies etc.

Matching services

CBI's computerized exporters' and importers' databases, containing around 3,500 regularly updated company profiles, are instrumental in providing buyers and suppliers with relevant company data on potential trade partners.

Export promotion programmes (EPP)

Step-by-step approach providing intensive assistance to selected exporters in developing countries in order to obtain a firm and lasting position on the EU market. Made to measure, demand-driven and flexibility are combined with fixed elements such as:

- pre-selection of candidates based on written documentation;
- technical assistance during company visits and distance guidance by CBI branch experts;
- export marketing training (for instance through the EXPRO seminars);
- market entry (for instance via participation in European trade fairs);
- market consolidation by way of follow-up support, further technical assistance and/or repeat market entry activities.

Human resources development

- BSO MARKET INTEL: five-day seminar in Rotterdam for relevant middle management staff of BSO's, aiming at supporting BSO's in establishing or improving a Market Information Service (MIS);
- CAPITA: two-week seminar in Rotterdam for specific industry & trade associations. Aims to provide -through their associations- specific industries or sectors in developing countries with tools to engage in business relations with importers and/or manufacturers in the EU;
- BSO-FAME: two-week seminar in Rotterdam for project managers of BSOs focusing on practical knowledge and applicable tools in export promotion to international markets in general and the European market in particular;
- IntFair: two-week seminar in Rotterdam for BSO staff members on the organization of collective participation in European trade fairs;
- Expro: seven-day seminar in Rotterdam on export marketing and management for selected exporters participating in a CBI export promotion programme;
- Workshops in developing countries: 2-4 days for BSOs and/or exporters, focussing on general export marketing and management, a specific product sector or on specific subjects.

Multilateral co-operation

CBI co-operates with the International Trade Centre (ITC/WTO) to globalize trade promotion and with other European import promotion organizations to increase efficiency and effectiveness by combining efforts.

Please write to us in English, the working language of the CBI.

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