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.

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WORLDWIDE SOURCING: LATIN AMERICAN SNAPSHOT FOR FOOD RETAIL

By

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May 22, 2015

Abstract

This research looks at how competitive countries are in trading food products in a challenge proposed by Daymon Worldwide to CEMS.

The analysis focuses on data from databases, articles, country reports, government websites, and business literature that assess inter-trade between countries, and the role that stakeholders play in the international trade food retail market. LATAM is emerging as an export giant in food retail representing great potential to boost trade with the EACU. Sourcing opportunities will be within fresh products category. Also, the research highlights statistical and qualitative data as limits and difficulties in properly assessing trade in its essence.

Keywords: International trade; Food retail; Sourcing opportunities; Exports & Imports

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1. Context of the Business Project

1.1 Daymon Worldwide

Daymon Worldwide is the full-service global retail branding and sourcing partner firm that works directly with the World's leading retailers and manufacturers providing customized branding solutions that drive sales and profitable growth across multiple categories and channels. Daymon's expertise includes branding and strategy; private brand development; and global sourcing experiential consumer marketing.

Daymon Worldwide main areas of business that allow the company to provide en-to-end retail services are: (1) Private Brand Development (PBD: account teams working remotely and locally alongside their retail customers, ensuring tailored services); (2) Strategy & Branding (Galileo Global Branding Group: a strategy and marketing company); (3) Sourcing & Logistics (Omni Global Sourcing Solutions: single point of access); (4) Retail Services (SAS Retail Services: retail merchandising and in store measurement of key performance objectives through the use of technology and reporting tools); and (5) Consumer Experience Marketing (Interactions: events and marketing programmes). Moreover, driven by its consumer-centric approach, Daymon has been positioning itself as an organization that tries to 'touch' every single aspect of the retail experience for leading retailers in 14 of channels of trade, such as Automotive; Convenience stores; Discount and Dollar stores; Drug stores; e-Commerce; Mass; Office supply; Supermarkets and Supercentres; Warehouse club; Wholesalers; and Closeouts/overstocks.

Founded on July 5, 1970 by a partnership between Peter Schwartz and Milt Sender in New York City, it had the goal to maximize the market potential of Private brand products. It was created with a mission to "deliver unique solutions to retailers and manufacturers", allowing them to achieve differentiation, drive profitable sales growth and create customer loyalty. The forces driving this organization are well based on its culture around People, Passion, and Performance and the values that integrate each factor. As of 2015, Carla Copper is the company's President & CEO, who together with the board of directors, the executive leadership team, and the rest of staff strive to deliver an integrated, enterprise-wise approach to their global business, as well as create quality brands and products of exceptional value able to improve people's lives, and deliver outstanding services to their clients globally. Throughout the years, Daymon was able to establish itself as global leader in consumables retailing, differentiating it as capable to deliver value to the world, along with a real-time experience that is not visible in other players. This can be explained by the fact that it pushes itself to translate its know-how into unique and customized strategies, thus promoting increased sales and share, in collaboration with its network of retail customers and supplier partners.

Regarding its current global presence, Daymon Worldwide has over 200 offices in 51 counties on six continents. Also, in order to ensure the efficiency of its activity, it counts with more than 6,000 suppliers across the world, as well as the product distribution and transportations resources to extend brand loyalty,

regionally or globally; and more than 100 retailers. Moreover, it benefits from the collaboration of more than 39,000 talented associates delivering targeted solutions and actionable insights. They currently handle more than 1,700 brands and approximately 165,000 individual SKU's globally. In Portugal, Daymon Worldwide works as a strategic partner in developing Jerónimo Martins company's private brands. In addition, Daymon is an active company in what concerns corporate citizenship; working responsibly and serving communities through community involvement; sustainability and the Daymon Foundation (Daymon Worldwide, 2015).

1.2. Market Overview

Countries with closer trade links tend to have more tightly correlated business cycles, suggesting that trade acts as a transmission mechanism of country-specific shocks. In the context of the 2008-09 crisis, some have argued that trade was a major channel of transmission that made the crisis global. Despite this, trade openness can also reduce volatility, in the sense that trade can be a source of diversification when the shock is mainly domestic in nature.

As modern commerce increasingly takes place at a global and regional level, businesses require greater certainty when operating within the international trading environment that is very complex (***Appendix 1)***. While a part of the world's trade in goods can be described as truly global, regional trade accounts for a very important share of the overall global trade. Also, it is not a recent factor the increasing willingness of individual countries to circumvent the multilateral systems and engage in bilateral agreements- preferential trade agreements (PTAs) or free trade agreements (FTAs)- to help to meet global trade objectives (Daniels, Radebaugh, & Sullivan, 2013). The trade within free trade areas clearly forms a very important dimension of the world's trade. For example, the majority of exports within the EU and NAFTA were within the boundaries of the free trade. Despite this, it is also important to take into consideration that these are major markets with the largest consumer markets. Another example is Mercosur, another trading area comprising five Latin America countries that remained focused on external exports. Despite the attempts to increase the value of international trade, intra- Mercosur trade accounted for only 13% of total exports of its members in 2013, with the rest going to China, the US, and the EU. In the case of Brazil, its two leading trading partners, China and the US, accounted for 2.5 times more of its exports than Mercosur countries (Virgilijus, 2014).

Liberalized and open agricultural markets can encourage agriculture-led economic growth in developing countries through higher levels of input use, increased production, expanding exports, and higher incomes (Torero, 2007). The continued rise of developing countries will depend on maintaining an open global economy. Just as expanding trade is transforming development- opening up new export opportunities, improving access to capital and resources, and stimulating technological diffusion, adaptation and

innovation- it also develops the world by transforming the trading system. Developing economies may be increasing their share of world trade, but everyone's trade is rising. However, the upsurge of new trade giants requires that all economies developed and developing alike, adjust and adapt. The result is a more complex, multi- speed world economy. It is not just trade power that is shifting but trade relations as well. Based on the WTO 2014 report, there are four recent trade trends. The first relies on the economic rise of developing and emerging economies and rising shares in world trade by embracing a policy of trade openness and integration, these countries are able to access not just to capital, technology, and resources needed to fuel rapid industrialization, but to vast and expanding overseas demand for exports. A second is related to the growing integration of global production, which is transforming the nature of trade and the way developing countries 'connect' to the global economy. A third major trend is the rising price of agricultural goods and natural resources since 2000. Some of the fastest-growing developing economies in the Middle East, Africa and Latin America recently became commodity-rich exporters due to being able to strengthen their actual or potential comparative advantages in agriculture or natural resources. For this to be verified, it is necessary to reduce new and less transparent forms of trade protection, guaranteeing suitable rates of return on natural resources and addressing the social and environmental critical issues to inclusive and sustainable growth. Forth, as the world economy became more interconnected through trade, investment, technology and people flows, it has also become more independent (WTO, 2014).

Exports hubs, such as Singapore, Hong Kong, Belgium and the Netherlands are also major players within international trade. Expanding trade may be essential for development but it is hardly sufficient. Countries that have succeeded in transforming trade and economic growth into inclusive and sustainable development- measured in terms of improving health, rising education, increasing opportunities for women, or decreasing poverty- have also pursued a range of policies that not only share the gains/costs of trade openness but also ensure that societies are equipped to benefit from global economic integration.

On a more international food trade market view, a global food crisis from 2008-2009 underlined the critical need for open and transparent agricultural markets and trade, a situation that has been changing. Moreover, long-term consumer spending trends in most foreign markets indicates increasing shares on higher valued food items, such as meat, dairy, fruits, and vegetables. These shifts in food trends have reshaped food marketing globally, with food suppliers and retailers' modifying their products and retail formats to better meet consumer markets. The change in food consumption patterns is largely driven by income growth and demographic factors mainly lifestyle changes brought about by urbanization and better levels of information. The structure of the global food industry is continually changing and evolving as food suppliers, manufacturers, and retailers adjust to meet the needs of consumers, who are increasingly demanding a wider variety of higher quality products. Similar to retailers, food

manufacturers are reorienting their business strategies in response to consumer signals transmitted via retailers. In addition, globalization of the food supply means new food-safety risks and previously controlled risks can be introduced into countries, and contaminated food that can spread across greater geographic areas. Food-safety issues related to international trade present challenges for policymakers to invest in the development of domestic markets (Buzby, 2014).

1.3. The Business Project Challenge

It was the intent of the Business Project to assess and reveal Latin America' expertise in food retail products, export potential and the main export destinations. It was presented with the objective to be able to understand food retail flows coming from Latin America (Argentina, Brazil, Chile, Colombia, Ecuador and Peru) to the Eurasian Customs Union (Belarus, Kazakhstan and Russia). The challenge relies on the discover of Latin America's promising export products and serve as basis for sourcing recommendations to the import countries in question. It is then crucial to conduct an accurate market analysis of the Latin American food retail, in what concerns the main products it exports, market structures, main export destinations, and reasons for the exporting flows. Likewise, it is necessary to analyse the import schemes for the Eurasian Customs Union. The expected result must try to uncover potential or inefficient retail flows that might present a business opportunity for Daymon Worldwide.

In the realization of the report, six Latin America countries were selected to be the center of the analysis, being these Argentina, Brazil, Chile, Colombia, Ecuador, and Peru. The criteria utilized in order to focus only on these six selected LATAM countries relied on the values of each country's 2013 exports and on the individual strategic importance to the business of Daymon Worldwide. These represented the largest LATAM exporters, apart from Colombia, that occupied the eight-ranking place, but that was considered of high strategic value for the company ***(Appendix 2)***. Also, these were taken into discussion with the company itself, to make sure that the countries chosen would be of major interest for Daymon.

On the importers side Russia, Belarus, and Kazakhstan, are the founding countries of the Eurasian Customs Union, a customs union that comprises all member states of the Eurasian Economic Union, and represent new market opportunities for Daymon.

In order to guarantee a coherent and holistic analysis and derive the most appropriate recommendations, the team decided to investigate the project's problem statement from different perspectives, both importing and exporting. After the separate assessment, the respective results were integrated and compared in order to identify the most pressing issues. Finally, based on this, recommendations were formulated with the final aim of finding a concrete set of actions for sourcing opportunities in the food retail context.

2. Reflection on the work done

2.1 Problem definition

The fact that Latin America is emerging as an export giant in the food retail within the international trade represents great potential for a boost in direct exports from Latin America to the Eurasian Customs Union (EACU). It is also crucial to mention that this, added with the most recent event of an embargo inflicted by Russia on specific products from Australia, Canada, the EU, Norway, and the USA is resulting in shifts of retail flows that, ultimately, impact supply chains, costs, and retailers.

The Business Project aims to recommend possible trade flows between the EACU and selected LATAM, by understanding the main Latin America food retail products, export destinations and flows, as well as, the main Eurasian Customs Union food retail product demands, import sources and flows. Moreover, in order to achieve this goal, of identifying trade partnerships between a number of chosen countries by matching importers' demand and exporters' supply, the objective is to ultimately recommend which Latin American countries are best suited for sourcing specific food categories to specific EACU countries.

2.2 Methodology

2.2.1 Hypothesis

The business project report had the objective to provide recommendations about possible trade flows between the founding countries of the Eurasian Customs Union (EACU) Belarus, Kazakhstan and Russia, and selected Latin American (LATAM) countries. The focus of the analysis was on the five Latin American largest food exporters to the World, Brazil, Argentina, Chile, Ecuador, Peru, as well as Colombia, due to its strategic importance for Daymon Worldwide. The opportunity relied on the existence of several untapped flows within the food retail sector in the international trade market and from these the potential to find new trade links between the mentioned countries. Therefore, it was the objective of the Business Project to analyse the possible flows and evaluate its probability to fit within Daymon's culture and strategy. The following points will help the reader to understand the methodology utilized throughout the project, as well as, each step that led to the final conclusions.

2.2.2 The SCIMS Model

A methodology called "SCIMS" model was designed, resulting from the combination of the first letter of each member's first name (**S**ina, **C**onceição, **I**nês, **M**aciek, and **S**abrina). The SCIMS Model is the five-step process followed to skim down the product categories and identify promising trade opportunities (***Appendix 3)***. In this phase, it will be explained based on the following steps: (1) macro environment analysis; (2) analysis of possible food product categories; (3) identification of core food product categories per importer, (4) application of a scoring model, followed by the (5) final recommendations.

