Industry Specific Market Potential Index

Food Processing

Insights and Rankings

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Preface

The Industry Specific Market Potential Index (MPI) compares the 89 countries that globally have the highest Gross Domestic Product (GDP) on several dimensions in order to rank them according to their market potential for different industries.

The Index compares these countries on six dimensions: size, growth rate, capacity, openness of the market, existing logistics infrastructure and risk (political, economic and business) of the country. To measure each dimension, a different set of indicators is identified for every industry. Secondary data that have been gathered from different reputable sources are used for these indicators, as noted. Ranking scores are calculated by adding up the dimensions, weighted by relative importance.

While the MPI is a very useful tool for companies in the process of researching new markets for export, it shouldn't be used as the single information source in decision making. MPI is designed to support other detailed market research and to use for verification purposes. It can be utilized as the first step in market research, to help identify the focus countries for which more detailed market research should be conducted.

Since MPI is calculated with the most recent data available, it is also important to remember that it represents the current state of the countries, and it does not aim to forecast their future states.

Industry specific MPIs are updated annually.

All the industry specific MPIs can also be found at: *http://globaledge.msu.edu/medc*

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Up and Coming Markets for Future Growth Opportunities

China

China's market is promising for future growth, with given the incessant growth of the country, growing spending capacity of the population, as well as world class logistical infrastructure. The market size, although not enormous, is still significant at around $15 billion in production value. Whereas approximately two-thirds of the market is domestically served, there is still a third of the market left up to those companies looking to get an export piece of the pie. Moreover, the domestic products can tend to have production disadvantages in areas like efficiency and reliability, lending an advantage to those trying to export a product functionally superior to internal manufacturers. Given that product range is limited for domestic competitors, the true competitors in the field will be other foreign companies trying to make headway. The solution-oriented competition that exists there now typically commands 40% higher premiums on machinery, meaning that entry into this market is primed for a value-add strategy. The food processing industry in China is booming, and coupled with an open market economy in this industry and low country risk, it is an ideal candidate for growth.

Established Countries

Canada, Germany, United Kingdom, The Netherlands

These countries present opportunities to tap into solid infrastructures and markets with little political or legal risk. Moreover, the market size for each is considerable, as is true for most first-world nations, and in a few of these countries the food processing industry is dominant. Canada, for example has a food and beverage processing industry that is the largest manufacturing sector in the country. The country provides much of its own food needs, and it also acts as an exporter to many affluent nations, the U.S. not the least among them. As such the demand for food processing equipment is considerable throughout the region; however, there are a couple of provinces that dominate the scene. Ontario and Quebec are those regions that should be focused on as they account for 63% of the sales in the industry.

Germany is among the biggest importers of food processing machinery in the world. Moreover, the country is the largest food producer in Europe and is the fourth largest industry domestically. Their meat processing industry in particular is the largest among the segments, commanding 23% of their food processing

industry. In terms of strategy and approach for export or investment, the country is dominated by small- and medium-sized enterprises, so it may be prudent to develop a broad approach.

Like Germany, the UK is among the biggest importers of food processing equipment. Additionally, much like Canada, the UK food manufacturing sector is the largest industrial sector in the country. Given that the food processing industry commands a 16% majority share of the manufacturing sector, the infrastructure is very well developed internally. Areas to focus on within the industry are meat processing and dairy and bakery products, which constitute around $23 billion and $30 billion respectively.

The Netherlands is a hotspot for food processing manufacturers, and it was ranked the best place in Europe for such businesses by KPMG. That presents a significant opportunity for the food processing machinery sector, which depends highly on such manufacturers. Coupled with their competitive ranking is the fact that the logistical infrastructure for the industry is among the top three best in the world. Additionally, while the Dutch are a big exporter of processing machinery, they have the R&D infrastructure for those companies looking to capitalize on foreign investment rather than export. For firms targeting a country for enterprise expansion and innovation, there is no better option than the Netherlands.

Export Countries

Hong Kong

Hong Kong has a food processing equipment industry, whether characterized under their food and beverages industry or industrial machinery industry, with 90% or more of total exports being constituted be re-exportation. As such, the country is an ideal candidate to use as a base of distribution to other economic powerhouses in the region like China and Japan. Important to Western businesses in the food processing arena, Hong Kong is the gateway for providing Western food-stuffs, including equipment, to mainland China. Beyond re-export, Hong Kong is also the home of thriving brands like VitaSoy and Amoy. The well-established domestic food industry as well as export-oriented industry in Hong Kong leads to its excellent rank in market capacity. As Western countries have taken on Eastern food consumption trends, and vice versa, Hong Kong will play a more and more critical role in serving both markets.

