

## THE PRICE OF CHEESE

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prices have not risen continually as developing nations grew.

On the contrary, a notable critic of America's food policy on India, physicist-turned-environmental-activist Vandana Shiva, argues that overall, Indians are eating less, not more, despite a growing middle class.

"Instead of Mr. Bush citing three-hundred-and-fifty-million middle class, he should be citing the Indian children being denied," Shiva said. "One million a year are dying for lack of food."

Trying to smooth out the argument and in order to keep the accusations away from ethanol, Brazilian President Luis Inacio Lula da Silva declared that the rise in food prices was due to the fact that "poor people have begun to eat" in places like China, India and Latin America, something for which one should "give thanks to G-d."

But the Indians weren't impressed, and instead they had a much better cause for the high food prices — overweight Americans.

"If Americans slimmed down to the weight of middle-class Indians, many hungry people in sub-Saharan Africa would find food on their plates," declared Pradeep S. Mehta, an Indian official.

And statistics seem to back their argument. The United States uses — or throws away — 3,770 calories a person each day, compared with 2,440 calories per person in India. So the Americans are certainly heavier than the Indians!

### Scientists: We're Too Good

Scientists who run three of

the world's leading international agricultural research labs say the worldwide surge in food prices is a predictable result of the neglect of agricultural research over the past two decades. They say the only way to prevent further price hikes, starvation and political instability is to fund more research into increased crop yields.

"We don't see this as a surprise," says Bob Zeigler, head of the International Rice Research Institute (IRRI) in the Philippines. "We've seen this coming for years. Basically, we're victims of our own success."

Get the idea? Sorry, I don't, so we'll have to drop this one. ...

### The Botswana Theory

Botswana has a totally different theory as to who is responsible for the price hikes: the political and economic situation in neighboring Zimbabwe.

Botswana thinks food prices are rising due to increasing numbers of Zimbabweans who come across the border to buy basic commodities.

This is actually a very optimistic theory, as it hopes that the political and economic situation in Zimbabwe will improve shortly so that food prices in Botswana stabilize. But how exactly Zimbabwe's crisis affects London's prices remains a riddle.

"Zimbabweans are the root of the problem," said Botswana's Batanani Muzila. "They buy everything in bulk, and this heavy movement of goods has a direct bearing on prices."

Muzila added that the problem does not apply only to food. "Everything has become very expensive because traders see a lot of money," he said.

### The Last — and Best — Theory

The list of accusations seems to be endless, so we would therefore like to offer our own explanation for the rising cost of food — and we're sure that our readers will agree that this is what truly underlies the price crisis.

Chazal list the signs of *ikvesa deMeshicha*, the period marking the end of the *galus* and the coming of Moshiach, with one of the signs being *yoker yaamir*, prices will rise (*Sotah* 9:15).

So we're all witnessing the fulfillment of Chazal's prophecy, and soon, very soon, we will merit the arrival of Moshiach!

## PATH TO STABILITY

# Starting an Import Business

*I live in Israel, and I have a cousin in the United States who manufactures a low-cost, high-quality line of leather accessories. These accessories are sold in major department store chains across the U.S. and Europe.*

*I work as a saleslady in a store that sells similar accessories, and I think there would be a demand here in Israel for my cousin's line. My cousin is willing to give me exclusive rights to distribute his products in Israel, but only on condition that I guarantee him a minimum order of thousands of pieces.*

*I have a small basement apartment that I could use as a warehouse to store the goods, and I would like to begin importing them and offering them to stores. How do I start?*

We congratulate you on your enterprising attitude and on your willingness to start a large-scale import operation from scratch.

Opening an operation such as the one you describe has many logistical elements, such as building a brand, making agreements with store owners and/or distributors, making land and sea shipping arrangements, coordinating legal and taxation issues and arranging suitable storage facilities.

The first thing you need to do is check the tariff code of the items you wish to import and obtain some important information. What is the country of origin? Can goods legally be imported from that country to Israel? Does that country have a free-trade agreement with Israel? What kind of taxes or tariffs will you be charged?

