
...Upfront

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Setting Course for Global Food Markets

The U.S. food sector is blending more and more into the world food market. Overseas markets offer U.S. food companies opportunities for expanded sales. This issue of *FoodReview* looks at a number of ways those firms are reaching foreign customers and how evolving foreign economies offer both opportunities and challenges.

Although exports are traditionally thought of as the primary way to access overseas markets, manufacturing foods abroad is the major way large U.S. food processors reach international markets. Processed food sales by U.S.-owned manufacturing plants located in other countries amounted to \$103 billion in 1994—four times larger than U.S. processed food exports of \$25.8 billion.

U.S. food companies also frequently enter international markets through the use of licensing or franchising agreements with foreign firms. In 1994, for example, 29 U.S. fast food and other types of restaurant chains had 17,038 units operating abroad, up from just 900 units in the early 1970's.

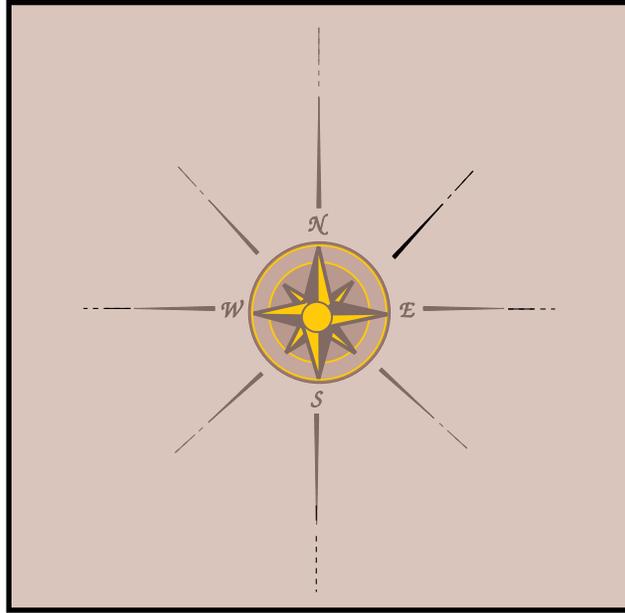
The large and diverse market, a well-developed food production and distribution infrastructure, and political stability in the United States make the U.S. food sector attractive to foreign investors. Food retailing accounted for 42 percent of sales of foreign-owned food marketing firms in the United States in 1993. Sales by foreign-owned food retailing affiliates in the United States amounted to \$51.5 billion in 1993—13 percent of U.S. foodstore sales.

With traditional trade barriers falling under the Uruguay Round of the General Agreement on Tariffs and Trade, some firms may try to use product and process standards for processed foods as impediments to trade. To ward off this potential misuse, the Agreement created a clearer set of technical regulations and measures to protect human, animal, and plant health and established stronger procedures for settling disputes.

A look at economic conditions and trade opportunities around the world finds Central and Eastern Europe and the former Soviet Union confronting the challenges of adapting to a free-market economy. Economic reforms following the 1992 breakup of the Soviet Union have caused production declines in Russia's food processing sector. At the same time, liberalization of foreign trade and demand by wealthier Russians for higher quality and more convenient foods have led to rising imports of high-value processed foods from the European Union and the United States into Russia. 1995's decline in output for Russia's food processing sector was less steep than in previous years and may signal a recovery, thereby offering opportunities for foreign investors and exporters.

Bulgaria is facing a more difficult transition in moving from a state-controlled food production system to a free-market economy. Bulgaria's food processing firms, almost totally dependent on Soviet markets during the Communist era, are struggling to adapt to the demands of new Western Europe markets. USDA is working with the Bulgarian Government to generate better market price reporting and analysis to assist farmers, processors, and traders.

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