



Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada



Following the Road Signals of Export Readiness:

Learn More about Agri-Food and Seafood
Exporting



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INTRODUCTION

Following the Road Signals of Export Readiness:

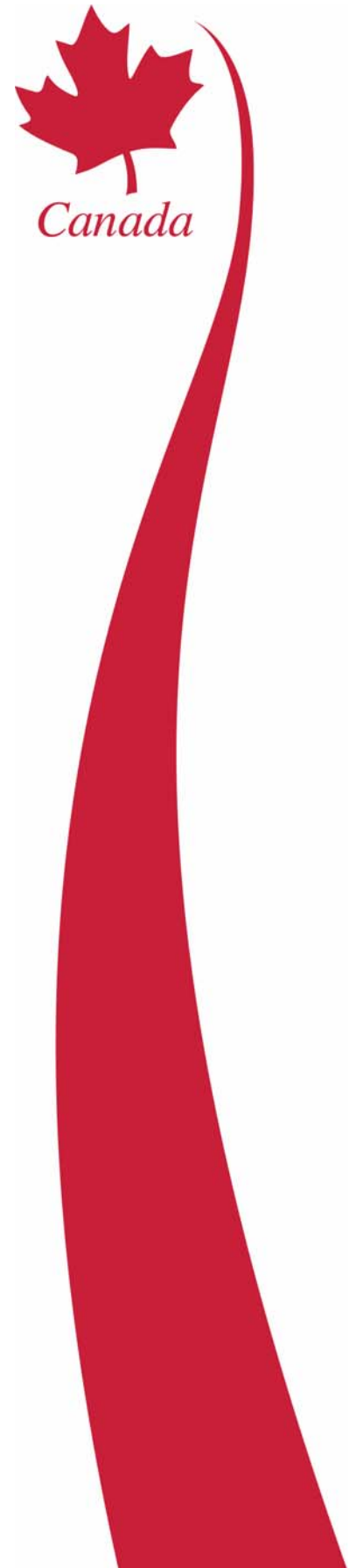
Learn More about Agri-Food and Seafood Exporting

Canadian agri-food and seafood companies looking to compete in foreign markets will face many challenges. However, armed with the proper information and skills, those wishing to export may be rewarded with a new world of opportunity. Canadian products have what it takes to succeed in the global marketplace, but having the information available to properly prepare for export is a key factor in expanding a company's international business scope.

This guide serves as a useful starting point for Canadian companies seeking export opportunities. By reading this guide, companies will realize the importance of the following:

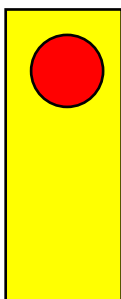
- realistic export expectations that are understood and supported by all staff;
- strong management support;
- a strategic international marketing plan;
- research capabilities to understand consumer demands;
- knowledge of various market entry requirements and;
- procedures for collecting market intelligence on export markets on an ongoing basis.

After reading this report, companies will be able to better identify where further knowledge and/or skills are needed in proposed agri-food or seafood exporting ventures. It's common for companies to have gaps in export plans. We will help identify these gaps and assist companies in improving capabilities.

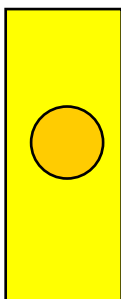


EXPORT READINESS TRAFFIC SYSTEM

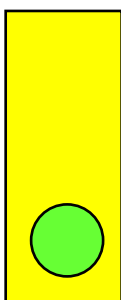
Becoming export ready is a multi-phase process, and knowing where to begin is often the most challenging part of an export venture. To simplify this process, the **Export Readiness Traffic System** will take you through our three stages of export readiness: identifying your first, most basic priorities; the secondary, more detailed preparatory measures; as well as the final stage which involves evaluating your export preparedness before moving forward in your venture.



RED: Stop! These are your company's first priorities in becoming export ready.



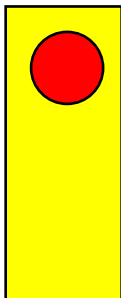
AMBER: Proceed with caution. You are on your way to becoming export ready, but further preparation may be required to avoid possible hazards and delays ahead.



GREEN: Go! Once your company applies these suggestions to your export venture, you are well on your way to achieving export readiness.

