A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

WORLDWIDE SOURCING:
LATIN AMERICAN SNAPSHOT FOR FOOD RETAIL

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ABSTRACT

The increasing significance of global Latin American food exports, allied with the Eurasian Customs Union current need for alternative food sourcing solutions, result in potential food retail trade flows that are yet to be exploited between these regions. This study follows a methodology called "SCIMS" model, which includes a macro environment analysis, an analysis of possible food categories, the identification the core food products, followed by a scoring model, which identified 16 promising trade opportunities between the selected countries in these regions, according to time barometer of short-, medium- and long-term opportunities.

KEYWORDS

Food, Retail, Sourcing, Trade

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1. BRIEF CONTEXT

1.1. Client

Founded in New York City by Peter Damon Schwartz and Milt Sender on July 5th, 1970, Daymon Associates, Inc. had the mission to be the pioneer in flourishing the private brands' industry. Since then, during the past 45 years, Daymon Worldwide[1] has evolved to become the world's leading consumables retailing company, providing services from sourcing to full-service retail branding.

Through its five-company portfolio, Daymon provides end-to-end services to its retail customers with a focus on five key business areas: (1) private brand development (PBD); (2) strategy & branding (Galileo); (3) sourcing & logistics (OMNI); (4) retail services (SAS); and (5) consumer experience marketing (Interactions).

Daymon Private Brand Development builds successful and tailored strategies for retailers' private labels. This includes, besides the definition of a strategic vision, product sourcing, supplier management, category insights, as well as a brand management program.

Galileo Global Branding Group provides retail-branding solutions that detect competitive white space and business opportunities based on consumer insights. Some of the key services provided are on product concept and brand development, packaging design, shopper marketing, loyalty platform, and digital strategy development and implementation, among others.

Omni Global Sourcing Solutions deals with Daymon's complex network of more than 6,000 local suppliers and global supply chains, providing a single point of access for sourcing, as well as product distribution. The key services provided include logistics, supply chain services and quality assurance, as well as generic market intelligence and global trend spotting.

SAS Retail Services provides in-store performance measurement through real-time technology and reporting. The insights received help on providing services related to the stores' layout, category updates and implementations, and warehouse management, among others.

Interactions provides experience marketing services by creating events to engage consumers at the point-of-purchase. On average, the company organizes more than 3 million events per year, which include key services such as in-store marketing, outdoor marketing, and insights.

These five different companies enable Daymon to fulfil its current mission "to deliver unique solutions to retailers and manufacturers so they achieve differentiation, drive profitable sales growth and win customer loyalty", aligned with the vision to be acknowledged globally as the leading consumables retailing company.

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[1] Daymon Worldwide will mostly be further referred to as "Daymon" in this Work Project

1.2. Market overview

Even though Daymon Worldwide operates on a variety of business areas through its five-company portfolio, this section will analyse the market of Worldwide Food Sourcing and International Trade.

The exponential growth in production and process of agricultural products, as well as the profound food retail expansion, were both factors that allied with the globalization contributed to the creation of an international market for farmed products (Josling et al., 2010). In this way, agricultural trade represents a substantial share of the total global commerce, playing a determinant role in the establishment of foreign policies, on both developed and developing countries (Josling et al., 2010). In this context, the international agricultural production and trade sectors are carefully monitored and managed by governments around the world, in partnership with entities such as the World Trade Organization, which dictates the global rules of trade between nations (WTO, 2015). In this context, these institutions have as their mission to ensure the stability of the international agricultural trade, by balancing food imports and exports, while considering domestic production and consumption to ensure that the populations have steady access to goods (Siddiqui, 2014).

According to Josling et al. (2010), there are several factors influencing the global market of food sourcing. Firstly, emergence of the developing countries in this scenario brings the need for dietary enhancements, but also for stricter food quality and security assurance. Secondly, the vulnerability to oil prices, which have an energy impact on agricultural costs. Thirdly, the apparent technological stagnation in agriculture, resulting from the decreasing expenditures in R&D. Fourthly, there are many hidden trade barriers in the regulatory framework associated to international commerce. Overall, these four factors are creating a long-term upward trend on food prices. Additionally, macroeconomic instability, such as fluctuating exchange rates and inflation, can also affect both the domestic and foreign food demand. Furthermore, the increasing transparency about food production processes and sourcing conditions are also influencing the international food trade, especially due to the increasing consumer concerns for food quality, safety, and environment externalities. Finally, the extensive supply chain of the food retail products has been getting increasingly concentrated, a trend that comprises the all the players along the process, such as the farmers of raw materials, producers, and retail firms. Overall, all these factors are crucial to determine the competitiveness of the food sector within a country.

A great part of the international trade of goods can be considered as truly global. However, regional trade within free-trade areas also accounts for a significant share of the overall worldwide trade (Narusevicius, 2014), as reflected by the example of exports within NAFTA and the EU. However, these concentrated trade flows also happen because the US and the EU are the largest consumer

markets in the world. On the other hand, Mercosur, the Latin American free-trade area, has a major focus on external exports (Narusevicius, 2014).

In this global market, there are two significant macro trends that require further analysis. On the one hand, Latin America has been emerging as major source of food retail products, which have been experiencing a boost in global exports due to their great global reputation. Although these exports have as their main destinations European countries, the current shifts in retail flows are likely to bring significant changes to this market (Daymon, 2014). On the other hand, the current Western-Russian tensions resulted in an economic war that will largely impact the dynamics of this market. In fact, Russia's embargo on food imports from the West might result in disintermediation and lead to an increase of direct imports from Latin America (Daymon, 2014). Being the dominant member of the Eurasian Customs Union, these confrontations with Russia are also likely to influence the trade of the other member states, such as Belarus and Kazakhstan.

1.3. Current client situation

As a company with a global footprint, Daymon has an unparalleled retail expertise that is extremely valuable to its partners across the six continents. Daymon is present in 51 countries with more than 6000 manufacturers and over 100 retail customers, which operate in various channels of trade – automotive, convenience, discount, dollar, drug stores, e-commerce, home, mass, overstock, office, supercentres, supermarkets, warehouse and wholesalers. Through its diverse businesses, the company provides tailored strategies to its customers in collaboration with its suppliers.

Aligned with its mission, Daymon aims to keep expanding its worldwide presence to additional countries by acquiring new retail customers and supply partners. In this way, by analysing Daymon's geographical footprint, one can spot whites spaces in the Eurasian Customs Union (EACU) and also in Latin America (LATAM), which are regions that represent promising opportunities for the company to grow its business.

From a sourcing perspective, due to the great popularity of food products from LATAM, Daymon considers it to be fundamental to understand what are and will be the export flows and products supplied from this region. From perspective to acquire new retail customers, the EACU countries are already targeted for expansion, as Daymon is not present in these markets yet, and the private labels industry is still at an embryonic state (Daymon, 2015).

1.4. The Business Project challenge

Even though food retail products from Latin America enjoy great international recognition, most of their export potential is still far from being fully exploited, representing untapped sourcing opportunities for Daymon. Moreover, as a company with a global presence, it is also of high

strategic importance for Daymon to expand its business presence by acquiring retail customers in new markets, such as in the EACU.

In this context, the Business Project challenge was to identify potential food retail product flows from LATAM to the EACU. On the exporters' side, the analysis took into account the five largest Latin American food exporters to the world by value of exports (refer to Appendix A) – Brazil, Argentina, Chile, Ecuador, and Peru –, as well as Colombia, due to its strategic importance for Daymon. On the importers' side, the analysis considered the founding countries of the Eurasian Customs Union – Belarus, Kazakhstan, and Russia –, due to the company's interest to expand its business to these markets.

In this way, it was essential to, on the one hand, understand which LATAM food retail products should be sourced and identify potential supply partners; and, on the other hand, understand each EACU country's product choices and match their demands with the identified sourcing solutions.

2. REFLECTION ON THE WORK DONE

2.1. Problem definition

Daymon is seeking for promising business opportunities to expand to new markets, looking for both new sourcing partners and retail customers. In this way, the company identified two interesting trends to be further explored through a consulting project: (1) on the one hand, the rising global food imports from LATAM are increasing the dynamism of its associated food retail flows, representing a promising sourcing opportunity for Daymon; (2) on the other hand, the high macro-environment complexity in the EACU, caused mainly by the current Russian-Western economic war, is shifting the existing retail flows and impacting supply chains, costs, and retailers, representing a favourable opportunity for Daymon to provide alternative sourcing solutions to new retail clients in these markets.

In this way, the solution identified to address this existing gap is to match the supply from potential LATAM sources with the demand from the EACU countries, preferably through direct imports. In order to recommend which of the selected Latin American countries are best suited to source specific food categories to each of the EACU countries, it is crucial to understand: (1) the main food retail products supplied by LATAM and respective export destinations and flows; as well as (2) the main products demanded by the EACU, its import sources and flows.

2.2. Methodology

2.2.1. Hypothesis

To address the identified problem, the Business Project was guided by the following hypothesis: *"The increasing global significance of Latin American food exports, allied with the Eurasian*

Customs Union current need for alternative food sourcing solutions, lead to potential food retail trade flows between these regions that are yet to be exploited"

2.2.2. The SCIMS model

The approach to the problem followed a methodology designed by the Business Project authors called the "SCIMS" model[2] (refer to Appendix B), a five-step process used to "skim" down the food product categories and detect promising trade opportunities.

Firstly, a ***macro environment analysis*** was performed. This phase included a qualitative PESTEL analysis based on country-specific reports, but also a quantitative model based on indexes related to each of the PESTEL dimensions – political, economical, social, technological, environmental, and legal (refer to Appendix C). The purpose was to assess each country's attractiveness and the influence that each dimension has on the trading environment. In addition, this phase also included an in-depth analysis of relevant country-related events, such as the embargo on Russia. Finally, in order to better understand each trade environment of both importing and exporting countries, the average time to import/export in days has been compared with the average number of necessary documents during the process, as well as the associated costs. Based on this information, two trade matrixes were created in order to outline the complexity and costs associated to importing and exporting in each of the considered countries (refer to Appendix D and E).

Secondly, ***possible food product categories*** were identified. In this phase, trade statistics were extracted from Trade Map, an international business development database. In agreement with Daymon, the scope of the analysis should be on fresh food products, eliminating all processed products from the list. In this way, the annual exports and imports data was extracted in both quantities and values per product category for the countries in analysis, identifying 663 relevant food product categories. These categories were extracted on a 6-digit level of the Harmonized System, the international basis for worldwide trade statistics and Customs duties, which classifies goods by what they are and not by their stage of fabrication. The data extracted dates from 2013, as for most countries no data was available for 2014. After the data extraction, a value overview of the total food imports of the EACU member states in 2013 was provided, grouping the categories on a 2-digit level *(e.g.: 6 digit – pears; 2 digit – fruit)*, in order to understand which product groups are demanded the most.

Thirdly, the ***core food product categories*** per importer were identified. This phase used four criteria to identify the 20 most promising food categories. First, all the product categories with an unattractive trade value below 1,000,000 USD were cut down, for both exporting and importing

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[2] "SCIMS" stands for Sina, Conceição, Inês, Maciej, and Sabrina – the first names of the Business Project authors

markets. In addition, possible trade partners were matched, as the scope of the project is on supplying the EACU importing countries with food exports from the LATAM countries. Also, as the goal is to provide single sources for specific product categories, inefficient suppliers were cut down, based on the group's assumption that a country's demand for a given product (import quantity from the world 2013) has to be 100% covered by a LATAM supplier (export quantity to the world 2013). Lastly, since the remaining trade matches were considered as potential opportunities, the top 20 food categories with the highest import value were selected for further analysis.

