

NEWS YOU CAN USE

Iowa Receives State Trade Expansion Program (STEP) Grant

The Iowa Economic Development Authority's (IEDA) International Trade Office (ITO) is happy to announce Iowa will receive a STEP grant through the U.S. Small Business Administration (SBA), International Trade Office, for the upcoming funding year. Financial assistance applications will be accepted for eligible activities taking place between September 30, 2019 and September 29, 2020. Applications must be received AT LEAST 45 days prior to a trade show or trade mission start date, and at least five days prior to eligible marketing services beginning. To learn more about assistance programs for Iowa exporters, visit iowaeconomicdevelopment.com/ifa or contact Lisa Longman at lisa.longman@iowaeda.com or 515.348.6243.



Shipping Plants or Plant Products?

If you ship plants or plant products, such as grain, seed, logs/lumber, live plants and DDGs, into international markets, you may be familiar with the Iowa Department of Agriculture and Land Stewardship's (IDALS) phytosanitary certificate program. IDALS issues 5,000 – 10,000 “phyto” certificates annually on behalf of the USDA to facilitate export of Iowa-origin plant products. The destination, or receiving country, sets the entry requirements for the goods, the U.S.A.-issued phyto attests the requirements have been met before leaving the country.

Time spent in the export world may have helped you realize that the destination country can change its entry requirements at a moment's notice. The European Union (EU) member countries have notified USDA that several significant changes to its plant products entry requirements will occur September 1. This may take Iowa businesses by surprise since many plant products, such as grain (including brewer's dried grains, distiller's dried grains, flour, flaked and/or rolled products, gluten feed and meal) have long been “unrestricted”, which meant they could enter the EU without a phytosanitary certificate.

Effective September 1, 2019, the EU implemented the following changes:

- A phytosanitary certificate for all plant parts and plant products, except *Ananas comosus* (pineapple), *Cocos nucifera* (coconut), *Durio zibethinus* (durian), *Musa spp.* (banana) and *Phoenix dactylifera* (dates) fruit. These exceptions will be the only commodities considered unrestricted and will not require a phytosanitary certificate.
- EU phytosanitary certificate additional declarations will change from its current format to plain English statements.
- The shipment of walnut logs will be subject to additional restrictions, varying with the origin of the logs and the presence of thousand canker disease of walnut.

Questions and concerns may be directed to the Entomology Bureau at IDALS, or your local IDALS representative that typically inspects and issues phytos at your business site.

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UPCOMING EVENTS

Korea Taiwan Trade Mission

December 14-21

IEDA will lead a meat-focused trade mission to two growing markets, Korea and Taiwan. The Korea-U.S.A. FTA is creating additional opportunities for U.S. pork. In 2018, Iowa companies exported \$133 million in pork products and \$72 million in beef products to South Korea. Korea is an important market that will continue to grow with the refinement of the cold chain and expansion of US chilled pork. Taiwan purchased \$8.8 million in Iowa pork products and \$92 million in Iowa beef products in 2018. IEDA will work with the U.S. Meat Export Federation to organize a meat-focused mission, which is open to Iowa pork and beef exporters and Iowa agriculture groups. To learn more, contact Mark Fischer at mark.fischer@iowaeda.com or 515.348.6241.



Trade mission to Mexico

February 16-22, 2020

Mexico is a neighbor and one of the United States' largest trading partners. In 2018, Iowa companies exported over \$2.2 billion in products to Mexico, including a diverse range of commodities, products and services. The ITO invites you to explore opportunities in this market through its upcoming trade mission to Mexico in February. This is a horizontal mission and is open to Iowa companies in all sectors.



For manufacturing and service companies, IEDA will work with you to develop a detailed itinerary, including one-on-one meetings with prospective customers and potential partners with stops in both Monterrey and Mexico City. Meat and Agricultural groups will focus on Monterrey, the entry point for much of the U.S. meat imports. With support from USDA, the meat group will also travel to Nuevo Laredo to explore the border crossing.

To learn more, manufacturing and service companies contact andrea.smith@iowaeda.com or 515.348.6240, and meat and agriculture groups contact mark.fischer@iowaeda.com or 515.348.6241.

ILDEX-Vietnam 2020

March 18-20, 2020



Want to grow exports of your products or services in the livestock industry?

The IEDA is sponsoring a pavilion at the ILDEX-VIETNAM and funding turnkey shared booth space for up to six qualifying companies through the IEDA STEP grant. Discounted private booth space is also available within the Iowa Pavilion. ILDEX VIETNAM is a biennial International Exhibition focusing on Livestock, Dairy, Meat processing and Aquaculture. The event is perfect for globally minded companies to not only develop new business, but also follow contemporary market trends in this large and rapidly developing livestock region. At ILDEX, attendees will see emerging trends through the event's exhibition and seminar programs. Space is limited and offered on a first-come, first-served basis; early application is recommended. The signup deadline is October 18. To learn more or to obtain an application, contact joseph.rude@iowaeda.com or call 515.348.6244.