(1) Macro environment analysis

In this step, qualitative and quantitative data were collected in order to characterize and evaluate each country under analysis following the PESTEL analysis. The Political, Economic, Social, Technological, Environmental, and Legal framework covers external factors that impact the industry and helped to characterize each country ***(Appendix 4.1 & 4.2)***. Quantitative data was initially gathered by running an excel tool (through the conditional formatting colour scale tool) that compared a number of 33 indexes, such as ease of doing business index; corruption perception index; and safety index. Many indexes were used to characterize a given dimension to avoid/ the risk of just relying on one. Then between each index category the countries were compared ***(Appendix 4.3)***. The idea was to try to understand the business environment in the particular countries, learning about all the quantified risks, and avoiding the pitfall of just basing in one source. In order to get a broader perspective and support the numeral results, qualitative data was also gathered with information based on databases such as *Euromonitor*, reports, country's government websites, newspapers and online articles. Then, colours were attributed to visibly evaluate each factor within each country. Green would signify that the dimension is very favourable for the trading environment; yellow be average positive, meaning that the dimension in question can potentially benefit the trading environment. In addition, orange would be average negative, and would state for a dimension that can potentially hurt the trading environment; and last, red would be a negative dimension, being very harmful for the trading environment. The goal of the qualitative analysis was to identify recent trends and behaviours in the countries under analysis, in order to better assess and understand about the development paths that each country follows and try to predict the probable future impacts.

Moreover, an analysis on the trade environment was performed. Two Trade Matrixes were created with the aim to evaluate the trade regulation, for both imports and exports, in terms of complexity (number of documents required to fill in), and speed (number of days necessary to trade). Portugal and USA were used as benchmark countries, knowing that Daymon Worldwide comes from USA, and its European headquarter is in Portugal. In the Importing Trade Matrix, Portugal was the cheapest and least complex among the countries analysed, and USA the fastest. Likewise, in the Exporting Trade Matrix, Portugal aligns with the LATAM countries, while the USA is more costly, faster and least complex. In both matrixes, each country appeared within a 'bubble' with a given size representing the cost to import (US$ per container) ***(Appendix 5.1 & 5.2)***.

At a further point, each country will be described accordingly to each type of analyses. Finally, this first step also included the event analysis of the Russian embargo that was also taken into consideration.

(2) Food product categories

In this step, food categories were analysed according to six digit numbers and were reduced in agreement with Daymon. The entire data gather regarding all the food products that would be of Daymon's interest, was extracted from the database *Trademap*, from where one can withdraw the two, four, six, or eight

number of digits information depending on the deeper and specific one wants the results. In total, 663 relevant food product categories were identified and analysed, from which then resulted the last 16 categories as recommendations. Both the process of analysis and cutting off will be explained forward. Also, it is important to mention that from the initial data extraction, all processed food products were eliminated from the category list, being considered as irrelevant in agreement with Daymon Worldwide. Furthermore, a separate analysis on EACU's food imports was carried out.

(3) Identification of core food product categories

At this step, four steps were used to identify the 20 most promising food categories per country. First, and settling a minimum attractive import value for Daymon, elimination of the product categories with a trade value bellow 1,000,000 USD. Second, match between the categories demanded and all possible LATAM food product categories, in order to achieve possible trade partners. Third, eliminate inefficient suppliers based on the assumption that the demand for a specific good had to be 100% covered by a LATAM supplier. 2013 values were the considered ones. From this point on, all the remaining trade matches were rated as opportunities. The fourth point, identification of the core food products per importer focusing only on the top 20 food categories with highest importing value. An important note must be made in the sense that the countries do not have to trade as for now, but exporters need, at least, to provide these products to the world. The analysis was conducted in volume to avoid currency rates discrepancies.

(4) Scoring model

Almost by the end and to start reaching conclusions, a time barometer was used to classify the sourcing opportunities and its identification as being short-term, mid-term, and long-term. In this, the criteria defining each type of opportunity relied on the current trade percentage between importing and exporting countries under analysis; average export prices comparing to current biggest suppliers, other than the exporting countries considered (with average import price from World and current trading price when applicable and prices being calculated by dividing the import value by the importing quantity); Growth rate of EACU imports from LATAM (CAGR calculated on 2009-2013 time basis) for trade relationships already existent; and occasional events within EACU political situation that might impact on existent trade relationships, such as the Russian embargo.

A **short-term** opportunity was classified as one requiring fast action and to do business right away. For this, it is necessary for the importing country 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 exists an event disrupting an existing trading relationship that needs to be taken into account. In order to nominee an opportunity as **medium-term,** 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 there is an event disrupting an existent trade relationship. This later point can be verified with the

'window-opportunity' taken by the LATAM countries to replace current suppliers affected by the embargo. Being considered as medium-term prospect represents having a certain time to establish business, since it lies down on the assumption that at the time there is only little trade between the two countries evaluated. Also in this case, as it will be later explained, in the case of Russia, price did not play an important role, being the embargo instead taken into consideration. For its turn, 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. For this, the criteria definition relies on 0% current trade relationship between the importing country and LATAM; comparing the average export price and the prices of both the two current biggest exports, LATAM prices have to be lower; and there must be verified an increase on EACU imports from the world signalling a promising category demand. Other approaches were further developed if the above mentioned did not allow reaching to any conclusions.

(5) Final recommendations

In order to get to the final conclusions, it was necessary to identify promising trade opportunities; analyse the exporter's supplier capabilities; and analyse the importer's demand structure. For both these, not only quantitative data was gathered and compared within the scoring model, but also qualitative data that helped to characterize and better support the findings. Also, differentiation between clear opportunities and the ones that have some associated risks requiring further examination, was also ran down at the end through comparing all the opportunities.

2.2.3 Work plan

The SCIMS Model was the tool utilized throughout the business project to skim down the final recommendations. If the methodology behind this instrument was explained until now, a more explained analysis is now requested to demonstrate how, in practical terms, the project was developed.

2.3 Analysis

2.3.1 Macro environment analysis

2.3.1.1. Exporting countries

Argentina

This country is experiencing severe economic and social unrest as well as bad governance. Corruption and criminality; trade constraints on imports and exports; inequality; and bad conditions to do business along with inflation (index value of 21% with a red colour) and international debt factors impact Argentina's country potential. In what concerns its trade environment, and utilizing information available on the Exporting Trade Matrix, this country is one of the more complex to export from, due to requiring a bigger number of documents and with a big cost to export, despite being considered as one of the fastest ones in the time needed.

Brazil

Strong foreign relations policies and high context costs characterize Brazil. High exporting rates and global demand for commodities; stable politics, but still perceived as very corrupt; high power distance level and a decline on its economy (public debt index on 59% of GDP in 2013) due to monetary reasons such as public finances, general pricing contexts and inflation. Based on the comparison of the PESTEL dimension it is a rather positive country and on the Matrix analysis, Brazil is also another exporting country considered more complex compared to the others.

Chile

In the past few years, Chile has been developed itself as the most stable economy in LATAM with well-developed international trade and positive political, economic and legal frameworks incentivizing FDI and facilitating business environment. One of the least complex exporting countries, within the Matrix, positioned between Brazil and Colombia. It is the country, that as more green/positive dimensions.

Colombia

High investment potential, openness to trade, FDI growth, and improvements in business environment. Despite this, it is still highly volatile to corruption and political instability due to guerrillas confronts for power, unemployment (2010 population below poverty line index number of 33%), and high dependent on exports. Colombia is the most expensive country. It is the country with the fewer number of documents required to export, but greater timeframe when compared with Peru, Argentina and Brazil.

Ecuador

For one hand, in political terms, a very unstable country; low technologically developed and with poor human development index results. On the other hand, Ecuador represents a great growth potential in various sectors such as agriculture and telecom. On the Exporting Trade Matrix, it is possible to verify that Ecuador is the most complex exporter and also the slowest, requiring more days to export.

Peru

Solid and expected stable political stability; GDP growth; retail sectors expanding, as well as attractiveness for domestic ad foreign investment; and social development and equality. Challenges on its exports might come from Peru's environmental conditions and its legal framework, in which corruption is a determinant. It is one of the cheapest exporting countries to export from and also one of the least complex ones.

2.3.1.2 Importing countries

Belarus

It is strongly dependent on Russia; with income streams and imports/exports trade through Russia. In addiction, it has been verifying little FDI support and attractiveness for foreign investors, thus posing a high risk on international trade. Despite these, it has high agricultural potential; makes part of the Customs Union and has ties to CIS; it also has a greater development towards renewable energies. On the

overall it is an average performing country in all the dimensions of the PESTEL analysed; and in what concerns Belarus' trade environment, in the importing matrix it is possible to conclude that among the importing countries, Belarus is the cheapest country to export to.

Kazakhstan

Political environment favours imports, while the overall situation is rather unstable; highly connected with Russia; high levels of corruption and bureaucracy; economy not fully recovered from past shocks despite its oil and gas industry be strong and attractive for FDI; consumer spending power has decreased and it lacks technological investments. Major efforts are being made to ensure economic diversification to change the current situation and development of the agricultural sector. Regarding the trade environment analysis, within the Importing Trade Matrix, Kazakhstan is costly and the most complex in time, 67 days, and 12 documents necessary to import when compared to 30 and 20 on Belarus and Russia, respectively in the number of days and 10 on both on documents required ***(Appendix 3.3)***.

Russia

Russia's political environment favours imports, with increasing openness to capital markets and FDI, and it is investing in enhancing strategic partnerships with China and LATAM. Its business environment is also more attractive with tariff reductions, boost on purchased, and with successful technological development. It has high political influence on the EACU but it is now facing visible problems related to the depreciation of the rouble, domestic agriculture insufficient to cover domestic demand, food inflation record of 11.4%, unregulated product markets and troubled relationship with certain Western countries with the embargo event. Its inefficient legal system and legal enforcement are also drawbacks. On the Importing Trade Matrix, Russia is the least complex country, in what concerns the number of documents and days required to import.

A crucial topic to be addressed here is the **Russian embargo** that was imposed as a response to punitive measures over Moscow's role in the separatist uprising in eastern Ukraine in August 2014 and its annexation of the Crimean Peninsula. The Ukraine crisis prompted a number of governments to apply sanctions against individuals, businesses and officials from Russia and Ukraine starting from March 2014, which were approved by the United States, the European Union and other countries and international organizations. Both the sanctions applied to Russia and Russia's import bans in response have contributed to the collapse of the rouble and the 2014-2015 Russian financial crisis. Currently, the economies of the region are strongly tied together, with Belarus sending more than half of its exports to Russia, and the nascent Eurasian Economic Union 'tying' together Russia, Belarus and Kazakhstan as a single bloc.

In 2013 Russia was the second biggest exporters market for EU agricultural products. On a pre- embargo situation perspective, Russia represented around 30% of EU's fruits and vegetables exports; was

considered the first destination of EU exports for beef with a percentage of around 25%; and a major destination for exports of diary products, mainly butter and cheese, from EU (The Russian Government, 2014). The import embargo introduced on August 2014 affects certain meat, fish, dairy, fruit, vegetable and processed food products from the EU, USA, Canada, Australia and Norway (Wikipedia, 2015). From the final list of Agricultural Products, Raw Materials and Foodstuffs, certain products were later on excluded from the ban due to the fact of being considered as essential and because Russia either lacks them or has insufficient domestic equivalents to satisfy the demand (Goodison, 2015).

In conclusion, if for one hand the embargo factor came out as restricting the direct consumption of certain product categories from selected countries, for the other hand it came out as an opportunity for Russia to establish new trade relationships or intensify other already existent, and to develop protectionism measures and greater investments in order to strengthen domestic production.