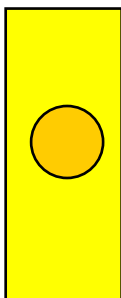
1 YOUR COMPANY

The first step in evaluating export preparedness is to identify strengths and weaknesses regarding your company's export objectives and strategic international marketing plan. Companies wishing to export to foreign markets should consider the following:



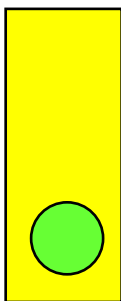
STOP! YOUR FIRST PRIORITIES

- **Realistically evaluate your experience before preparing for foreign market sales:** Typically, companies should be in operation for at least two years before entering the foreign market. Success in the foreign market is not impossible before this time frame, but an established business will be better able to understand its capabilities and short comings.
- **Gain experience selling outside of your province:** Canadian companies experienced in trading inter-provincially are more informed of the benefits and risks associated with cross-border trade than those solely selling within their own province. Inter-provincial trade can be an important preparatory step in selling to foreign markets.
- **You must be prepared to increase and maintain production capacity to meet increased demand:** A successful export business extends beyond a one-time business exchange. Your company may have to increase production levels to maintain current business requirements and fill new export orders.
- **Have financial resources in place to fund expansion and/or market development.**



PROCEED WITH CAUTION

- **Evaluating your company's internal strengths can help you succeed in your venture:** The following areas of expertise within your company can maximize your ability to succeed in the international marketplace and should be identified before creating an international marketing plan:
 - International business experience
 - Knowledge of your target market, including culture and business customs
 - Ability to communicate in the language of your target market
- **Ensure there is ample human resources and communications technology in place:** An export-ready company must have sufficient resources to compete in the global marketplace (i.e. multiple phone lines, dedicated fax line, e-mail, Web Site that is up-to-date and user-friendly) to handle enquiries and orders regardless of time zone.
- **Ensure customer satisfaction in foreign markets:** Customer satisfaction is important in building and maintaining a successful export business. Companies must be capable of providing customers with after-sales service.



REVIEW YOUR READINESS AND GO!

My company has considered the following:

- Adequate business experience (in operation for at least two years)
- Experience selling outside of province
- Increasing production capacity
- Financial resources for expansion and/or market development
- Internal company strengths
- Ample human resources and communications technology
- Ensuring customer through after-sale service

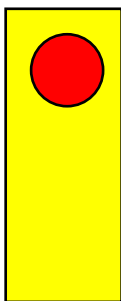
Tip:

Take advantage of all governmental resources (*Agri-Food Trade Service, Canadian Trade Commissioner Service, etc.*) to make the export process easier and contact Canadian trade officers in your target market to help simplify and keep up to date on export regulations and standards.



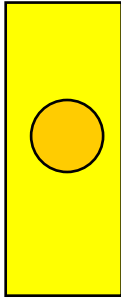
2 YOUR PRODUCT

Exporting an agri-food or seafood product can be a demanding process. Special export certificates are often required and importing countries stipulate their own requirements and conditions. Food safety and quality are increasingly important to consumers, and while meeting standards is a requirement, exceeding them can be a valuable selling feature. Continuous product development is also crucial in order to keep abreast of new trends and competitors. Success in your target market may be linked to how well you create a competitive advantage by developing customer awareness of the distinct benefits of your product.



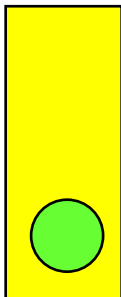
STOP! YOUR FIRST PRIORITIES

- **Ensure your food products are eligible for export:** In order to pass most export requirements, products must be produced and stored in federally-inspected facilities.
- **Be familiar with regulatory requirements for the sale of your product in Canada and your target market:** Canadian regulatory requirements are of the highest standard in the world; however requirements for certain commodities can differ from country to country.
- **Examine existing or evolving tariffs, quotas and other non-tariff barriers:** Exporting into specific markets will require being knowledgeable of how the country's barriers to trade will affect the sale of your product. Also ensure your knowledge is up-to-date as regulations may be subject to change.
- **Be willing to adapt your product to meet foreign regulations and standards:** Packaging, labelling and certificates may have to be modified to meet the regulatory and cultural norms in your target market.
- **Perform the proper precautions for transporting products to foreign markets:** To ensure your product arrives in the target market on time and in peak condition, care must be taken in packing, marking, handling, labelling and transporting the product.
- **Research potential markets to determine which countries offer the most opportunity:** Analysis of trends and competitor activity will highlight markets that best suit your export goals.
- **Know your competitors:** Find out if competitors in your target market are selling products similar to yours and gain an understanding of how each are conducting business in this market.
- **Determine if your product is best suited to a mass market or niche market:** Additionally determine whether or not your product is better positioned for retail or foodservice market sale. Take time to carefully consider the advantages and disadvantages of selling in each.



