

IOWA MEXICO OFFICE REPRESENTATIVE TO VISIT IOWA IN MAY

Jose Jimenez, from International's representative office in Mexico, will be in Iowa the week of May 23. Through the Iowa Department of Economic Development (IDED), the Iowa Mexico Office provides a variety of services to Iowa companies including market research, identification of contacts, trade show support and of course, the coordination and support of IDED trade events in Mexico and other parts of Latin America. Jose will present a Mexican and Central America Update at two roundtables while in Iowa:

- May 23, 3:00-4:00 p.m., Arthur Davis Conference Room, Greater Des Moines Partnership. Register at www.desmoinesmetro.com/events
- May 26, 12:00-1:00 p.m., Cedar Rapids Area Chamber of Commerce. Register at <http://www.cedarrapids.org/External/WCPages/WCEvents/EventDetail.aspx?EventID=1061>

Topics include an economic and political overview of Mexico and Central America, leading industries and tips and differences for doing business in the markets. Individual company meetings will also be scheduled with Jose during the week. Contact Peggy Kerr at peggy.kerr@iowa.gov or 515.725.3143 to schedule a private meeting with Jose.

DOING BUSINESS IN BRAZIL FORUM (MAY 19, 2011, 10:00 A.M. – 3:00 P.M.) – FFA ENRICHMENT CENTER, DES MOINES AREA COMMUNITY COLLEGE, ANKENY

The Greater Des Moines Partnership, the Ames Chamber of Commerce and Economic Development Commission and IDED are hosting an Iowa-Brazil Business Forum.

Featured guests include the following speakers: Minister Ernesto Henrique Fraga Araujo, Senior Economic Counselor for the Brazilian Embassy; Maria Cameron, Brazil Desk Office with the United States Department of Commerce International Trade Administration; Iowa Governor Terry E. Branstad; Iowa Department of Economic Development Director Debi Durham; and Brazilian attorneys Gabriel Di Blasi and Ana Gabriela Kurtz. The program will also include a panel of representatives from Iowa businesses currently working in and with Brazil. Attendees will be able to participate in individual consulting meetings.

Iowa exports to Brazil, Iowa's seventh largest export market, have grown from \$95 million in 2006 to \$353 million in 2010. Brazil's economy grew at its fastest pace in 24 years in 2010 (7.5 percent). The country surpassed Britain and France to become the fifth largest economy in the world. The cost to attend this forum is \$50, which includes registration, lunch and breakout refreshments. Please visit <http://www.desmoinesmetro.com/events/> for the complete agenda and online registration. The forum is sponsored by Becker Underwood, Inc.; Fredrikson & Byron, P.A.; Pioneer Hi-Bred, A DuPont Company; and the Principal Financial Group. For more information, contact Jessica Maldonado at jmaldonado@desmoinesmetro.com or 515.286.4924.

MEET WITH FEED INGREDIENTS BUYERS AT THE WORLD PORK EXPO (JUNE 8-9, 2011) – DES MOINES

IDED is coordinating a visit by a team of international buyers looking to purchase Iowa products. International feed ingredient buyers from Argentina, Canada, Chile, Costa Rica, Guatemala and Mexico will be in Des Moines during the World Pork Expo to meet with manufacturers of feed ingredients such as probiotics, livestock feed, milk replacers, dried distillers grains and supplements. Participants in last year's Feed Ingredients Buyers Mission reported an increase in export sales over \$6.1 million. Iowa suppliers in the feed ingredients area are invited to register by May 25 for one-on-one business meetings with the buyers. Interested suppliers can view the Feed Ingredients Buyers Mission - Buyers' profiles which includes a registration link. Please contact Mark Fischer at mark.fischer@iowa.gov, 515.725.3140 or Lisa Mason at lisa.mason@iowa.gov, 515.725.3139 with questions.

PERU – COLOMBIA TRADE MISSION (JULY 9-16, 2011)

While these markets were not immune to the economic downturn, Iowa exports to both Peru and Colombia in 2010 exceeded the record numbers of 2008. Iowa's exports to Peru have increased over 300 percent in the last five years. Recent projections boost the GDP forecast for 2011 to six to eight percent. Peru is one of the fastest growing economies in the region and also boasts one of the lowest inflation rates. As a result of U.S. Peru Free Trade Agreement, approximately 80 percent of U.S. industrial and consumer goods enter Peru duty-free. More than two-thirds of current American agricultural exports to Peru also benefit from such treatment. Mining continues to be Peru's main export sector, counting for approximately 60 percent of all exports in 2009. Infrastructure development remains a priority as well. Best prospects for U.S. exports to Peru include Mining Industry Equipment; Construction Equipment; Oil and Gas Field Machinery; Pumps, Valves, Compressors; Industrial Chemicals; Building Products; Food Processing and Packaging Equipment; Pollution Control Equipment; Security and Safety Equipment; Drugs and Pharmaceuticals; Air Conditioning and Refrigeration Equipment; Soybean Meal; Dairy Products (whey and cheese); Yellow Corn; Beef and Offals.

