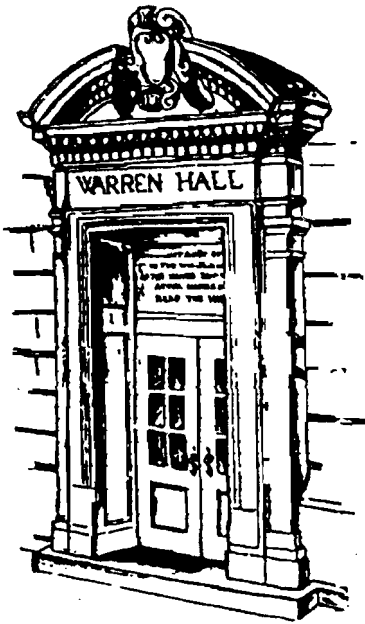


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Department of Agricultural, Resource, and Managerial Economics
Cornell University, Ithaca, New York 14853-7801 USA

Delivering Assistance to U.S. Agricultural Exporters: Observations from the Front Lines

by

Jon Kristopher Jenni

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Delivering Assistance to U.S. Agricultural Exporters: Observations from the Front Lines

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Introductory Comments

The problems and challenges that hinder first time exporters of U.S. agricultural products, and the possible role the government might play in addressing these issues have been topics of lively discussion in academic, popular, and policy circles. Much of the discussion, however, has been either “big picture” in nature, or else focused on how potential exporters behave while they are still pondering the decision whether or not to sell abroad. There seems to have been little inquiry into how would-be exporters behave on the “other side of the water,” that is to say, how they actually go about exploring a foreign market and taking initial steps towards introducing their products to an overseas clientele. This is focused on what actually occurs on foreign soil, and highlights various reasons which help explain why some firms give up or fail in their export attempts while others eventually succeed. At the same time, it will examine the various roles the U.S. Government can and does play in assisting these businesses.

This paper is based on experiences of the author while working in the USDA’s Foreign Agricultural Service (FAS). It is not intended as a rigorous statistical analysis, but rather offers an up-close look at the realities of exporting. Such anecdotal material can be helpful as a prelude to formulate more quantitatively based research.

This anecdotal evidence was documented over four years of service as a U.S. Agricultural Attaché at the U.S. Embassy in Tokyo. The position had as its primary duty assisting firms and individuals in the U.S. agriculture, food and beverage industry who were exploring the potential of the Japanese export market. The assignment to serve on the front lines in America’s number one agricultural export market gave the author ample opportunity to observe the interface between the U.S. agricultural industry and its products, the U.S. Government and its services,

* MBA candidate at California-Berkeley and former graduate student, Department of Agricultural, Resource, and Managerial Economics, Cornell University.

and Japanese business and consumers. The insights to be had in such a position are unique from those available to other observers, whether academic or commercial.¹

As a further proviso, it should be observed that this paper is, necessarily, biased along the lines of the author's professional experience in Japan, from which most examples are drawn. Of course, what is the case in Japan may not be the case in other markets or elsewhere along the Pacific Rim. However, it seems reasonable to assume that many or most observations from Japan are applicable to some degree in other important markets.

Some Underlying Themes

The focus of this study is on the issues or challenges faced by potential exporters, especially those that lean themselves to government intervention. These challenges vary in salience, with some being very matter-of-fact, practical problems, while others are more a question of perception or outlook. In fact, there is often a divergence between what first-time exporters feel to be the most difficult challenge and what the real issues actually are. Paradoxically, exporter attitudes or misconceptions themselves create additional barriers to those which already exist in export markets.

While any potential list of challenges would be extensive, we will focus on those stumbling blocks frequently encountered. Many problems are product specific, with *processed* and *value-added* items facing a much tougher road to success than primary or bulk products. Within primary products, *high value products* (defined here to include animal protein (meat) and fresh produce face more challenges than *bulk* (meaning grain, milled products, dairy powders, and oilseeds and related products). Thus, most of the examples discussed draw from the value-added and high value areas.

¹ This paper is an attempt to compile, in an organized and coherent fashion, the author's observations. These observations are a personal statement aimed at the scholarly community, and in no way represent the position of any agencies or officers of the U.S. Government, although the author clearly owes and acknowledges a debt to certain mentors and former colleagues in the government from whom he has learned but who, in deference to government practice, will remain nameless.

The distinction among product categories is important since it is the value-added and high value areas that are featured in the government's stated commitments to increasing exports. The attraction of these products is based on greater potential for job and income creation. Unfortunately, effective promotion of processed and value-added products is inherently more difficult to carry out. In addition, the government has been somewhat slow to match official goals and priorities with adequate resources to attain those goals. The U.S. Government has largely continued its historic focus on bulk agriculture, leaving export advancement programs aimed at higher-end products starved for cash and personnel. Despite rhetorical emphasis on high-value and processed products over the past ten years, these product areas are still stepchildren from the point of view of actual government assistance.

