Cooperative Programs

by DAVID L. HUME

THAT EXPORTS of agricultural products are a fourth of the value of all exports of the United States is largely the result of several programs that create, maintain, and expand our market.

Most foreign programs in a broad sense influence in some measure the building of foreign markets for United States agricultural products: Programs for economic development, defense assistance, banking and credit, donations of surplus foods and other commodities, educational exchange and research, and other foreign activities.

Directly related to increasing agricultural exports are the programs of the Department of Agriculture for barter, sales based on the extension of both short-term and long-term credit, price assistance, and international trade fairs and centers and exhibitions.

Most directly and specifically designed for building export markets for American agricultural goods are the foreign market development programs of the Foreign Agricultural Service. In them, individual projects are operated for the purpose of developing and maintaining commercial export markets for specific commodities.

The projects are carried out under the authority and impetus of the Agricultural Trade Development and Assistance Act of 1954—Public Law 480. Section 104(a) of the law provides for the use of foreign currencies "to help develop new markets for United States agricultural commodities on a mutually benefiting basis."

Among other things, Public Law 480 (title I) provides for the sale of surplus United States agricultural commodities for shipment to and consumption in selected friendly countries.

Factors considered in qualifying countries for title I sales are as follows: The participating country's needs, economic status, and foreign exchange position; effect on dollar sales and other export programs; effect on export markets of other supplying countries; the relationship of the program to foreign aid programs and overall foreign policies of the United States. Title I sales are made by American firms to foreign buyers—sometimes a foreign government and sometimes a commercial importer.

At the completion of a properly consummated sale under title I of Public Law 480, the United States exporter receives United States dollars from the United States Government in payment for the goods sold. In turn, the United States Government receives as its compensation an equivalent amount in the currency of the country to which the surplus agricultural commodities are shipped.

Foreign currencies paid to the United States under the law are deposited to a United States account in the foreign country, thus becoming United States property. The law requires that 5 percent of the foreign currencies generated under title I be set aside for market development uses and that 2 percent be authorized for conversion to currencies other than those of the country to which the goods have been sold.

Foreign currencies, through conversion, therefore are used to support market development in countries where there is no Public Law 480 program as well as in countries where there is one.

There are 20 specific uses to which foreign currency may be put. One of these is for "104(a) market development," to which I referred.

The major part of the market development program is the part that is carried out in cooperation with a number of trade organizations, which represent United States agricultural producers, processors, and distributors. They contribute United States money, personnel, supervision, and program management and experience.

The Foreign Agricultural Service contributes foreign money and supports the market development program otherwise in many ways. Marketing specialists are available to work with industry organizations. Trade statistics are furnished. The agricultural attachés may be program advisers and channels between the program and American embassies.

The trade organization sometimes is referred to as a cooperator and the program itself as a cooperative program.

I GIVE an example of the steps in which 104(a) foreign currencies may be used to develop markets.

Assume that the producers and processors of agricultural Commodity X, organized in a trade organization, see an opportunity to increase exports through promotional activities. The following outline depicts a typical sequence of steps that may be taken by the Commodity X group to set up a cooperative program.

The group confers with commodity specialists of the Foreign Agricultural Service. They jointly conclude, on the basis of facts at hand, that a cooperative foreign market development program could reasonably be expected to increase commercial exports of Commodity X.

A survey team is organized. It comprises qualified members of the Commodity X industry and Commodity X marketing specialists of the Foreign Agricultural Service. The team travels to the countries selected as targets for increasing foreign sales of Commodity X, conferring, as appropriate, with United States agricultural attachés; foreign government officials; importers, processors, distributors, retailers, and others familiar with the markets for Commodity X in the particular foreign country. A report is made of findings.

Assume that the survey team has now determined and reported the scope of the existing market for Commodity X in the selected countries; the existing United States share in this market; the nature and importance of the competition both from local producers and other importers; the kind and influence of import tariffs and the types of barriers to trade, if any; and a great many other factors, upon which it has based the conclusion that a permanent increase in United States exports can be effected by properly oriented and planned promotion.

At this point, the Commodity X trade group and the Foreign Agricultural Service decide to engage in a cooperative program. This decision is formalized by a program agreement signed by both parties. It becomes the basic document pursuant to which the Service and the Commodity X cooperator enter into specific projects.

The survey team may have recommended promotion activities in as many as five or six countries; specific promotion activities would then be authorized by a project for each country.

For ease of administration, one project may authorize the same promotion activities for a group of selected countries, but promotional activities in any given country are authorized only after they have been approved in a formal project.

