

Opportunity in Exporting Thai Seasoning Sauce and Factors Hindering in Exporting to the USA Market

Sataporn Jitpisan

Institute of Diplomacy and International, Rangsit University, Thailand
Corresponding author, e-mail: ssara5240@gmail.com

Abstract

The research aims to identify the factors that affects the country in exporting of Thai Seasoning Sauce to the USA market. The exploratory study gathered primary information and secondary information. The primary information collected from the company's record data related with exporting Thai Seasoning Sauce to the USA Market and interview of the exporting's company executives. The secondary data collected from various sources of documentary. Data and contents analyzed, interpreted and presented primary data through descriptive analysis. The study revealed that (1) factors affect the country's export to the USA found that its net exports (exports minus imports) is influenced by all the factors that affects international trade. These include factor endowments and productivity, trade policy, exchange rates, foreign currency reserves, inflation and demand. A crucial point to note is both goods and services are counted for exports and imports, as a result of which a nation has a balance of trade for goods (also known as the merchandise trade balance) and a balance of trade for services (2) has a high opportunity in exporting Thai Seasoning Sauce to the USA market.

Keywords: *exporting, Thai seasoning sauce, USA market*

1. Introduction

"Food" is an important factor in life especially Thai food which stays as coupled and commitments of the culture for a long time. The survey of CNN News found that Thai Food has ranked in popularity with tourists around the world, such as Tom yum Kung, Massaman Curry, slide grilled pork salad, and etc. It is because all kinds of Thai food and every dish from across all regions have "Thai seasoning sauce" to be the key to help Thai dishes stand out anywhere in the world. Thai seasoning sauce can be used for anything. It can be used for fish sauce or white soy sauce to give it a slightly different savory flavor. There are many types of Thai seasoning sauce such as: fish sauce, oyster sauce, soy bean paste, thin soy sauce, black sweet soy sauce, black thick soy sauce, green cap seasoning sauce, yellow cap seasoning sauce, chili sauce and Thai white vinegar (Boboboworld, 2018).

Originally exported Thai seasoning grew based on migration of Thai people to a foreign country, Asian immigrants to settle in a foreign land, promotion of Thai workers to abroad as well as the aftermath of the fact that the government had requested humanitarian aid to the refugees who travel to a third country. The goods of food and components are as part of such assistance that Thailand has sent an official aid to refugees in the United States, Canada, France, Australia, and etc. These consumers are mostly Asian people who are familiar with the taste of food that is similar to Thai people which cause an increase demand for food, raw materials, and ingredients from Thailand. The majority of marketing for condiments from Thailand that goes abroad often uses channels that are available in stores and grocery stores of Thai and Asian people by importers and distributors, which usually are not Thai people. Hence the benefits that Thailand should receive, therefore falls to foreigners.

Thai Seasoning Sauce is well-known in exporting to many countries included USA. Currently, Thai condiments have expanded more into international markets. Thai seasonings sauce and ingredients are key components that greatly affect the food industry and combining these with Thailand's advantage in food processing has brought the country to global prominence for better products. The abundant supply of raw materials for seasoning and ingredients production coupled with the potential for developing local skills to manufacture specialty food products, such as specific seasonings, make the country an appealing destination for investments in this sub-sector.

USA Market is a big market that imported Thai seasoning sauce and other countries' sauce. The value of international trade of condiments and curry paste in global markets average over the last 5 years (2011-2015) is estimated at 7,956.7 million USD per year. It has grown at an average rate increase of 3.3 percent per year. Market characteristics of condiments and curry paste is relatively spatial distribution. Each country has a proportion of imports that does not vary much by the 5 important importers with a combined market share of 35.2 percent, sorted by market share are United States, United Kingdom, Canada, France, and Germany. In Thailand, the export value of condiments and curry paste globally was found average over the last 5 years (2011-2015) amounted to 511.8 million US dollars per year, a rate of growth of export value by 5.1 percent, while Thailand exported condiments and curry paste to the Middle East market average in the last 5 years (2011-2015) is worth approximately 14.62 million US dollars per year, with a market share of only about 4.3 percent of the market. The main export market is the United States as found the proportion of 24% of the entire market. Followed by ASEAN 14%, Japan 13%, and EU 13%, Middle East 7%, China 2-3%, and other markets 27% (The Office of Industrial Economics, 2016).