PROCEED WITH CAUTION

- **Adopt international standards to speed up entry into foreign markets:** Taking these extra steps can simplify the exchange of technical information with foreign experts and can help to avoid the expense of testing and recertification in the new market. Ensure your product is produced in a facility that has an internationally-recognized quality assurance program, e.g. HACCP, ISO.
- **Develop a unique selling proposition (USP):** A USP is a statement identifying the distinct and appealing benefits that set your product favorably apart from others. Clearly communicate your product's USP to differentiate it from competitors' products in your target market.
- **Identify special handling, store and/or display requirements your product may need:** If your product requires special conditions, determine if they are available in your target market.
- **Research your consumer market:** It is important to have knowledge of target consumers' key motivations and product awareness of your product category. Success can be determined by knowing the perceptions of consumers before entering the market.



REVIEW YOUR READINESS AND GO!

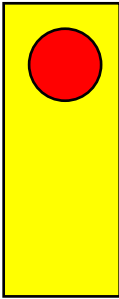
My company has considered the following:

- **Product eligibility**
- **Regulatory requirements**
- **Tariffs, quotas and other non-tariff barriers**
- **Foreign regulations and standards**
- **Transport precautions**
- **Potential market(s) research**
- **Competitors operating in target market**
- **Mass or niche market sales**
- **Adopting international standards to speed up entry**
- **Development of a unique selling position (USP)**
- **Special handling, store and/or display requirements**
- **Target market consumer research**

3

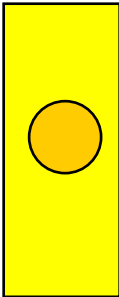
EXPORT PREPARATION

Having evaluated your company's ability to support an export initiative and the export potential for your product, you are now ready to develop an export strategy. When deciding on a country in which to market your agri-food or seafood product, the first and most important step is to conduct market research to gauge your product's potential. Ongoing and continuous market research is essential because consumer preferences, trends, product requirements and import regulations change frequently. Research requires time and effort but in the long run will provide enormous benefits to your export activities.



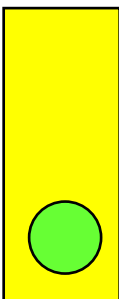
STOP! YOUR FIRST PRIORITIES

- **Create an export plan:** A sound business and export plan will be critical to your success. At every stage of the export process potential partners, financial institutions and investors will ask for your export plan. A written export plan enables you to assess and present key issues in your decision to grow your business by exporting.



PROCEED WITH CAUTION

- **Market research should be ongoing:** Because of constant changes in a wide range of factors from consumer trends to import regulations, it is important that market research be kept up-to-date. Your company should have procedures in place to ensure an ongoing collection of market information.
- **Consider targeting specific regions in large markets:** In large markets such as the United States and China, Canadian exporters have found success targeting specific cities or regions within the country rather than the country as a whole. Doing market research may indicate cities or regions where your product will have the highest potential.
- **Develop contacts with industry associations and/or federal/provincial trade officers:** These contacts are useful in finding answers to your export questions.



REVIEW YOUR READINESS AND GO!

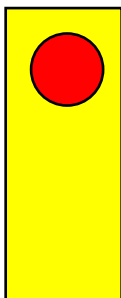
My company has considered the following:

- **Creating an export plan**
- **Ongoing market research**
- **Targeting specific regions in large markets**
- **Developing contacts with industry associations and/or federal/provincial trade officers**

4 MARKET ENTRY AND DISTRIBUTION

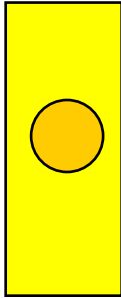
Market entry refers to the establishment of a presence in the foreign market. In addition to the traditional means of market entry, trade now involves many other mechanisms such as various forms of investment, strategic alliances and licensing agreements. Also of critical importance is the selection of the right channels to move your product.

The appropriate market entry strategy for your company will depend on many factors including the strengths and weaknesses of your company, your company's financial situation, the product being sold, the way business is conducted in your target market, customer service requirements and trade agreements/regulations/tariffs applicable to your target market.



