

Private Sector *Trade Note*



CARICOM's Cheese and Curd Trade

► GLOBAL PROCESSED CHEESE TRADE OVERVIEW

Cheese and curd represents another international trade opportunity that can be promoted through international trade negotiations. This Private Sector Trade Note

(PSTN) will highlight recent trade performance, and the tariff treatment that can be expected in major international markets. In 2011, cheese and curd import trade represented a US\$27.4bn global market. Germany was the top import market accounting for over 15% of global cheese

and curd sales in 2011. Other top import markets for fresh pineapple in 2011 included Italy; the United Kingdom; France; Belgium; The Russian federation; Spain; the United States of America(USA); Japan; and the Netherlands. These countries jointly accounted for under two-

Table 1: Top Importing Markets for Cheese and Curd

Importers	Value imported in 2011 (USD mn)	Unit value (USD/unit)	Annual growth in value between 2007-2011 (%)	Annual growth in quantity between 2007-2011 (%)	Annual growth in value between 2010-2011 (%)	Share in world imports (%)	Average tariff (estimated) applied by the country (%)
World	27,442	5,370	4	2	14	100	
Germany	4,156	6,312	2	1	20	15.1	6.3
Italy	2,343	4,780	2	3	18	8.5	6.3
United Kingdom	2,007	4,911	0	1	6	7.3	6.3
France	1,598	5,854	5	3	15	5.8	6.3
Belgium	1,472	5,585	2	-1	12	5.4	6.3
Russian federation	1,462	5,032	14	6	11	5.3	11.7
Spain	1,205	4,593	4	4	9	4.4	6.3
United States of America	1,118	16,937	-3	-23	11	4.1	17.2
Japan	1,112	5,166	5	0	19	4.1	14.7
Netherlands	907	4,417	3	3	13	3.3	6.3

Source: International Trade Centre, www.trademap.org [Retrieved July 25, 2012]

thirds (63.3%) of global cheese and curd import expenditure in 2011 (see table 1).

Recently, world import spending on cheese and curd has not been very dynamic. Global merchandise import spending grew by 4% per annum between 2007 and 2011, with import spending on cheese and curd keeping pace with 4% growth per annum over this period (see table 1). The growth trend improved between 2010 and 2011, expanding to 14% growth in this period. Cheese and curd import expenditure in Israel (187% average growth in import sales between 2007 and 2011); Brazil (81% growth); Uzbekistan (49%); Azerbaijan (35%); Bahrain (34%); Syrian Arab Republic (32%); Haiti (30%); Yemen (28%); Ghana (27%); Colombia (26%); and China (25%) have exhibited above average dynamism in this industry and are markets that could be lucrative for cheese and curd exporters from CARICOM.

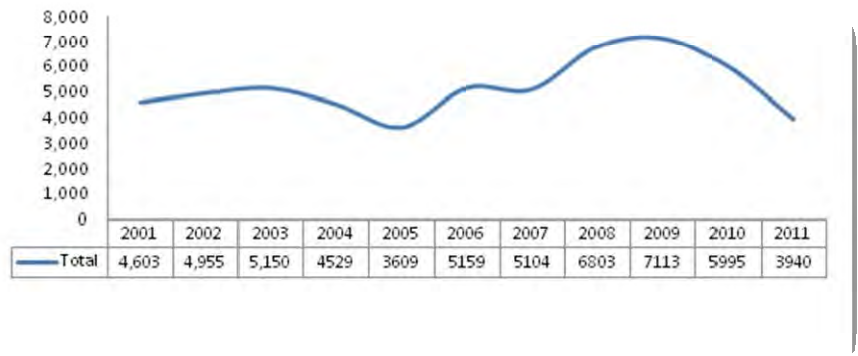
In one respect, the cheese and curd market seems protected, as tariffs figure as an impediment to trade for the top 10 import markets in 2011. Of the top 10 import markets in 2011, the USA imposed the highest average tariffs on Cheese and curd of over 17%. The European Union Member states of Germany, Italy, the United Kingdom, France, Belgium, Spain and the Netherlands imposed lower average tariffs of 6.3% on this product. In 2011, duty free markets for cheese and curd included South Africa; Singapore; Peru; New Zealand; Aruba; Libya; Mauritius; Hong Kong, China; and French Polynesia; . These duty free markets for cheese and curd accounted for around 2% of global import spending (around US\$550mn) in 2011.