Find More Events at

iowaeconomicdevelopment.com/intlevents

and Educational Opportunities at

iowaeconomicdevelopment.com/intlcalendar

RECENT HIGHLIGHTS

Mexican Meat Companies travel to Iowa in September

The IEDA, in cooperation with the Iowa Pork Producers Association, Iowa Beef Industry Council, Iowa Corn and Business Development Partners (Iowa's Mexico representative), brought a team of 11 Mexican meat buyers to Iowa September 22-27. The team toured meat plants; heard a supply/demand presentation from Dr. Lee Shultz, ISU; met with industry leaders; and participated in two "Meet the Buyers" events where they met individually with Iowa suppliers of pork, beef and meat processing equipment. The Mexican meat companies traveled to Iowa to meet with new suppliers and left optimistic that they'd increase purchases over the next year.



International Documentation Training presented by Mr. Mike Allocca September 10 – West Des Moines

The IEDA's International Trade Office hosted Mr. Mike Allocca from Allocca Enterprises for a full day of International Documentation Training on September 10. Mr. Allocca has decades of expert experience and industry knowledge and presents high-quality material in an entertaining environment. This year's seminar hosted almost 100 participants from a wide range of companies and a variety of roles. The content focused on how to correctly fill out commercial invoices, packing lists, bills of lading EEI's, Certificates of Origin and wood certificates. Attendees learned about DCS certificates, legalization of documents and pre-shipment inspections. Thanks to co-sponsors Iowa Farm Bureau Renew Rural Iowa, Center for Industrial Research and Service at Iowa State (CIRAS) and the Greater Des Moines Partnership as the support allows IEDA to offer world-class training locally at economical rates, requiring minimal travel.



OTHER EVENTS CALENDAR

Legal Duty Avoidance and Recovery Strategies



October 10 – Des Moines

Join U.S. Customs and International Trade Expert, Mr. Adam Hill, of Scarborough International as he presents “Duty Avoidance & Recovery Strategies.” This exciting, half-day training event will be hosted in downtown Des Moines at the Greater Des Moines Partnership. Mr. Hill will discuss duty drawback, product exclusion and exemptions, foreign trade zones, free trade agreements, the generalized system of preference, and Section 232, 301 or any other future tariffs. Registration is available at:

members.dsmpartnership.com/events/details/legal-duty-avoidance-and-recovery-10-10-2019-57680

INCOTERMS® 2020

October 17 – Cedar Rapids

The ITO and the Cedar Rapids Metro Economic Alliance will host Mr. Frank Reynolds to present a timely and informative update on the new INCOTERMS® 2020, which will be rolled out this year. Mr. Reynolds is a leading authority on the subject and represented the United States during the 2000, 2010 and 2020 revisions. Full details were released by the publisher, the International Chamber of Commerce, in September, and the terms go into effect on January 1, 2020.



See the guest article, in this newsletter, for more details on the 2020 changes. Book your seat today for this full-day training. Registration is available at www.incoterms-for-americans.com

Foreign Trade Zone (FTZ) Seminar

November 20 – Des Moines

This luncheon event will be sponsored by the IEDA, Iowa Area Development Group and the Greater Des Moines Partnership. A FTZ is a zone authorized as exempt from many regular U.S. Customs rules and regulations. Mr. Scott S. Taylor will be giving an overview of “FTZ 101”, alternative site framework, activation process, production authority process and more at this information session. There will be an opportunity for a limited number of individual meetings with Scott Taylor, upon request, following the event. Those interested should register today at: members.dsmpartnership.com/events/details/foreign-trade-zone-seminar-11-20-2019-57889

GUEST ARTICLES

A Behind-the-Scene look at Incoterms® 2020

By: Frank Reynolds, America’s foremost Incoterms® authority

Now that the 2020 version has been released, I can share some background information and mention some of the changes from its predecessors.

The composition of the Drafting Group differed from its predecessors. I was no longer the only non-European, but was joined by delegates from Australia, China, and Turkey. Also, two other trader delegates added their hands-on practical experience to the usual legal participants. The result was a more user-friendly and less Eurocentric set of rules and recommendations.

GUEST ARTICLES, CONTINUED

A Behind-the-Scene look at Incoterms® 2020, continued

The actual drafting process started with a questionnaire and request for comments sent to the approximately 130 ICC National Committees in as many countries. Based on the replies, the Drafting Group submitted the first proposed draft to the National Committees for comment. Their many replies, and three subsequent proposals followed, until final approval was secured on October 24, 2018. Start to finish, we physically met three times in Paris, twice in London and once in Beijing. There were also numerous email exchanges, conference calls, and even an outreach meeting with an expert in letters of credit.

Some of the more significant changes include:

- Re-ordering of the matching column format to reflect the relative importance of each task.
- Addition of a new task line for insurance and change in the default level of coverage for CIP.
- An attempt to reconcile the FCA Incoterm with the usual letter of credit requirement for on-board bills of lading.
- Replacement of the Delivered at Terminal (DAT) Incoterm® rule with the new Delivered at Place Unloaded (DPU).