Few question the importance of off-shore markets and that the U.S. agriculture, food and beverage industries should be exporting more. Further, many contend that it is proper and in the public interest for the Government to encourage such exporting. This is not to say, however, that all U.S. firms are equally likely candidates for government efforts. There are two kinds of potential exporters. One general category is firms who may not actually have either a product that is exportable, either due to the quality or nature of the product, or the management capacity to export. Product problems often depend on the target country selected. For example, a product that simply won't measure up in a quality-conscious market like Japan, may do well in Mexico. Other products are simply difficult to take seriously, such as alligator or ostrich meat, even though producers mysteriously believe, in surprisingly large numbers, that export is in their future and thus deserving of government assistance. Other firms may have acceptable products, but simply are not full-time enterprises, such as households which put up homemade preserves in the kitchen for retail sale and which decide to attempt exporting. Such a firm is much less likely to succeed or to generate much export volume than a full-time, professional firm.

At the other extreme are well-managed companies with highly exportable products, often items that are domestically positioned as "gourmet," or which use innovative technology or superior packaging. Many of these companies are large established firms, but a much larger number are small and new. These types of firms and their products often have the attributes of the best of

American food culture, food science, and sophisticated management capacity thought to be the requisites for success.

At present, the government's current system for identifying which firms to promote abroad depends heavily on self-selection: those firms which approach the government and request assistance, or which wish to participate in trade events, are the firms which end up on the U.S. export promotion lineup. Self identification results in a collection of firms with less sales and export growth than needs to be, since a large fraction is firms and products with limited chances for success. At the same time, there are insufficient winning firms. There is no conscious effort to recruit America's best.

Who is FAS?

It may be useful at this point to explain the role of FAS *vis a vis* other governmental bodies involved in export promotion. Various public agencies at both the state and federal levels assist with agricultural exports. However, the lead agency is the Foreign Agricultural Service (FAS), a subcomponent of the United States Department of Agriculture (USDA). FAS Headquarters in Washington DC (abbreviated here as FAS/Washington) is charged with minding all aspects of the United States' overseas agricultural affairs, including defending U.S. agriculture's policy and trade interests in international economic and diplomatic settings, tracking trends in agricultural production and consumption in American agriculture's markets and in competing countries, and offering information and assistance to exporters of U.S. food, beverage, and agricultural products.

FAS operates the U.S. Agricultural Attaché service at 72 U.S. embassies around the world. Agricultural attachés serving abroad are the eyes and ears of FAS/Washington in terms of tracking the agricultural market situation in their host country. At the same time, they are the U.S. Ambassador's advisors regarding U.S. agricultural interests in the host country.

FAS has a highly educated and dedicated professional staff that serves U.S. agriculture well. However, export promotion and marketing, the focus of this paper, are perhaps the agency's least

well developed activities. The agency was originally dedicated almost exclusively to handling diplomatic issues and on reporting of bulk agricultural production in foreign countries. The new priority on export promotion and high value and value-added products has been the result of a slow, uneven shift in focus. The agency has yet to achieve a consensus on the desirability of this new export focus, and this lack of agreement has slowed the development of new tools and programs for reaching these goals.

Balancing its strengths and weaknesses, FAS does a good job overall in helping American agriculture to export. In general, FAS does best at interpreting and explaining the foreign market to U.S. firms, and in identifying key foreign market players and potential customers. On the other hand, the is still less adept at representing U.S. industry to foreign business interests and has not yet developed a strong network of contacts and information on the U.S. food industry. This is especially true for high value products.

A key problem is that despite its impressive system of offices overseas, the FAS presence in the United States is limited to Washington, DC. Thus, unlike other USDA agencies which have state, regional, or even county offices throughout the country, FAS has no contact with American agriculture outside of the capital city.

Limited domestic coverage hampers the ability of FAS to reach the broadest range of potential U.S. exporters. In the agricultural producing and processing areas of America, USDA is seen primarily as a regulatory organization or an agency that administers Federal conservation, supply control, or income maintenance programs for farmers and farmland owners. The number of farmers who are potential exporters of food products who know that the USDA has an export promotion arm is relatively limited. Many potential clients simply don't know who or what FAS is.

In turn, FAS for the most part also cannot successfully seek out potential exporters, as the agency's awareness of individual firms and industries is extremely limited. Although the USDA and other Federal agencies collect enormous amounts of data on U.S. business firms, the

statistics for the most part cannot be arranged to show the extent to which products and services are marketed off-shore. The lack of connection with U.S. firms and with the facts of exporting have several negative effects on FAS productivity. Firstly, while FAS generates huge amounts of useful and valuable market research, there is no reliable way to get this information to the firms and individuals who could make best use of it. To a large degree, FAS depends on commodity and trade organizations to help provide a mechanism for information delivery, but this works well only for bulk and some high-value commodities; it is currently completely ineffective for processed products because the procedures are typically heterogeneous and not gathered into groups and organizations.

In addition to sharply limiting information delivery, the lack of a network of U.S. producers and processors makes it difficult to monitor and identify “winners” to recruit for the large number of trade events FAS sponsors around the world every year, or to identify possible candidates when foreign importers inquire about potential suppliers of a given product.

What are the barriers that first-time or potential exporters face?

The limitations mentioned in the previous section, both in reference potential U.S. exporters and the Foreign Agricultural Service, do a great deal to inform the discussion of practices which impede export efforts. The list of possible challenges to beginning exporters is lengthy, but a few issues occur over and over again. Some are technically based, whereas others arise from perceptions on the part of the exporter. In the final analysis, the majority of the issues are best treated as informational problems. The role and effectiveness of the government (FAS) in working with business on these issues varies.