2.3.2 Food product categories analysis

As mentioned above, 663 relevant food product categories were identified as possible opportunities to be analysed.In addition, a separate overview of total food imports of the EACU as 2013 was also provided, grouping all the relevant categories according to 2-digit numbers. The identified categories were fruit and meat as the top food products imported, representing 7.45 bn USD and 7.36 bn USD, respectively of total imports value; dairy representing 4.91 bn USD; fish and vegetables with 3.35 bn USD and vegetables with 3.31 bn USD, respectively; then, on a lower importing value basis coffee & tea (1.52 bn USD); seeds (1.51 bn USD); cereals (0.76 bn USD); and milling accounting for 0.25 bn USD of total imports value. Under this analysis, Russia imports more food products than Belarus and Kazakhstan together ***(Appendix 6)***.

Then, the same analysis of imported food products (by value) was carried out for each of the relevant EACU members. On an individual importing country analysis, Belarus imports from the world around 378 food products, of which fruit and fish are the most valuable categories. Kazakhstan, for its turn, is responsible for the import of 423 food products, with fruit and dairy being the most valuable categories; and lastly, Russia imports 447 food products, of which meat and fish account for highest value together.

2.3.3 Identification of core food product categories

After identified the 663 relevant food product categories, the top 20 most promising food categories per importing country, resulted from the ‘elimination’ of certain categories following the four-steps approach. Thus, from 663 it was possible to reduce to 60 relevant product categories. These represented the most demanded products by each EACU selected country from LATAM (Trademap, 2013). In what concerns Belarus’ top 20 opportunities, fruits and meat are top imported categories, with total imports values of 308,737,000 USD and 226,907,000 USD respectively. Fish, seeds and cereals are also relevant categories when grouping the products into categories, despite representing lower value on total imports ***(Appendix***

7.1). For Kazakhstan, fruit, meat, and coffee and tea, are the top available categories imported, with 306,008,000 USD, 237,526,000 USD, and 114,418,000 USD. Seeds, vegetables, fish, cereals, milling categories can be also visible within the top 20 ***(Appendix 7.2)***. Russia's top food categories imported from the LATAM are meat (3,112,648,000 USD) and fruit (2,379,436,000 USD). For this country, fish; seeds; coffee and tea; milling; and cereals were also categories present on top 20 ***(Appendix 7.3)***.

2.3.4 Scoring Model

This stage comprises three rounds of analysis. The first refers to the analysis on each possible trade scenario based on the criteria CAGR (calculated for both category growth worldwide and category growth between EACU and LATAM partner); Price (average EACU import price from the world); average LATAM export price to the world; average price from LATAM to EACU only for short and medium term opportunities); and EACU political situation if applicable, the embargo on Russia's case.

A second round, was developed in case of the first round did not deliver a clear picture of the trade opportunity. This was a deeper analysis on existing trade relationships by identifying the two biggest exporter partners by the share of EACU import value currently supplied and the price offered to EACU. This would be relevant, in the sense that in order to chose a LATAM country, this would have to offer a cheaper price than the current biggest exporter trade opportunities identified.

On a final approach, in case that none of the rounds, above described, did not deliver any clear conclusion, the trade relationships for the fiscal year of 2014 were analysed, replacing the two biggest exporting partners in 2013. This last approach, allowed observing drastic changes in exporters between the two years compared, giving valuable insights on embargo development and on the identification of final valuable opportunities.

2.3.5 Summary of the final recommendations

From the three rounds, resulting opportunities were then grouped has being short- term, medium-term or long-term on a timescale of action. Recalling the criteria to determine a short-term opportunity, it means to act fast and to do business right away. Here, the opportunities identified were the sourcing of pears from Argentina to Russia; and of horse/ass to Kazakhstan. Then the sourcing from Brazil of coffee, bovine cuts, fowls and seeds to Russia; and swine cuts to Kazakhstan. Lastly, from Chile, the sourcing of fish, specifically frozen salmon and frozen trout to Russia; and also frozen trout for Belarus. The medium-term opportunities can be recognized as one that would require some time to establish business in which resulted the sourcing from Argentina of frozen shrimps and prawns to Russia; and sunflower seeds to Belarus. From Brazil, source fowls to Kazakhstan; and from Chile, grapes. Regarding the long-term perspective, there are two opportunities for Daymon Worldwide that can take time to establish business that are Argentina's sourcing of Black tea to Kazakhstan; and from Brazil the potential to export swine cuts to Belarus ***(Appendix 8.1)***.

2.4 Recommendations to the company

Going deeper into the analysis and consequent explanation to support the recommendations, the opportunities will be now presented by country of origin. It will also be mentioned in each, if in the ends the opportunity was considered as a clear shot or potentially risky ***(Appendix 8.2)***.

2.4.1 Sourcing from Argentina

Horse, ass, mule, and hinny meat to Kazakhstan

Identified as a short-term opportunity, due to the fact that Kazakhstan has a high consumption rate in horsemeat of 14.6% and that Argentina offers a cheaper price than both main suppliers Canada and Bulgaria ***(Appendix 9.1)***. The exporting market can be characterized with Argentina providing most of its horse meat to the EU and Russia; and Belgium being the main importer within Europe and acting as hub due to also re-exporting to other members and non-members of the EU. For the product itself, there is a large concern regarding the existence of illegal trade of horses and the lack of proper conditions to guarantee animal welfare highly demanded by EU standards for horsemeat imports. In the importing market, Kazakhstan, horsemeat is a highly popular product, being currently the main imports (71%) from Canada and Bulgaria (Euromonitor, 2014). It was considered as a limited opportunity due to high domestic production and high quality requirements.

Black tea to Kazakhstan

A long-term opportunity, despite the non-existence of any current trade. Argentine tea has a competitive price and quality perception ***(Appendix 9.1)***. Argentina is the ninth largest exporter worldwide with a 2.1% of production volume. The main two production sites are Misiones and Corrientes that benefit from suitable climate conditions, with 95% of the total domestic production coming from Misiones, and 92% of tea being for exports (Conab, 2015). The tea is greatly recognized by having high quality and clear colour. Kazakhstan's market is characterized by a saturated but steady demand, shifting consumption to high quality products, in which the colour of the tea is a major factor. India used to be the major exporter to this country but due to quality standards this is changing. Kenya and India account for 97% of the imports (Trademap, 2014). Considered as a clear opportunity.

Frozen shrimp and prawn to Russia

This is a medium-term opportunity, with Argentina providing a lower price than current Asian exporters ***(Appendix 9.1)***. Russia's current economic embargo situation requires new acquisitions of shrimp supply. Argentina is the eighth largest exporter worldwide with 4.01% of total World exports (Trademap, 2015). The shrimp production in this country is a promising business as shrimp demand and landing steadily increasing. The red shrimp is a popular product due to colour and texture. In Russia, there has been an increasing focus on domestic shrimp production due to current political situation. Seafood is regarded as

an exotic food and thus highly valued. Despite, shrimp import costs have been reduced the supplier prices have remained stable. It is a limited opportunity due to the threat of China providing fish at a lower price.

Pears to Russia

A short-term and clear opportunity, due to the fact that Argentina is already the second largest supplier of pears to Russia, with a share of 23.6% and the most probable is for it to take the share of Belgium because of the embargo ***(Appendix 9.1)***. Characterizing the exporting market, Argentina is the second largest producer of pears behind China, with 90% of domestic production being concentrated in Rio Negoro and Neuquen Provinces (WAPA, 2015). Despite this, in the beginning of 2015, there was a decrease on the exports of pears due to unfavourable weather conditions, trade issues and commercial problems. In Russia, pears are a popular fruit and in 2013 this Eastern Europe country decreased its imports tariffs on this fruit. Despite this positive factors, the devaluation of the national currency has been affecting, negatively the imports.

Sunflower seeds to Russia

Medium-term opportunity, due to the fact that the CAGR between the trading partners is predicting a rise in business of 32%. Also, Argentina provides sunflower seeds at a much lower price than the second biggest supplier Turkey ***(Appendix 9.1)***. Oil made of sunflower seeds has a strong market position in Argentina as it is subsided by the government. Most sunflower seeds are produced around Buenos Aires and the current taxation on exports is currently at a high 32% level. The domestic production is predicted to increase in the timeframe of 2015/16 due to good weather conditions. On the importers' side, Argentina represents only a small percentage of 0.044 of Belarus' imports of sunflower seeds, and the main supplier to Belarus is Russia, accounting for 68% of the total imported value of sunflower seeds in 2014, making it a limited opportunity (Trademap, 2015).

2.4.2 Sourcing from Brazil

Meat to Belarus, Kazakhstan, and Russia

Within the meat category, it is important to make the distinction between different types of meat demanded by different type of EACU countries ***(Appendix 9.2)***. Swine to Belarus was identified as being a long-term opportunity, with no current trade flow existent and with the chance for Brazil due to being able to provide cheaper products compared to current biggest providers Poland and Germany. The sourcing of swine from Brazil can also go to Kazakhstan, being considered a short-term opportunity, because Brazil can provide products cheaper compared to current biggest providers Poland and Canada. Also, still within this, trade with Brazil increased 53% between 2009 and 2013, and the trade between these two countries is already existent, with 8% import share. Then, for Kazakhstan can also be imported fowls whole, being a medium-term opportunity, with Brazil being able to provide fowls at a very competitive price, and an import share of 0.1%. Moreover, Brazil can source to Russia both fowls cuts &

offal; and fresh bovine. The first one represents a shot-term opportunity because there is already a trade flow between these two countries, with Russia importing from Brazil 20.8%. USA was the biggest exporter in 2013 and due to the embargo event can be replaced by Brazil. The sourcing of fresh bovine also represents a shot-term opportunity with Brazil being able to provide products at a cheaper price and the current trade flow of 28.3% import share being intensified. Australia, as major supplier, is subject to embargo and has been outpaced by Lithuania in 2014. On a broader analysis, Brazil is the second largest meat producer in the world and the first in international trade. Agriculture is a major industry due to immense available agricultural resources and cattle has been the economic activity that occupies the largest land expansion. It is ranked as the second largest producer of cattle meat, the third largest producer of both chicken and turkey meat, and the fifth largest producer of pig meat. This exporting country is also being highly affected by rising production and distribution costs, which ultimately increased the fresh meat unit prices for end consumers; and quality and sanity of the products are highly considered.

Going into a deeper analysis, Brazil is the forth-major player in production and exports of swine. In fowls it is the third major producer and an export leader; and in bovine, the exporting country is the second producer and the number one exporter in the world. All this market is expected to grow due to investments. On the importing country perspective, there are three countries in which the meat market as to be characterized. Belarus attributes high importance to meat, being a major factor in the domestic agriculture and economy; a high fragmented market; with quality as an important determinant; and major imports of meat coming from Montenegro and Russia, accounting for 39% of imports of the $ 248,976 USD meat market in Belarus (Trademap, 2013). In Kazakhstan, the domestic offer is lower than the demand, giving thus incentives to meat imports. Recently restriction on meat imports from Russia were implemented, which, along with USA, represents 55% of the imports on the total meat market in Kazakhstan (Trademap, 2013). For its turn, Russia has benefited from investments in domestic production and protectionism actions from the government in order to cover its demand. The embargo event, the weakening of the rouble and seasonality factors have been impacting Russian's imports and its growth. Brazil and Belarus account for 56% of imports of the $ 5,485,711 USD meat market in Russia (Trademap, 2015). In the end, apart from the sourcing of swine cuts to Belarus, all the others represent a clear opportunity. Given importance from high-quality demand and growing domestic market.

Coffee to Russia

Identified as short-term and clear opportunity, due to the fact that Brazil is already the second largest exporter to Russia for coffee (with 23.3% of import share); and the possibility for the trade relationship to be further intensified ***(Appendix 9.2)***. On the exporting market perspective, Brazil is responsible for one third of the world's production and number one producer and exporter. The main coffee exports are

green, soluble, roasted and ground, concentrated and essential extracts and residues. In addition unit prices have been increasing due to past weather conditions and Minas Gerais is the state responsible for 50% of the coffee produced. The main types of coffee are Robusta and Arábica, with the later one representing 70.3% of total exports (Conab, 2014). Regarding Russia, tea is still a major category compared to coffee but the coffee culture is expanding. Vietnam and Brazil are major importers (60%).

Groundnuts to Russia

The sourcing of this product from Brazil to Russia is seen as a short-term and clear opportunity, with Brazil's price for groundnuts being cheaper than current suppliers; and the fact that USA as second biggest exporter is subject to embargo. The Brazilian groundnuts market is very fragmented and distribution is rather informal. The main production area is São Paulo (88.1%) (Conab, 2014). On the Russian side, this country is fully dependent on groundnut imports, which is a growing category. Argentina and USA account for 59% of total imports in Russia (Trademap, 2014).