Fourthly, a ***scoring model*** was applied. The goal of this model was to classify the sourcing opportunities according to a time barometer – short, medium, and long term (refer to Appendix F). A *short-term* classification suggests Daymon to act and do business as fast as possible in order to grasp the opportunity by leveraging existing networks and trade flows. The short-term criteria are: (1) more than 5% of the category's imports already come from that specific LATAM country, considering also if there is a favourable category CAGR (2009-2013) between these trade partners; (2) the price offered by LATAM for that specific category has to or be lower than at least one of the two current biggest suppliers; and (3) there is an event disrupting an existing trading relationship (e.g.: in the case of the embargo on Russia, LATAM can jump in as a supplier to replace the affected trade partnerships). A *medium-term* opportunity means that it will take some time to establish business, as there is little current trade on that specific category between the potential partners. The medium-term criteria are: (1) between 0% and 5% of the category's imports come from that specific LATAM country, considering also if there is a favourable category CAGR (2009-2013) between these trade partners; (2) the price offered by LATAM for that specific category has to or be lower than at least one of the two current biggest suppliers; and (3) there is an event disrupting an existing trading relationship. A *long-term* opportunity means that it will take time to establish a new business, as there is no current trade between the potential partners. The long-term criteria are: (1) the current trade relationship in that category is of 0%; (2) the average LATAM export price has to be lower than the price of the two biggest exporters; and (3) the total imports of the EACU country are rising, signalling an increase of that category's demand – positive CAGR of imports from the world between 2009 and 2013. Finally, all the other food product categories that fall out of the abovementioned criteria were cut down from the opportunities short list.

Lastly, the ***final sourcing recommendations*** were identified. These categories were grouped according to their food group on a 2-digit level and further research was conducted in order to better understand both the exporting and the importing markets. On the exporting perspective, it was

crucial to understand the market trends and production context. On the importing perspective, it was also important to understand the market trends, but also the local competitive landscape.

2.2.3. Work plan

The methodology that was originally proposed was also a five-step process with the aim of identifying promising trade opportunities (refer to Appendix G). Similarly, the first phase was a macro environment analysis with the purpose of better understanding the trade environment. The second proposed phase was an analysis of each of the importer countries in order to understand which food products are most demanded, as well as the country-specific consumer behaviour and trends. The third proposed phase was an analysis of each of the exporter countries in order to understand which food products are most supplied, as well as the identification of production trends and an industry analysis. The fourth proposed phase consisted on a selection of the best food retail sources in order to match supply and demand. Finally, the last proposed step was the identification of promising business opportunities based on a scoring model.

The original approach for the Business Project evolved over the course of the semester and resulted in the SCIMS model, described in section 2.2.2. of this Work Project. The main modification was that the analysis of both the exporting and importing markets per category was only made after the final food products were identified through the scoring model, being the last step of the process. As the group gained a better understanding of the data extracted from Trade Map, it made sense to shift from the original approach in order to first cut down the product categories according to relevant quantitative criteria, only then to perform a qualitative analysis of each identified opportunity.

2.3. Analysis
2.3.1. Macro environment analysis
2.3.1.1. Exporting countries

Argentina. The political atmosphere can potentially hurt the trading environment due to the widespread corruption in both the private and state sectors, as well as the government constrains on exports and imports, and the lack of easiness of doing business (Euromonitor, 2015). On an economic perspective, even though there is a high level of GDP per capita, the country defaulted on international debt in 2014. Furthermore, Argentina's economic instability caused inflation to fluctuate at 25% and stores to suffer from product shortages. Socially, the country has a growing population but evident social disparities. The favourable environmental conditions can be beneficial for the trading environment due to the country's high share of agricultural land, low pollution levels, and rare occurrence of climate catastrophes. On the other hand, the legal atmosphere can be very harmful due to the crime scene, low levels of regulation and the unattractiveness of the legal system for external investors (Euromonitor, 2015). Lastly, according to the exporting trade matrix,

Argentina requires, on average, 12 days and 6 documents to export, with the cost of 1,770 USD per container (World Bank, 2015).

Brazil. Despite the high levels of bureaucracy and corruption, Brazil has stable public and private sectors and foreign relation policies. On an economic perspective, the country has been experiencing high demands for commodities, which have been increasing its openness to foreign markets (Euromonitor, 2015). However, Brazil has poor fiscal and monetary policies, causing the country's exports to lack competitiveness. In addition, even though there have been recent improvements, the levels of poverty and social inequalities are still high. However, the country is technologically advanced. Moreover, despite the controversial issues of deforestation and pollution, Brazil has a diverse and fertile environmental landscape, which is favourable for agricultural trade. Finally, according to the exporting trade matrix, Brazil requires, on average, 13 days and 6 documents to export, with the cost of 1,925 USD per container (World Bank, 2015), being the second most expensive of the countries in consideration.

Chile. This country has the highest levels of political stability in LATAM, due to its low corruption levels, high regulatory standards, and good business environment (Euromonitor, 2015). The economic atmosphere is also likely to benefit the trading environment, especially due to the low levels of inflation and increasing openness to foreign trade. Socially, the quality of life is improving and the society is becoming more open to technological advancements. However, the environmental situation poses some concerns, due to the low share of agricultural land, high levels of pollution, and risks of climate catastrophes. Lastly, according to the exporting trade matrix, Chile requires, on average, 15 days and 5 documents to export, with the cost of 910 USD per container (World Bank, 2015), being the second cheapest of the countries considered.

Colombia. The country's political atmosphere can potentially hurt the trading environment, especially due to issues such as corruption and the existence of left-wing guerrillas. Even though the country has a certain fiscal flexibility and is becoming increasingly open to foreign trade and investments, it is still extremely dependent on petroleum exports and vulnerable to oil prices. Socially, there is a prevalent climate of insecurity and violence. Environmentally, even though Colombia is rich in natural resources and environment management programs, pollution is still a concern. Additionally, the country's legal framework is still complex to encourage investments. Lastly, according to the exporting trade matrix, Colombia requires, on average, 14 days and 4 documents to export, with the cost of 2,355 USD per container (World Bank, 2015), being the most expensive exporter of the countries considered.

Ecuador. Politically very unstable due to the increasing powers of the president, Ecuador has been a victim of constant political demonstrations against the government. Economically, the country has

been experiencing a period of sustained growth since 2007. Additionally, since 2000, the country has been using USD as its official currency. However, the fact that the majority of FDI comes only from China poses some dependency on this investment flow. Moreover, the country's economy lacks diversification and productivity is also an issue (Euromonitor, 2015). Socially, even though there are high inequalities, consumption is rising together with the disposable income. In terms of environment, the country possesses a variety of natural resources with high potential to be explored. However, production in some sectors is not enough, with future prospects being further aggravated by the fact that there is a large percentage of unclaimed land. The legal framework is not very encouraging either, due to the weak rule of law and the interests of corporations prevailing over the one of nature and the communities (Euromonitor, 2015). Lastly, according to the exporting trade matrix, Ecuador requires, on average, 19 days and 7 documents to export, with the cost of 1,535 USD per container (World Bank, 2015), being the most complex exporter of the countries in consideration, both in terms of time and bureaucracy.

Peru. Although the country has stable political institutions, there are tensions between the federal governments and the indigenous communities (Marketline, 2015). The economic outlook is very bright, with expected GDP growth, more trade agreements, and increasing attractiveness for FDI. However, infrastructures are still underdeveloped and lacking capacity expansion (Euromonitor, 2015). Socially, the country has some programs that aim to reduce social disparities, especially among farmers. However, there are still some conflicts related to the exploration of natural resources, and the rural diaspora is a major concern. In terms of technology, Peru has been implementing a program to foster innovation in agriculture (PRS Group, 2015). However, the country's environmental outlook is not so positive. Even though there are certain quality standards and exploitation quotas, Peru has a low share of agricultural land and high vulnerability to natural disasters, posing serious concerns on its agricultural performance. Additionally, the country's legal framework is still subject to a corrupt court system. Finally, according to the exporting trade matrix, Peru requires, on average, 12 days and 5 documents to export, with the cost of 890 USD per container (World Bank, 2015), being the cheapest exporter of the countries considered.

2.3.1.2. Importing countries

Belarus. The political landscape can potentially hurt the trading environment, due to the population's dissatisfaction with the government and the sanctions suffered from the European Union until October 2015. Agriculture is inefficient despite its high potential. Economically, large income streams are coming from Russia, the largest trade partner, being very restrict to trade with other countries (Euromonitor, 2015). The vulnerability to extreme weather conditions, floods, and storms, increases the country's dependence on food imports. The legal framework is quite

discouraging to foreign investors, as the companies need to be registered with government. Lastly, according to the importing trade matrix, Belarus requires, on average, 30 days and 10 documents to import, with the cost of 2,265 USD per container (World Bank, 2015), being a very complex country to import to.

Kazakhstan. Politically, the country is very dependent on Russia. Additionally, although it has already assumed its commitment towards economic diversification, it is still very dependent on the oil and gas industries, being vulnerable to the fluctuations of the exchange rates. Socially, Kazakhstan has been witnessing a decrease in consumer spending due to the decrease in oil prices, which weakened the country's entire economy (Euromonitor, 2015). Its environmental conditions are positive due to the high share of agricultural land, despite the high levels of pollution and fossil fuels. The legal environment is discouraging due to the high levels of corruption. However, in 2011, the country created a National Plan with regulations to attract investment (Euromonitor, 2015). Lastly, according to the importing trade matrix, Kazakhstan requires, on average, 67 days and 12 documents to import, with the cost of 5,265 USD per container, being the most complex country of the EACU to import to, in terms of timing, but especially because of the high levels bureaucracy.

Russia. The country has been increasingly open to foreign capital markets and FDI. However, alleged corruption in the political system is a concern. Russia has developed strategic partnerships with LATAM countries and China (BMI, 2015). However, its relations with the West have been deteriorating, and the country has suffered several sanctions, such as the embargo on food products from Australia, Canada, Norway, the EU and the USA (refer to Appendix H). The main products banned by the embargo are fruit, vegetables, dairy products, meat, and fish, leaving the country desperate for alternative sourcing solutions. The country's economic landscape is more favourable than the political, due to its approval as a WTO member, its tariff reductions, and the improvement of the business environment (Marketline, 2015). However, the recent sanctions are expected to hurt growth, as already happened with the depreciation of the rouble, the exponential raise in import prices, and the food inflation rate hitting the record of 11.4%. On the social dimension, there has been a clear improvement in the quality of life, but the population growth is declining (Euromonitor, 2015). Environmentally, Russia has a low share of agricultural land and its agriculture production is not enough to achieve self-sufficiency, leaving the country dependent on food imports. On the other hand, the judicial system is inefficient and the country has one of the least regulated product markets. Finally, according to the importing trade matrix, Russia requires, on average, 20 days and 10 documents to import, with the cost of 2,920 USD per container (World Bank, 2015), being the least complex importer of the EACU, but still very bureaucratic.

2.3.2. Food product categories analysis

In this phase, as agreed with Daymon, processed products were eliminated from the food category list, as they were not significant to the project. In this way, 663 relevant 6-digit categories were identified and further analysed in this step on a 2-digit level. The purpose was to understand what are the most demanded imported products of the EACU countries, independently of their sources.

Overall, by grouping the total relevant food imports of Russia, Belarus, and Kazakhstan, it is noticeable that Russia, in 2013, imported 7-fold more food products than Belarus and Kazakhstan together, highlighting the fact that the sizes of these three markets are very different. The most demanded categories by the EACU countries together, in terms of expenditure in import values, were fruit and meat, followed by dairy products, fish, vegetables, coffee & tea, seeds, cereals and milling products (refer to Appendix I). However, the figures differ among the three of them:

Belarus. Overall, the country imported 378 food categories on a 6-digit level in 2013, of which fruit and fish were the most valuable groups, with total expenditures of 443,327 million USD and 422,969 million USD, respectively (refer to Appendix J).

Kazakhstan. Overall, the country imported 423 food categories on a 6-digit level in 2013, of which fruit and dairy products were the most valuable groups, with total expenditures of 591,774 million USD and 412,767 million USD, respectively (refer to Appendix K).

Russia. Overall, the country imported 447 food categories on a 6-digit level in 2013, of which meat and fruit were the most valuable groups, with total expenditures of 6,748,157 million USD and 6,401,898 million USD, respectively (refer to Appendix L).

2.3.3. Identification of food product categories

According to the criteria described in the methodology section of this Work Project, the 20 most promising food categories per importer that can be provided by LATAM were identified in this step of the SCIMS model.