Germany was also the top exporter of cheese and curd in 2011 accounting for under 17% of global export sales. Other top exporters of cheese and curd in 2011 included, France (13.9% of global export sales); The Netherlands (12.1% of world export sales); Italy (9.4% of global sales); and Denmark (5.2% of world export sales). The cheese and curd market is dominated by a few countries, as the top five export suppliers

accounted for almost three fifths (57%) of global exports in 2011. The most dynamic exporters between 2007 and 2011 included Bahrain (307% growth in export sales); Netherland Antilles (250% growth); Israel (156% growth); and Georgia (119% growth).

further explored in section 2.1. This represents a significant decline in the number of export markets serviced (the market spread) as in 2001, CARICOM exporters of cheese and curd generated their sales from 19 markets, The USA, Saint Kitts & Nevis, Dominica, St. Vincent & The Grenadines, and Canada being the dominant markets. In 2001, CARICOM cheese

Figure 1: CARICOM Export Sales of Cheese and Curd (US\$'000)



Source: International Trade Centre, www.trademap.org [Retrieved July 30, 2012]

► CARICOM FRESH PINEAPPLE TRADE PROFILE

CARICOM exporters are under utilizing the possibilities for trading cheese and curd globally (see figure 1). Cheese and curd exports have lost pace with exports from other export sectors for CARICOM. Whereas total regional export sales has grown by over 11% annually between 2001 and 2011, export sales for CARICOM cheese and curd has declined by 1.5% over this period. In 2011, CARICOM exporters of cheese and curd generated US\$3.9mn in sales (see figure 1). This outturn represented a more than 34% decline between 2010 and 2011.

CARICOM cheese and curd exporters did not seek a wide range of international markets, as in 2011, they generated all their international sales from 5 markets namely, The United States of America; Canada; Spain; The Bahamas; and Aruba. The top two markets are

and curd exporters sold their products to 11 CARICOM markets. CARICOM based cheese and curd exporters have retracted from the CARICOM market as in 2011, of the main export markets serviced, they only exported cheese and curd to one regional market, namely The Bahamas.

CARICOM cheese and curd exporters are increasingly focusing on extra-CARICOM markets as The USA was consistently the top export market for this product between 2001 and 2011. Based on the preliminary data for 2011, the regions cheese exporters expanded their sales to the USA by over 8% annually between 2001 and 2011. Meanwhile, cheese exporters recorded major declines in sales to other CARICOM markets with the exception of The Bahamas. In the case of The Bahamas, export sales of cheese from CARICOM suppliers grew by 27% between 2001 and 2011.

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Table 2: CARICOM Exports of Cheese and Curd

Exporters	2011 export sales (US\$'000)	2011 export volume	Export price (US\$/ton)	export sales growth '07-'11 (%)	export volume growth '07-'11 (%)	export sales growth '10-'11 (%)	Share in world exports (%)
World	28,198,270	5,273,513	5,347	4	3	15	100
CARICOM	3,940						0
Jamaica	3,926	264	14,871	18	-1	35	0
Antigua & Barbuda	14	3	4,667				0

Source: International Trade Centre, www.trademap.org [Retrieved July 30, 2012]

Jamaica was the top CARICOM exporter of cheese and curd generating 99.6% of export sales in 2011 (see table 2). Antigua & Barbuda was the only other CARICOM Member state with any exports of cheese and curd in 2011. Export sales from Jamaica grew by 18% annually between 2007 and 2011. There was also significant expansion between 2010 and 2011 (see table 2). However Jamaica's export volume declined between 2007 and 2011 which could be one factor influencing the relatively expensive export price for the product (i.e. Jamaica's export price for cheese and curd was more than double the average world price in 2011). Exporters from Antigua & Barbuda have been inconsistent in their exports of cheese and curd. However, on a positive note Antigua and Barbuda's export sales peaked at US\$667,000 in 2009 showing that there was export capacity during the 2001 to 2011 period.

Based on export price analysis, in 2010, Antigua & Barbuda was the most competitive exporter of cheese and curd. Exporters from Antigua & Barbuda were able to sell their fresh pineapples at a price that was 70% cheaper than the price at which Jamaica exported the commodity in 2011. Antigua and

Barbuda's export price was also competitive globally at almost 15% cheaper than the global average price at which cheese and curd was sold on the world market. At the other extreme, cheese and curd exports from Jamaica were the most expensive from CARICOM in 2011. In 2011, the region's cheese and curd exports were generally more expensive than global export prices, signalling possible diseconomies of scale, and logistics and cost uncompetitiveness factors. Antigua & Barbuda was the only regional exporter with some global



price competitiveness. However, it does not seem that cheese and curd exports for CARICOM were price sensitive, as Jamaica's export sales dominated and were more dynamic at a price much higher than that for Antigua and Barbuda cheese.