Results of the Food Processing Industry Market Potential Index 2014

Food Processing	OVERALL	Market Size (30/100)	Market Growth Rate (15/100)	Market Capacity (10/100)	Market Openness (15/100)	Logistics Infrastructure (15/100)	Country Risk (15/100)
Country	**RANK**	**RANK**	**RANK**	**RANK**	**RANK**	**RANK**	**RANK**
China	1	1	3	1	60	5	31
India	2	2	8	2	71	74	43
Japan	3	4	54	25	13	67	9
Canada	4	11	50	7	1	10	6
Russian Federation	5	3	47	3	76	37	55
Germany	6	6	75	14	25	11	14
United Kingdom	7	10	68	12	12	9	17
Singapore	8	39	31	10	3	30	1
Brazil	9	5	20	5	83	73	37
Mexico	10	9	45	24	8	14	38
Hong Kong SAR, China	11	53	42	8	2	16	3
France	12	7	66	13	51	18	22
Australia	13	18	27	4	20	87	12
Netherlands	14	19	60	20	15	2	15
Indonesia	15	8	4	19	55	88	52
Oman	16	74	6	51	10	27	23
Malaysia	17	28	24	61	9	40	18
Kuwait	18	22	5	22	58	75	24
Norway	19	43	48	6	24	62	4
Switzerland	20	30	57	11	33	53	5
Sweden	21	38	62	17	18	24	2
Korea, Rep.	22	14	61	40	52	19	25
United Arab Emirates	23	64	23	27	11	38	26
Chile	24	37	33	35	31	34	21
Finland	25	49	65	23	6	57	7
New Zealand	26	52	53	32	7	81	10
Luxembourg	27	82	55	9	39	47	8
Belgium	28	23	71	26	45	6	20
Peru	29	44	12	56	30	49	40
Saudi Arabia	30	32	49	36	46	28	29
Thailand	31	20	22	37	44	78	41
Denmark	32	45	72	18	26	42	11
Turkey	33	13	44	33	59	58	59
Spain	34	17	84	16	56	7	39
Colombia	35	31	30	53	47	33	45
Austria	36	36	69	21	41	70	13
Uruguay	37	65	11	57	53	35	47
Italy	38	12	74	29	63	55	44
Morocco	39	50	34	67	50	12	46
Bahrain	40	77	25	47	21	43	53
Costa Rica	41	84	39	71	4	59	50
Dominican Republic	42	79	36	86	5	4	67
South Africa	43	24	38	52	43	85	36
Ireland	44	55	80	15	23	50	27
Nigeria	45	16	13	39	70	51	77
Guatemala	46	63	29	81	16	17	66
Honduras	47	72	16	85	28	8	73
Estonia	48	88	76	55	17	22	28
Vietnam	49	29	7	45	61	82	68
Czech Republic	50	51	64	43	54	29	30
Philippines	51	35	26	63	35	89	57
Israel	52	58	51	31	27	79	42
Qatar	53	89	56	70	34	76	16
Venezuela	54	15	2	65	85	44	84
Algeria	55	33	10	75	80	68	60
Egypt, Arab Rep.	56	34	18	72	57	46	75
El Salvador	57	75	58	83	14	20	62
Sri Lanka	58	60	14	80	36	56	71

Malta	59	87	86	54	49	15	19
Ecuador	60	59	17	82	40	23	78
Portugal	61	54	78	41	42	25	48
Poland	62	27	82	42	69	69	33
Tunisia	63	62	46	79	48	64	58
Paraguay	64	66	19	77	65	21	72
Argentina	65	21	9	30	82	66	80
Slovakia	66	73	77	59	62	48	32
Lithuania	67	71	87	62	29	39	35
Slovenia	68	86	73	50	67	45	34
Pakistan	69	25	21	38	72	61	85
Papua New Guinea	70	76	43	89	38	77	61
Nicaragua	71	80	41	84	19	36	79
Latvia	72	81	83	64	37	41	49
Cyprus	73	85	70	60	22	60	63
Hungary	74	56	81	49	64	54	56
Cambodia	75	67	1	78	81	84	82
Bangladesh	76	41	28	44	73	86	76
Bulgaria	77	68	67	73	74	80	51
Belarus	78	47	35	69	79	3	86
Kazakhstan	79	42	40	28	87	63	65
Ukraine	80	26	59	34	78	52	81
Azerbaijan	81	70	32	68	86	32	70
Myanmar	82	83	37	76	32	72	86
Croatia	83	78	85	66	68	65	64
Greece	84	57	89	46	66	31	74
Romania	85	46	88	58	77	83	54
Serbia	86	69	79	87	75	71	69
Cuba	87	61	63	48	84	1	86
Iraq	88	40	52	74	88	26	86
Uzbekistan	89	48	15	88	89	13	82