Belarus. The most promising food groups for imports are: (1) *fruit*, such as apples, bananas, mandarins, grapes, peaches, oranges, and pears; (2) *meat*, such as swine cuts, pig fat, bovine cuts and fowls cuts & offal; (3) *fish*, such as fresh and frozen Atlantic & Danube salmon, other frozen fish, frozen trout, and other frozen shrimps and prawns; (4) *seeds*, such as maize and sunflower; and (5) *cereals*, like rice. Overall, these top 20 import opportunities to Belarus represented a total value of approximately 739 million USD in 2013 (refer to Appendix M).

Kazakhstan. The most promising food groups for imports are: (1) *fruit*, such as apples, mandarins, cherries, grapes, plums and sloes, peaches, melons, and bananas; (2) *meat*, such as frozen fowls, frozen bovine cuts, frozen swine cuts and horse meat; (3) *tea*, black type; (4) *seeds*, such as

sunflower and other vegetable seeds; (5) *vegetables*, like onions and shallots; (6) *fish*, such as frozen Atlantic & Danube salmon; (7) *cereals*, like rice; and finally (8) *milling products*, as malt. Overall, these top 20 import opportunities to Kazakhstan represented a total value of approximately 748 million USD in 2013 (refer to Appendix N).

Russia. The most promising food groups for imports are: (1) *meat*, such as frozen and fresh bovine cuts, and frozen fowls cuts & offal; (2) *fruit*, such as bananas, grapes, pears, lemons, kiwis, and cherries; (3) *fish*, such as frozen and cold-water shrimps and prawns, Atlantic & Danube salmon, and frozen trout; (4) *seeds*, such as sunflower and groundnuts; (5) *coffee*; (6) *milling products*, like wheat and barley; and (7) *cereals*, such as rice. Overall, these top 20 import opportunities to Russia represented a total value of approximately 7,345 million USD in 2013 (refer to Appendix O).

2.3.4. Scoring model

According to the scoring model described in the SCIMS model section (2.2.2.), the different sourcing opportunities were identified in line with the time barometer as: short, medium, and long term. The analysis was made in three rounds that took into account different criteria each time. In the end, the results achieved were 16 promising trade opportunities between different trade partners.

In the first round, each possible trade scenario was analysed according to the CAGR of imports from the world, as well as the CAGR of imports between specific trade partners, in case there was already an existing trading relationship (from LATAM to the EACU). In addition, the average price, obtained by dividing the import values and the import quantities, was also taken into account. In the case of long-term opportunities, where there is no existing trade relationship yet, the category's average export price from LATAM was compared against the average import price of the EACU. Also, occurring events that might require a quick reaction and adjustment to the market were also taken into account, such as the political situation in Russia with the trade embargo.

In the second round, rather than looking at generic trade factors, such as price and CAGR, the most relevant trade relationships were taken into account – the two biggest suppliers/exporters of that specific category. In this step, it was taken into account how big their share of import values was in 2013, and also if a LATAM country could steal some of it by providing a cheaper price. If one of the LATAM countries considered could offer a cheaper price, a trade opportunity was identified. In case the scenario was still not clear, a third round of analysis was applied.

In the third round, recent data from 2014 was analysed in order to gather insights on the effects of the embargo. In case there has been a replacement on one (or both) of the two biggest category suppliers, its share of imports and price was also compared with the one offered by the LATAM

country. In case there have been drastic changes in exporters between 2013 and 2014 and the LATAM country is able to provide better trading conditions, a valuable opportunity was identified.

To sum up, based on this scoring model analysis, there were 16 promising trade opportunities identified – ten of which are short-term sourcing opportunities from Argentina, Brazil and Chile; four are medium-term sourcing opportunities also from Argentina, Brazil and Chile; and two long-term sourcing opportunities from Argentina and Brazil. From the analysis performed, the model showed that the food product categories from Colombia, Ecuador, and Peru, are less attractive, which was why they were not selected for further market research.

2.3.5. Summary of the final recommendations

The identified sourcing opportunities differ between each of the importers, in terms of the product categories selected, but also in terms of the time scale that is recommended for Daymon to act in terms of time-to-market. Products from the exact same category should be sourced from the same exporter, even if they are going to different importers, so Daymon can save costs, get attractive prices, and achieve economies of scale with is potential new suppliers. (refer to Appendix P)

Belarus (BEL). It is promising to source: (1) *meat* – frozen swine cuts from Brazil; (2) *fish* – frozen trout from Chile; and (3) *seeds* – sunflower seeds from Argentina.

Kazakhstan (KAZ). It is promising to source: (1) *meat* – horse from Argentina, fowls and swine cuts from Brazil; (2) *fruit* – grapes from Chile; and (3) *tea* – black tea from Argentina.

Russia (RUS). It is promising to source: (1) *meat* – bovine and fowls cuts from Brazil; (2) *fish* – frozen shrimps & prawns from Argentina, and frozen trout and Atlantic & Danube salmon from Chile; (3) *fruit* – pears from Argentina; (3) *coffee* – coffee not roasted or decaffeinated from Brazil; and (4) *seeds* – groundnuts from Brazil.

2.4. Recommendations to the company

Even though all the following recommendations are identified as opportunities, a deeper analysis of the market of each category, on the importers and exporters side, revealed that some of them are clear opportunities, while others have some limitations. (refer to Appendix Q)

2.4.1. Sourcing from Argentina

2.4.1.1. Meat

It is recommended to source "*horse, ass, mule or hinny meat, fresh, chilled or frozen*" from Argentina to Kazakhstan. Even though it already supplies 14.6% of this category's imports (Trademap, 2013) by Kazakhstan, this is considered a short-term opportunity for Daymon, as this share can potentially be increased. In fact, the price offered by this LATAM country is cheaper than

the one from Canada and Bulgaria, the current main suppliers that represented 71% of the imports value market in 2013.

Exporting perspective. Argentina is the biggest producer and exporter of industrial horsemeat (HIS, 2014). However, this is a very controversial business due to the illegal trade of horses, which are often stolen, and the bad horse welfare, as there are no health standards and veterinarian obligations (Animals Angels, 2014). The three main slaughterhouses are Lamar, Indio Pampa and Entre Rios.

Importing perspective (KAZ). Horsemeat is a very traditional dish. However, even though the meat consumption and imports have been rising, the country is almost self-sufficient in this category, producing 90% of its horsemeat domestic consumption (HIS, 2014).

2.4.1.2. Coffee and Tea

It is recommended to source "*black tea (fermented) & partly fermented tea in packages exceeding 3 kg*" from Argentina to Kazakhstan. This is considered a long-term opportunity for Daymon, as there is no current trade in this specific category and the Argentine tea is offered at a high quality and competitive price.

Exporting perspective. Argentina is the 9th largest tea producer in the world, with 95% of its total domestic production coming from Misiones and the remaining 5% from Corrientes (MEP, 2014). In total, there are 61 registered tea export companies, sourcing 92% of the country's tea production (MAGP, 2014). In addition, this specific category is especially relevant, as 97% of the production of Argentine tea relies on black tea. However, a negative factor is the fact that unit production prices have been increasing.

Importing perspective (KAZ). The tea category has always experienced a great demand, without seasonal fluctuations. The main imports of black tea come from Kenya and India, which together represented 97% of the value imports market in 2013 (Trademap, 2013). However, these sources are decreasing their quality levels, increasing consumers' willingness to shift to higher quality products, even if they have to pay higher prices. Additionally, in this country, tea is blended with milk in order to obtain a gold colour (Euromonitor, 2014), which is suitable with the characteristics that Argentine black tea has to offer.

2.4.1.3. Fish

It is recommended to source "*other frozen shrimps and prawns*" from Argentina to Russia. This is considered a medium-term opportunity for Daymon, as this LATAM country provides the category at a lower price and higher quality than the biggest current exporters from Asia, and Russia's macroeconomic situation demands the acquisition of a new sourcing solution.

Exporting perspective. Argentina is the 8th largest shrimp exporter in the world, being responsible for 4% this category's international trade (MEP, 2014). Suppliers have been investing in new freezing technologies, which increase the quality of the shrimps and the production efficiency. The main production regions are Chubut, Santa Cruz and National Waters (MAGP, 2014).

Importing perspective (RUS). Seafood is subject to high demand fluctuations (Euromonitor, 2014). Since trade relations with the West are suffering from the food embargo, there is now a higher focus on domestic production. However, Russia is still the 16th largest importer of this category in the world. Most of its imports come from China, which represented 36% of total imports in value in 2013 (Trademap, 2013). However, this supplier is struggling to deliver quality in this category, due to the EMS disease (early mortality syndrome). In this context, even though shrimps from Argentina are more expensive than those from China, this represents an opportunity for Argentina to boost its exports to Russia.

2.4.1.4. Fruits

It is recommended to source "*pears*" from Argentina to Russia. This LATAM country already provides 23.6% of the pear imports from this country, being the second largest supplier of the category. However, this is considered a short-term opportunity for Daymon because of the effect of the embargo, which is hurting the trade relationship between Russia and Belgium, the largest pear supplier with 28% of the imports market by value in 2013.

Exporting perspective. Argentina is the 2nd biggest producer of pears worldwide, and almost 90% of its total production comes from the regions of Rio Negro and Neuquén. The main pear varieties produced are William and Packham's Triumph, which represented 45% and 30% of total volume production in 2013, respectively (USDA, 2014). However, it is important to take into consideration some of the challenges that Argentine pear producers have faced during this season, from January 2015 – lack of funding resulted in inability to harvest; labour strikes compromised the packaging process; uncertainty in demand compromised pear distribution, especially to the European clients (Freshfruit Portal, 2015). In this context, this year's export volumes are expected to be lower than before, but still significant and promising.

Importing perspective (RUS). Pears are one of the most popular fruit categories. Even though Russia decreased its pears import tariffs by 17% in September 2013, the recent devaluation of the Russian Ruble shrank local consumption, as it is became increasingly expensive to import. As a result, pear imports dropped by 57% in the beginning of 2015.

2.4.1.5. Seeds

It is recommended to source *"sunflower seeds, whether or not broken"* from Argentina to Belarus. This category is considered a medium-term opportunity for Daymon, as there is already a slight but rising trade relationship between these partners, and this LATAM country can provide this category at a cheaper price than Turkey, which is the second biggest supplier after Russia.

Exporting perspective. Argentina has been facing very favourable weather conditions for the production of sunflower seeds due to the excessive water flows in most regions, which lead farmers to plant sunflowers instead of soybeans and corn (Freshfruit Portal, 2015). This trend triggered a rise in production, especially in the state of Buenos Aires, which accounts for 54% of total volume (USDA, 2014).

Importing perspective (BEL). A rise in imports of sunflower seeds is expected (Trademap, 2013).

2.4.2. Sourcing from Brazil

2.4.2.1. Meat

It is recommended to source, from Brazil: (1) *"bovine cuts boneless, fresh or chilled"* to Russia, a short-term opportunity, as there is already a significant trade flow, which can be further intensified due to Brazil's competitive prices and the effects that the embargo is provoking on the major current suppliers; (2) *"fowls (gallus domesticus), cuts & offal, frozen"* to Russia, a short-term opportunity, as there is already a significant trade flow and the USA is stepping out as the biggest supplier due to the food embargo, even though Brazil's prices are not as competitive; (3) *"fowls (gallus domesticus), whole, frozen"* to Kazakhstan, a mid-term opportunity, as there is an existing trade relationship that can be enhanced due to Brazil's competitive prices on this category; (4) *"swine cuts, frozen nes"* to Kazakhstan, a short-term opportunity, as this specific partnership has been increasing between 2009 and 2013, and Brazil is able to provide the category at a cheaper price than the current main suppliers, Poland and Canada; and (5) *"swine cuts, frozen nes"* to Belarus, a long-term opportunity, as there is no current trade flow on this category, but Brazil can provide it at cheaper prices than the two biggest suppliers, Poland and Germany. (Trademap, 2013)

Exporting perspective. Brazil's meat industry is the economic activity that occupies the largest share of land (Conab, 2014). This country has the second biggest herds in the world, exceeded only by India. This makes it the second largest meat producer globally, and the first on international trade (Euromonitor, 2014). The greater availability of cattle, decreasing feeding costs, and the weakening of the Brazilian Real, are the main factors contributing to a decrease in the prices of Brazilian meat. In general, this sector is characterised by its high quality and sanity standards, as well as heavy investments in technology. The *swine category* is the 4th on global production,

expected to grow at an annual rate of 4%, with exports currently representing 10% of the total international trade (MAB, 2015). The *fowls category* is the 3rd on global production, which is expected to grow at an annual rate of 4.22%, and the global leader in exports (MAB, 2015). The *bovine category* ranks 2nd on global production, being the leading exporter (MAB, 2015).