Colombia ranks solidly with the group of progressive, industrializing countries worldwide that have diversified agriculture, resources and productive capacities. Colombia is currently the fourth largest market for U.S. exports in Latin America. Iowa exports to Colombia through October 2010 exceeded the record exports of 2008. The United States and Colombia signed a bilateral trade agreement, the USCTPA, on November 22, 2006; however, at this time the Agreement has not been approved by the U.S. Congress. Under the US - CTPA, over 80 percent of U.S. exports of consumer and industrial products to Colombia will be duty-free immediately upon entry into force of the Agreement with remaining tariffs phased out over ten years. Prospects for U.S. exports to Colombia include construction equipment for public roads and airports; water treatment, water supply, electric power generation, oil and gas exploration and pollution control equipment, air navigation and port security aids, railway construction, transportation equipment, security and defense items and services, mass transit systems, corn, soy products, automotive parts and accessories, computer hardware and software services, IT equipment and services, plastics materials and resins, electrical power systems, safety and security equipment, food and beverage processing and packaging equipment and medical equipment.

This mission is open to ALL industry sectors. Participants in the agriculture industry will find an added bonus as the mission will coincide with the FERIA INTERNACIONAL AGROPECUARIA Y DE INDUSTRIAS AFINES AGROEXPO 2011 (www.agroexpo.com). AgroExpo has been the premier biennial international agricultural and livestock event in the Andean region for over 30 years. It is considered the most important place for agro-industrial development because the Andean and Caribbean regions meet at this event to learn about state of the art scientific and technological advances for agriculture, livestock and all related industries and services. One-on-one, pre-qualified appointments will be arranged in each location for participating companies – whether they are seeking to develop or expand direct export sales, locate distributors or agents, conduct market research or have other goals. Contact Peggy Kerr at peggy.kerr@iowa.gov or 515.725.3143. Details are also available at <http://www.iowalifechanging.com/intlevents/>.

BRAZIL TRADE MISSION (OCTOBER 2-11, 2011)

IDED will offer an optional program of one-on-one pre-qualified appointments in Sao Paulo and Rio de Janeiro in conjunction with the trade mission being organized by the Greater Des Moines Partnership and the Ames Chamber of Commerce and Economic Development Commission. Additional details will be available shortly.

MEXICO TRADE MISSION (OCTOBER 16-22, 2011)

Mexico is the second largest single country market for Iowa exports, with nearly \$1.8 billion in manufactured and value added goods exports alone in 2010. With the exception of 2009, Iowa exports have increased at least 20 percent in each of the last six years! Mexico is a natural market because of the tremendous receptivity it extends to U.S. suppliers. However, it can be difficult to capitalize upon its full potential due to issues such as its size and diversity, legal and banking systems, regulations and standards, and language and culture.

Mexico City and surrounding states are the political and financial center of Mexico and constitute over 45 percent of Mexico's total industrial base.

One-on-one pre-qualified appointments will be arranged for participating companies. Pre-qualified companies may include those seeking to develop or expand direct export sales, locate distributors or agents, conduct market research or have other goals.

All manufacturing industry sectors are invited to participate. The mission will coincide with Expo Cihac, the premier event in Mexico for the building, construction and housing industries. Show sub-sectors include building materials, machinery, equipment, hand and power tools, building systems and prefabricated technologies, financial services, real estate, finished houses, piping etc. Expo Cihac also includes various technical seminars about the latest challenges and trends of the industry. The State of Iowa is exploring the possibility of a booth at this exhibition. Interested Iowa exporters are asked to provide input to Peggy Kerr at 515.725.3143 or peggy.kerr@iowa.gov for additional information.

OTHER INFORMATION

Free regional newsletters from Iowa in-market representatives/offices available!

International Education Newsletter— A compilation of export/import education events in Iowa and surrounding areas, webinars, technical updates, etc. typically sent monthly.