The trade of Thai condiments in the international market still has obstacles due to strong competition. The significant competitor comprises China, and Vietnam, which produce similar seasoning to Thailand. These two countries have an advantage in terms of lower price resulting from the cheaper labor and raw materials cost. It's also a strength due to vegetables, spices and herbs which are used as the major raw materials in the production of condiments. While Thailand is experiencing the problem on the volume of productivity and quality raw materials. In addition, the current arable crops used as raw materials in the manufacture of condiments in Thailand was modified to cultivate other crops that provide better economic returns. Thailand is expected in the future to import more raw materials from abroad to use in industry to produce seasoning. This will affect the competitiveness of industrial condiments of Thailand.

Saikanit (2000) and Mingmaninakhin (2006) wrote about the factors affecting exports which stated that the country will export goods and services to be more or less depending on some key factors include of: the volume of production in the country, production cost, inflation rate, foreign trade policy, and the exchange rate which consider accordingly.

1. The volume of production in the country: Exports are related to the production, in the sense that if the country can produce more than the consumption in the country, the country will have the remaining goods for export.

2. Production cost: Countries that produce goods efficiently and the production cost is low, it will be able to sell their goods on world markets at a price lower than any other country. Therefore, that country will inevitably item exported more than the competitor countries.

3. Inflation rates: Countries experiencing high inflation rate, then the cost of living is much higher because the price of the goods and the cost of production factors are higher, thus goods exported must have a higher price, which then cannot sell products competing with the other countries that have lower inflation or no problem of inflation. The exports, therefore decreased.

4. Foreign trade policy: If the international free trade policy does not exclude goods from abroad, the country will be able to deliver goods to sell in that country with convenience. The export of the country will be higher. But if the foreign countries use trade policies to discourage foreign goods by various methods, it will cause the country to not deliver the goods to sell to the country with ease or need to pay higher import taxes. This will cause a low volume of export and export revenue of that country.

5. Foreign currency exchange rates: the sales price of goods and services related is also related to foreign currency exchange rates. If the exchange rate between the currencies of countries with currencies of the partner countries are not appropriate, it will probably cause the price of goods and services of domestic in value of foreign currency to be cheap or expensive. This will impact exports as well. Therefore, countries might be able to export more or have trade barriers.

6. Export promotion policies of the Government: such as reducing the export tax, expanding the domestic market, reducing or exempting tax imports of raw materials, and improving customs clearance to make it more convenient, faster and transparent. This will increase export, but in contrast may slow down exports too.

7. The price of the export goods: If the price of the goods for export which are higher in overseas markets in the same item, that country will export less. But if the price of the goods for export is less, the foreign markets will export less.

8. The demands of the international market: Depending on the economic situation of the importing countries, if the global economy is in a good situation, the requirements to purchase goods and services will be more in the international market which will result in a very bright export. But if in the opposite case, the exports will be reduced.

Wai (2016) said in Prachachart Business News that the risk factors that may affect the export value of ingredients and condiments such as 1) the fluctuations in exchange rates, which was found last week of the baht increase almost 2%, which severe fluctuations may affect exports. 2) Increase of Thai wages. If comparing neighboring countries such as Laos, Cambodia, Viet Nam, Indonesia, and Myanmar, this will make the production cost in Thailand become higher, which will impact the ability of competitiveness. And 3) Drought problem this year which will be impact that result to the higher cost of raw materials, and many items may decrease which will result in a higher price.

Beside of the factors affecting exports, the Food Safety Monitoring system of the United States are also important that exporter must have knowledge and understanding about the policy of exporting to USA. In which the U.S. agencies that monitor the safety of food, there are 3 main departments at the federal level that acts as a safeguard for food security and cooking ingredients (Thai Tribune, 2016).

1. Food Safety and Inspection Service (FSIS) is directly under the U.S. Department of Agricultural (USDA) and caring about the safety of foods made from meat. Poultry and food products made from eggs that are manufactured in the United States and imported from abroad, except for wild meat (game) and rare meat (exotic meats - such as kangaroo meat, meat, quail and ducks).