Importing perspective (BEL). Meat is among the most preferred food products in Belarus. The country has been imposing some restrictions to imports and investing in technology to boost domestic production (Euromonitor, 2015). The main exporters of meat in general, on a 2-digit level, are Montenegro, Russia and Ukraine, which together represent 53% of the total value imports market in 2014 (Trademap, 2014).

Importing perspective (KAZ). The meat sector is experiencing a growing demand. Domestic production in Kazakhstan is not enough to meet self-sufficiency, leaving the country dependent on imports (Euromonitor, 2015). The main exporters of meat in general, on a 2-digit level, are the USA and Russia, which together represent 55% of the total value imports in 2014 (Trademap, 2014).

Importing perspective (RUS). Consumers in Russia look for value-added meat cuts, being poultry the preferred category, followed by pork and beef, which represent 52%, 28% and 18% of the meat sales volume in 2013, respectively (Euromonitor, 2015). There has been an increasing investment in domestic production, due to the weakening of the Russian Ruble, which deteriorated the conditions to import.

2.4.2.2. Coffee and Tea

It is recommended to source "*coffee, not roasted, not decaffeinated*" from Brazil to Russia. This category is considered a short-term opportunity for Daymon, due to the increasing trade between Brazil and Russia, which is predicted to be further intensified.

Exporting perspective. Brazil is the largest producer of coffee worldwide, responsible for about a third of the total global production (Conab, 2015). The state of Minas Gerais accounts for 50% of the country's production, which delivers mostly the "Arábica" type of coffee, but also the "Robusta" variety (Markcafe, 2015). However, the dry weather conditions are limiting production and causing unit prices to rise.

Importing perspective (RUS). Coffee is a young but growing category, even though Russia can still be considered as a "tea country". Consumers prefer fresh to instant coffee. Average retail prices are increasing, with the main leaders of this market being Nestlé and Kraft Foods. (Euromonitor, 2014)

2.4.2.3. Seeds

It is recommended to source "*groundnuts, shelled, whether or not broken (excl. seed for sowing), roasted or otherwise co*" from Brazil to Russia. This category is considered a short-term opportunity for Daymon, as Brazil's price for groundnuts is cheaper its current suppliers' and the USA, being the second biggest exporter and subject to embargo, can be replaced.

Exporting perspective. In Brazil, groundnut production is still very fragmented and informal (Euromonitor, 2014). However, the state authorities and private companies have been putting some efforts towards market regulations related to quality assurance. The main state of production is São Paulo, which accounts for 88.1% of total volume production (Conab 2015).

Importing perspective (RUS). Groundnuts are the preferred nut type in Russia, a category with growing demand but extremely dependent on imports due to the lack of domestic production. (Euromonitor, 2014)

2.4.3. Sourcing from Chile

2.4.3.1. Fish

It is recommended to source, from Chile: (1) "*frozen Atlantic salmon and Danube salmon*" to Russia, a short-term opportunity, as Chile has been strengthening its position as a main exporter due to the effect of the embargo; and (2) "*frozen trout*" to Russia and Belarus, both short-term opportunities, as has also been strengthening its position in this category as the main exporter, due to its cheaper prices and the effect that the embargo had on the imports from Norway.

Exporting perspective. In the *salmon category*, Chile is the world's leading exporter of Atlantic salmon (GAA, 2014). However, in 2007, its production was affected by a salmon disease, which took the industry five years to overcome (Cermaq, 2014). Also, the Chilean salmon production industry is very consolidated, unregulated, and dependent on short production cycles, which are three factors of major concern. In the *trout category*, Chile is the leader, accounting for 60% of the world's exports. However, the recent trout disease is expected to further hurt farmers and halve their production (ASA, 2014).

Importing perspective (RUS). In Russia, fish is a high-priced product. The country's fish industry is still undeveloped, which is why customers have preferences for imports of frozen fish. However, the Russian government recently announced a development plan to invest on this industry. Chile is already the main supplier of trout and salmon, being the first category on a decreasing consumption trend, and the former one on a rising trend. (Euromonitor, 2015)

Importing perspective (BEL). Trout consumption is on a growing trend, which means there is room for Chile to increase its exports to Belarus. However, the fish industry in this country has been developing due to its recent technology investments. (DLIWE of Belarus, 2014)

2.4.3.2. Fruit

It is recommended to source "*Grapes, fresh*" from Chile to Kazakhstan. This category is considered a medium-term opportunity for Daymon, as its importations are rising and Chile can provide the product at lower prices than the main exporter, Uzbekistan.

Exporting perspective. Chile is the world's biggest fresh grapes producer and exporter. In fact, 75% of its total production goes for exportations. The low unit prices and the developed packaging techniques are both factors that contribute to the competitiveness of Chilean fresh grapes, which are mostly sourced from the region of Fresh Atacama (Freshfruit Portal, 2015).

Importing perspective (KAZ). Growing consumption and limited domestic production contribute to the dependency on imports, which are mainly sourced from Uzbekistan (Trademap, 2013).

2.5. Concerns

Since the Business Project was conducted with limited guidance and support, the report had some limitations that need to be considered.

Firstly, the data analysis was limited to the trade statistics extracted from Trademap, as it was the only open data source. Consequently, the food product categories analysis and evaluation were used accordingly. However, in order to ensure the reliability of the data extracted, there should be a comparison with material from other databases and sources.

Secondly, it was only possible to extract data from Trademap on a 6-digit basis. The 8-digit level categories should have been taken into consideration for an even deeper analysis, as the food products would have been further broken down by product variety. However, as this data had to be purchased and the group had limited financial resources, the analysis was made on a 6-digit level.

Thirdly, the project did not provide a deep country analysis with tailored recommendations for potential entry strategies in the new markets. Even though this was not the original scope of the project, it is also important to take into consideration that this will need to be done at a further level. The purpose of the project was to identify promising food trade opportunities between the countries considered, which was why it was assumed that even though some country-specific factors might be challenging, Daymon would be able to overcome them.

Fourthly, as the current political situation in the Eurasian Customs Union is very unstable, especially in Russia, the macro environment in these countries is likely to change and the analysis

will have to be re-adjusted. In particular, there can be some changes in the parameters regarding the Russian food embargo or in other non-foreseeable factors, which might limit the recommendations.

Fifthly, the criteria used for the scoring model took into account the most relevant factors from the authors' perspective. Therefore, under different or additional criteria, the analysis of the final sourcing recommendations could have been done from a different angle.

In addition, once the final recommendations were identified, the scope of the project was also to provide an overview of both the importing and exporting markets of the identified categories. However, the group often had limited access to specific categories' market information on a 6-digit level. In these cases, the market analysis was performed on a 2-digit level by taking into account the greater food category group (e.g.: *meat* market, instead of the *frozen bovine meat* market, in Russia)

Finally, although it was out of the scope of the project, after identifying the most promising flows, further market and field research should be conducted. In this way, the next step for Daymon would be to better understand the specific market structures of each category and countries in order to identify potential suppliers with whom it could establish the most profitable partnerships.

3. REFLECTION ON LEARNING

3.1. Previous knowledge

3.1.1. Masters content applied

The most common approaches o international business are exportations and importations. In this context, the Business Project was fundamentally based on International Business theory and strategies, with a focus on international trade management and global supply chain operations.

Due to the globalization of production, sourcing goods is now an activity that can take advantage of multiple locations around the world, increasing a company's competitive advantage by leveraging national differences in the cost and quality of factors of production (Peng, 2009). In this context, Daymon acts as an *export intermediary*; being the third party firm that markets food products on behalf of its retail clients, manufacturers, distributors and farmers. Therefore, the centre of the analysis was on worldwide sourcing of fresh food products, which is the process of obtaining a supply of inputs for production (Daniels et al., 2015).

According to international business theory, what triggers an internationalisation process, including global sourcing, is a combination of both internal and external push and pull factors (Cavusgil & Riesenberger, 2011). While the *push factors* are related to unfavourable conditions in the domestic market, the *pull factors* are related to encouraging conditions in foreign markets, make it attractive to expand across borders.

Daymon operates in a truly global industry, which demands a meticulous coordination of the activities of its value-chain across many countries. However, this *global integration* also enables the company to maximize the learning, efficiency, effectiveness, and flexibility of its operations (Gomes, 2014). The global nature of Daymon's worldwide sourcing business can be associated with some pressures that were identified by Rugman and Collinson (2008). Firstly, *economies of scale*, which are achieved by centralized sourcing locations, suppliers and manufacturers, as to achieve mass production and consistent performance. Secondly, *uniform global service delivery*, as global customers have standardized demands that need to be adjusted to their local needs. Finally, *the challenges of a global market*, which make the company better prepared to coordinate is global activities and monitor competitive worldwide threats. These pressures enabled a better understanding of the Business Project challenge and were taken into consideration for decision-making throughout the project.

According to Gomes (2014), there are several criteria that should be taken into account when screening countries for *Foreign Direct Investment*, such as the cost of doing business, the country risk, its competitive environment, and government incentives, among others. Since Daymon is looking for long-lasting growth prospects, the first step of the SCIMS model was to evaluate these types of relevant criteria through the qualitative and quantitative PESTEL analysis. This was an important step of the project as it enabled the group to have an overview of the potential attractiveness of each country.

After assessing the macro environment, extracting the data on the relevant imports and exports, and identifying the core food product categories per country, the two final phases of the SCIMS model took into account some of the criteria identified by Cavusgil and Riesenberger (2011) as being crucial for an analysis of the *industry market potential*. Firstly, the scoring model took into account quantitative factors such as import market size, growth rate, and competitive intensity with existing export suppliers. Based on these criteria, the analysis had as a main output the recommendations of timing of market entry to Daymon. Secondly, when the set of potential opportunities was narrowed down according to the quantitative criteria, other relevant qualitative indicators were taken into consideration for this analysis, such as the industry trends, standards and regulations, local production and distribution, and customer preferences.

Since the analysis was performed on a country level, but analysed in a global context, one can also apply the National Competitive Advantage framework developed by Porter (1990). This framework, named Porter's Diamond, enabled a deeper analysis of each nation's competitiveness, as it determines the factors of national advantage in specific industries. Initially, an analysis of the *factor conditions* provided an understanding of each country's resources, which are relevant for

competition. These national factors were considered in the macro environment analysis and provide only an initial advantage, which subsequently needs to be built upon (Porter, 1990). In addition, the analysis of the *home demand conditions* enabled an understanding of what is the internal demand for food products within each EACU country. Furthermore, an overview of the *related and supporting industries* also provided an understanding of potential synergies that could be created between the considered markets. Finally, the analysis of each country-specific *strategy, structure, and rivalry* highlighted the conditions of the domestic competition, providing valuable insights on how Daymon can potentially address the recommended markets.

3.1.2. Masters content adjusted

This project was mainly focused on international trade theory, and global strategy and supply chain operations. However, some content and insights from the courses of my Masters' Major in Marketing were also adjusted and applied to the Business Project. In fact, when exporting and importing to new markets, marketing concerns also need to be taken into account, such as, for instance, the image of the sourcing country, the distribution network, and the responsiveness of the customers to the products (Gomes, 2014). These factors were indeed taken into consideration, especially in the last step of the SCIMS model, in which they were analysed with further detail and provided a full picture of the sourcing recommendations.

The diversity of country-specific factors that influence the progression of internationalization strategies questions the suitability of a unified marketing strategy. According to Schlager and Maas (2013), *institutionally induced heterogeneity*, which relates to distinct consumer patterns in different contextual environments, should be on the basis of an international marketing strategy. This insight was valuable to the Business Project, as it highlighted the relevance of a large-scale analysis to understand the exporter market, but especially the importer market in terms of consumer trends and demands. Understanding consumers' perceptions and behaviours towards a certain product category also implies understanding the impact that the brand and sourcing country images have (Koubaa, Methamem & Boudali, 2015).