2.4.3 Sourcing from Chile

Fish to Belarus and Russia

Chile is the largest fish producer in the southern hemisphere and its optimal temperature conditions shorten the country's production cycle. The Chilean fish market has very low levels of regulation. The possible opportunities can also come from sourcing frozen trout and frozen salmon ***(Appendix 9.3)***. Chile is the main exporter of trout, with 60% of World exports (Trademap, 2013); also, it is considered as a top-quality product. In what concerns frozen salmon, Chile is a main exporter to the world and this is perceived as a very concentrated market. Analysing each opportunity, sourcing frozen trout to Belarus was identified as a short-term opportunity due to the fact that Chile is currently the second biggest supplier of trout representing 31% of imports in 2013 (Trademap, 2013). In addition, Chile can provide trout at lower prices than the World average and Norway, the main providers. Importing frozen trout to Russia is also a short-term opportunity, because Chile strengthened its position as a main supplier from 78% to 82% of share of Russian trout imports in 2014 (Trademap, 2013). Also, embargo hailed imports from Norway and switched to imports from Belarus. Frozen salmon is the last fish product considered. Even though Chilean price is higher than average, Chile strengthened its position as a main supplier from 76% to 92% of share of Russian imports in 2014 (Trademap, 2013). Also, the embargo is an event necessary to take into consideration. On the importing side country analysis, Belarus shows increased consumption on trout and investments to improve its domestic trout production, with Norway being the main provider (76% of trout import). On Russia, there is the embargo factor, affecting imports from Norway and almost turning Chile into the sole provider of fish (92% of salmon; and 76% of trout). Currently the Russian fishing industry is in poor conditions, but an investment plan has been prepared to recover it until 2020, and this operates in high margins due to cultural perception of fish as an expensive

food category. The sourcing of frozen trout for both Russia and Belarus is seen as limited due to the fact that the forecasted production in Chile is declining.

Fresh grapes to Kazakhstan

Chile can provide fresh grapes at the lower price than average, and the main exporter is Uzbekistan, which currently provide them for 1.38$/kg. The import of grapes to Kazakhstan also grew year-on-year 80% on average from 2009 to 2013 ***(Appendix 9.3)***. It is important to state that the distinction between grapes used to make wine and the ones proper to consumption is not made within the fresh grapes' category. Chile is the biggest fresh grapes producer (30% of fruits production) and exporter to the world, with an expected growth and consolidation in the industry. On the importing countryside analysis, Kazakhstan shows a wine industry that is still young but growing, as well as the consumption of fresh grapes. Uzbekistan is the leading exporter of grapes to Kazakhstan (92% of imports), which represents a threat and influencing this opportunity as being risky and thus limited (Trademap, 2014).

2.5 Project limitations

Throughout the realization of the business project reports, several were the constraints that the group faced. The company, Daymon Worldwide, and the academic advisor Professor Ana Albuquerque were always updated about these.

First, the fact that there was just a single data source made the research limited to *Trademap* information. Both the food product categories and the data were extracted and used accordingly to one source. For a more complete analysis, and in order to better understand the best course of action, information from other databases should be compared with the analysis made through the business project. Second, the existence of database limitations. Due to the lack of financial resources, it was only possible to analyse the product categories on a six-digit basis. For an even deeper analysis, the right-digit analysis would be recommended. Third, in what concerns PESTEL results, the report did not focus on an in-depth country analysis to entry strategies recommendations. Rather, it was assumed that even if some country-specific factors, such as trade agreements and regulations, might pose some challenges, Daymon would be able to overcome these issues. Forth, referring to the trade embargo, the political situation is highly unstable, and the parameters regarding the Russian embargo are highly volatile. Fifth, there are also limitations on the scoring model, in the sense that the methodology defined for it took into account the criteria that the group considered to be the most relevant to identify, cut and rank sourcing opportunities. Therefore, under different criteria, the outcome could have been different. Lastly, in sixth, the research was intended to define opportunities on a country-level. In the end and in order to get to the real final proposals, a detailed research on exact suppliers needs to be conducted to term most profitable partnerships.

3. Reflection on learning

3.1 Previous knowledge - Masters Content applied

The business project contributed a lot to my personal and learning experience, as I was able to clearly perceive my strengths and weaknesses both in terms of my personality and in terms of areas that I do not master. The challenge of finding new trade opportunities to source retail food products from selected LATAM to Belarus, Kazakhstan, and Russia had a strong strategic and economic element. Thus, both my Masters in Strategy and the other in International Business were very helpful because it provided me with the opportunity to complement and amplify the resources received during not only in the masters, but also in the bachelor and in my work experience. The contribution of these focus areas during the Masters in developing thinking and analysis methods was extremely helpful. Regarding the CEMS MIM courses, the ones that provided me the greater help during this project were *Advanced Topics in International Business* and *Design of a Multinational Firm*. Also, after having experiencing a very hands-on approach in the courses taken at Nova School of Business and Economics, I was able to feel confortable with working in teams and face tight deadlines, while showcasing reliable and high quality results. At the same time, the presentations that I frequently had at Nova, made it easier to communicate and manage the project in cooperation with the Academic Advisor, the company representatives and all the other involved stakeholders. Concluding, it was possible to take a lot from this CEMS MIM Year.

3.2 New knowledge

3.2.1 SCIMS Model- is it a new international trade strategic model?

The attractiveness of trade as a means of internationalization has been enhanced by the improving efficiencies of import and exports. The liberalization of the cross-border movement of resources and the development of trade support services makes these modes more attractive to a broader range of companies. As of the date of 2013, over 20 per cent of world production is sold outside its country of origin, compared to about 7 per cent in 1950. Restrictions on imports have generally been increasing, and output from foreign-owned investments as a percentage of world production has also increased (Daniels, Radebaugh, & Sullivan, 2013). Despite this, the phenomenon of globalisation is less pervasive than how it is conceived, in the sense that only a few countries are able to sell either over half their production abroad or depend on foreign output for more than half their consumption, meaning that the majority of the world's goods and services are still sold in the countries in which they are produced.

As it was initially described, at an earlier point, the methodology followed by the group was the **SCIMS Model**. Despite being a model that was in constant development throughout the entire semester, the final outcome showcases the result of intense and constructive brainstorming, that I believe to be a valuable tool for future projects within the same problem challenge context (food retail and international trade

market) and applied by similar companies to Daymon Worldwide (with sourcing objectives). In addition, it requires the potential countries to develop new businesses between to be previously decided.

As already explained, the SCIMS Model is the five- step process followed to skim down the product categories and identify promising trade opportunities. On a broader view, these five can be grouped into three distinctive phases related to the macro environment analysis (phase 1), category selection & opportunity identification (phase 2), and opportunities evaluation & final recommendations (phase 3). The first phase is the same as step number one, **macro environment analysis**, and covers the development of a PESTEL analysis that serves as basis for evaluating opportunities and threats from wide business environment; considers a given punctual/exceptional event that might require a change of course of actions, which can be on a limited timeframe, such as the Russian embargo; and analysis on the trade environment through benchmarking using tools, such as grids and matrices. A macro- environmental analysis includes examination of elements and connections in the company's widest environment, and this can be methodologically broken down into macro and micro analysis (Krause, 2013). Environmental scanning involves studying and interpreting political, economical, social, technological, environmental, and legal dimensions in an effort to spot trends and conditions that can affect the industry. At this stage it is important to be aware that the external factors are dynamic and constantly changing, being flexibility and adaptation of the analysis major considerations. Doing this allows to get a broader overview of the surrounding market and benchmark with indexes, such as easiness of doing business, imports/exports indexes. The second phase includes the second and third steps. The step number two refers to **analysing the food product categories**, through data extraction about trade from a number official databases, such as *Trademap*; focus just on relevant food products in accordance to the company's objectives; and analysis on the food imports of the considered importing countries (understand the demand, to then focus on the specific offer). Exporting and importing are the most popular modes of international business, and merchandise exports are tangible products/goods that are sent out of the country. Likewise merchandise imports are products brought into a country (Daniels, Radebaugh, & Sullivan, 2013). The step number three is to **identify the core food product categories**, through the guarantee that the offer satisfies the demand and that these represent valuable trade opportunities. The third phase includes the forth and fifth points. The point number four is the **scoring model**, with relevant criteria defined by the country to help cut-off and rank potential opportunities. Based on the work done, some examples of criteria that can be used are the product category growth rate (CAGR); the price (average import price from World and current trading prices when existent); any punctual event identified in the first phase; and even a deeper analysis of already existing trade relationships. The objective in this step is to be able to distinguish between short-term opportunities (mostly targeted as acting fast, no matter the price); medium-term (act fast, but will require longer time due to no existing trade link); and long-term (aims at long-term

sustainable trade no matter the event, but with the price of the exports being lower than the one that is currently imported for a specific good. The fifth point concerns the **last recommendations** on identifying promising trade opportunities. If at the fist stage it was important to analyse the macro environment of the country, now what is important is to gather information to characterize the domestic market in what concerns a specific product, for both the importer and exporter countries. The idea is to provide additional data, such as suppliers' capabilities and the demand structure that can help to support or to eliminate previously identified promising opportunities.

3.2.1.1 'Standing on the shoulders of giants' (Newton, 1976)

In the overall, the SCIMS Model can be perceived as a value-added tool that serves to reorganize existent knowledge, within the international business and strategic environment, in a new framework. In the past, great minds (the giants), such as Michael Porter (Five Forces), and Pankaj Ghemawat (CAGE Distance Framework), developed theories and frameworks that helped in researches, and in finding real and practical solutions, tools that are still used in the current times and in distinct areas. Thus, the idea of the quote is to show that this model does not bring any new concept, theory or analysis, but rather it represents a new methodology, framework, guiding tool using recognized strategy and international business concepts (standing on the shoulders). It is another way to analyse the international trade and food products sourcing, with old knowledge, allowing the creation of new understandings through different perspectives. Also, the name of the model, despite resulting from the combination of the initial letters of each team member's first name, recalls to the skimming concept, which means looking only for the general or main ideas.

Moreover, Daymon is an export intermediary company, a third-party firm that markets products and services abroad on behalf of manufacturers, farm groups and distributors. On a company point of view, this model would be of extremely use to firms similar to Daymon Worldwide, such as other exporting trading companies (ETC), but also for Daymon itself in the realization of future sourcing identification opportunities. ETCs bring buyers and sellers together, basically functioning as a trade match-maker, operating as independent distributors, and generally avoid carrying inventory in their own name or performing post sales services (Daniels, Radebaugh, & Sullivan, 2013). On a student basis, the model allowed the students to put together a series of theoretical knowledge already learnt and actually test its application and functionality.

3.2.1.2 Further improvements

Despite considering the SCIMS Model as a useful model to target similar problem challenges as the one imposed by Daymon Worldwide, there are some factors that need to be further developed and improved. The idea of the entire model, in a simple and objective way, is to provide a quick process showing the most profitable sourcing opportunities of food products between selected countries and in splitting these

in different time-frames, allowing for an holistic perspective over future actions. Thus, despite considering the model as already quite complete, due to time and budget constraints, there were some points that the grouped would like to have addressed and discuss whether or not to include it in the model. These will be explained following the five-steps framework.

At the first step, **trade agreements** and a deeper analysis about **complexity of doing business** are factors to have in consideration in the study of the macro environment, analyzing other factors that influence economic integration, such as the setting of common external tariffs, the mobility of assets, and harmonized economic and monetary policies (Obradovic, 2015), and also consequences on the impose of domestic taxes. In addition, **cultural issues** (language barriers/consumption patterns) are also important when studying the development of international links. Improved communications and transportation are key factors in the increased international interactions. Language can act as both a diffuser and stabilizer, and the assumption in this model relies is that the trade company employs communication intermediaries capable to overcome possible problems in this area (Daniels, Radebaugh, & Sullivan, 2013).