2. Food and Drug Administration (FDA) directly under the Department of Health and Human Services (DHHS) which pays attention to food products manufactured in the country and imported from overseas that is sold in the US market, including wide meat and exotic products, food ingredients, animal feed, and drugs for animals. And food products of meat and poultry products that have cooked meat ingredients with no more than the volume of 2 percent, or raw meat with the volume which does not exceed 3 percent of the total volume of goods. And only from the manufacturer that the USFDA approved.

3. Environmental Protection Agency (EPA) Product licensing for pesticides and the maximum quantity of pesticide residues allowed in food and animal feed (the FDA and FSIS to enforce supervision of their goods is responsible to ensure compliance with EPA regulations in regard to the maximum quantities of pesticides allowed in food and animal feed.)

Additionally, the EPA also serves the management programs that are subject to regulatory and research toxic chemicals that occur in water and food. The implementation of the three federal agencies listed above are supported by the agencies and organizations in the state and local level. Although the classification of goods under the supervision of the agency. But in practice the agency. The three agencies will share responsibility for supervising food groups. For example fruits and vegetables, USDA and EPA is the agency responsible for regulations on pesticides, while USFDA would be responsible for checking imports.

However, reviewing of literature reveals that Thailand's condiments industry in the future is likely to grow even more. If the operator to focus on production by quality control and standards, as well as research and product development to meet market demand. Although current consumer consumption habits are changing in ways that so-called Mood consumption, which is the consumption patterns in response primarily to emotional and self-satisfaction. However, most consumers still focus on the consumption of nutritious food on a safety basis. Which those in the industry need to give priority and cannot be avoided it.

2. Objectives

1. To analyze the factors that affect the country's export to the USA market
2. To explore the opportunity of Thai Seasoning Sauce that export to the USA market
3. To concern the way in which factors affecting export can be overcome

3. Materials and Methods

This study is an “exploratory study” aim to exploring opportunity in Exporting Thai Seasoning Sauce to USA Market. The purpose of this study were to 1) analyze the factors that affect the country's export to the USA market; and to 2) explore the opportunity of Thai seasoning sauce that is exported from Thailand to the USA market; and to 3) concern the way in which factors affecting exporting can be overcome.

A documentary study that primarily aims to analyze the factors that affect the country's export to the United States; to explore the opportunity of Thai seasoning sauce that is exported from Thailand to the USA market. The study also attempts to propose the recommendation in order to provide appropriate information about the factors that effected the country's export to such countries included in this study and how the company can increase market sell. The opportunity of Thai seasoning sauce that exports from Thailand to the USA market was analyzed in the appropriate way and the information from the analysis can be used to recommend to the company and focus on the Thai manufacturing sector as well. The result of the study can also be used to propose the possible recommendation to the manufacturer and exporter regarding Thai seasoning sauce export to the USA market.

The primary data gathered from the interview of executives and the company's record on exporting Thai seasoning sauce also analyzed the factors affecting the export of sauce from Thailand to the USA and the secondary information from various sources that was related with this research such as factors affecting exports report, international trade report, cause of international trade report and others documents, journals, research, books, news and etc. The factors affecting the export of sauce of Thailand to the USA market was reviewed with the policy related to exporting Thai seasoning sauce to USA market as well.

The international market share reported that the USA is the second high market to import Thai seasoning sauce. This study, therefore mainly explored the exporting Thai seasoning sauce to the USA market. The related information was gathered retrospectively 3 years (2014-2017) and it was explored and collected from the company's record that these 3 years have been expanded more into the USA market regarding the Thai seasoning sauce that exports to the USA market and all the factors related with exporting of such products.

The secondary data analyzed the factors that affects the country's export to the USA market using content analysis technique and also SWOT analysis on this study to find strength, opportunity, weakness and treats in exporting Thai seasoning sauce to the USA market. The factors in exporting Thai seasoning sauce to the USA market also collect to analyze related to the volume of exports and the limitation in this country. Where the primary data gathered from the company's record on exporting Thai seasoning sauce and the secondary data used for analyzing the exporting opportunity of Thai seasoning sauce to the USA market.