On the other hand, a challenge this paper will *not* cover are the classic “trade barriers,” which often dominate the headlines of business papers and the popular press. Such barriers as import quotas, high tariffs, and licensing systems are probably the first thing that spring to mind as impeding U.S. exporters. Exporters themselves would likely place these issues high on their list

of frustrations. Indeed in many cases, these import barriers do greatly impede or entirely prohibit U.S. exports. But yet it can be argued that such matters are not the most binding constraints in many cases. Further, and of more significance for policy discussions, these issues are a government-to-government matter. Any resolution of such impediments does not entail direct participation by the exporter. Consequently, we will ignore these high profile or policy barriers, and move on to problems that are more amenable to government/business interaction.

Technical Problems: Food producers/exporters frequently find that their products are at variance with local regulations on food additives, labeling, and processing technology and standards. Sometimes this is because the exporter has failed to do sufficient homework, but even a sincere attempt at research may not turn up every rule and regulation imposed by an importing country. Often, problems only become apparent after the product is at the port of entry, necessitating either costly storage in a bonded area while the issue creeps toward resolution through the mechanism of the foreign government, or else equally costly transshipment to an alternative market or back to the United States. Often, products to be introduced to a foreign market must be reconfigured to bring them into line with local regulations, a costly and risky proposition when entering an untried market. Would-be exporters often give up and concentrate on domestic imports at this point. It is important to note, however, that many other potential exporters feel that technical and other border measures are the *only* impediment to success, and that once these are dealt with, brisk sales in the foreign country will follow. In fact, getting access is only the first, and often not the most difficult step.

Technical Information: Exporters trying to avoid the problems mentioned above by doing advanced research frequently find that the relevant information is not available. Even in a market as sophisticated as Japan, technical material is difficult to find in one place, is usually not available in English, or is difficult to interpret even after translation. In the case of Japan, information on allowable pesticide tolerances and allowable uses of most food additives is the easiest technical information to attain. Information on technical processing requirements (for example, how long *beer* must be pasteurized, given a certain level of alcohol and carbonation) is hardest to find and interpret. Similarly, information on labeling requirements is hit and miss.

The U.S. Embassy (i.e., FAS/Japan) can be of some assistance, but given staff constraints, has only slowly been able to amass its current English-language corpus on pesticides and additives. Comparably useable information on truly technical standards will likely be a long time coming, since the Embassy lacks scientifically trained staff to fully understand the law, and cannot afford the staff time to research the problems of individual exporters. It should be noted that FAS in Washington, and several private and state sponsored consulting firms in the United States, claim to be able to provide this type of guidance. But competence varies widely, and none are as comprehensive or definitive as they claim.

The best source for guidance on technical import requirements usually is the local importer, assuming one has already been retained, which is often not the case at the early stages of exporting.

Border/Shipping procedures: Would-be exporters often see the lack of information and experience in the shipping process as a major impediment to getting started in the export business, but such procedures constitute minor formalities that can be dealt with later, and are best left to the importer and shipping agents. Unfortunately, the anxiety that may be entailed by the lack of familiarity with the shipping process can discourage would-be exporters, or direct their energies away from less obvious but more substantial tasks such as market research and promotional work. Fortunately, the generalities of shipping can be addressed easily in a workshop or export manual format. FAS and a plethora of other institutions at all levels of Federal, State and local government and educational systems offer such workshops periodically. Unfortunately these events are not monitored or coordinated and finding them is a matter of luck.

Market Information: “What is the market for my type of product in country X?” This question is probably the most one to exporters to address from afar but, fortunately, the U.S. Government can be of substantial help. FAS/Japan, for example, has made market intelligence a top priority, generating market briefs on a long list of fairly narrow market segments. For example, the market for *non-alcoholic beverages* or *microwaveable food* in Japan has received substantive

attention. The 20 to 30 page papers give an excellent, English-language overview of a market niche that can be a great help to an exporter in getting started in Japan. They are, of necessity, general in nature. Firms with specific products in mind, for example, *microwaveable buffalo wings with lite Cajun sauce*, will need to conduct further research at their own expense. Given resource limitations, the Embassy can do no more than suggest market research firms or other information sources. Another problem is that FAS research addresses the market as it currently exists, with only straight line forecasting of future market trends. A totally new product, the likes of which have never been sold in the target country, will only accidentally not benefit from such work.

The biggest limitation in obtaining market research is that not all FAS posts abroad are doing it. Most posts have very small staffs, who have often been assigned to producing crop estimates focusing on local agriculture, without an explicit focus on the situation for U.S. products, especially high value and value-added products. Another serious problem is that FAS/Washington has only slowly made market research (beyond local crop reporting) a priority. Distribution channels for non-periodic reports such as FAS/Japan's market briefs are essentially non-existent on a centralized basis, although this is changing. While there are purportedly several points of contact inside FAS/Washington for obtaining these types of reports, they do not truly function. The best way to find out if appropriate market research exists is to directly contact the U.S. Embassy in the country in question.

Cultural Fit: In general, the higher value the product, the harder it is to find market information, find customers, and convince local consumers to try it (even ignoring the need to educate consumers on the uses of entirely new products). This is true even for products that will eventually prove to be big hits. *Meat* is easy to market, *new kinds of fruits and vegetables* less so, *snack products and confections* tend to require some redesign to fit local tastes, while highly processed foods such as *frozen burritos, dry cake mixes, and breakfast cereals* face serious cultural/informational barriers.