In the second step, identification of not only valuable product categories, but also **products that were not traded before and just started to be**. In the identification of the food product categories, for Daymon Worldwide, the group only considered flows traded up until 2013, due to the fact that many categories 2014 data was not found. Despite this, it would also be interesting to evaluate possible products that just started to be traded as of the year of 2014, considering the timeframe of our business project. In our case, the embargo could be a trigger event, necessary but not sufficient, to lead to change of consumer patterns for the Russian consumers, due to having to adapt, despite possibly temporally, to products coming from countries not within the ban. To the third step, consider **indirect flows of trade**, such as the case of UE serving as 'hub' for the trade between selected final importing countries and origin exporters. This can also work for a country that was selected but that works as a 'hub' to imports from other selected countries. This could be the example, in the business project's case, of Brazil exporting products to Belarus that would then be exported from Belarus to Russia. Nonetheless, on this point, it is important to advert to potential blurred conclusions due to lack of information that what is exported from the hub is the same of what is imported from the origin country, in the sense that it can be difficult to make a clear distinction of what is produced domestically and what is exported and imported.

Regarding the forth, the scoring model, when talking about a global approach to production and markets, deal with foreign exchange is one of the major factors in the international business and how the companies must conduct business (Daniels, Radebaugh, & Sullivan, 2013). Also, pricing is more complex internationally than domestically, so it is important to take into consideration some issues that might result from government intervention, market diversity, export price escalation and fluctuations in currency value, as well as tariffs (Daniels, Radebaugh, & Sullivan, 2013). Currency issues and volatility

of exchange rates will affect the prices and ultimately have a big impact on the trade, making the domestic market more attractive or less than the hypothesis to trade. Moreover, another important point to talk about is the fact that in the business project's case, Daymon wants to limit complexity and when signing the contract the company wants to ensure that the producer can provide all demanded products to the retailer and there is no need to select more suppliers. So, 'Why is **matching supply with demand** difficult?' the short answer relies on the fact that demand can vary, in either predictable or unpredictable ways, and supply in inflexible. While it is essentially impossible to always achieve a perfect match between supply and demands, successful sourcing firms continually strive for that goal (Cachon & Terwiesch, 2009). The criteria that the 100% capability of the exports fulfills the demand/imports may be biased and assuming that the total value of the market corresponds to one supplier might in fact not be true. It would be then important to study in detail the market structure, in order to try to understand concentration, bargaining powers and suppliers' capacity to satisfy demand. In this case it could be useful to use **Porter's Five Forces Analysis** to fully understand industry structure, market concentration, among other relevant criteria that would support an opportunity as really promising. In addition to its physical and social environments, every globally active company operates within a competitive environment (Daniels, Radebaugh, & Sullivan, 2013) and the forces reveal the most significant aspects of the competitive environment and also provide a baseline for sizing up a company's strengths and weaknesses, as well as, guide towards fruitful possibilities for strategic action. Also, at this stage identification of the suppliers in the exporting countries, and the retailers to which the trade company would import to would add immense value and find the major players that would make the desired link. Finally, **Quality** and how to preserver it, such as transportation and time required issues, are additional important criteria when identifying the promising trade opportunities.

Note: Because companies have limited resources at their disposal and the possibility that countries selected may be so interdependent that one cannot meaningfully evaluate them separately, costs that are difficult to estimate or that are high, present a disadvantage with the inability of company to conduct many feasibility studies simultaneously.

3.3 Personal experience

3.3.1 Key strengths & weaknesses - insights from the being in this project

I believe that the Business Project was the appropriate set to apply and develop further my strengths, while improving and acknowledging some weaknesses. Regarding my work in the project, I feel that I took a very active role in what concerns time/planning management, group interpersonal dynamics and communication with both the company Daymon Worldwide and the academic advisor Professor Ana Albuquerque. For instance, in the very beginning, I proposed to the group to schedule weekly team meetings both for work purposes and to create work rhythm throughout the development of the project. Also, together with another group member, I had the idea to organize all the steps taken by the group to

reach the recommendations into the design of the SCIMS Model, leaving a 'mark' that could be used by the company in future researches. Plus, I attended every group meeting except one that the group met with the professor, and shared my perspectives/opinions during group discussions. I was greatly involved in the collection of data and I did an effort to be proactive in reading reports, theories and frameworks, as well as, understand advanced tools in excel and use databases. As such, I believe that my strong strategic thinking and problem solving skills helped me in several key parts of the analysis.

However, even though I had a positive influence in the group, I believe that I faced some difficulties in the project and most of them were related with the gather of data from trade databases and the treatment of the data, using finance concepts and excel tools, such as the VLOOKUP function. Thus, my limited excel skills and my finance and economic limited knowledge left me sometimes behind, but it was a point that I always try to overcome during the report with my colleagues help. I consider that these are definitely areas of improvement. Recalling from the entire project, there were a lot of useful approaches and frameworks that I learnt in the business project and that I would like to further understand and apply.

3.3.2 Benefit of hindsight

Following the feedback from the final presentation held to Daymon Worldwide, the results of the project were extremely positive, despite the fact that complementing work is still required for the final recommendations to be definitely put in practice. I believe that the most valuable recommendations were the sourcing of black tea from Argentina to Kazakhstan; meat from Brazil to the three importing countries in general; coffee and tea and salmon from Chile to Russia. However, I feel that a deeper analysis on the market concentration and major players identification could have been done.

In a more social perspective, it was very interesting to work on such a diverse team, with different nationalities and with different backgrounds in Strategy, International Management, Marketing and Finance. This diverse team was very useful in order to gather different insights and methodologies to approach the project challenge. Moreover, the fact that some of the team members had already worked along companies with real projects was very helpful to have insights in how to develop a professional report.

Lastly, given the fact that I belong to a family business that is greatly oriented towards the international trade and the food industry topics, allowed me to apply skills and insights. Also, the coordination among team members, allowed the project to be developed in an efficient, collaborative, professional and mostly in a 'CEMS' spirit way that I believe to be a most value added point.

Yet, overall, this project contributed a lot to my personal and professional experience.

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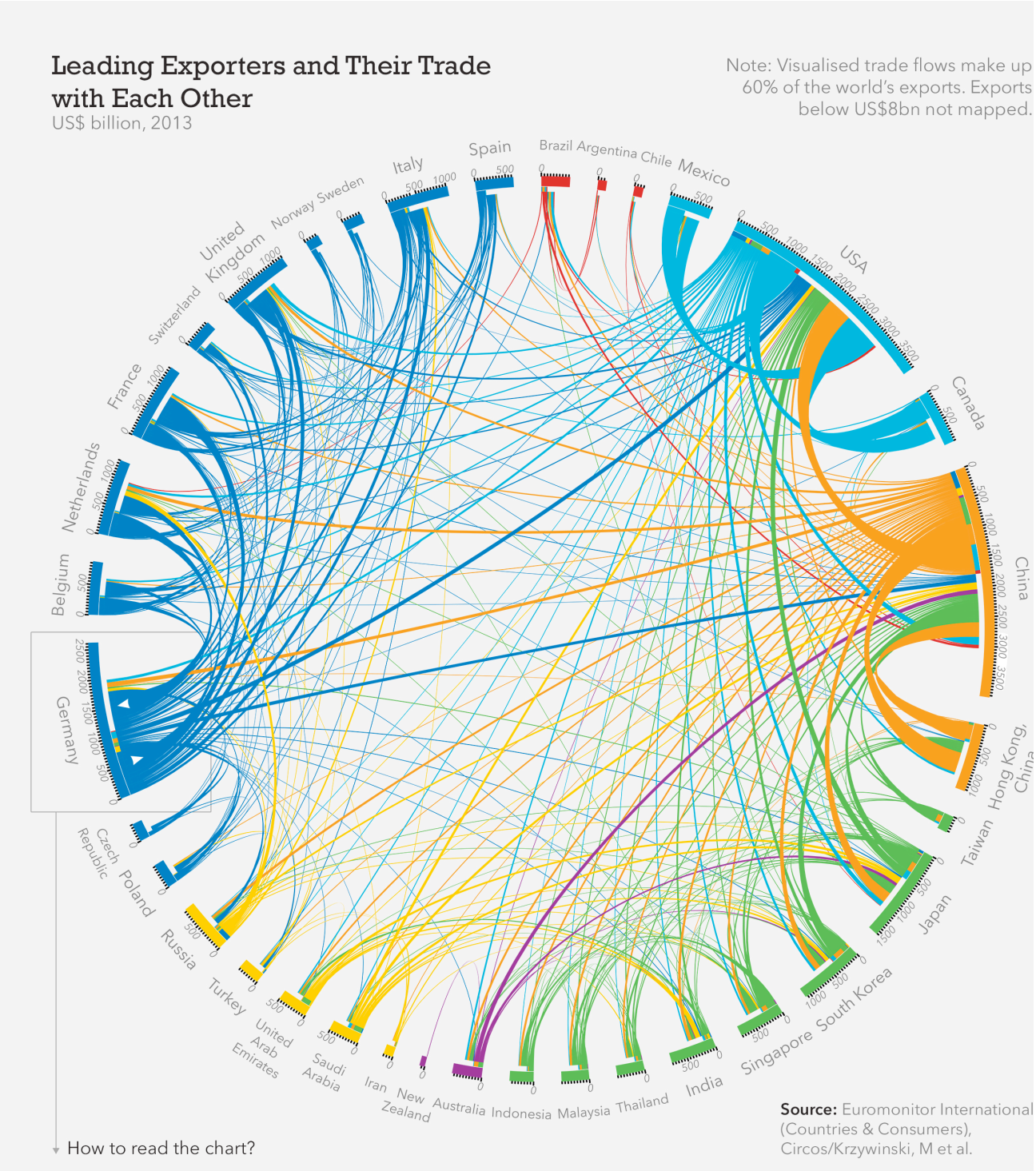
5. Appendix

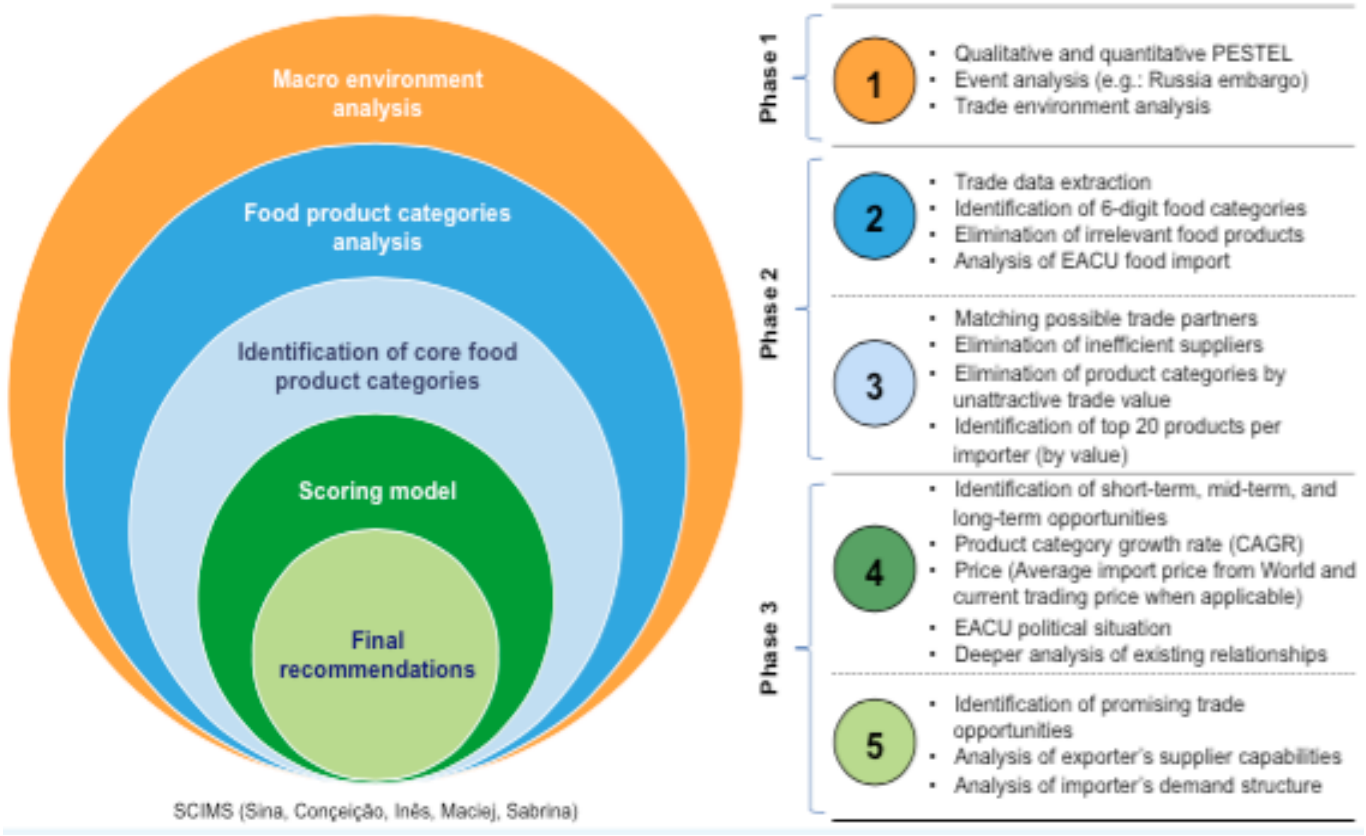
Appendix 1- Leading exporters and their trade with each other