Assume that FAS and the cooperator decide to write a project authorizing the various types of promotional activities. Projects are in the nature of contracts in that they are signed by both parties (the Service and the cooperator).

They specify, among other things, the period the activity is to cover; limit the total amount and rate of expenditure for the money authorized; show a breakdown of the money to be provided by the Service and the cooperator; and specify reporting requirements.

The project defines the activities the cooperator may engage in.

They may include:

Public relations, designed to improve the acceptance for market development of a new commodity by foreign importers, wholesalers, retailers, and consumers.

Educational affairs, including conferences, seminars, and commodity classing and grading, which are aimed at increasing sales through the diffusion of knowledge about the commodity.

The point of sale, such as designing, printing, and distributing placards, banners, handbills, and similar items, usually for posting at retail counters.

Mobile exhibits, designed for mobility in bringing a sales message to a number of different markets. These may combine the techniques of education, point of sale, public relations, and other types of promotion. Mobile exhibits have visited many countries and hundreds of cities that otherwise would have been inaccessible to other promotion activities.

Demonstrations, in which technicians show how to prepare or use United States agricultural commodities. This technique is particularly effective at trade fairs, where large crowds congregate in short spans of time.

Advertising, designed to increase the United States share of the total market and frequently to promote foreign brands of goods consisting entirely or largely of United States farm products.

Contests or devices, designed to attract interest in a commodity and thereby increase sales through such devices as writing slogans, answering relatively simple questions, or submitting a coupon, which usually requests a free sample of the item.

Free samples may be distributed to target groups, such as schoolchildren or housewives, with the idea that a taste or test will stimulate a desire to buy the item for consumption on a repeating basis.

Special promotions, an acceleration of a number of promotional activities, pointed toward a big increase in sales for a particular holiday or season. Special promotions also include foreign tours by "queens" in American-made textiles; by winners of cooking contests; and other activities.

Surveys and evaluations, designed to assess existing programs so that promotion emphasis is directed toward the kind of activities potentially most fruitful and to find new areas of demand.

Visits by foreigners to the United States. These are designed to increase sales by introducing actual and potential foreign buyers to United States commodities in United States settings, and by bringing them into contact with various sellers. Leading opinionmakers, such as government officials, representatives of trade associations and chambers of commerce, and scientists, are invited to the United States to observe our marketing systems and production and processing.

Visits by United States representatives to foreign countries may be planned to increase agricultural exports by broadening the interest in foreign marketing among United States businessmen themselves; widening the lists of potential foreign customers of exporters; bringing to bear on potential customers the special sales impact that only the "man with the order book" can make.

The visits to America by foreigners and by Americans to foreign countries are among the most important of all market-development activities. It is difficult to assess the value in terms of dollars and cents of a two-way relationship, which develops on an increasingly friendly, and even personal, basis, between United States sellers and foreign buyers, but it is a key in successful market development.

Motion pictures and visual aids are used to inform foreign buyers in a number of different ways concerning a commodity, a group of commodities, or an industry. This technique also is used to raise the level of interest in foreign trade among United States sellers.

Next, a cooperator is expected to develop an overall marketing plan by which the promotional activities considered effective in a particular country are organized into a program.

Such a plan is formulated for each commodity and country. It takes into account the findings of the survey previously referred to and is based on the coordinated judgment of the cooperator, commodity specialists, and the agricultural attachés as to what the objectives should be and how they can be achieved.

The plan sets forth in detail the promotion program needed to fulfill specific marketing objectives, such as:

Increasing the United States share of the market for Commodity X from, say, 20 percent to 25 percent in a given country, or

slowing down the average rate of loss of the market by the United States in a given country for Commodity X from, say, 20 percent a year to 10 percent, or

introducing Commodity X on a relatively broad scale for purposes of testing the mass marketing for the commodity in a country where consumers have little knowledge of or familiarity with it, or

servicing the potential market in a given country that greatly needs Commodity X but cannot afford to import it as a usual commercial item. In so doing, the United States may expect to be a principal supplier when economic conditions permit commercial imports, or

maintaining the United States position in free markets for Commodity X by assuring the United States share in the future growth of such markets.

THE MARKETING PLAN indicates the actual activities authorized by the project and relates these activities to the fulfillment of its objectives.

Marketing plans are changed and amended on a trial-and-error basis, or as changing conditions dictate.

Finally comes the execution of the plan.

The cooperator now begins to engage in the activities, as indicated by the marketing plan, that appear likeliest to effect the desired objectives.

He obtains the support and assistance of marketing groups and institutions in the foreign country.

He may engage the services of public relations and advertising firms to assist in carrying out special promotions.