According to Papadopoulos et al. (1988), the image of a sourcing country depends on three components: (1) *cognitive*, which relates to beliefs about the industrial and technological advancements; (2) *affective*, which relates to feelings about the country's people; and (3) *conative*, which relates the desired level of interaction. This theory enabled a better understanding of one of the macro trends that triggered this project – the high reputation of the Latin American food retail products, associated to the consumers' perceptions and image of the countries in this region.

In order to be sustainable, an export marketing strategy needs to be adapted to the differences between the import markets and the export markets, as well as to the pressures from the key

stakeholders, especially the customer characteristics and the intensity in competition (Zeriti et al., 2014). Therefore, there needs to be a strategic fit between a set of macro- and micro- environmental factors: (1) *macro-environmental factors* consist of societal forces that structure the firm's marketing strategy, which were analysed in the first step of the SCIMS model; (2) *micro-environmental factors* are associated with the firm's operating environment, which were analysed in the scoring model and recommendations part of the SCIMS model.

Finally, the Business Project was also an opportunity to explore the potential applications of the marketing field in an agricultural context, which is an important exercise in order to understand, from the sourcing perspective, what are the producers' strategic orientations (Press, 2014). These issues were approach in the market context analysis of production trends, which agricultural innovation, new packaging techniques, and other sustainable strategies.

3.2. New knowledge

3.2.1. New methodologies and frameworks used

Even though the Business Project content was based on previous knowledge and insights acquired during the Masters Program, the way the team approached the challenge led to the creation of a new framework – the SCIMS model.

The SCIMS model, which was the five-step process used to "skim" down the food product categories, as described in section 2.2.2., was the result of a combination of disciplines that the authors found to be relevant in order to detect promising trade opportunities. Therefore, the new knowledge acquired was based on a deeper understanding of the potential practical applications that the theoretical frameworks learned during the masters program can have on real-life situations.

In addition, the Business Project enabled the wide usage of different management disciplines within the same project. This rarely happened during the masters program, as all the assignments were focused on the application of course-specific subjects. On the contrary, this worldwide sourcing project for Daymon enabled the convergence of economic, strategic, operational, and marketing matters, which were applied to a broad international context.

3.3. Personal experience

3.3.1. Key strengths & weaknesses

From an *academic perspective*, I believe I have always looked for opportunities to bring knowledge into practice. In addition, my creative thinking, problem solving and decision-making skills, were a valuable contribute to the project over the course of the semester. Furthermore, as a team, the fact that there were such diverse backgrounds was a major asset for this project, as it enabled the cross sharing of knowledge, which was very often complementary.

From a *professional perspective*, I believe the team managed to perfectly adapt to the client's working methods and culture, as the interactions with the company were always very professional, but positively informal. The team's diverse background of experiences was also a major asset for the success of the project, as by bringing our different insights together, the team managed to face the Business Project challenge by using an innovative approach – the creation of the SCIMS model. At an individual level, I believe my ability to look at the complex problems and address them with structure and out-of-the box thinking was also an advantage for the group's overall performance.

From a *personal perspective*, I believe my easiness of integration in multicultural and dynamic environments was also evident. In fact, being all of us CEMS students, the team was very open-minded and our global mind-set was evident, which was a plus for a project of this nature. Our past experiences in different environments enabled us to think out-of-the box and leverage our great group dynamics. As a team, I believe all of us gave an incredible contribute for the success of the project, with each of us playing a different role at an individual level. Being very passionate, ambitious and dedicated to everything I do, I consider that my leadership and organization skills were a major contribute for this project.

However, there are also some insights on *weaknesses* that should be considered. Firstly, as the project was conducted with limited guidance, the group often found it difficult to proceed with further analysis without having feedback from the company. Secondly, there were some communication issues between the team and the client, especially during the initial phase of the project, in which the group performed a set of analysis that was apparently not that relevant for the client, even though the proposed macro activities of the project were approved during the kick-off meeting. Finally, the group's willingness to deliver the best results possible often led to delays according to the scheduled action plan, due to the extreme focus on micro management and details.

3.3.2. Plan to develop areas of improvement

As already mentioned in section 3.3.1., working on this Business Project made me grow a lot on three main different levels – academic, professional, and personal – due to the development and enhancement of group and individual-level strengths.

Considering the first step of the plan to develop areas of improvement is to be aware and identify weaknesses, I believe the second step is to think about how to tackle them. First, it is essential to make efforts towards having clarity in communications during a project, especially with the client. The main lesson learned is to always ask questions and try to get insights to the issues whose answers are not publicly available and only the client can clarify. Also, the time-management skills should also be enhanced, which can be done by planning and scheduling internal deadlines, not only the macro activities of a project, but also all the potential micro activities.

3.4. Benefit of hindsight

Working on this Business Project was an opportunity to get to know a new industry, a new company, and an area of the management studies that I have not deeply explored before. It was a pleasure for me to get in touch with the food retail industry, which I consider to be my industry of choice. I believe that what added the most value from this project was the practical knowledge that was acquired on a variety of different markets, on a country, product, and activity perspective. Additionally, the opportunity to constantly interact with a talented group of students throughout the semester was also a major contribution for this learning curve. Finally, it was a pleasure to interact with the leading global player of the global consumables retail industry, Daymon Worldwide, and I feel I learned a lot from their expertise in this sector.

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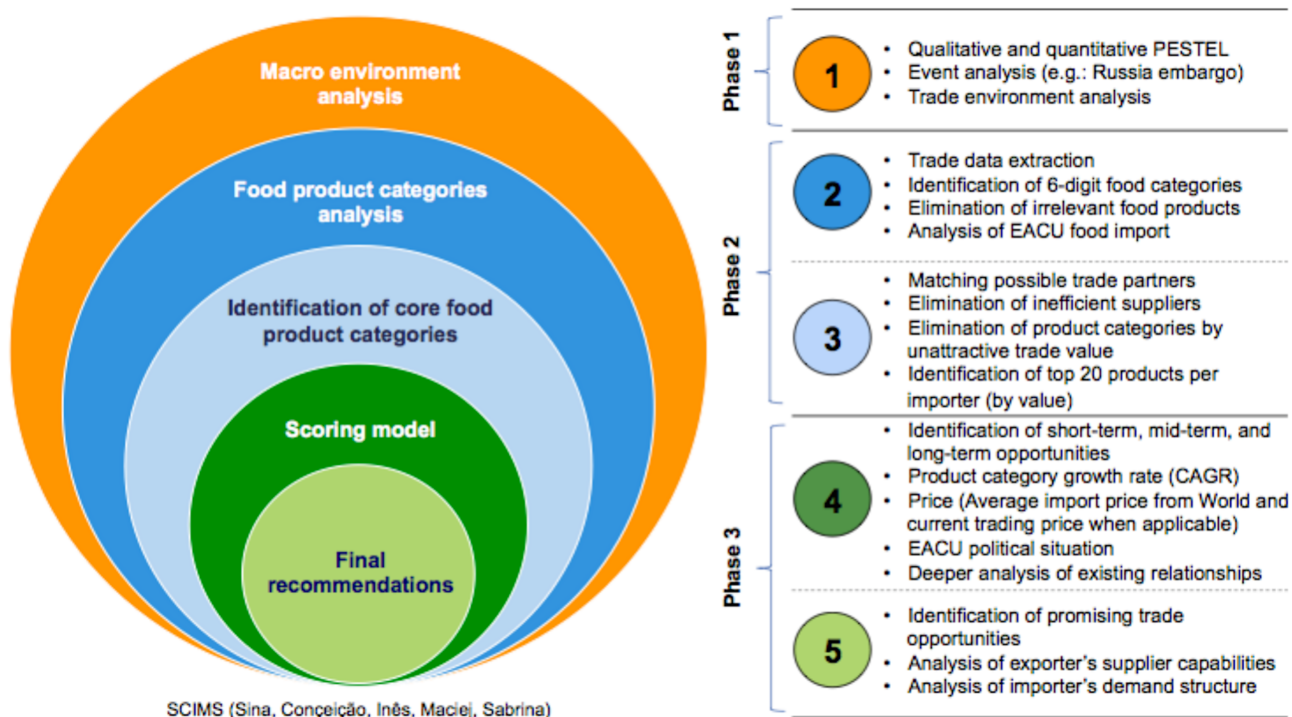
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5. APPENDICES

Appendix A - Largest LATAM food global exporters by value in 2013

TOP LATIN AMERICAN EXPORTERS by value in Million USD (2013) World Trade Organization		
Brazil	USD	82,080.8
Argentina	USD	40,790.1
Chile	USD	15,949.7
Ecuador	USD	7,627.4
Peru	USD	6,725.6
Colombia	USD	5,186.6

Appendix B - "SCIMS" model onion

SCIMS (Sina, Conceição, Inês, Maciej, Sabrina)

Phase 1

1
- Qualitative and quantitative PESTEL
- Event analysis (e.g.: Russia embargo)
- Trade environment analysis

Phase 2

2
- Trade data extraction
- Identification of 6-digit food categories
- Elimination of irrelevant food products
- Analysis of EACU food import

3
- Matching possible trade partners
- Elimination of inefficient suppliers
- Elimination of product categories by unattractive trade value
- Identification of top 20 products per importer (by value)

Phase 3

4
- Identification of short-term, mid-term, and long-term opportunities
- Product category growth rate (CAGR)
- Price (Average import price from World and current trading price when applicable)
- EACU political situation
- Deeper analysis of existing relationships

5
- Identification of promising trade opportunities
- Analysis of exporter's supplier capabilities
- Analysis of importer's demand structure

Appendix C – Indexes used on the PESTEL quantitative model

C.1. Political Indexes used on the PESTEL quantitative model

Voice and Accountability	• Perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression and association, and a free media.
Political Stability and Absence of Violence	• Perceptions of the likelihood of political instability and/or politically- motivated violence, including terrorism.
Government Effectiveness	• Quality of public services, the quality of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies.
Regulatory Quality	• Perceptions on the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Rule of Law	• Perceptions on the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
Control of Corruption	• Perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests
Ease of Doing Business	• A high ranking means the regulatory environment is more conducive to the starting and operation of a local firm
Corruption Perceptions Index	• Perceived level of public sector corruption

C.2. Economic Indexes used on the PESTEL quantitative model

GDP PPP per capita	• Gross Domestic Product Purchasing Power Parity per capita (USD 2013)
GPD PPP	• USD billions in 2013
Inflation rate	• Percentage in 2013
Budget	• Revenues - USD billions in 2013
Public debt	• Percentage of GDP in 2013
Unemployment rate	• Percentage in 2013
Total Imports	• USD billions in 2013
Total Exports	• USD billions in 2013
Documents to export	• Number of documents or documents to import, depending on country
Time to export	• Number of days, or time to import depending on country
Cost to export	• USD per container, or costs to import, depending on country

C.3. Social Indexes used on the PESTEL quantitative model

Human Development Index	• Development of country is assessed (not in terms of economic growth)
	• Average achievement in key dimensions for human development:
	   ➢ Long and healthy life (life expectancy at birth)
	   ➢ Being knowledgeable (years of schooling for adults and expected for children)
	   ➢ Having a decent standard of living (gross national income per capita)

Cost of Living Index	• Relative to New York City
	   ➢ Consumer Price Excl. Rent Index (CPI)
	   ➢ Rent Index
	   ➢ Groceries Index
	   ➢ Restaurants Index
	   ➢ Consumer Price Plus Rent Index
	   ➢ Local Purchasing Power

Quality of Life Index	• Estimation of overall quality of life • Puts the highest weight to pollution • Puts the second highest importance to safety

C.4. Technological Indexes used on the PESTEL quantitative model

|	
R&D Expenditure (% of GDP)	• R&D covers basic research, applied research, and experimental development • Current and capital expenditures (public and private) on creative work undertaken systematically to increase knowledge and its use for new applications • Including knowledge of humanity, culture, and society
The Global Innovation Index Rank	• The ranking is based on the world's economies' innovation capabilities and results • Relies on two sub-indices: Innovation Input; Innovation Output • Pillars of analysis: institutions, human capital and research, infrastructure, market sophistication, business sophistication, knowledge, technology and creative outputs
Total Patent Applications	• Year of Analysis: 2013 • Report type: Total Count by Office
IP Rights Index Rank	• Studies correlation between economic success and property rights worldwide • Aims to quantify the strength of property rights: physical and intellectual and to rank countries accordingly • Score and rank based on 10 factors reflecting the state of Legal and Political Environment, Physical Property Rights, Intellectual Property Rights
Digital Access Index	• Rank on a scale of 0 to 1, the 1 equals the countries that have the highest access