► EXPORT MARKET ANALYSIS

Overview of the USA cheese and curd market

The USA cheese import market is a complicated one. For dairy products subject to TRQs, an import license from USDA's Foreign Agricultural Service (FAS) is generally required to bring in items at the low-tier tariff rate. The licensing system covers nearly all dairy products from cow's milk, except for soft-ripened cheeses such as Brie. It also covers blue cheese made from sheep's or goat's milk. According to the United States Department of agriculture (USDA), the fee is currently \$150 per license. Certain dairy products may also be imported without a license under a "first-come, first-served" system. The items covered under the first-come, first-served system include: dairy products imported under a Free Trade Agreement; cheddar cheese from Canada (made from unpasteurized milk and aged 9 months or more); fluid milk or cream (fresh or sour); milk or cream (condensed or evaporated and in airtight containers), and dried buttermilk or whey.

Table 3: The USA Cheese and Curd market

Exporters	2011 import spending (US\$'000)	USA import share (%)	Imported quantity 2011	Unit value (US\$/ton)	Import exp growth '07-'11 (% p.a.)	Import volume growth '07-'11 (% p.a.)	Import exp growth '10-'11 (% p.a.)	World export rank	World export share (%)	Total export sales growth of partner '07-'11 (% p.a.)	Tariffs (%)
World	1,117,643	100	65,987	16,937	-3	-23	11		100	4	
Italy	325,737	29.1	18,334	17,767	-1	-19	13	4	9.4	8	19.4
France	189,893	17.0	7,901	24,034	3	-22	28	2	13.9	3	19.4
The Netherlands	77,507	6.9	4,356	17,793	1	-21	27	3	12.1	-1	19.4
Switzerland	62,583	5.6	1,674	37,385	4	-28	-1	13	2.1	5	19.4
Spain	57,900	5.2	4,654	12,441	9	-1	24	20	1.1	2	19.4
Denmark	50,958	4.6	1,478	34,478	-10	-37	6	5	5.2	1	19.4

Source: International Trade Centre, www.trademap.org [Retrieved August 3, 2012]

In 2011, The USA was the top import market for CARICOM's cheese and curd. The USA spent US\$1.1bn on imported cheese and curd from across the globe. With an annual 3% contraction in import spending on cheese and curd, The USA reported growth in import expenditure of cheese and curd which was contrary to the growth trends for global import spending on this product. This negative outturn suggests a simultaneous examination of dynamic markets (some mentioned in section 1 above) for a more viable export strategy for this product (see table 1).

The market for cheese and curd in The USA was dominated by exporters from Italy, France and the Netherlands who jointly accounted for almost 54% of import spending in 2011. Switzerland, Spain and Denmark were secondary players in The USA's cheese and curd market. Denmark has basically retreated from exporting cheese and curd to The USA with a 10% contraction in sales and 37% contraction in volume to the USA annually between 2007 and 2011 (see table 3).

Jamaica (the 67th ranked exporter of cheese and curds in 2011) seems to have decent long term prospects in The USA, as there was significant dynamism in export sales between 2007 and 2011 with export sales to the USA expanding by 17 annually. Indeed, this export growth has accelerated between 2010 and 2011 to over 39%. The Russian federation was the most dynamic exporter of cheese and curd to the USA between 2001 and 2011. This makes the Russian Federation (the 39th largest exporter in 2011) also a growing competitor to Jamaica as export sales to the USA grew by 164% per year between 2010 and 2011. Russian cheese and curd is subject to an average tariff of 19.1%. Jordan was also a dynamic exporter of cheese and curd to the USA. Exports of cheese and curd from Jordan to the USA grew by 63% annually between 2001 and 2011. These exports can benefit from duty free entry into the USA based on the USA-Jordan Free trade Agreement.

Jamaica has been exploiting its advantages in the US market, which has previously been described as a complicated market (based on the use of the import license regime). In 2011, Jamaica sold cheese and curd over 10% cheaper than the average price that importers from the USA paid to import this product. Jamaica was also a more dynamic exporter of cheese and curd than all of the top export countries to the USA. The top exporter of cheese and curd globally, Germany, does not focus on the USA market, as in 2011, German exporters of cheese and curd only accounted for 1.6% of the USA's import spending on Cheese and Curd.

Outside of the North American Free Trade Area (NAFTA), and Caribbean Basin beneficiary countries (namely Nicaragua, El Salvador, and The Dominican Republic) free trade partners including Colombia, Jordan, Bahrain and Australia, Jamaican cheese and curd entered the USA incurring less duties than most other exporters of cheese and curd. Cheese and curd from Jamaica entered the USA paying on average 14.1% duties. Cheese and curd from markets with which the USA does not have trade agreements/arrangements would be subject to a 19.1% duty. In 2011, Jamaica accounted for 0.3% of the USA's import market share, however in 2011; Jamaica generated a record US\$3.7mn in sales of cheese and curd to the USA.