Assumptions

The food processing MPI aims to measure the market potential of countries for companies that supply products to the players in the food processing industry, who use food and drink processing equipment and machinery. The MPI doesn't cover the packaging industry. Therefore, indicators such as retail value of packaged food and soft drinks, import value of food processing equipment, and urban population are used for the measurement of the market size. Also the value added to the agricultural produce is also used as a market size indicator. Market growth rate is measured by calculating the Compounded Annual Growth Rate (CAGR) of each market size indicator for the last 5 years.

Size of arable land and the number of employment in agriculture are used to measure the market capacity among other financial indicators, assuming that the amount of food processing will increase with the increased agricultural production.

Trade and tariff data for the following Harmonized System (HS) codes are used for the measurement of the market openness dimension as well as other generic export related indicators.

HS7 Code	DEFINITION
820830	Knives and cutting blades for kitchen appliances or for machines used by the food industry
841720	Bakery ovens, including biscuit ovens
841940	Distilling or rectifying plant
841981	Machinery for making hot drinks or for cooking or heating food
841989	Other machinery for the treatment of materials by a process involving a change of temperature, including similar laboratory equipment
842111	Cream separators
842122	Centrifuges for filtering or purifying beverages other than water
8434	Milking machines and dairy machinery.
8435	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.
8437	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm-type machinery.
8438	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.
847920	Machinery for the extraction or preparation of animal or fixed vegetable fats or oils

Indicators & Resources

Dimension	Weight	Measures Used
Market Size	30	• Agriculture Value-Added (2012) [3] • Imports of Food Processing Equipment (2012) [2] • Retail Food & Soft Drink Sales (2013) [1] • Urban Population (2013) [1]
Market Growth Rate	15	• Growth Rate of Agriculture Value-Added (2012) [3] • Growth Rate of Imports of Food Processing Equipment (2012) [2] • Growth Rate of Retail Food & Soft Drink Sales (2013) [1] • Growth Rate of Urban Population (2013) [1]
Market Capacity	10	• Arable Land (2013) [1] • Employment in Agriculture (2012) [3] • Foreign Direct Investment, Net Inflows (2012) [3] • GNI Per Capita (2013) [1]

Market Openness	15	• Applied Tariff Rate on Food Processing Equipment (2013) [4] • Burden of Customs Procedure (2012) [3] • Cost to Import (2012) [3] • Imports of Food Processing Equipment from US as a Share of Global Imports (2012) [2]
Logistics Infrastructure	15	• Distance of Country from US (2013) [5] • Liner Shipping Connectivity Index (2012) [3] • Quality of Port Infrastructure Index (2012) [3] • Reliable Logistics Infrastructure Rating (2012) [3]
Country Risk	15	• Business Risk Rating (2012) [8] • Economic Risk Rating (2012) [7] • Intellectual Property Rights Protection (2012) [9] • Political Risk Rating (2012) [6]

Data used are those available for most recent year. All sources were accessed in Jan 2014.

[1] Passport GMID, Global Market Information Database
[2] UN Comtrade, Commodity Trade Statistics Database
[3] World Bank, World Development Indicators
[4] World Trade Organization (WTO), Tariff Database
[5] Happyzebra, Distances
[6] Ducroire | Delcredere, Country Risks
[7] Coface, Economic Studies
[8] Swiss Export Risk Insurance, Cover Practice for Countries and Banks
[9] International Property Rights Index, 2013 IPRI Report

For More Information

For the indexing methodology, please refer to:

"Measuring the Potential of Emerging Markets: An Indexing Approach" - S. Tamer Cavusgil, Business Horizons, January-February 1997, Vol. 40 Number 1, 87-91

"Complementary Approaches to Preliminary Foreign Market Opportunity Assessment: Country Clustering and Country Ranking" - S. Tamer Cavusgil, Tunga Kiyak and Sengun Yeniyurt, Industrial Marketing Management, October 2004, Volume 33, Issue 7, 607-617