C.5. Environmental Indexes used on the PESTEL quantitative model

Share of Agricultural land	• Share of land used for agricultural purposes
Pollution Index	• Estimation of pollution in different cities worldwide • Most emphasize is put on air and water pollution. • The higher the index the worse environment is
Climate Risk Index	• Extent of impact of weather-related loss events (storms, floods, heat waves etc.) on countries

Environmental Performance Index	• Measure consists of 20 indicators on environmental data split in two sub-groups
	    • Ecosystem Vitality
	    • Environmental Health
	• The higher the score the better

C.6. Legal Indexes used on the PESTEL quantitative model

Safety Index	• Opposite of the Crime Index (100 – Crime Index = Safety Index) • Estimation of overall crime in a given country • Estimation of how worried citizens are and how problematic issues are
Regulatory Enforcement	• Extent to which regulations are fairly and effectively implemented and enforced • Implementation and enforcement of rule of law • Legal and administrative regulations • Structure interactions within and outside of government • Estimation of strength of rule of law
Civil Justice	• Measures whether ordinary people can resolve their grievances peacefully and effectively through the civil justice system. • Accessibility and affordability of systems • System free of discrimination, corruption or improper influences of public officials • Effective enforcement of Judgments • Accessibility, impartiality, efficiency of mediation
Criminal Justice	• Evaluation of criminal judgment systems • Key-aspect of rule of law • Capability of investigating and adjudicating criminal offenses successfully • Impartial, non-discriminatory systems, free of corruption, improper government influence • Rights of both victim and accused are Protected

Appendix D – Importing trade matrix
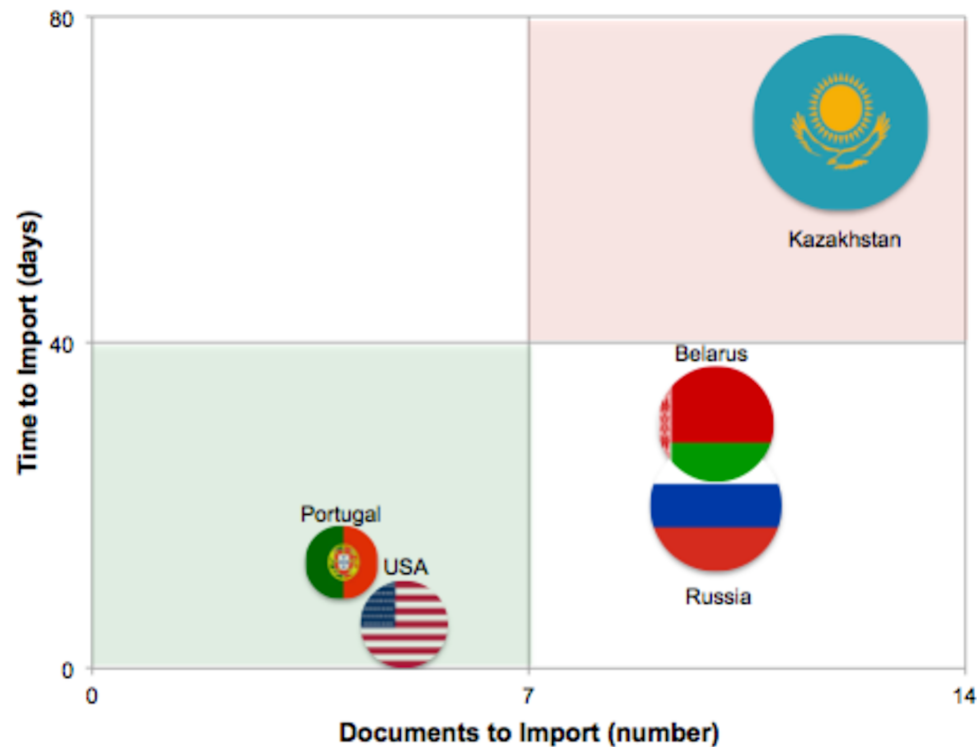
- The size of each bubble represents the cost to import (US$ per container)

Appendix E – Exporting trade matrix
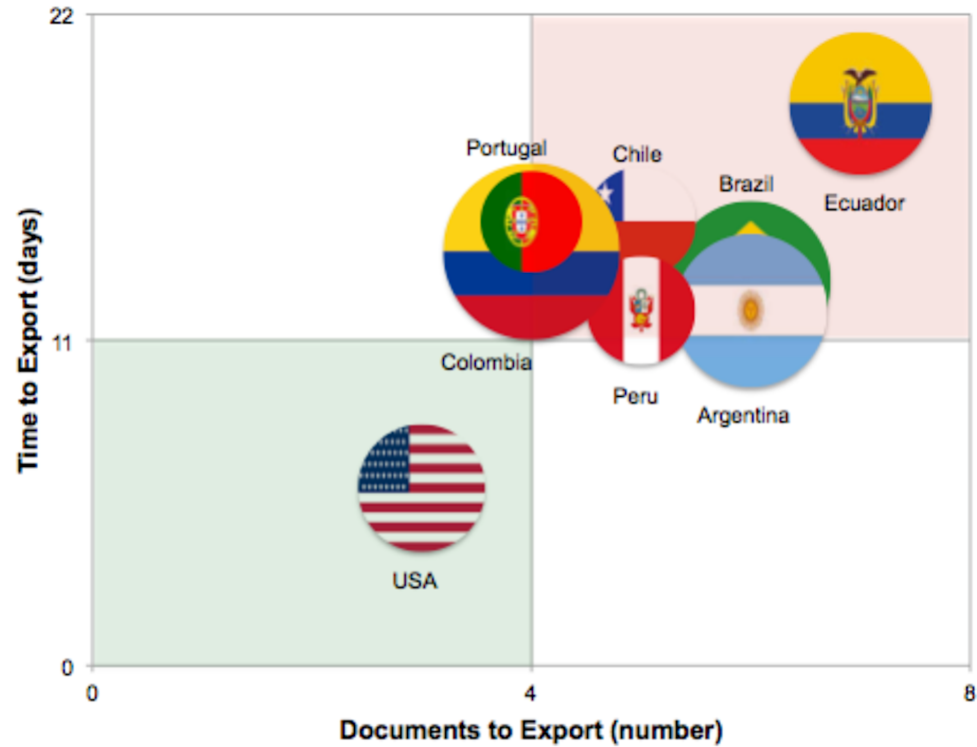
- The size of each bubble represents the cost to export (US$ per container)

Appendix F – Time barometer opportunities

SHORT TERM

A short-term opportunity means to act fast and do business right away. In the case of Russia, price does not play an important role, instead the embargo is taken into consideration. The criteria which define this type of opportunity are:

- The importing country has to have **more than 5% current trade** with LATAM
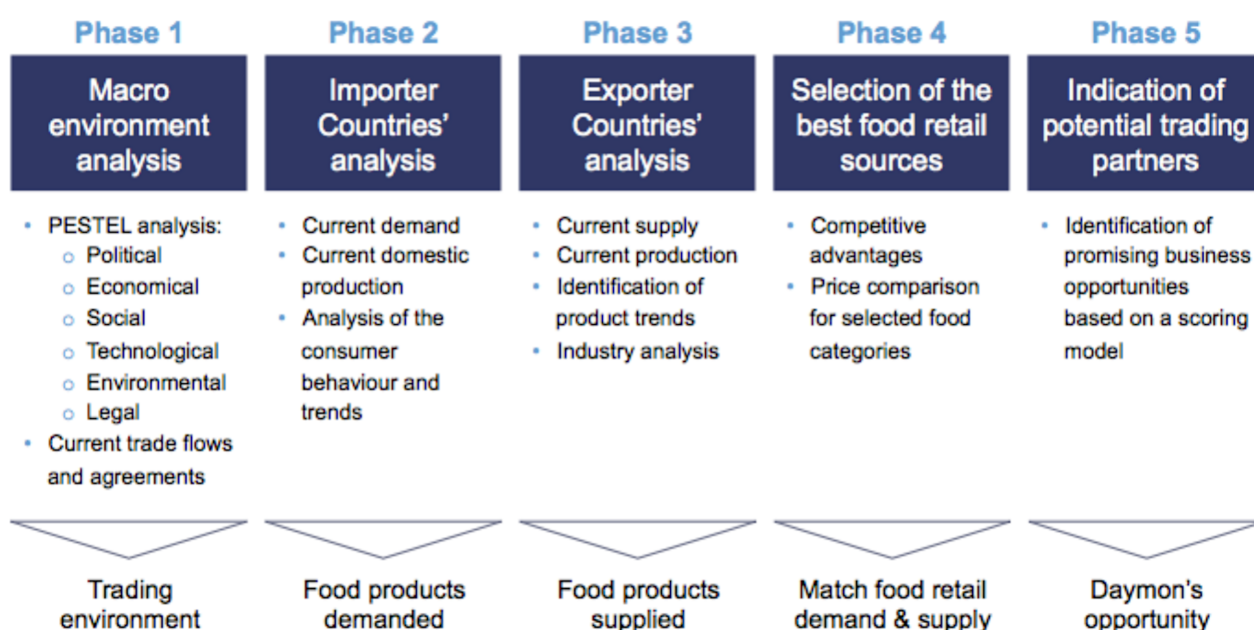- The **price** of LATAM **has to be lower** than at least one of the two current biggest suppliers.

or

- Event disrupting an existing trading relationship needs to be taken into account (i.e. **embargo**)

MEDIUM TERM

A medium-term opportunity means to that it will take some time to establish business as there is only little current trade. In the case of Russia, price does not play an important role, instead the embargo is taken into consideration. The criteria which define this type of opportunity are:

- The importing country has to have a **current trade between 0% and 5%** with LATAM
- The **price** of LATAM **has to be lower** than at least one of the two current biggest suppliers.

or

- Event disrupting an existing trading relationship needs to be taken into account (→ LATAM can replace current suppliers affected by the **embargo**)

LONG TERM

A long-term opportunity means that it will take time to establish business, as there is no current trade on a specific category between the identified exporter and importer. The criteria which define this type of opportunity are:

- The importing country and LATAM currently have a **trade relationship of 0%**
- The **average export price and the price** of both of the two current biggest exporters **has to be lower** for LATAM
- Increasing imports of EACU from the world signal promising category demand (**positive CAGR^W**)

CAGR^W: 2009-2013, Growth of EACU import from the world
Price calculation: Import value (CIF) / import quantity

CAGR^P: 2009-2013, Growth of EACU import from LATAM
(This only applies once **trade relationships exist**)

Appendix G – Macro activities of the project

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Macro environment analysis	**Importer Countries' analysis**	**Exporter Countries' analysis**	**Selection of the best food retail sources**	**Indication of potential trading partners**

• PESTEL analysis:
  ○ Political
  ○ Economical
  ○ Social
  ○ Technological
  ○ Environmental
  ○ Legal
• Current trade flows and agreements
	• Current demand
	• Current domestic production
	• Analysis of the consumer behaviour and trends
		• Current supply
		• Current production
		• Identification of product trends
		• Industry analysis
			• Competitive advantages
			• Price comparison for selected food categories
				• Identification of promising business opportunities based on a scoring model

Trading environment	Food products demanded	Food products supplied	Match food retail demand & supply	Daymon's opportunity

Appendix H – Food embargo on Russia

Countries banned

Products banned*

Fruit & Vegetables

- Russia ≈ 30% of the EU's fruit and vegetable exports in 2013
- Affecting in the first place the perishable products sector
- Main products affected: apples, tomatoes, peaches, nectarines, pears but also mushrooms, cucumbers, sweet peppers and cabbage, etc.