He establishes appropriate working relationships with local trade organizations; with governmental or quasi-governmental commodity boards; and with importers, processors, wholesalers, distributors, and retailers.

It is at this point in the execution of the plan that the pooled resources of foreign currency—provided under Public Law 480; United States dollars provided by the industry cooperator; and funds provided by the foreign industry—and the coordinated effort of all FAS and industry management functions come into focus in the form of a development program.

The plan calls for annual reports of activities by the cooperator and semiannual fiscal reports. The cooperative work is audited by independent auditing firms, Government agencies, and the cooperator himself.

Periodically, the agricultural attaché and his staff evaluate the activities and consult with the cooperator and otherwise engage in exchanges of information with him.

When the project has run its term, it is given a final evaluation. The results are assessed in terms of how successfully it has met the objectives.

The leadership for carrying out the development programs is provided by a coordinated relationship among four groups: The United States commodity group or trade organization; the commodity division of the Foreign Agricultural Service; the oversea office or representative of the United States commodity group; and the United States agricultural attaché in the country where the program is operated.

Since the foreign market development program began in 1955, the Foreign Agricultural Service has engaged in cooperative promotion with

44 industry organizations and groups, which have carried out more than 750 market projects in 67 countries.

Aggregate resources committed to foreign market development by these industry organizations and groups since the inception of the program—over and above the foreign currency resources they have received through the Service—reached an equivalent of more than 25 million dollars in 1964.

Trade cooperators have established 58 offices outside the United States and have more than 300 employees who work on market development.

The commodity divisions of the Foreign Agricultural Service are the basic organizational units in the Department of Agriculture through which cooperative foreign market development programs are operated. There are seven: Cotton; Dairy and Poultry; Fats and Oils; Fruit and Vegetable; Grain and Feed; Livestock and Meat Products; and Tobacco.

The Trade Projects Division provides the direct administrative support for the entire program. It works with all commodity divisions in obtaining the preparation and approval of program agreements and projects, budget and fiscal affairs, and other service-type activities.

The Trade Projects Division also operates the market development evaluation program and supports foreign market development in a number of ways by operating activities that do not lend themselves to a commodity-by-commodity approach.

The agricultural attaché is the principal Government official working outside the United States in foreign agricultural market development. He participates in the creation and approval of projects for the country in which he is located. He is a key official in approving the transfer of foreign currency from the account of the Government to the cooperator. He coordinates the foreign market development programs with the policies of the United States Ambassador in the country to which he is accredited. He evaluates the value of the programs and reports on them.

The total authorization for the program in 1963 from all sources was about 22.7 million dollars. That is less than one-half of 1 percent of the total value—5 billion dollars—of all agricultural exports in 1963.

It is interesting to note that percentages relating to advertising by manufacturers for selected industries in the United States are indicated to be: For drugs and cosmetics, 15.4 percent; automobiles, 1.3; food, 4.3; soap and cleaners, 12.1 percent; and tobacco, 4.6 percent.

WORLD TRADE in agricultural products in 1962 has been estimated at a total value of 30.1 billion dollars (based on 1957–1959 prices). Although we have no estimate of the proportion of this trade that can be attributed to market development and promotion, we know that the friendly competitors of the United States have been engaged in extensive and varied activities to develop and expand foreign markets for their agricultural products.

I give brief reports on some of them.

Australia has participated in 40 major international fairs in more than 20 countries in Asia, Europe, New Zealand, and North America since 1949. Since 1954, she has sent overseas 12 major trade missions; 3 trade ships; and 4 trade survey missions. She issues several trade promotion periodicals, one of which is printed in Spanish, Arabic, Japanese, German, French, and English. It is estimated that the Australian Government provides in the order of 10 million dollars (United States equivalent) annually for foreign promotion of agricultural products.

Denmark carries out foreign promotion activities through market analyses, fairs and exhibitions, oversea offices, and commodity-by-commodity promotion. The total program has cost the equivalent of more than 10 million dollars annually and is supported by farmers and the Danish Government.

Activities are carried on in West

Germany, the United Kingdom, the United States, Thailand, Syria, Greece, Kuwait, Japan, and other countries. Denmark makes extensive use of direct advertising and in-store promotions. For example, during 1962 and 1963, Denmark employed 170 specialists to promote Danish foods at retail stores in the United Kingdom.

In the Netherlands, promotion and research are carried out essentially by six products boards—poultry and eggs, dairy products, flower and ornamental products, fruit and vegetables, potatoes, and seeds. The Ministry of Agriculture does not itself conduct promotional campaigns. Through such activities as providing information services and coordinating agricultural exhibits, however, it complements the work of the boards. Funds for promotion are provided by the government and by the products boards through levies assessed against sales transactions. The Netherlands Dairy Products Board in 1959, for example, budgeted the equivalent of about 3.8 million dollars for all promotion and research for dairy products alone.