International Economy & Politics Brief— Mexico - This is a monthly update from the Iowa Mexico Office (IDED representative Business Development Partners)

China Agricultural Newsletter— This is a monthly update from the Iowa China Office (IDED representative Phoenix Consulting, LLC)

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THE MARKETING AND RISK MANAGEMENT DILEMMA OF YOUR EXPORT STRATEGY

Submitted By: Curt Hanson, Principal, Trade Acceptance Group, Ltd.

One of the most critical elements of your export strategy is getting paid; a sale is not a sale until you get paid. Once you venture across an international border, you must be prepared to deal with an entire new set of payment risks, in addition to the normal commercial risks of protracted default and insolvency. They include currency devaluation, currency inconvertibility and foreign government actions that affect your client's ability to take possession of your product or secure the currency to pay.

From a risk management perspective the easy solution is to say we will only sell on cash in advance terms. From a marketing perspective, however, that approach may be the equivalent of shooting yourself in the foot. Unless you have a truly unique product that you sell only to end users and you have no competition; your export strategy will be doomed. ????

In today's truly global market place there is no such thing as one size fits all when determining payment terms. Each export transaction and each country that you export to has its own unique risk profile and may need its own marketing strategy. You must take into consideration things such as the nature of your product (perishable, consumable, capital equipment); the nature of the transaction (single sale versus repetitive sales, requested terms, competition); the type of buyer (private versus public sector, rep or distributor, end user, related party); and, the location of the buyer (developed versus developing market, restricted market, off cover market).

Fortunately, today, an aggressive marketing approach and prudent risk management are no longer mutually exclusive terms. Traditional bank trade products have been enhanced by electronic communications, established practices and the trade credit insurance market. Trade credit insurance can be used to enhance traditional trade terms and make them more attractive to both the buyer and the seller.

Trade credit insurance is a proven product that has been used to support trade for over 100 years. It now enjoys wide market acceptance in the U.S. and has been growing geometrically as a trade product for more than 25 years. Policies can be written to cover a single sale to one buyer, repetitive sales to your largest (key) accounts or all of your exports. In addition to open account terms, it can be used to insure advised letters of credit and documentary collections. Payment terms can range from sight letters of credit to 180 days open account for any product, and from one to five years for capital equipment sales.

Whether your company is new to export or an experienced exporter, trade credit insurance is an important tool that you need to consider to support this segment of your business. The ability to offer competitive terms is a requirement for any company to be effective in the global market place, and trade credit insurance will allow you to do so without placing your balance sheet or cash flows at risk.

QUICK INDUSTRY RECOVERY FROM THE EARTHQUAKE/Tsunami DAMAGE TO POWER PLANTS

Submitted by: Norman Makino, Director, Iowa Japan Office

On March 11, the earthquake/tsunami in Japan spiked five power plants in the Tohoku region. Two were nuclear power plants of 9,100,000KW and three were thermal power plants of 9,200,000KW. Tokyo Electric Power Co. (TEPCO) operates these five plants. The two nuclear plants are not expected to resume operation ever, and it has not yet been determined when the damaged three thermal power plants are to be reopened as the damage is so large. Those five plants generated approximately 28 percent of TEPCO's power supply prior to being hit.

The loss of TEPCO's power supply is going to have a considerable impact on living and production in the Kanto region of Japan where TEPCO supplies power. The Kanto region accounts for roughly 37 percent of the national population and shares about 40 percent of the GDP of Japan. Due to the nature of the power supply system, it could cause blackouts of the entire region once the demand for power at any particular time exceeds the supply of power. TEPCO has had to launch rolling blackouts in the Kanto region to avoid a blackout of the entire region. This is an additional blow to many industries which had already suffered direct or indirect damage from the quake/tsunami. They cannot make production plans at many of the plants under unpredictable blackout schedules and the possibility of a loss of products by stoppage of the power supply without adequate lead time notices.

The loss of power supply capacity by TEPCO this time is less than nine percent of the total power supply capacity of Japan. TEPCO, one of the 10 power companies in Japan, is trying to get supply from other power companies and to refurbish its sleeping power plants to increase supply. Although there is a bottleneck of a lack of a sufficient number of converters in getting supply from other companies, it is believed that TEPCO will be able to recover a fair portion of its shortage, sooner or later. With the combination of recovering the shortage and power demand adjustment by industries, such as shifting working hours of plants/offices from the high demand times of power to idle times, it is believed that the power supply/demand will become balanced in time.

The production capacities of industries may have been disrupted by the tragedy, but it seems temporary. At least the damage to the power plants does not appear to have a big impact on the production activities of Japan, when we look at it over a span of several months.