Dairy Products

- Main products affected: cheese and butter
- Banned dairy products amount to ≈ 1.5% of the total EU milk production in milk equivalent, which is a significant share of the total 9% of EU milk production being exported

Meat

- Russia is the first destination of EU exports for beef (equals 25% of all EU beef exports)
- Main products affected: breeding animals and low value products (trimmings, offal and fats), fresh, chilled and frozen beef (but not the exports of live animals, offal or fats)

Appendix I – Total food imports of the EACU in 2013, split by country

	Fruit	Meat	Dairy	Fish	Vegetables	Coffee&Tea	Seeds	Cereals	Milling
Total Imports	7.45bn USD	7.36bn USD	4.91bn USD	3.35bn USD	3.31bn USD	1.52bn USD	1.51bn USD	0.76bn USD	0.25bn USD
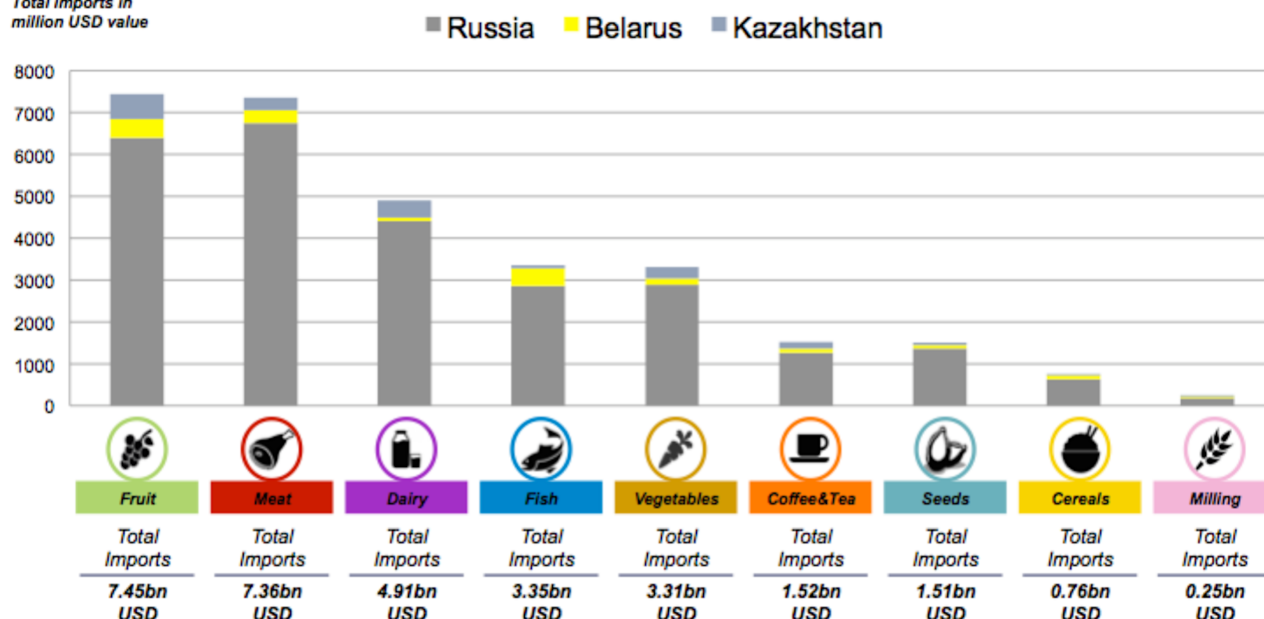
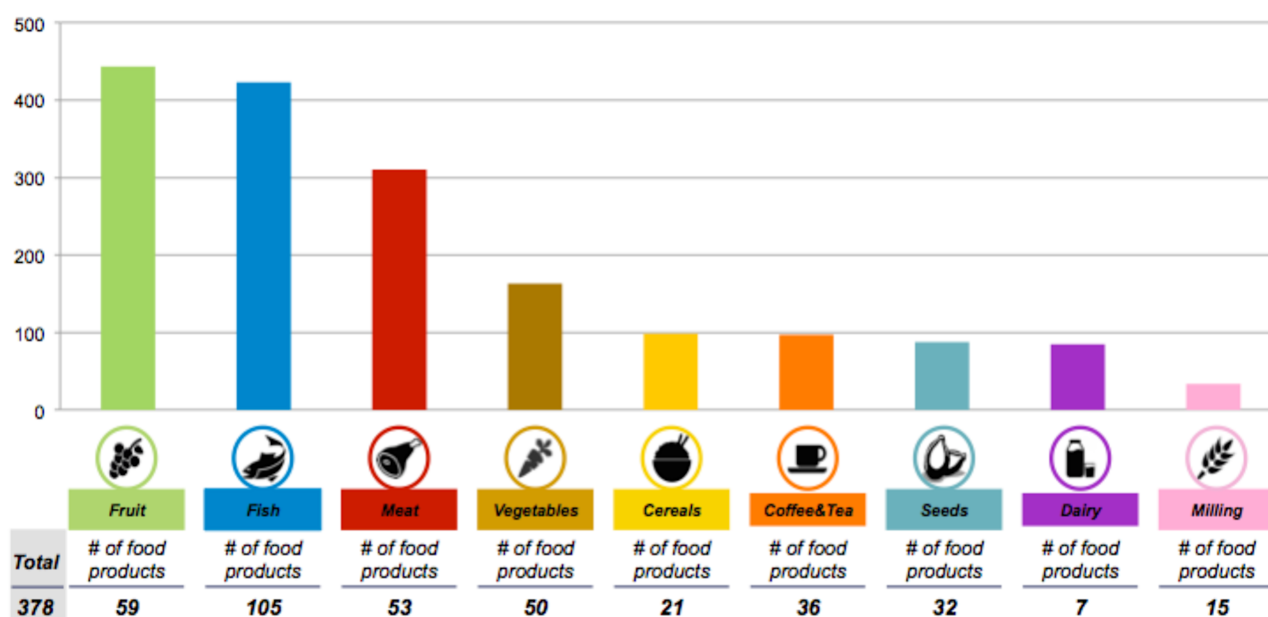## Appendix J – Belarus food imports by value in 2013

Total imports in million USD value

Belarus food imports by value in 2013

Total	Fruit # of food products	Fish # of food products	Meat # of food products	Vegetables # of food products	Cereals # of food products	Coffee&Tea # of food products	Seeds # of food products	Dairy # of food products	Milling # of food products
378	59	105	53	50	21	36	32	7	15

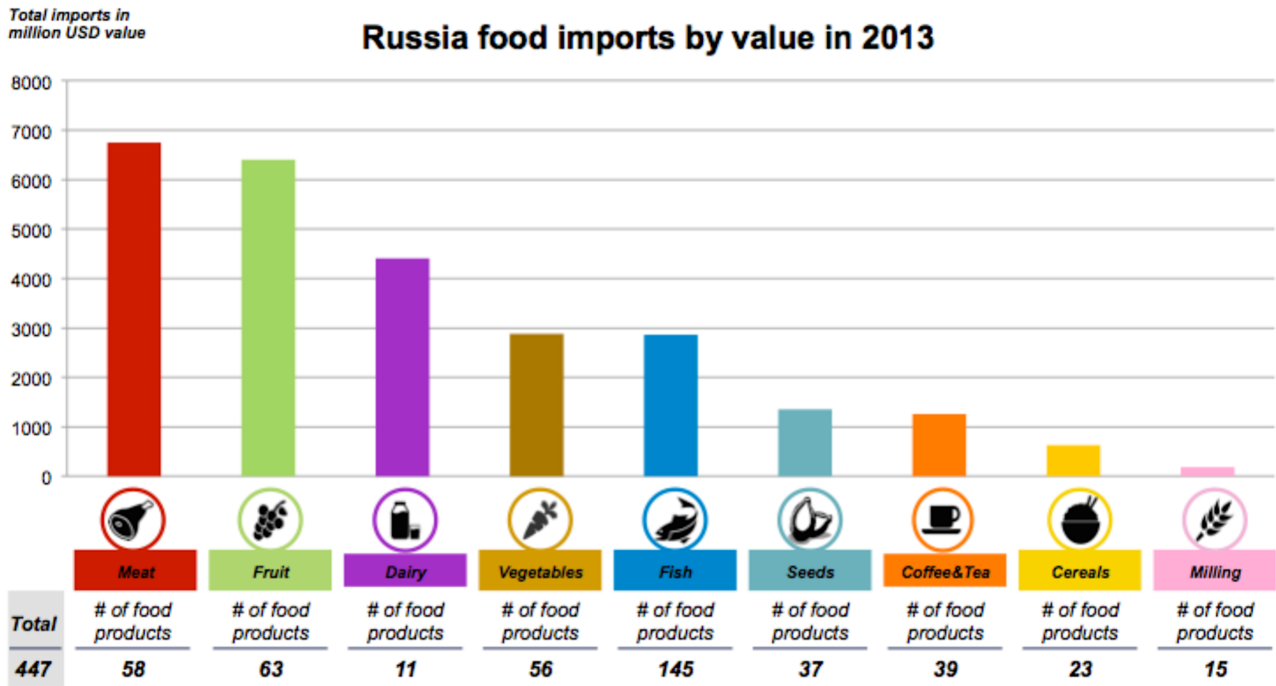## Appendix K – Kazakhstan food imports by value in 2013