Overview of Canada's Cheese and Curd Market

Canada spent US\$266mn on imported cheese and curd in 2011. This market was not dynamic with import spending expanding by 4% annually between 2007 and 2011, which was equal to the global rate of growth for cheese import spending. Italy was the top exporter of cheese and curd to Canada in 2011 (see table 4). France, The USA, Switzerland and The Netherlands also figure as major suppliers of cheese and curd for Canada's import market. Spain, Portugal, Jamaica and Greece were amongst the most dynamic exporters to Canada's cheese and curd market.

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Belgium and Brazil were also dynamic exporters of cheese and curd to Canada between 2007 and 2011. Jamaica was the only regional exporter of cheese and curd to Canada with shipments totalling US\$182,000 in 2011. Jamaica does not possess a price competitive advantage in Canada's market with an export price almost 10% higher than the price that the Canadian market was willing to pay for the product in 2011. Jamaica has

further market development by CARICOM exporters of this product. Other dynamic import markets included The British Virgin Islands (120% growth per year); Brazil (81%); Colombia (26%); Paraguay (26%); China (25%); and Kenya (20%).

Another approach being proposed is to target the CARICOM cheese and curd market. In 2011, importers in CARICOM spent

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Table 4: The Canadian Cheese and Curd Market

Exporters	2011 import spending (US\$'000)	Canada's import share (%)	Imported quantity 2011	Unit value (US\$/ton)	Import exp growth '07-'11 (% p.a.)	Import volume growth '07-'11 (% p.a.)	Import exp growth '10-'11 (% p.a.)	World export rank	World export share (%)	Total export sales growth of partner '07-'11 (% p.a.)	Tariffs (%)
World	265,632	100	25,184	10,548	4	-	11		100	4	
Italy	60,095	22.6	4,413	13,618	7	0	24	4	9.4	8	245.5
France	56,963	21.4	4,363	13,056	3	-3	14	2	13.9	3	245.5
USA	55,604	20.9	7,415	7,499	9	5	6	6	3.4	22	245.5
Switzerland	24,199	9.1	1,899	12,743	9	5	6	6	0	5	245.5
The Netherlands	14,498	5.5	1,760	12,743	5	-1	12	13	2.1	5	245.5

Source: International Trade Centre, www.trademap.org [Retrieved August 8, 2012]

been dynamic in exporting cheese and curd to Canada growing export sales by 15% annually between 2007 and 2011. Canada charges a 245.5% duty on all suppliers of cheese and curd. Cheese and curd may benefit from duty free and quota free access to Canada's market pending the negotiation of the current trade agreement, and this could place CARICOM cheese and curd exporters (who meet the rules of origin criteria) at a competitive advantage. Based on the foregoing analysis, it appears that Canada is a promising market for Jamaican cheese and curd exporters.

► CONCLUSION

With the exception of the USA and Spain², CARICOM firms have not focused on any of the top import markets for cheese and curd (see table 1). CARICOM cheese and curd exporters should consider market diversification. Between 2007 and 2011, cheese and curd importers in Israel grew import spending by 187% per annum, which was over 46 times the global fresh pineapple import growth rate of 4%. Israel represents a dynamic market which could be a target for

US\$106mn on cheese and curd. Trinidad & Tobago was the top regional importer of cheese and curd, spending US\$30mn in 2011. Jamaica, The Bahamas and Haiti were other top regional importers of cheese and curd in 2011. Haiti was the most dynamic importer of cheese and curd between 2007 and 2011. Exporters from Egypt dominate the Haitian cheese and curd market. Currently imports and cheese and curd into Haiti from Egypt are subject to a 5% tariff, which currently is also being applied to CARICOM exports based on Haiti's incomplete accession to CARICOM.

Between 2007 and 2011, other dynamic regional import markets for cheese and curd included Dominica, Saint Kitts and Nevis and Suriname. These markets represented combined import spending of US\$7.4mn in 2011 and could be a juicy prospect for Jamaican and Antiguan cheese and curd exporters in the short run as there are no import duties charged on cheese and curd that meet the CARICOM rules of origin criteria.

¹ Trade data for CARICOM in 2011 is preliminary, and in some cases mirror statistics have been used.

² Exports of cheese and curd from CARICOM will not be subject to any duties and quotas in Spain or any other European Union Member State based on the provisions of the Economic Partnership agreement (EPA).