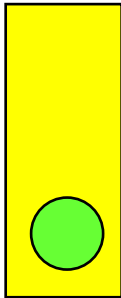
STOP! YOUR FIRST PRIORITIES

- **Find the most effective shipping method for your product:** Choosing the right shipping method is important when exporting agri-food and seafood products. Pay specific attention to your products that may have a limited life span on the international market. In these cases, timely, cost-efficient transportation will be particularly important to you and your customers.
- **Consider using freight forwarders and customs brokers for assistance:** Freight forwarders and custom brokers can help you navigate through completing the correct documentation when shipping your product to a foreign market. Research the advantages and disadvantages of using both.
- **Know the potential market entry barriers in your target market:** Barriers to market entry include tariffs, as well as non-tariff barriers such as physical, political, regulatory, cultural and economic obstacles. Exclusive distribution agreements may also present a barrier to entry.
- **Consider your payment method options in your operation:** Export transactions are generally more complex and may involve varying degrees of credit risk, such as longer payment cycles and/or default on payment. However, various financing instruments are available to mitigate risk. Methods of payment include advance payment, letter of credit, documentary collection and open account systems.
- **Analyze possible risks associated with entering your specific target market:** The following factors should be taken into account before shipping your product to a country:
 - Unstable economy (e.g. inflation)
 - Exchange rate risk (e.g. currency devaluation)
 - Political instability (e.g. war, terrorism)
 - Health risk
 - Business legal structure
 - Intellectual property risk



PROCEED WITH CAUTION

- **Be informed of the various market entry channel options available:**
When selling your product in your target market consider the advantages and disadvantages of the following market entry channels:
 - Direct export to end users
 - Internal sales agent
 - External sales agent
 - Distributor
 - Trading house
- **Consider creating a local presence in your export market as an alternate strategy:** Explore the possibility of using a strategic alliance, partnership and/or joint venture as a market entry strategy.



REVIEW YOUR READINESS AND GO!

My company has considered the following:

- Finding the most efficient shipping method
- Using freight forwarders and customs brokers
- Potential market entry barriers
- Payment method options
- Possible risks of the target market
- Market entry channel options
- Creating a local presence in the market as an alternate strategy

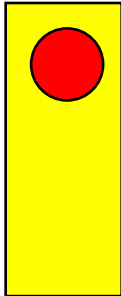


Tip:

Be sure to research the infrastructure of your target market – consider all possible obstacles when distributing your product.

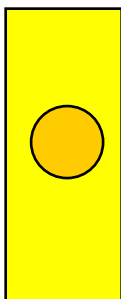
5 PRICING

Strategic pricing is one of the most important factors in achieving financial success in your export business. An effective pricing strategy will incorporate the requirements of your company while allowing your product to remain competitive in your target market.



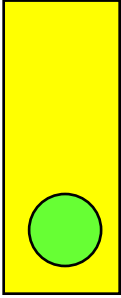
STOP! YOUR FIRST PRIORITIES

- **Know the various pricing strategies that can be used in selling your product:**
 - Static pricing (i.e. same price for all customers)
 - Flexible pricing (i.e. different prices based on different product positioning in different markets)
 - Penetration pricing (i.e. low initial price to capture market share)
 - Skimming pricing (i.e. high price to maximize returns before competition enters market)
 - Value-based pricing (i.e. price based on value perceived by customers)
 - Prestige pricing (i.e. price consistent with image of prestige product)
- **Realize additional costs in your product pricing:** Increment costs associated with the export process include costs for packaging, labelling, transportation, insurance, distribution, tariffs and duties.
- **Be prepared to quote prices in U.S. dollars:** The U.S. dollar is an internationally recognized currency and is used in most markets.



PROCEED WITH CAUTION

- **Consider quoting prices in the currency of foreign buyers:** In order to offer attractive terms to customers abroad, it may be beneficial to quote prices in the currency foreign buyers most commonly use.



REVIEW YOUR READINESS AND GO!

My company has considered the following:

- **Various pricing strategies to sell products**
- **Considering additional costs in determining product price**
- **Quoting prices in U.S. dollars**
- **Quoting prices in the currency of foreign buyers**

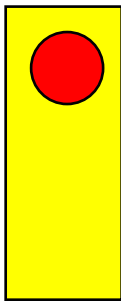


Tip:

Research prices of imported products similar to yours in your target market to better determine an appropriate price.

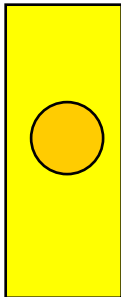
6 PROMOTION

Developing exposure for your product will create consumer awareness and help you achieve success in your target market. Promotions can vary from media (print, audio and video) to trade shows to demonstrations with product sampling. While trade events are a valuable promotional tool, it is important that all company representatives be trained on how best to present your product and respond to interested parties.