The principal export promotion programs of New Zealand are carried on by producers' boards with substantial cooperation from the government and its trade commissioners overseas. The main exports of New Zealand are meat, dairy products, and wool. Promotion efforts are centered on them. The meat board in 1962 carried out activities in Canada, the United States, Japan, Pacific Islands, Malaya, and Singapore. It is estimated New Zealand annually invests more than 10 million dollars in trade promotion.

ALTHOUGH the foreign market development program was in its 10th year in 1964, it was still considered to be a relatively new effort.

Interesting examples can be cited of the fruitage of the program for practically every agricultural commodity that has been involved.

I quote some examples from reports received by commodity divisions.

"Cash markets for soybean oil in Iran have been successfully developed. During 1962, the soybean oil cooperator sent several soybean oil processing technicians to Iran to provide vegetable oil processors with United States technical know-how on refining and hydrogenating soybean oil. As a result of this training, Iranian technicians have greatly improved their ability to handle soybean oil and the major vegetable oil processors have started buying oil for dollars. Most of the soybean oil is now being used in shortening, but, since the country's refining capacity is in excess of their hydrogenation capacity, marketing of a liquid soybean oil is needed. The soybean oil cooperator has been successful in obtaining an agreement from one of the country's largest plants to put liquid soybean oil on the market. Success of these promotion efforts is shown by United States exports of soybean oil to Iran, which rose from 2.2 million pounds in 1960–1961 to 27 million pounds in 1961–1962 and during the 1962–1963 period, October–March, exports have nearly reached the level of the entire previous marketing year.

"One of the major objectives of the cotton market development program has been to stimulate greater expenditures on cotton promotion by interested groups overseas. A significant achievement in this direction came about during 1963 in the largest export market for United States cotton. Japan's cotton spinners began a new domestic cotton promotion campaign in February. The All Japan Cotton Spinners Association (AJCSA) has allocated the equivalent of 830 thousand dollars annually for the new 'self-help' program. This is more than twice the amount provided for promotion under the existing program carried out by AJCSA in cooperation with the United States cotton cooperator and the Foreign Agricultural Service. Counting the new program, the Japanese industry is investing more than 1 million dollars in 1963 to promote the development of new and expanded uses of cotton in Japan. This is more than five times the amount of FAS funds being spent in Japan on cotton promotion.

"In 1959, prior to leather promotion in Japan, cattle and hide prices on the west coast and in the intermountain area of the United States were about 15 percent below high market prices in the eastern half of the United States. This price disadvantage reflected the eastern location of a majority of our tanneries and the limited outlets and extra freight costs for western hides accordingly. Now in 1963 hide prices in the West are equal to or command a premium over those in the rest of the United States, and cattle prices in the western area have increased by a dollar and a half up to 3 dollars per head. United States hide sales to Japan increased from 12 million dollars in 1959 to over 27 million dollars in 1962.

"The first substantial sale of United States frozen poultry to western Europe moved under Public Law 480 in 1956.

"It consisted of approximately 1.5 million dollars' worth of chickens, turkeys, and included also a few ducks. At the same time the cooperative FAS/poultry industry market development program was activated in this area. After the initial introductory sale under Public Law 480, and with the inception of the market development program, United States frozen poultry products commenced to move commercially into the West German market. By 1962, the commercial demand for United States frozen poultry had spread to other western European countries. Within a period of 6 years, aided by the cooperative market development program, sales of frozen poultry to the western European area were returning in excess of 50 million dollars annually to the United States."

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Bartering Farm Products

by ROBERT O. LINK

THE BARTER SYSTEM is a device used by the Department of Agriculture to help build foreign markets for farm products.

The name "barter" is derived from the statutory authority for the program, but it may be misleading by implying that what is involved is a direct exchange of United States commodities with another country for products of that country.

Our barters are contractual agreements by United States business firms to accept and export to restricted destinations commodities owned by the Commodity Credit Corporation.

In exchange, the barter contractor (or a supplier who has agreed to accept payment from the barter contractor instead of directly from the Government) provides the United States Government with specified materials, goods, or services.

Barter transactions may be bilateral and come close to the traditional concept of barter, as when a strategic material from India is accepted by the Commodity Credit Corporation in exchange for wheat or cotton to be exported to India.

On the other hand, they may be open end—that is, they may consist of separate purchase and sale transactions with no direct tie-in between countries receiving our agricultural products and the country supplying the materi-