Once you have this information, you can start working on a business plan that will detail how your import business will operate, how it will be financed, what your true costs will be after shipping and duties, and what profits you expect to earn. Your business plan should include a description of your market edge — i.e., what differentiates you from your competitors.

Before implementing your business plan, you need to perform some market research. The Israeli market is tiny compared to the U.S. and European markets, and you need to find out if the existing demand is indeed sufficient to warrant the opening of the type of import operation you describe.

As part of your market research, you should visit stores in different cities, see what's on the shelves, and talk to customers, distributors and store managers. All of the information you gather should be written down.

Before visiting stores, develop a list of questions, such as: Are there customers for this new line of products? What similar products are available, and how much is their retail cost? What type of store sells these products? How many of these products are typically sold? Would store managers be willing to incorporate your line into their merchandise?

Once you have mapped out the market and collected all this information, you need to organize it in a well-structured report, which you can then share with your cousin's company in the United States.

At that stage, you might want to consider traveling to your cousin's U.S. headquarters to learn the business and observe from up close how the operation works. A good salesperson has to know his merchandise inside out and be able to answer questions from potential buyers without hesitation.

You can ask your cousin and his staff to show you how they market their product in the United States and Europe. This will teach you how they managed to build a successful model. In addition, find out who their salespeople and representatives are. Talk to these people, hear how they attracted department store chains and other wholesale clients, find out how they do their pricing, and learn from them how to begin your own business.

We would advise you to enlist the help of your cousin's company and Israeli distributors in building a price list. You should also obtain a price quote from a freight forwarder to determine what your shipping costs will be.

From your question, it appears that you have an advantage over your competitors in the existing market because of the high quality and relatively low wholesale cost of your products. Remember, however, that low wholesale cost does not necessarily translate into low retail costs after the import process is finished, because every middleman involved needs to turn a profit.

Once you have performed your market research, completed your business plan and built your price list, you can enter negotiations with distributors and department store chains in Israel.

At this point, we would not advise you to take on the entire responsibility for dealing with the merchandise. Owning a base-

ment apartment does not automatically qualify you to manage a warehouse. Managing a warehouse is a job in and of itself, and requires a substantial investment of time and money. You also need to develop systems for trucking, loading, unloading, storage, inventory control, security, insurance, and more.

In Mesila's view, you would be better off setting up a system wherein most of the logistics are handled by the retailers you will be dealing with.

For your purposes, there are two major types of retailers: department store chains and individual stores. Selling to department store chains seems like an attractive option for you, because there is a possibility that the financing costs and storage arrangements will be seen to by the chains, and if so, you might not have to assume much risk.

Selling to individual stores is much more difficult, however, since it requires you to make all of the technical arrangements. We therefore advise you not to work directly with stores, but to work through a distributor.

Find an existing distributor and come to an agreement that he will assume the burden of financing and the business risk initially. The distributor may be willing to assume the risk if he likes the product, because he is merely adding another line of products to his catalogue and the risk to him is therefore not that high.

If you were to assume the risk yourself, however, you would have to set up all of the infrastructure necessary for successful distribution. That infrastructure is complex, and is difficult to build from scratch. Later, when your operation becomes more established, you can consider assuming those risks yourself.

Before you do any of this, however, make sure that you have a legally binding contract with your cousin protecting your rights as an exclusive agent to Israel. Otherwise, the distributor can easily cut you out and begin dealing directly with your cousin's company.

Since we are not familiar with all of the details of your prospective business, the recommendations we have offered here are merely suggestions. We strongly advise you to meet with a professional business consultant before implementing any of these recommendations.

**MESILA**  
Providing The Path to Financial Stability

Mesila is a nonprofit organization dedicated to helping families and businesses in Israel achieve financial stability and independence. With over 25 chapters across Israel, Mesila is rescuing hundreds of families and businesses from the cycle of poverty and debt through its three-pronged approach of education, counseling and financial assistance. Readers are invited to submit questions and feedback to [hamodia@mesila.org](mailto:hamodia@mesila.org), or by fax to (02) 500-0478.

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