For firms offering a viable product concept, tailoring of the product to local needs is often an issue. For Japan, product sizing is often an important problem, with Japanese consumers preferring much, much smaller packages than is typically the case in the United States. (For example, *ice-cream* is sold only in one-pint or *smaller* units at retail level. Firms offering only larger packs will fail). Other problems include tailoring products for Japanese microwave ovens, which are designed to different specifications and are much lower wattage than U.S. microwaves. Finally, there is a problem of tailoring the food itself. U.S. food is often found to be too spicy, salty and/or oily for Japanese tastes. Taken to the next step, U.S. staples which are unfamiliar abroad, like microwaveable *turkey, mashed potatoes and gravy* dinners will face a hard sell in Japan, despite the almost desperate shortage of microwaveable foods in that market. Firms that can produce Japanese favorites (like *beef curry with rice*) in microwave format will find a ready market.

It is of course export of these high value products which, rhetorically at least, claims the highest priority in the government. As noted earlier the vantage point is the job-creation and export earnings point of view. Ironically, these are the challenges the government is least able to address. Such products require a sustained research and marketing effort on the part of the manufacturer, both to understand the needs and constraints imposed by the foreign culture, to determine what modifications the product/packaging might require, and to design a strategy to help foreign end-users overcome misconceptions or lack of understanding or awareness about the product.

Finding a partner: Probably the single biggest problem to getting started is to find an importer/agent/customer in-country. A first step is getting a list of potential partners, but, especially in a country as big as Japan, these lists (such as the Embassy provides) tend to be overly long, poorly qualified, and broadly targeted. Qualifying can be a challenge, as some foreign firms that claim an interest in importation and thus appear on the list, have no experience and no distribution system, being little more than a business card with a fax number. Even legitimate foreign firms may be problematic. U.S. exporters often focus their search for a good "importer," but an importer, even an established and reputable firm, may not have the marketing

and sales capacity needed to introduce and support novel products, especially processed foods. In some cases, a "marketing" firm needs to be hired instead of or in addition to an importer.

Assuming that a short list of qualified targets has been generated, getting to see the right person, or any person, can be a challenge, as cold letters often go unanswered, and cold calls are stymied by language problems, differences in business etiquette, and frequent changes in personnel.

FAS has a fairly long history of helping make introductions, both through events in the United States and in the target markets. These include trade shows, product showcases, seminars, and one-on-one introductions. None of these approaches is a sure fire success, however, and making a first contact with potential customers remains difficult.

Product Quality: This is probably more of an issue in Japan than other markets, but U.S. goods (and packaging) are often inferior in quality relative to the local competition. This can be particularly vexing when the problem goes back to different official standards (for example USDA Grades on fresh produce). U.S. firms sometimes see the complaints arising in these cases as unfair and as an accusation of bad faith on their part, damaging business relations. More than occasionally, however, exporters have been known to use the foreign market to dump dated or damaged merchandise. More generally, potential exporters often fail to research how the needs and expectations of foreign customers might differ from those of Americans.

Management commitment and follow through: In many firms, top management is only marginally interested in, or supportive of, the export initiatives being launched by underlings. For processed foods, a similar lack of sympathy may exist between managers in the production department and sales department. The result may be that the producing side of the firm fails to take seriously the need for product modifications and exacting quality specifications. Larger firms often see export trials as a sideline relative to the core U.S. business, and do not give export customers the attention they expect. Smaller firms seem to be more likely to take the export attempt seriously, but often lack the managerial capacity to do the job well. An especially

common complaint is faxes not being answered and problems, such as damaged packaging or out-of-grade fruit, not being addressed.

A general lack of engagement is more problematic for some products than for others, but many first-time exporters try to deal with foreign markets as an “over-the-horizon” issue, taking the attitude that once the product is loaded in a container and out of sight, it is the importer's affair. For value-added products especially, most importers cannot succeed without substantial continuing support from the producer, in both technical and marketing areas, and without careful attention to foreign end-user feedback on the new product.

A plausible assumption is that perceptions guide the behavior of managers. Perhaps the easiest and most constructive way to overcome a lack of management engagement in the export area is for all of the key decision makers to frame their perspectives with visits to the market in person. Not only does this move all concerned up the learning curve of exporting to the new market, it can also convince the visitors that the needs and requirements of the foreign market really are different. This assertion is often not taken seriously, especially if the manager concerned has not traveled abroad extensively. Finally, such a trip can help build up the enthusiasm for exports that are needed in top management if the initiative is going to succeed.

Scale: For exporters with the right product, the scale of production is often an issue, especially as it relates to the size of the potential market. For example, in the past, many U.S. microbrewers have found initial success introducing their products to Japanese retail grocery chains, only to be faced with an initial order many, many times larger than their annual capacity. Thus, an important consideration in choosing a foreign partner is whether the two firms are of compatible size, so that a U.S. firm with limited production capacity does not try to link up with a huge national chain overseas, which will be planning national distribution. The opposite problem also occurs, where an initial order may be for only a few cases of a product, far below the level many U.S. producers are willing to consider. While insufficient capacity is a fact of life, inflexibility in dealing with potential partners need not be. Clearly, management commitment and willingness to take the long view are essential.