Appendix 2- Export value of selected LATAM countries (2013)

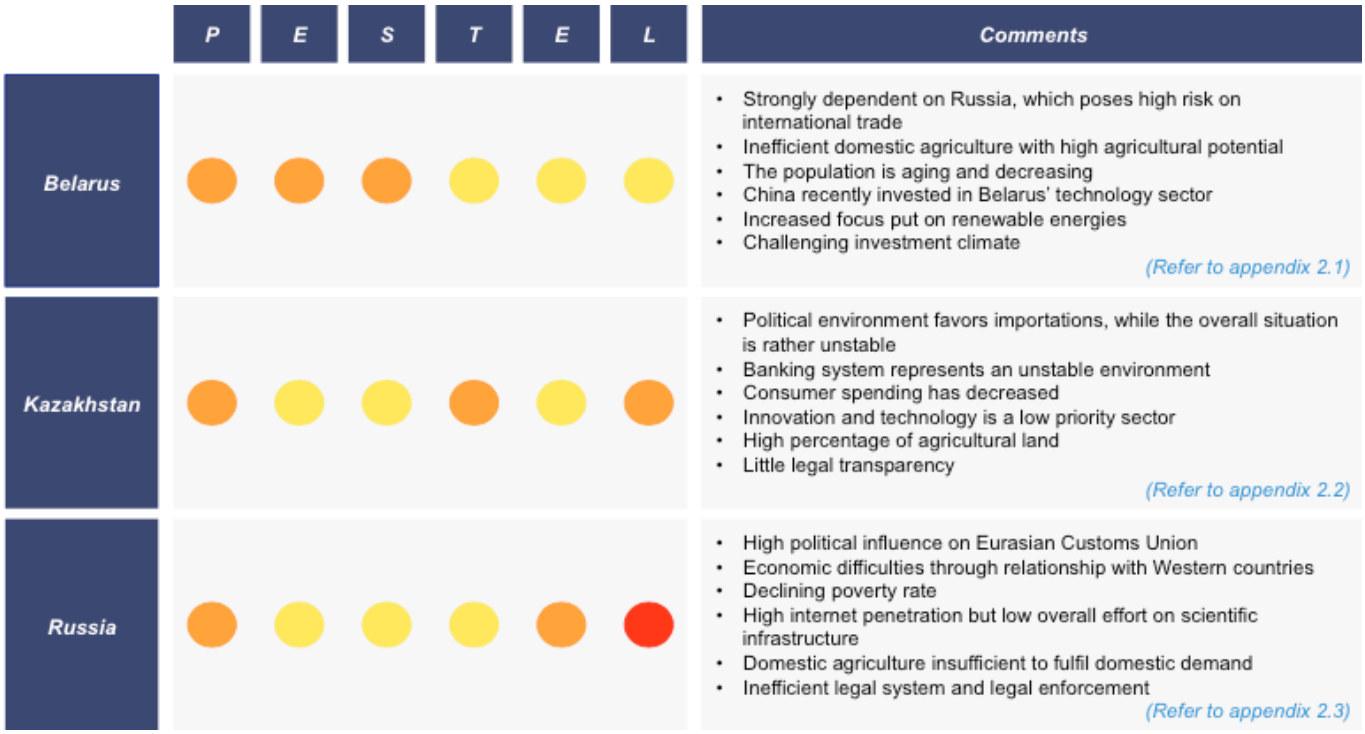
TOP LATIN AMERICAN EXPORTERS by value in Million USD (2013) *World Trade Organization*		
Brazil	USD	82,080.8
Argentina	USD	40,790.1
Chile	USD	15,949.7
Ecuador	USD	7,627.4
Peru	USD	6,725.6
Colombia	USD	5,186.6

Appendix 3- The SCIMS Model

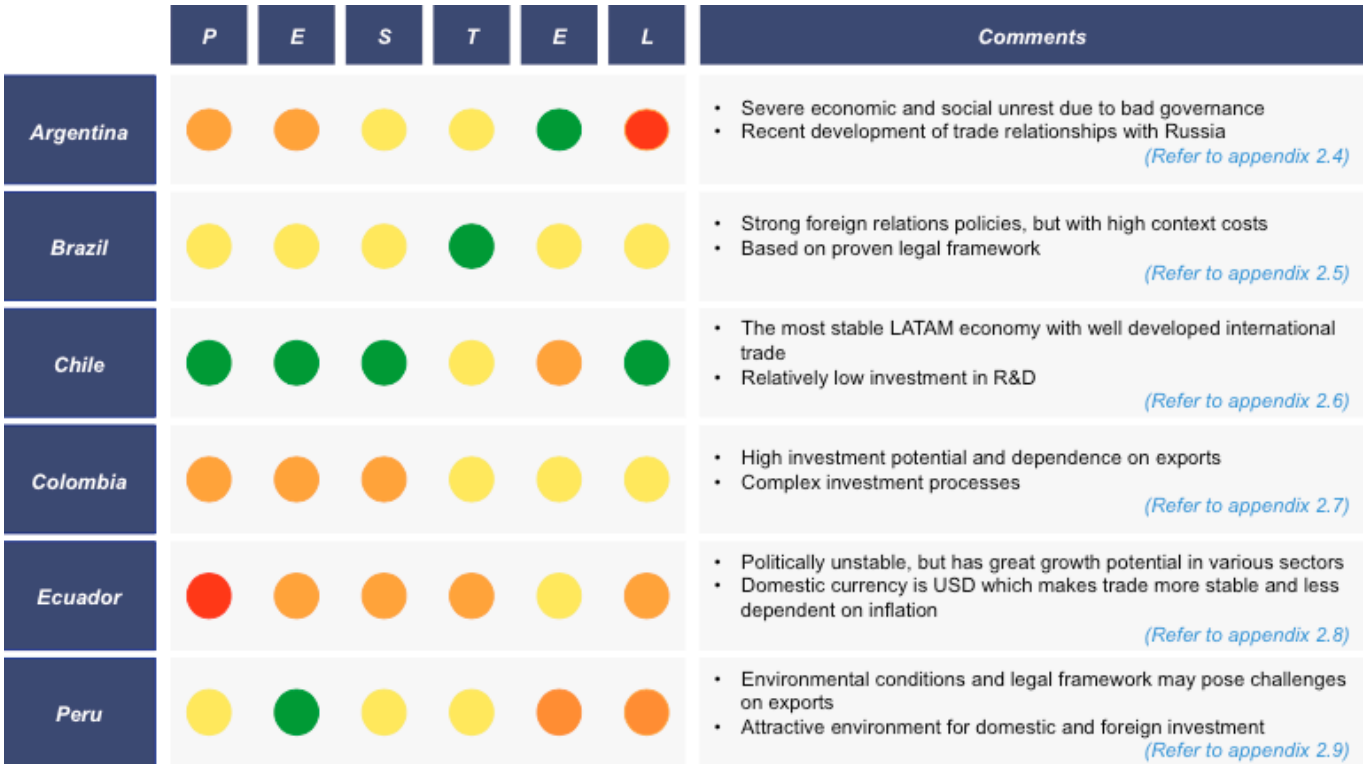


Appendix 4- PESTEL analysis:

Appendix 4.1- PESTEL analysis on EACU countries



Appendix 4.2- PESTEL analysis on LATAM countries

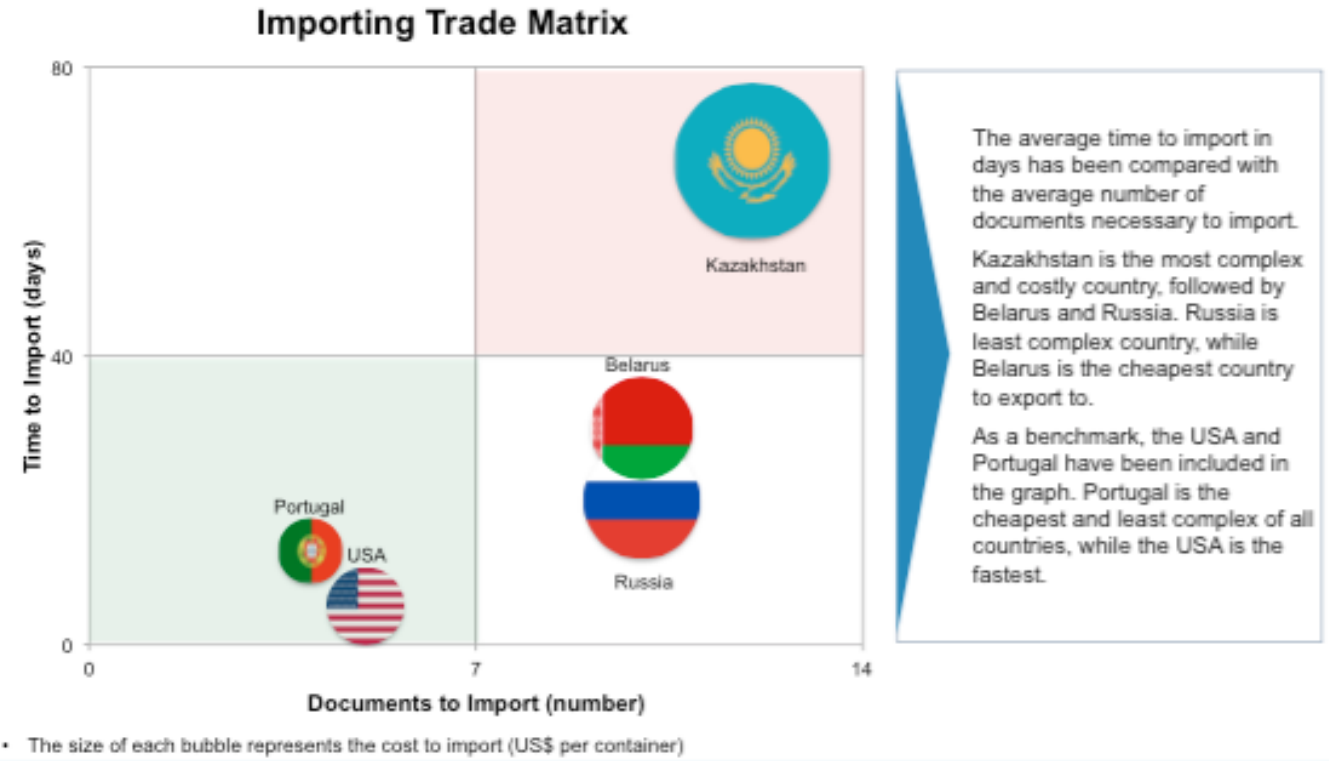


Appendix 4.3- PESTEL methodology (Quantitative model/Indexes)