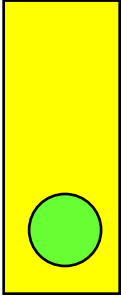
STOP! YOUR FIRST PRIORITIES

- **Attend or participate in an international trade event for your target market:** Trade events typically include missions (e.g. educational, incoming/outgoing, and virtual) and trade shows. Participating in these events provides an opportunity to build business relationships, gain knowledge about your target market and competitors, and obtain pricing information.
- **Find an agent/distributor experienced in providing local promotional support in your target market:** Good foreign representatives can represent your company at trade shows, offer information on local culture and traditions, and advise on the nature and content of promotional materials.



PROCEED WITH CAUTION

- **Have a promotional plan and budget in place for your export venture:** An agent/distributor can also provide guidance or best practices when developing a market-specific promotional plan.
- **Develop market-specific promotional material:** To be successful in a foreign market, it is important that exporters adapt their promotional approach to the language, cultural values and business practices of that specific market.
- **Consider supplying quality product samples and promotional materials at trade events:** Carefully select products that will best represent the products you are interested in selling to the specific market.



REVIEW YOUR READINESS AND GO!

My company has considered the following:

- **Attending/participating in international trade events**
- **Finding an agent/distributor experienced in local promotional support**
- **Market-specific promotional plan and budget**
- **Market-specific promotional material**
- **Product samples and promotional material at trade events**

Tip:

The ATS Web Site offers information on national and international trade events as well as resources to help prepare for attending these events. Check regularly for upcoming event details.



7

FURTHER ASSISTANCE



This guide is a helpful starting point for companies interested in exporting agri-food and seafood products abroad. Agriculture and Agri-Food Canada (AAFC) realizes the challenges associated with export ventures, and therefore strives to help companies better identify where further knowledge and/or skills are needed prior to exporting.

This report outlines some key areas about becoming export ready, but our service to agri-food and seafood exporters doesn't stop here. There are various government resources available to help agri-food and seafood companies develop their export knowledge and skills. Please take advantage of the following government resources:

Government Resources:

Agri-Food Trade Service

AAFC's Agri-Food Trade Service (ATS) Web Site provides information on upcoming national and international trade events. Contact your AAFC regional office, provincial government, or export association for information about these events.

<http://www.ats-sea.agr.gc.ca/intro/index-eng.htm>

Virtual Trade Commissioner

Register for your own to make information about your company available to Trade Commissioners abroad, access market information, and learn about business opportunities for your company.

<http://www.tradecommissioner.gc.ca/eng/home.jsp>

Canada Border Services Agency

The Canada Border Services Agency (CBSA) ensures the security and prosperity of Canada by managing the access of goods to and from Canada.

<http://www.cbsa.gc.ca/menu-eng.html>

Canadian Food Inspection Agency

The Canadian Food Inspection Agency (CFIA) provides a certification process for exported goods to help protect the excellent international reputation of Canada's exports of food, plants, animals and associated products.

<http://www.inspection.gc.ca/english/toce.shtml>

Recommended Links:

Agri-Food Trade Service

<http://www.ats-sea.agr.gc.ca/intro/index-eng.htm>

Business Development Bank of Canada

<http://www.bdc.ca/en/Pages/home.aspx>

Canada Border Services Agency

<http://www.cbsa.gc.ca/menu-eng.html>

Canada Business Service Centres

<http://www.canadabusiness.ca/eng/>

Virtual Trade Commissioner

<http://www.tradecommissioner.gc.ca/eng/home.jsp>

Export Development Canada

<http://www.edc.ca/english/index.htm>

Foreign Affairs and International Trade Canada

<http://www.international.gc.ca/international/index.aspx>

Canadian Food Inspection Agency (CFIA)

<http://www.inspection.gc.ca/english/toce.shtml>

Recommended Documents:

Step-by-Step Guide to Exporting

<http://www.tradecommissioner.gc.ca/eng/guide-exporting.jsp>

Writing an Export Plan

<http://www.canadabusiness.ca/eng/guide/2138/>

Tariffs and Customs

www.ats-sea.agr.gc.ca/exp/acc-eng.htm

Regulations, Licenses and Permits

<http://www.canadabusiness.ca/eng/126/>

Canadian Food Inspection Agency "Export Program"

<http://www.inspection.gc.ca/english/anima/heasan/export/exporte.shtml>

Transportation, Distribution and Logistics

<http://www.canadabusiness.ca/eng/87/918/919/>

Options and Credit Practices in Export Financing

http://www.bdc.ca/en/advice_centre/articles/Pages/export_financing.aspx