The Tool Box: What are some of the ways in which the Government can assist exporters?

For first-time exporters, especially small firms, the combination of all of the problems and perceived problems discussed above can be overwhelming. It seems that many firms procure importer lists, tariff schedules, technical standards, market briefs and a whole collection of other information, read it all, and then simply stop in their tracks, baffled as to what their first step should be. For others, particularly in expensive markets in Asia and Western Europe, the amount of money needed to conduct appropriate research and to then launch an effective marketing campaign can be daunting. FAS and its constituent posts have developed a fairly sophisticated range of tools for helping U.S. exporters. None is a silver bullet however, and there is clearly a need to devise additional intervention strategies for the government and/or improve the existing ones.

The key issue to remember is that the Federal government has no product to sell. What it can offer is information and introductions. The astute reader will note that none of the initiatives listed below necessarily require government sponsorship or participation. One might question why these activities are not left to the private sector. The response is that, in most countries, where the institution of government is still held in high esteem, the U.S. Embassy is often uniquely positioned to endorse activities, organizations and individuals. Only this entity can bring to activities and initiatives abroad a level of visibility and prestige not available to privately organized events, and can help achieve a higher and more senior level of participation by local business leaders.

Trade Shows: The trade show is a classic tool, and a good one, but it is not as powerful as many believe. While a trade show can be the essential ingredient in successfully initiating exports, it will not work in the absence of a larger marketing strategy. The quality of the show is crucial. Many trade shows are open to the public, meaning that ordinary shoppers can come through, clog up the show floor, devour all the samples, and reduce the time available for the exhibitor to contact and qualify potential customers. The best shows limit access to trade people only, but

again, the large volume of traffic can make it difficult to identify and contact the best potential leads. The best exhibitors have an aggressive program of ruthlessly winnowing out show visitors, and for spending quality time with prospects and seeing to rigorous follow-through. Weak exhibitors arrive at the show without a larger marketing strategy, treat all visitors as equally important, make few good contacts, initiate no follow-up, and then return to the United States no further ahead and several thousand dollars poorer.

Interestingly, one problem FAS posts in Asia have had with trade shows is getting enough quality exhibits for the U.S. pavilion (display area). While these markets are very quality sensitive, many U.S. exhibitors display low-quality products, poorly packaged products, or products that are simply inappropriate (for example, a perennial favorite: *alligator meat*). On the other hand, despite the very impressive array of U.S. products that can be found in the gourmet aisle of most American supermarkets, it is consistently difficult to recruit sufficient high quality products. The problem traces to the poor network of FAS contacts with U.S. food and beverage producers which is used when recruiting for these shows. The policy concern is that, while the U.S. is known to produce a plethora of new, innovative high quality products every year, the government is relatively unsuccessful in identifying and recruiting these types of firms for export promotion activities. Worrisomely, an inevitable result is that exhibits in pavilions of competitor countries such as Canada, Australia, New Zealand, Britain, France, and Holland are invariably more professional, better set-up, and display a more consistent level of product quality than in the U.S. pavilion.

Product Showcases: Showcases are similar to trade shows, but much more focused. Typically about 20 to 30 products from a single U.S. product category (for example, snack foods or industrial food ingredients) are delivered to the Embassy and put up in a static display, which a very select group of about 15 key local companies are invited to visit and examine. Unlike a trade show, the manufacturer does not participate, thus limiting expense to little more than the cost of shipping samples. This approach greatly enhances the signal to noise ratio, *vis-a-vis* a trade show, by insuring appropriate targets. The approach is also very inexpensive. On the downside, the face-to-face contact is missing. Again, like trade shows, a problem has been

recruiting a sufficient number of appropriate quality products to make the showcases consistently worthwhile from the point of view of the invited guests.

Trade Missions: In a trade mission, a group of U.S. business people from a given industry travels to the target market together and goes through a series of meetings/presentations with a list of potential customers prearranged by the local FAS office. Trade missions are a superb way to study the market informally and can be superior to a solo trip because of the quality of meetings and presentations made possible by a formal “mission” format and by embassy sponsorship. Trade missions are also an excellent way to get managers “over the hump”, that is to say, excited about and committed to the export market since reluctant senior managers can often be cajoled into traveling abroad if they also see it as an enjoyable social (and political) event with business peers and competitors.

Reverse Trade Missions: A group of foreign business people from the target market is brought to the United States for a series of meetings, tours, and presentations. A common venue is the annual food industry exhibition of the Food Marketing Institute and National Association of State Departments of Agriculture (FMI/NASDA) in Chicago, in which U.S. firms can exhibit in an international show without leaving the United States. Unfortunately, the quality of exhibitors at this show can be especially inconsistent. Other reverse missions can be industry specific, for example, a tour of meat packing operations in the United States. Beyond the obvious opportunity to educate potential foreign customers about U.S. products, and to introduce them to U.S. producers and exporters, the goodwill generated by such trips (which are usually heavily subsidized by the host U.S. industry, and may include sporting or cultural outings) can incline potential foreign buyers towards U.S. products instead of products of competing countries.