The final product, the official Incoterms® 2020 book, was released on September 10. Information on the ICC approved seminar training for the United States can be found at www.incoterms-for-americans.com.

Frank will be in Iowa: October 17 – Cedar Rapids

The F&B Sector in Vietnam

By: Orissa International Pte Ltd, Iowa's SE Asia representative

One of Iowa's major exports is processed food, with close to USD 3 billion in exports in 2017. Iowa food manufacturers have a reputation for provenance and natural ingredients and are well positioned to take advantage of Vietnam's rapidly growing consumer demand for food and beverage (F&B) products.

Vietnam's F&B consumption accounted for around 15 percent of the nation's GDP (Gross Domestic Product) in 2018, which translates to over VND 700 trillion (USD 30 billion), according to the Ministry of Industry and Trade. In the past five years, Vietnam's annual consumption of processed food and beverages has grown at an average of 9.7 percent and 6.7 percent respectively. During 2018 alone, food and beverage consumption increased by 18 percent.

Food and non-alcoholic drink spending are the most significant segment of total retail spending, amounting to more than 20.5 percent of total household spending. Not only does it hold a dominant position, but it is also forecasted to grow strongly by 11.8 percent annually to reach an estimated USD 45.2 billion by 2023, up from USD 28.7 billion in 2019.

The ongoing expansion of the mass grocery retail industry in Vietnam's two key megacities is also helping to drive per capita food consumption levels up. Ho Chi Minh City is the largest city in Vietnam with a population of 10 million; while Hanoi has over seven million people, including a large number of government officials, foreign missions and international organizations that influence the development of the modern city. The two cities, which are home to around 17 percent of the country's population, are labelled as a gateway to Vietnam's modern food retail sector. New products are usually tested out in Ho Chi Minh City or Hanoi before being distributed to second-tier cities such as Can Tho, Da Nang, Hai Phong and Nha Trang.

GUEST ARTICLES, CONTINUED

The F&B Sector in Vietnam, continued

Today, 50 percent of Vietnam's population of 97 million is under the age of 30. This signifies a huge proportion of active workers with increasing disposable income. This young population is also more exposed to western culture and influences and is open to trying new products. Though income levels in Vietnam remain low (when compared to countries like Malaysia, Thailand, Indonesia and the Philippines), consistent economic growth has lifted millions out of poverty and given rise to a vibrant middle-class, which accounted for around 13 percent of the population as of 2018. Between 2014 and 2016, around three million Vietnamese people were estimated to have joined the global middle class. As income levels grows, higher-income households will spend more on milk and milk products, beverages, processed food, fruits and food.

Vietnam's urban population have significantly higher income in comparison to the national average. In Ho Chi Minh City, for example, the income per capita is 2.5 times higher than the national average. Eating habits in the city are evolving as consumers, being exposed to retail and food service options offering a wide variety of cuisines, become more open to trying western products. The table below highlights monthly food expenditure by relevant income group and cities in Vietnam.

Monthly Food Expenditure for Each Adult Male on Different Food Types

		Middle Income		High Income	
Foods		VND (thousands)	USD	VND (thousands)	USD
Ho Chi Minh City	Beverages	143.7	6.1	143.3	6.1
	Food Consumed away from home	50.2	2.15	74	3.2
	Fruit	149.3	6.4	148.5	6.4
	Milk and milk products	149.2	6.4	148.5	6.4
	Processed cereals	48.3	2.1	47.8	2.1
	Processed foods	146.6	6.3	141	6
	Sugar, spices and sauces	79.4	3.4	76.9	3.3
	Vegetable	253.8	10.9	260.2	11.2
Hanoi	Beverages	127.7	5.5	155.9	6.7
	Food Consumed away from home	114.7	4.9	119.1	5.1
	Fruit	161.1	6.9	185	7.9
	Milk and milk products	131.9	5.7	167.5	7.2
	Processed cereals	42.4	1.8	45.7	2
	Processed foods	129.9	5.6	150.1	6.4
	Sugar, spices and sauces	39.6	1.7	39.4	1.7
	Vegetable	176.2	7.8	188.3	8.1

Source: University of Adelaide 2018 Survey

GUEST ARTICLES, CONTINUED

The F&B Sector in Vietnam, continued

Vietnamese households with higher income are increasingly spending food expenditures in modern retail outlets such as supermarkets, minimarts, specialty stores, online shopping and phone orders. As income continues to register a positive growth in Vietnam, the food expenditure share in modern outlets will expand as well. Local customers believe that modern retail outlets adopt high standard of food quality and safety. They are also attracted by the pleasant shopping experience and variety of imported products not available in traditional markets. Items commonly purchased at these outlets are processed foods, oils and fats, beverages, sugar, spices and sauces and processed cereals. In recent years, modern retailers are adding imported health products to their shelves, to meet the growing demand from its customers.

Vietnam's economy is increasingly open to the global marketplace, making it an attractive market for Iowa food businesses.

IEDA's International Trade Office can assist Iowa exporters from all sectors interested in exploring opportunities in S.E. Asia. To learn more, contact joseph.rude@iowaeda.com or 515.348.6244.

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