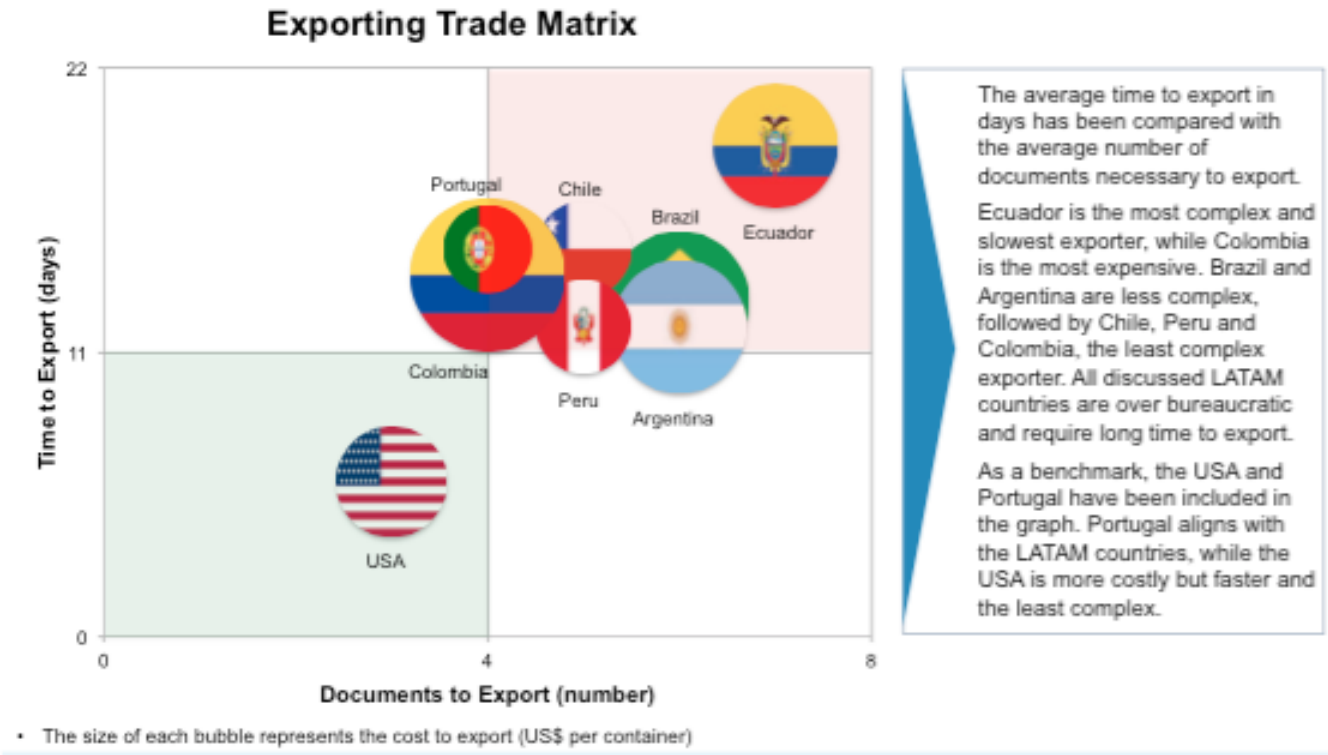
Dimension	Indexes	H/L	minimum value	Importing Countries			Exporting Countries						maximum value
				Belarus	Kazakhstan	Russia	Argentina	Brazil	Chile	Colombia	Ecuador	Peru	
Political	Voice and Accountability	HB	0	6	14	19	58	59	84	44	40	51	100
	Political Stability and Absence of Violence	HB	0	46	35	22	49	37	60	11	40	21	100
	Government Effectiveness	HB	0	17	35	43	45	51	86	56	37	49	100
	Regulatory Quality	HB	0	14	37	37	18	55	92	63	20	67	100
	Rule of Law	HB	0	20	31	25	28	52	88	41	18	33	100
	Control of Corruption	HB	0	37	20	17	41	55	90	43	32	42	100
	Ease of Doing Business Index (189 countries)	LB	189	57	77	62	124	120	41	34	115	35	1
	Corruption Perception Index (175 countries)	LB	175	119	126	136	107	69	21	94	110	85	1
Economic	GDP PPP per capita (USD) 2013	HB		16 100	14 100	18 100	18 600	12 100	19 100	11 100	10 600	11 100	
	Inflation rate (%) 2013	LB		19%	6%	7%	21%	6%	2%	2%	3%	3%	
	Public debt (% of GDP) 2013	LB		32%	16%	8%	46%	59%	14%	40%	23%	15%	
	Unemployment rate (%) 2013	LB		1%	5%	6%	8%	6%	6%	10%	4%	4%	
	Export/Import ratio	HB		93%	168%	151%	119%	101%	103%	110%	97%	98%	
	Documents to import/export (number)	LB	12	10	12	10	6	6	5	4	7	5	3
	Time to import/export (days)	LB	67	30	67	20	12	13	15	14	19	12	6
	Cost to import/export (US$ per container)	LB	5 265	2 265	5 265	2 920	1 770	1 925	910	2 355	1 535	890	460
Social	Human Development Index (187 countries)	LB	187	53	70	57	49	79	41	98	98	82	1
	Quality of Life Index	HB	-53	76	47	28	77	30	93	48	45	N/A	222
	Population below poverty line (%) 2010	LB		27%	5%	10%	30%	21%	15%	33%	26%	26%	
Technological	R&D expenditure (% of GDP)	LB		0,7%	0,2%	1,1%	0,6%	1,2%	0,4%	0,2%	N/A	N/A	
	Innovation Index Rank (143 countries)	LB	143	58	79	49	70	61	46	68	115	73	1
	Total Patent applications in 2013 (Total count by office)	HB	3	1 634	2 202	44 914	4 772	30 884	3 072	2 032	N/A	1 266	825 136
	IP Rights Index Rank	HB	3,20	N/A	N/A	5	4	6	7	5	5	5	9
	Internet Penetration (per 100 citizens)	HB	1	54	54	61	60	52	67	52	40	39	100
	Digital Access Index	HB	0	0,49	0,41	0,50	0,53	0,50	0,58	0,45	0,41	0,44	1
Environmental	Share of Agricultural Land (latest date)	HB	0,50	43	77	13	54	33	21	38	30	19	87
	Pollution Index	LB	110	46	74	82	59	30	79	67	53	86	1
	Climate Risk Index (135 countries)	LB	135	130	133	23	9	36	45	52	46	42	1
	Environmental Performance Index (178 countries)	LB	178	32	84	73	93	77	29	85	53	110	1
Legal	Safety Index	HB	15	70	53	49	36	31	59	43	46	N/A	82
	Regulatory Enforcement (rank)	LB	97	35	71	68	75	37	23	49	62	59	1
	Civil Justice (rank)	LB	97	26	69	65	49	43	20	51	85	81	1
	Criminal Justice (rank)	LB	97	34	55	78	66	52	32	68	65	57	1

Appendix 5- Trade Environment

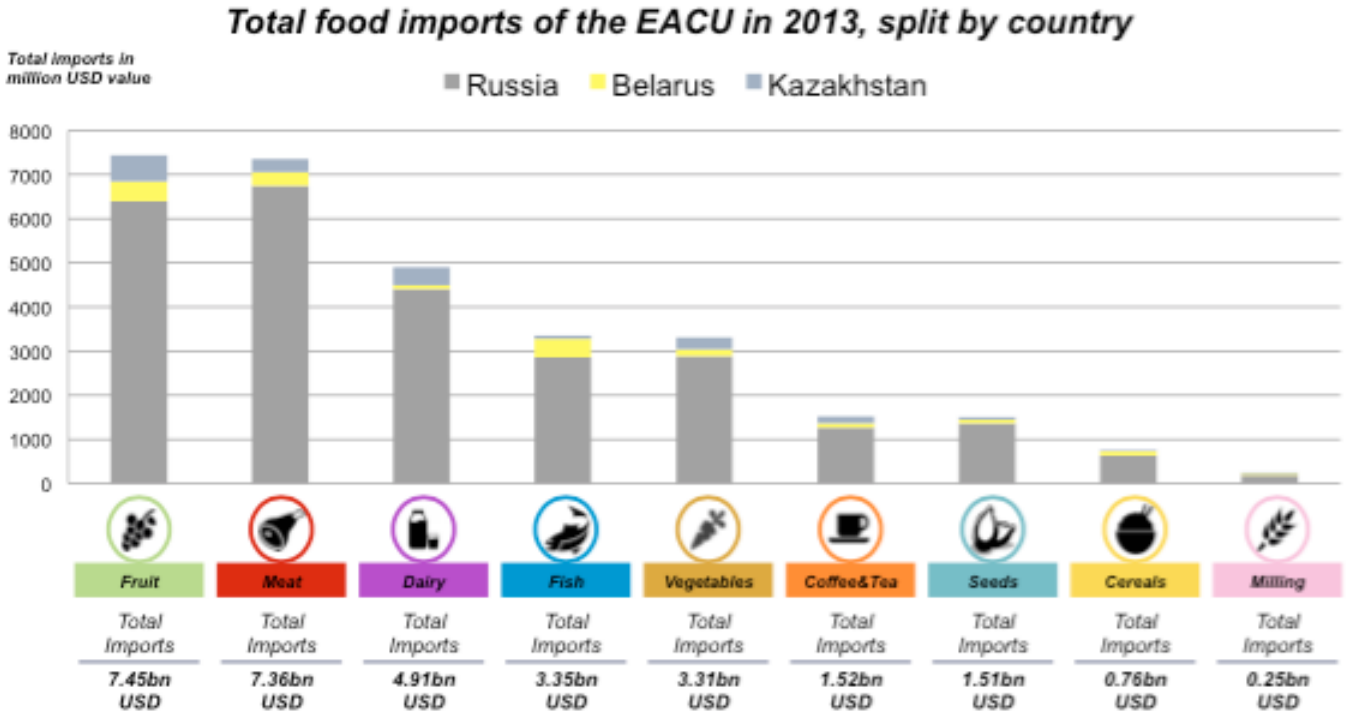
Appendix 5.1- Trade Environment- Importing countries matrix