Qualified Buyers' Lists: Easily the resource that is most frequently requested of FAS by potential exporters is a list of importers. FAS has a large inventory of these lists by country and commodity area, but for large countries, they are of uneven quality and utility. A country like Japan has so many potential buyers of any given product that even the longest list will miss quite a few, while any list longer than about ten entries is too long to be effectively pursued by most

would-be exporters. In addition, the largest buyers of many commodities are giant trading firms such as the Mitsubishi Trading Company. The task of actually tracking down which of the hundreds of divisions in Mitsubishi might actually be a good point of contact is prohibitively time consuming, and so the importer lists usually list a general address for the whole corporation. Finally, a really good buyer list would give up-to-date information on each firm's current product line, strengths and contact persons to assist in discerning an appropriate target. (Mitsubishi is actually not the best type of firm for many products, which would be better handled by smaller firms). Again, maintaining this type of information in a list is so labor intensive as to be prohibitive.

FAS lists, with all their current flaws, are still better than nothing, especially in smaller countries, and have been used successfully many times over the years. For firms willing to pay a fee, however, private firms in foreign countries (similar to Dunn and Bradstreet) may be able to offer updated lists, or even compile custom lists for U.S. exporters.

Qualified Suppliers' Lists: In many countries, especially developing countries, local buyers/importers often approach the U.S. Embassy for a list of American suppliers of a certain product. Again, the lists maintained by FAS are of uneven quality, leaning heavily to U.S. brokers and small entrepreneurs who lack both assured access to product and expertise in international trade. The lists are in part self-selected. Earlier quality problems have been diligently addressed recently, but maintaining and qualifying these lists remains a labor-constrained task. Again, FAS does a pretty good job of knowing and listing key U.S. players well for bulk products, does a fair job for raw, high-value products, but to a considerable degree fails for processed products.

Trade Leads/Buyer Alert: This is a pair of free weekly publications in which foreign buyers can advertise their product wish lists to U.S. supplier-subscribers (Trade Leads) or in which U.S. suppliers can offer their wares to foreign buyer-subscribers (Buyer Alert). This system seems to be very effective in middle income and developing country markets, where price terms are crucial and purchases tend to be on a commodity basis. In industrialized countries, where the

qualitative aspects of the product are more important, the system is less effective and seems to elicit less interest from foreign business. Indeed, some Japanese firms seem to see Trade Leads/Buyer Alert as more of a nuisance than anything else, and have asked to be taken off the subscription list. Frequent complaints were the poor quality of products on offer, the fact that the materials were only available in English, and the large number of U.S. brokers (rather than producers) using the system on the American side.

Market Research : As discussed elsewhere, this is the forte of FAS/Japan (due in part to its unusually large staff) and at any given time, there may be 40 different market briefs available. The main drawbacks are that research cannot feasibly be tailored to individual products/firms, that not all FAS posts treat it as a priority, and that it has no real place in FAS/Washington headquarters, meaning that there are no regular channels of distribution. The best way for an exporter to determine what information is available on a given market is to contact the FAS office at the U.S. Embassy in that country.

Of course, whether or not a written report is available, U.S. exporters should take advantage of their right to visit the Embassy agriculture office in person and consult with the Agricultural Attaches and local staff at no charge. While this may seem an expensive proposition to some firms who would rather export while staying at home, visiting the target market early on in person is a *sine qua non* for export success.

Market Access Program (MAP, previously Market Promotion Program, MPP): This matching funds program has been a lightning rod for criticism and controversy since it was initiated as the Targeted Export Assistance Program in 1985. The author feels strongly however, that, despite the numerous problems (both very real and merely perceived) that have plagued the administration of the program, MAP is one of the most effective tools available for expanding agricultural exports and for turning U.S. producers into U.S. exporters. The program provides public money to subsidize marketing activities, such as research, in-store tasting, trade show exhibits, market visits and so forth. Informal in-house calculations indicate that increased corporate income tax revenues arising from trade attributable to MAP more than covers the

program's expense. Furthermore, the results are persistent, as the program works by shifting out the demand curve, not by subsidizing price. And, as benefits accrue to a whole sector, rather than an individual firm (for most of the program), the increase in exports is arguably the economic result of public investment. While many, but not all, accusations of poor management have a large component of truth to them, this does not nullify the very real successes of MAP in many different markets for many different commodities. Regrettably, the effectiveness of the program is hampered by perennial administrative mishaps in Washington, as well as by incessant outside hostility to the program that is often based on culpably inaccurate representations by journalists of how the program actually works.

Nodes of Information and Assistance

A potential U.S. agricultural exporter faces a highly uneven and fractured institutional landscape if he or she is seeking public sources of assistance and information. Who is he or she to contact?

FAS Washington: FAS has about 600 people in Washington, making it a small agency by U.S. Government standards. Accessing the right part of the agency is a challenge, however. A call to the "front desk" will likely lead to being bounced around among junior officers or clerical staff lacking training in where the appropriate division may be. While there is theoretically a one-stop desk for these types of calls, in the author's experience, many FAS employees, especially clerical staff, are unaware of this and do not know to where to forward incoming calls. Assuming a call gets to where it belongs, FAS has up-to-date general information on specific commodity (mostly primary product) areas, in the form of annual country reports on major commodities. These tend to be mostly discussions of the farm/market situation, however, focusing on crop forecasts and weather conditions.