4. Results and Discussion

1. Factors that affected the country's export of Thai seasoning sauce to the USA market found that its net exports (exports minus imports) is influenced by all the factors that affect international trade. These include factor endowments and productivity, trade policy, exchange rates, foreign currency reserves, inflation and demand. A crucial point to note is both goods and services are counted for exports and imports, as a result of which a nation has a balance of trade for goods (also known as the merchandise trade balance) and a balance of trade for services.

1.1 Factor Endowments: include labor, land and capital. Labor describes the characteristics of the workforce. Land describes the natural resources available, such as timber or oil. Capital resources include infrastructure and production capacity. The productivity of these factors are important for example, suppose two countries have the same amount of labor and land endowments. However, one country has a skilled labor force and highly productive land resources, while the others has an unskilled labor force and relatively low-productivity resources. The skilled labor force can produce relatively more per person than the unskilled force, which in turn influences the types of work in which each can find a comparative advantage. The country with skilled labor might be better-suited to designing

highly complex electronics, while the unskilled labor force might specialize in simple manufacturing. Similarly, the efficient use of natural resources can mean relatively more or less value extracted from a similar initial endowment.

1.2 Exchange Rates, Foreign Currency Reserves and Inflation: 1) Exchange rates: A domestic currency that has appreciated significantly may pose a challenge to the cost-competitiveness of exporters, who may find themselves priced out of export markets. This may pressure a nation's trade balance. 2) Foreign currency reserves: To compete effectively in extremely competitive international markets, a nation has to have access to imported machinery that enhances productivity, which may be difficult if forex reserves are inadequate. 3) Inflation: If inflation is running rampant in a country, the price to produce a unit of a product may be higher than the price in a lower-inflation country. This would affect exports, affecting the trade balance.

1.3 Demand: for particular products or services is an important component of international trade. For example, the demand for seasoning sauce affects the price and thus the trade balance of seasoning sauce-exporting and seasoning sauce-importing countries alike. If a small seasoning sauce importer faces a falling price, its overall imports might fall. The seasoning sauce exporter, on the other hand, might see its exports fall. Depending on the relative importance of a particular good for a country, such demand shifts can have an impact on the overall balance of trade.

1.4 Trade Balance as an Economic Indicator: the utility of trade balance data as an economic indicator depends on the nation. The biggest impact is generally seen in nations with limited foreign exchange reserves, where the release of trade data can trigger large swings in their currencies. The trade data is usually the largest component of the current account, which is closely monitored by investors and market professionals for indications of the economy's health. The current account deficit as a percentage of gross domestic product (GDP), in particular, is tracked for signs that the deficit is becoming unmanageable and could be a precursor to a devaluation of the currency. However, a temporary trade deficit may be viewed as a necessary evil, since it may suggest that the economy is growing strongly and needs imports to maintain the momentum.

2. The opportunity of Thai seasoning sauce that exports from Thailand to the USA market.

Thailand still has a great opportunity on exporting Thai seasoning sauce to the USA market. SWOT analysis found that:

- Thailand has strength such as 1) a good reputation for its high quality and unique products with the competitive price 2) Thai food is becoming famous worldwide because of its taste, price and varieties 3) Thai labors have high expertise, skills and have service minded.

- The opportunity is also in a good point as of 1) FTA between Thailand and USA market 2) USA economic will continue grow and is an investment friendly country

- The weakness point of Thailand market comprises of: 1) The price of Thai products are more expensive comparing with the products from China or Vietnam; 2) China and Vietnam Agriculture products are similar with Thailand's; 4) Lack of insight and updated information such as consumer behavior, market share of each industrial sector, etc.

- Threats comprises of: 1) Strict and high standard of food laws and regulations in USA market; 2) Due to the distance between courtiers, the cost of transportation is high and take times; 3) Strict labor laws; etc.

Discussion

This study indicates that USA markets for processed food products can be divided into three categories: markets that rely on products from Thailand; markets that show the demand exceeds supply in the country; and markets that local producers are strong. In addition, the most important export problems experienced by those firms were associated with the corporate capability, particularly, product management

and production management, and the government capability, particularly the lack of information related to exports and information about destination markets, and the lack of effective national export policies. The weak point of the Thailand market is that price of products are more expensive when compared with the products from China and Vietnam. Both countries have advantages regarding the price of raw materials and labor cost is cheaper and it can result in a cheaper price of products compared to Thailand. Thailand's condiments industry can be able to grow even more if the operators or manufacturers focus in development of production by quality control and standards together with modern machines that can be produced the products as planned. And manufacturers will also develop and launch new products to meet consumer's demand in the USA market.