Appendix 5.2- Trade Environment- Exporting countries matrix

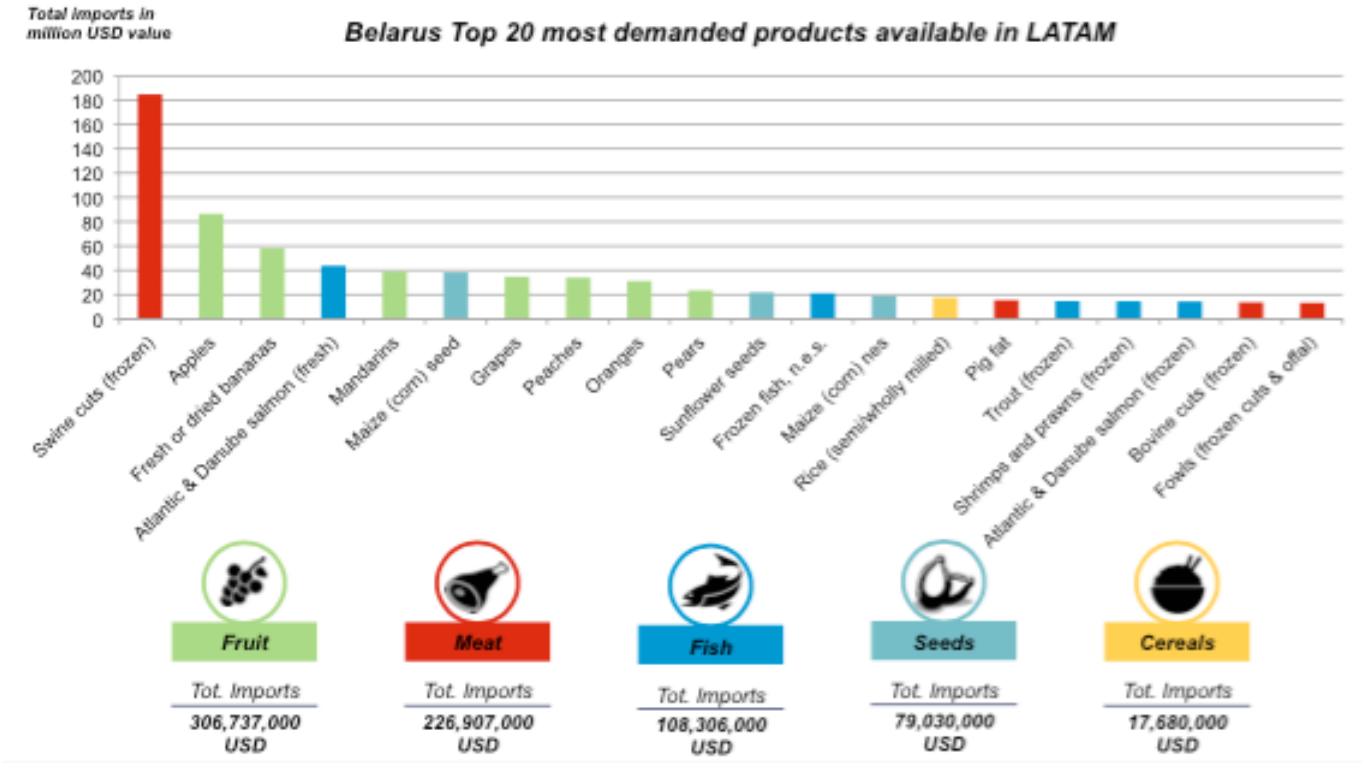


Appendix 6- EACU imports from the World

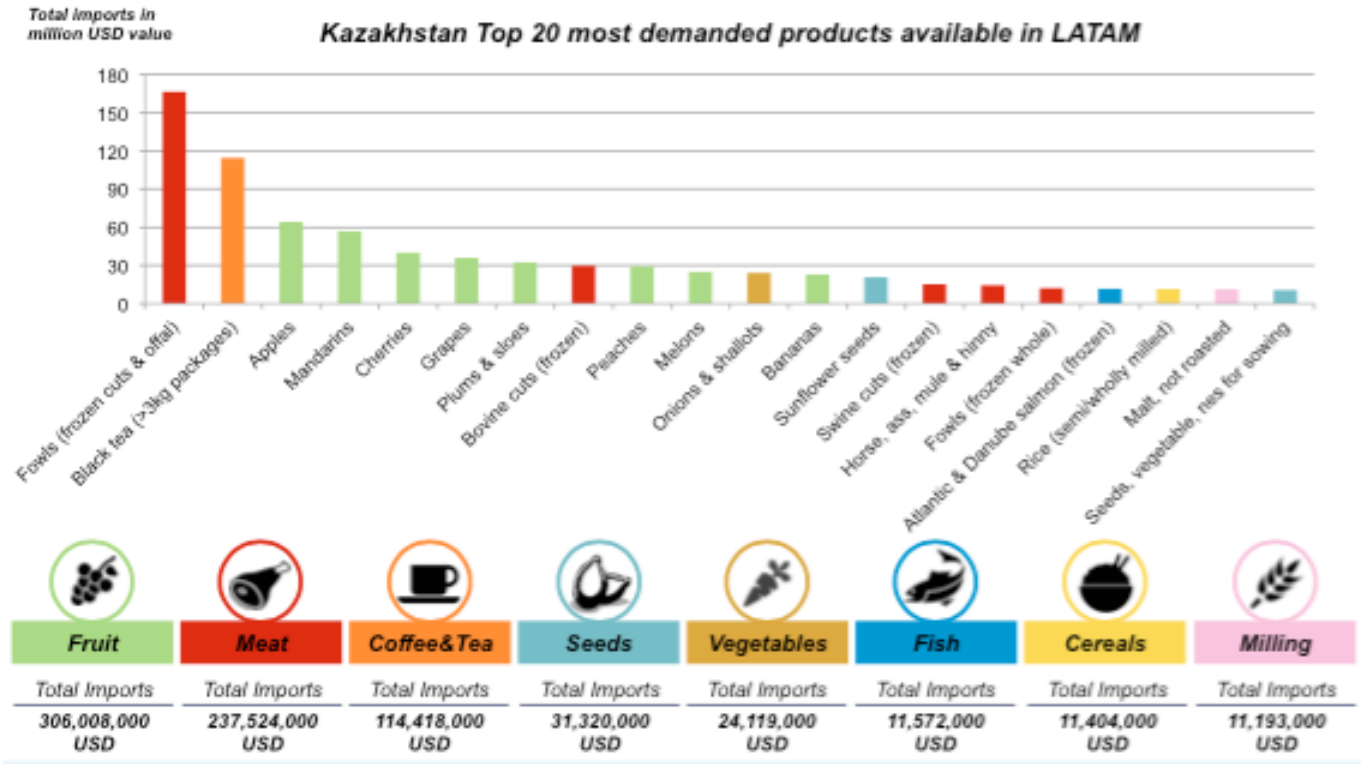


Appendix 7- EACU top 20 opportunities

Appendix 7.1- Belarus top 20 opportunities



Appendix 7.2- Kazakhstan top 20 opportunities



Appendix 7.3- Russia top 20 opportunities

Appendix 8- Summary of sourcing opportunities

Appendix 8.1- Summary of sourcing opportunities- SR, MR, and LR

Exporter	Product Group	Product Category	Importer	Opportunity
	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
	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
	Fish	Frozen Atlantic salmon and Danube salmon	Russia	S
		Frozen Trout	Russia	S
			Belarus	S
	Fruits	Grapes, fresh	Kazakhstan	M

Appendix 8.2- Summary of sourcing opportunities- clear VS risky

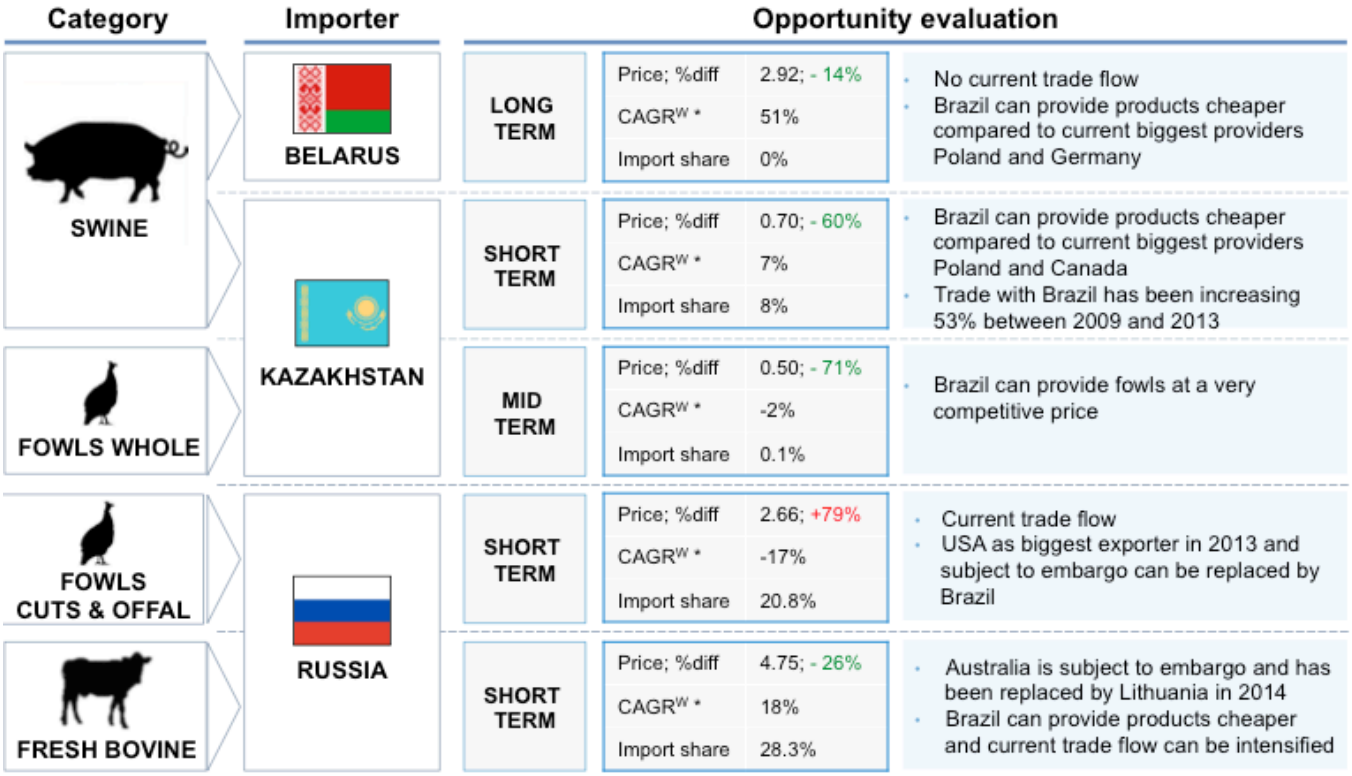
Exporter	Product Group	Product Category	Importer	Opportunity	Clear or Limited
	Meat	Horse, ass (fresh & frozen)	Kazakhstan	S	★
	Coffee & Tea	Black tea	Kazakhstan	L	★★
	Fish	Shrimps and prawns (frozen)	Russia	M	★
	Fruits	Pears	Russia	S	★★
	Seeds	Sunflower seeds	Belarus	M	★
	Meat	Swine cuts (frozen)	Kazakhstan	S	★★
			Belarus	L	★
		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	★★
	Fish	Atlantic & Danube salmon (frozen)	Russia	S	★★
		Trout (frozen)	Russia	S	★
			Belarus	S	★
	Fruits	Grapes	Kazakhstan	M	★

Appendix 9- Sourcing opportunities identified

Appendix 9.1- Sourcing from Argentina

Category	Importer	Opportunity evaluation		
HORSE/ASS	KAZAKHSTAN	SHORT TERM	Price; %diff 2.00; - 34% CAGR[W] * 15% Import share 14.6%	• Kazakhstan has a high consumption rate in horse meat • Argentina offers a cheaper price than both main suppliers (Canada, Bulgaria)
BLACK TEA		LONG TERM	Price; %diff 2.78; - 65% CAGR[W] * 7% Import share 0%	• No current trade • Quality of Indian tea decreases • Interest in high quality tea increases • Argentine tea has a competitive price
FROZEN SHRIMPS	RUSSIA	MEDIUM TERM	Price; %diff 0.38; - 5% CAGR[W] * N/A Import share 2.2%	• Argentina provides shrimps at a lower price than current Asian exporters • Russia's economic situation requires new acquisition of shrimp supply
PEARS		SHORT TERM	Price; %diff 0.89; - 12% CAGR[W] * N/A Import share 23.6%	• Argentina is already the second largest supplier of pears to Russia • It can take the share of Belgium (as the largest supplier) because of the embargo
SUNFLOWER SEEDS	BELARUS	MEDIUM TERM	Price; %diff 1.67; - 5% CAGR[W] * 5% Import share 0.02%	• The CAGR[P] between the trading partners is predicting a rise in business (32%) • Argentina provides sunflower seeds at a much lower price than the second biggest supplier Turkey

Appendix 9.2- Sourcing from Brazil



Appendix 9.3- Sourcing from Chile

Category	Importer	Opportunity evaluation			
FROZEN TROUT	BELARUS	SHORT TERM	Price, %diff	4.22; - 17%	• Chile is currently the second biggest supplier of trouts (31% of imports in '13) • Chile can provide trouts at lower prices than the World average and Norway, the main provider
			CAGR[W] *	N/A	
			Import share	30.9%	
	RUSSIA	SHORT TERM	Price, %diff	5.51; +1%	• Chile strengthened its position as a main supplier from 78% to 82% of share of Russian trout imports (2014) • Embargo hailed imports from Norway and switched to imports from Belarus
			CAGR[W] *	N/A	
			Import share	78.1%	
FROZEN SALMON		SHORT TERM	Price, %diff	5.49; +45%	• Even though Chilean price is higher than average, Chile strengthened its position as a main supplier from 76% to 92% of share of Russian imports (2014) • Due to embargo
			CAGR[W] *	N/A	
			Import share	75.8%	
FRESH GRAPES	KAZAKHSTAN	MEDIUM TERM	Price, %diff	1.22; - 4%	• Chile can provide fresh grapes at the lower price than average, and main exporter Uzbekistan, which currently provides them for 1,38 $/kg. • Import of grapes to Kazakhstan grew year-on-year 80% on avg. in 2009-13
			CAGR[W] *	80%	
			Import share	1.2%	