While each commodity division has a "marketing" component, these are dedicated to managing the Market Access Program (MAP), and are not repositories of market information. FAS has a reports and information office, which has an extremely efficient system for maintaining and distributing publications from the list of scheduled annual commodity reports (mostly production

oriented), however the market research that is most needed, especially pertaining to high value and value-added products, or to market structure in general, does not appear on this or any other list. As these types of reports lack a dedicated distribution channel, market research submitted by posts is filed around the agency on an *ad hoc* basis and in many cases disappears.

FAS Posts: As discussed above, some posts do a substantial amount of research, while others do not. Some have great trade shows to plug into and others do not. All posts, however, have some feeling for their markets and who the key players are and are an excellent source of information and guidance. While all posts will answer questions received by letter or fax, limited staff time may prevent posts from answering in writing in as much detail as may be desired, especially at a busy post. By far the best way to access a post's expertise is to set up an hour appointment and visit in person. Second best is a scheduled phone call.

Many FAS posts, especially in smaller markets, will arrange a schedule of business meetings for first-time visitors to the market, and often will even accompany the visitor on the meetings and provide interpretation services. Such assistance can obviously make a tremendous difference for a new market entrant. Beyond the value of logistical assistance, a call from the U.S. Embassy can open doors and bestow legitimacy on an otherwise unknown U.S. firm.

This is not without significant costs to FAS however. Most fundamentally, the heavy demands on personnel time required to schedule and accompany visitors can bring other tasks in the FAS office to a halt. As these tasks typically mean activities such as market research, in-store promotional projects, and trade event planning which usually assist a broad range of U.S. firms, diverting staff time for extended periods to assist a single firm may prove a poor trade-off.

A less tangible cost is that while an Embassy introduction confers legitimacy, many U.S. firms unfortunately do not live up to the expectations generated. If the U.S. firm introduced turns out to be lacking in commitment, product quality, or business polish, the foreign firm may decide that the embassy-scheduled meeting was a waste of time, which obviously reflects poorly on the local FAS office. Since privileged access to these local firms and their officers is essential for

gathering inside market information and conducting promotional activities, such a loss of face can devastate the effectiveness of an FAS office. In general, it seems that smaller and less busy FAS offices, especially those in smaller markets, are more likely to offer meeting scheduling services than elsewhere. FAS/Japan, the busiest FAS post with the largest commitment to research and promotional activities, does not offer such services.

U.S. Department of Commerce-District Offices: The Commerce Department's U.S. and Foreign Commercial Service (US&FCS) maintains a network of 50 local offices throughout the United States designed to assist would-be U.S. exporters. While focused mainly on industrial products, they will field questions and inquiries from the agriculture, food and beverage sector. The quality of support is uneven, with some offices offering excellent service and others not quite reaching the mark. The sharper offices are aware of FAS and tap into FAS resources, both in Washington and abroad, but not all offices are attuned to programs operated by sister agencies. US&FCS also sponsors the U.S. commercial attaché service at U.S. Embassies. Occasionally, there is some overlap between agricultural and commercial attaches, especially for highly processed food and beverage products. At embassies without an FAS office, the commercial attaché's office will often be in charge of agricultural marketing issues.

FAS Field Offices: After much discussion, FAS has decided to open a network of field offices in the United States, similar to the Commerce District Offices discussed above. The first one is to open in Portland, Oregon in 1996, and will be staffed by an officer returning from service in Tokyo. Further offices will be opened later in other major centers of agricultural industry. While these will be limited in number, these offices could greatly expand the effectiveness of FAS, especially in terms of providing the agency with a network of grassroots contacts within the U.S. agriculture, food and beverage industry.

State Departments of Agriculture: There are 49 state departments of agriculture, and an indeterminate number of state departments of commerce or economic development with an interest in agriculture, food and beverage exports. In some states, the agriculture department takes the clear lead in export development, while in others, the economic development

department does. In Iowa, the two departments compete for turf, while in Indiana, they are combined. Most states have no more than one or two full-time staff devoted to agricultural exports.

A small number of states have outstanding agriculture departments, including North Carolina, Texas, Minnesota, and Colorado, but Oregon is the shining example. The Oregon Department of Agriculture international marketing division has a phalanx of full-time professional staff, divided by commodity and country expertise and working to expand Oregon exports as well as foreign direct investment in the Oregon food and beverage processing industry. In addition, the State supports an Agricultural Export Services Center, which is essentially a laboratory that attempts to maintain up-to-date information on foreign technical requirements and offers related testing and certification. Oregon exporters can get quality information, introductions, and other assistance from their state government. Most states however can offer little more than moral support.

On a regional basis, state departments of agriculture are grouped together into four State Regional Trade Groups (SRTGs) representing the Western, Midwestern, Eastern and Southern states. The four SRTGs were created by FAS as a way to funnel information and marketing program resources to state governments. The groups operate their own trade activities and programs to complement the efforts at both state and federal levels and can often be a worthwhile source of information and assistance to potential exporters. The four groups range in effectiveness from excellent to mediocre, with this being largely a function of the efficacy of each group's constituent state agriculture departments.

FAS contact with the state agriculture departments is very good, and where the state has a strong agriculture department, there can be a powerful synergistic effect. Where the states are undermanned however, little happens. In those states in which an agency other than the Department of Agriculture handles exports (such as Alaska), FAS relations with the state agriculture department is largely fruitless. However, political and institutional tradition prevents FAS from establishing contact with state economic development agencies, even where these might prove the more appropriate partner.