Total imports in million USD value

Kazakhstan food imports by value in 2013

Total	Fruit # of food products	Dairy # of food products	Meat # of food products	Vegetables # of food products	Coffee&Tea # of food products	Seeds # of food products	Fish # of food products	Milling # of food products	Cereals # of food products
423	61	10	56	50	36	34	145	15	23
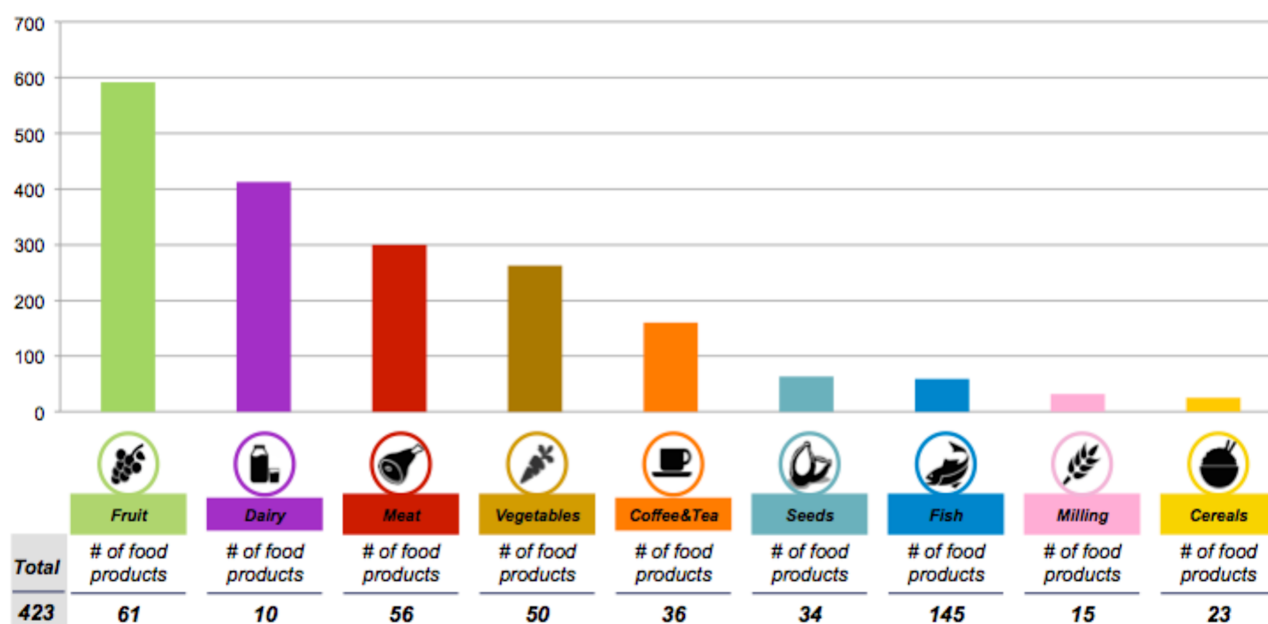
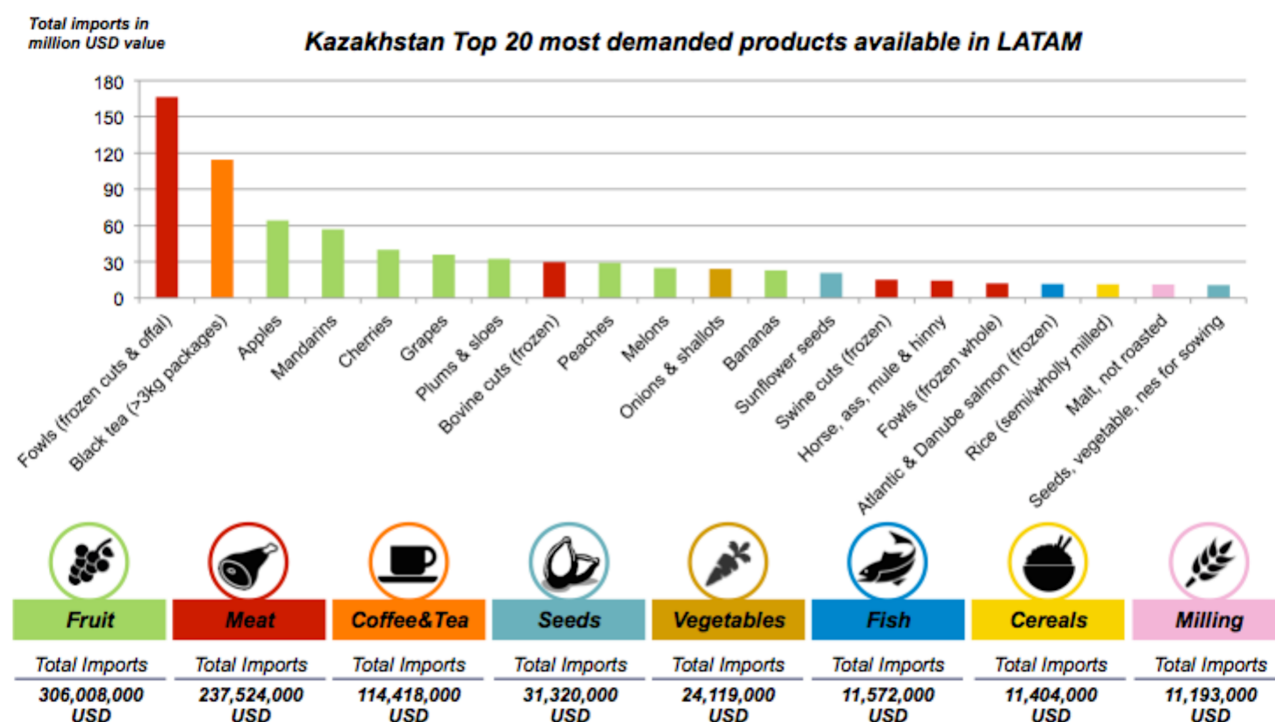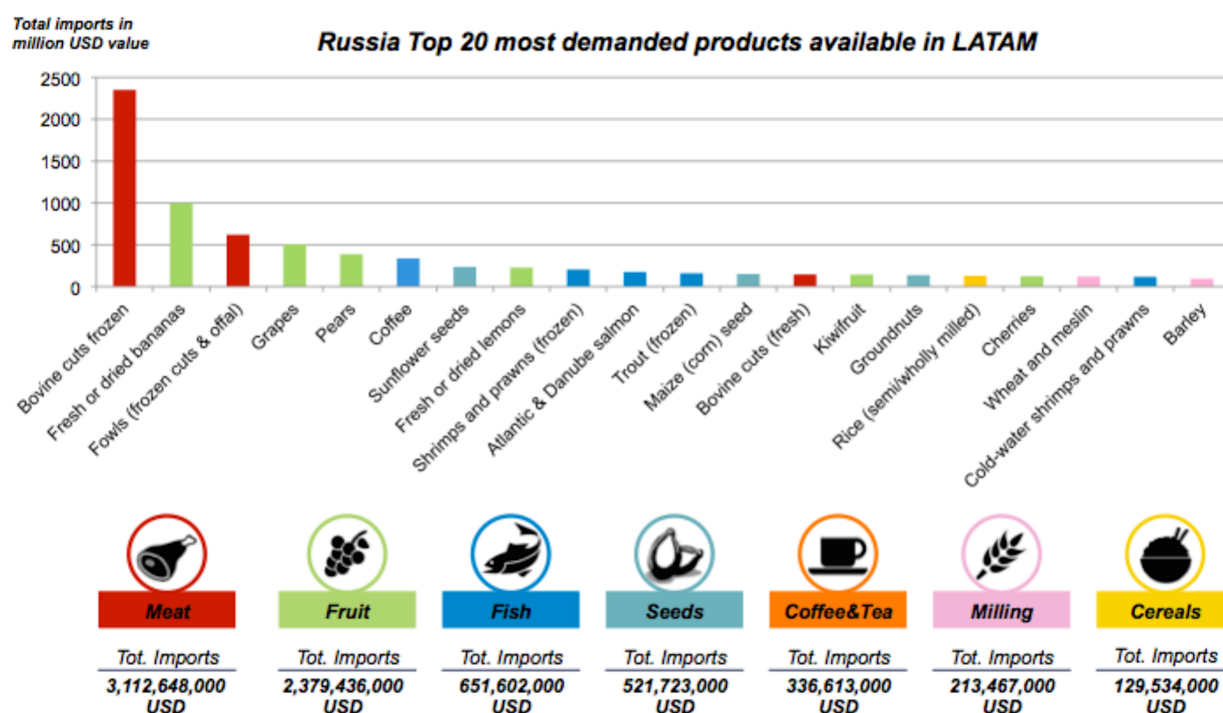## Appendix L – Russia food imports by value in 2013

Appendix M – Belarus food imports Top 20 opportunities
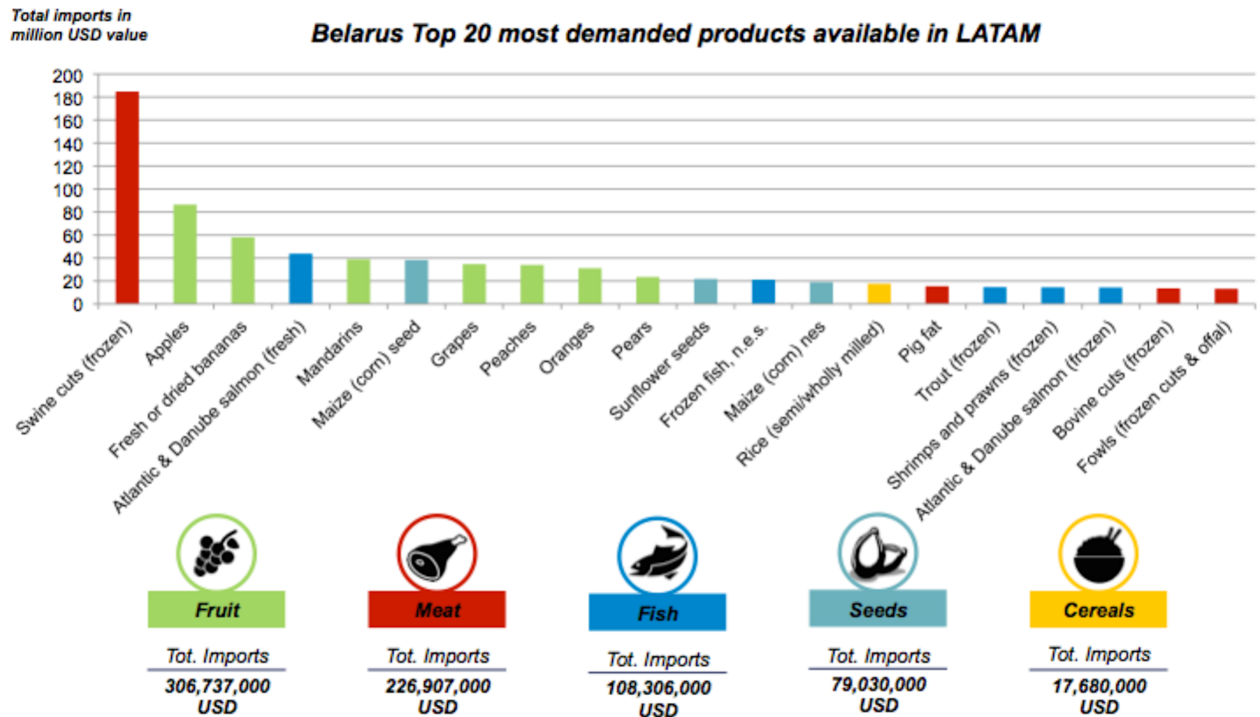
Appendix N – Kazakhstan food imports Top 20 opportunities

Kazakhstan Top 20 most demanded products available in LATAM

	Fruit	Meat	Coffee&Tea	Seeds	Vegetables	Fish	Cereals	Milling
Total Imports	306,008,000 USD	237,524,000 USD	114,418,000 USD	31,320,000 USD	24,119,000 USD	11,572,000 USD	11,404,000 USD	11,193,000 USD

Appendix O – Russia food imports Top 20 opportunities

Russia Top 20 most demanded products available in LATAM

	Meat	Fruit	Fish	Seeds	Coffee&Tea	Milling	Cereals
Tot. Imports	3,112,648,000 USD	2,379,436,000 USD	651,602,000 USD	521,723,000 USD	336,613,000 USD	213,467,000 USD	129,534,000 USD

Appendix P – Summary of sourcing opportunities (table)

Exporter	Product Group	Product Category	Importer	Opportunity
Argentina	Meat	Horse, ass, mule or hinny meat, fresh, chilled or frozen	Kazakhstan	S
	Coffee & Tea	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	Kazakhstan	L
	Fish	Other frozen shrimps and prawns	Russia	M
	Fruits	Pears	Russia	S
	Seeds	Sunflower seeds, whether or not broken	Belarus	M
Brazil	Meat	Bovine cuts boneless, fresh or chilled	Russia	S
		Fowls (gallus domesticus), cuts & offal, frozen	Russia	S
		Fowls (gallus domesticus), whole, frozen	Kazakhstan	M
		Swine cuts, frozen nes	Kazakhstan	S
			Belarus	L
	Coffee & Tea	Coffee, not roasted, not decaffeinated	Russia	S
	Seeds	Groundnuts, shelled, whether or not broken (excl. seed for sowing), roasted or otherwise co	Russia	S
Chile	Fish	Frozen Atlantic salmon and Danube salmon	Russia	S
		Frozen Trout	Russia	S
			Belarus	S
	Fruits	Grapes, fresh	Kazakhstan	M

Appendix Q – Summary of clear/limited sourcing opportunities (table)

Exporter	Product Group	Product Category	Importer	Opportunity	Clear or Limited	Limitations
Argentina	Meat	Horse, ass (fresh & frozen)	Kazakhstan	S	★	High domestic production High quality meat from Canada
	Coffee & Tea	Black tea	Kazakhstan	L	★★	
	Fish	Shrimps and prawns (frozen)	Russia	M	★	Main exporter (China) provides shrimps at a lower price
	Fruits	Pears	Russia	S	★★	
	Seeds	Sunflower seeds	Belarus	M	★	Demand for sunflowerseed oil is high. Therefore, research on importing market is required to define end-use of seeds
Brazil	Meat	Swine cuts (frozen)	Kazakhstan	S	★★	
			Belarus	L	★	High-quality, growing domestic market
		Fowls cuts & offal (frozen)	Russia	S	★★	
		Fowls whole (frozen)	Kazakhstan	M	★★	
		Bovine cuts boneless (fresh)	Russia	S	★★	
	Coffee & Tea	Coffee	Russia	S	★★	
	Seeds	Groundnuts	Russia	S	★★	
Chile	Fish	Atlantic & Danube salmon (frozen)	Russia	S	★★	
		Trout (frozen)	Russia	S	★	Forecasted production in Chile is declining, due to disease of trouts and returning of fish cpanies back to recovered salmon industry
			Belarus	S	★	
	Fruits	Grapes	Kazakhstan	M	★	Strong partnership with Uzbekistan, which provides 92%