5. Conclusion

The major findings of this research reveal that factors affected the country's export of Thai seasoning sauce to the USA market is influenced by all the factors that affect international trade. These include factor endowments and productivity, trade policy, exchange rates, foreign currency reserves, inflation and demand. A crucial point to note is both goods and services are counted for exports and imports, as a result of which a nation has a balance of trade for goods (also known as the merchandise trade balance) and a balance of trade for services. It can be concluded that Thailand still has a great opportunity on exporting Thai seasoning sauce to the USA market

Suggests further research:

1) Entrepreneurs should assess a business before going out to compete with overseas competitors. In the case of capital goods, including personnel, to reduce production costs and using technology to increase labor productivity and product quality. The expedition will be surveyed to the USA market's demand for any kind of food and accelerate on development of production in order to meet the needs of consumers.

2) Before applying to trade in the USA market, entrepreneurs need to understand and study the rules and regulations of each country clearly in advance. It allows businesses to export more correctness, convenient and faster. The government should facilitate the regulatory standards, prepare information and reporting system, industry standards up to date, and distribution to entrepreneurs in a timely manner utilizing a notification system.

3) Creating a strong business partner for the success of key business operations abroad. It will help create a network link, build mutual benefits and bargaining powers more than the business alone which require a government mechanism to help in the negotiations.

4) To provide the products of Thai entrepreneurs is known and remind the brand to provide customers the recognition to increase the value of food products, create a brand as a reliable quality and safety. The government should cooperate with enterprises and partners, promote products food continuously, launched a Thai products to be known, support and insight to define marketing strategy.

Once a Thailand exporter determines that there is an opportunity for their product to the USA market, it is important to develop an appropriate export marketing strategy. A Thailand exporter emphasizes for applying to trade in the USA market and needs to understand the rules and regulations of each country clearly in order to make the trust of consumers in the quality of production and the trust of the product together with ensuring customer's satisfaction. This is done by conducting a deeper analysis of opportunities, threats, strength and weakness of the market by collecting appropriate market information to increase labor productivity in order to reduce production costs, to meet the needs of consumers and to increase the benefit and market sell. This report is intended to provide information for the foundation of this analysis. It is necessary to conduct further sector-specific research before making a commitment to compete in these markets.

6. Acknowledgements

The researcher wishes to thank various people for their contribution to this project; Mr. Panyapon Jindavaranon and Ms. Nuntaporn Tharnpanich, for their valuable technical support on this project; Ms. Oratai Limwutiwong and Ms. Chantana Tanakul for their help in collecting the plant data and all the

technicians who helped in handling the instruments. Special thanks should be given to Dr. Witchayanee Ocha, the research project advisor for her professional guidance and valuable support and constructive recommendations on this project. Finally, the researcher wishes to thank their parents for their support and encouragement throughout this study.

7. References

- Boboboworld. (2018). *A guide to Thai taste: Thai seasoning sauce*. Retrieved January 08, 2018 from <http://www.thai.lt/thai-food/thai-food-blog/294-a-guide-to-thai-taste-thai-seasoning-sauce>
- Mingmaninakhin, W. (2006). *Macroeconomics principles* (14th ed.). Bangkok: Thammasat University.
- Saikanit, R. (2000). *Economics principles II: macroeconomics* (2nd ed.). Bangkok: Chulalongkorn University.
- The Office of Industrial Economics. (2016). *UAE/Sauce, curry paste, and seasoning in 2016*. Retrieved November 20, 2017 from <http://fic.nfi.or.th/mena/index.php/uae-op/uae-seasoning>
- Thai Tribune. (2016). *FDA of USA prohibit import of goods 13 items from 27 Thai entrepreneurs in June, 2016*. Retrieved November 20, 2017 from http://www.thaitribune.org/contents/detail/310?content_id=22836&rand=1480682439
- Wai, D. L. C. (2016). *The economic news on the world market*. Prachachart Business Newspaper. (in press).