FAS has erratically passed on to the states and the SRTGs the various market research and other reports that it receives from posts. But again, these efforts are hampered by the unreliable way such research is distributed in Washington. Consequently, some posts send information they have generated directly to the states, bypassing FAS/Washington. Of course, since most states also lack well-defined systems for distributing (or even effectively storing) this type of information, much of it tends to disappear or get lost in transmission.

Other State and Local Export Centers: Across the United States lies an odd assortment of Federally and State mandates export assistance centers. Many of these are initiatives of individual legislators to "promote exports" in their states or districts but most operate in a vacuum. Many are housed in public universities and colleges, such as those at the University of Kentucky and Oklahoma State University, and so presumably have access to impressive scholarly resources that can assist local firms. However, to the author's knowledge, these centers have little or no regular contact with the U.S. Government's lead agency for agricultural export issues: FAS.

Similar to the above, many states have a network of export centers tied to their *community college systems*. However, these centers frequently seem to have lives of their own, being only loosely connected to their host institution, and often operating in isolation from other similar organizations. Some of these local centers have a creditable agriculture export library, and perhaps a few good contacts with FAS, and many offer "how-to-export" workshops. *Local libraries* also often seem to have an export center, occasionally with part-time consultants on hand. In general however, these existing outreach mechanisms are only feebly connected with FAS resources, thus limiting their access to export oriented information, and often condemning them to reinventing the wheel in terms of assembling materials and programs already available elsewhere. FAS for its part, has no mechanism for identifying and working with any of these organizations, a move that could conceivably greatly expand its currently limited information delivery system.

Trade Associations: Many segments of U.S. agriculture are represented by trade associations with formal and explicit relationships with FAS. These associations can provide exporters with excellent information, guidance, and occasionally, in-country representation. Not all associations are created equal. Some, such as the Meat Export Federation, the National Dairy Board, and the California Pistachio Commission are first rate. Others are anemic at best. Some, like the Produce Marketing Association, are only gradually getting into the export mind set.

Regrettably, these associations by and large exist only for primary products, whether bulk or high-value. There is a great dearth of comparable organizations for the processed food and beverage sectors. The organizations that exist, such as the Beer Institute, the American Frozen Food Institute, etc. are primarily lobbying and regulatory organizations.

Internet: So far, more is promised than delivered, but given the growing and dynamic nature of the World Wide Web, the situation changes daily. The FAS' homepage is less than one year old at this writing, but has already gone through several transformations, each one rendering it more and more effective and relevant to the needs of U.S. exporters. While improvements remain to be made, the FAS page contains a fairly impressive collection of the types of market research that previously would have gotten lost inside the agency. The best feature is a long new list of Country Surveys, which are lengthy detailed discussions of a given country's food and beverage market. Other interesting home pages include the ATINet page maintained by California State University, Fresno, with a broad range of current price and other market information for California grown products, and pointers to the FAS homepage and to that of the California Department of Food and Agriculture, (currently under re-construction). The main challenge, as is often the case with the Internet, is finding these and other interesting pages. Most search engines produce lists that contain generous helpings of dross, from which the few gems must be identified.

Closing Thoughts: What Should our Export Philosophy Be?

There are two broad strategies, or postures, that the U.S. Government could take in promoting U.S. agricultural exports:

- **Supply Driven Approach:** Taking whatever product comes to the government's attention and finding a market for it. On the upside, this allows the United States to play to its comparative advantage, since it leads us to try and find new markets for beef, pork, poultry, grains, etc. Unfortunately, it also means expending resources trying to find a place to dump poor quality, badly packaged or inappropriate products simply because a U.S. producer has it and thinks that someone else might want it. This approach has the distinct negative side of allowing the government's clientele to be self-selected, meaning a lot of effort will be spent dealing with peddlers of inferior goods, or firms with decent products, but no managerial capacity to export. It also means that a lot of outstanding products may be missed, especially if these companies are unaware of FAS programs. This in-box driven approach makes poor use of limited staff-time.

- **Demand Driven Approach:** Identifying a market niche and aiming for it. This allows U.S. agriculture's eyes-and-ears abroad, FAS, to identify late breaking opportunities and getting word to U.S. industry so that they can react before our competitors in Canada, Australia, and the EU do. This means FAS identifying its clientele as those firms/products most likely to succeed and concentrating limited resources on these. On the down side, FAS' ability to identify these winners is limited by its lack of contact with local players at the grassroots level. Furthermore, this approach requires discriminating among tax paying firms to select those that are likely to serve as multipliers to FAS efforts (and vice-versa), and those that will always and forever be a drain. This approach carries political dynamite.

Predictably, a blend of both strategies is probably the one that makes sense. The supply-based approach has brought U.S. agriculture tremendous success over the past 200-plus years, and will

continue to make sense for American mainstays such as beef. It clearly needs to be augmented by an aggressive intelligence gathering effort, however, aimed specifically at identifying emerging demand, with the findings being distributed along a well-maintained network of contacts with qualified U.S. producers, manufacturers, and exporters. This approach will maximize the chances of success for highly processed products, while also allowing mainstays, like beef, to stay ahead of changes in the target markets, beating competitors to the punch. Marketing activities aimed at previously identified high-potential market segments (such as targeted showcases for the beverage, food service, and snack food segments) should play a greater role *vis-a-vis* general food shows, in the future.

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