

Building Foreign Markets in a Competitive Environment

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During the 1980's, the U.S. feed grains industry saw a remarkable turn of events on the trade front. U.S. feed grains exports declined from a peak of 2.8 billion bushels in 1979/80 to a bottom of 1.55 billion bushels in 1985/86. The last few years have been spent in rebuilding U.S. competitiveness in feed grains and in many other products as well, since the loss of overseas markets was felt throughout U.S. agriculture. Now that annual feed grains exports have recovered to the 2-billion-bushel level again, the U.S. feed grains industry looks to the future with renewed confidence.

The lesson learned from the past few lean years is that the United States must make a continuous effort to remain competitive in the world grain market. When we investigate what constitutes competitiveness, the easy answer focuses on price. But this focus masks the complicated nature of competitiveness and simplifies the real process of market development. Price is only one component of competitiveness; proper market development and promotion of the product are also important in determining sales.



Traditional farming practices often exist side-by-side with modern equipment in countries like Egypt, where this dairy farm is located. The Feed Grains Council helps these countries adopt nutrition and health management practices that make them more efficient users of feed grains, thereby increasing demand for U.S. exports. (U.S. Feeds Grains Council)

Responding to Change

The U.S. Feed Grains Council (USFGC), in its 28th year of promoting U.S. feed grains and their coproducts overseas (e.g., corn gluten, cornmeal, barley malt), has seen tremendous change in the overseas markets for U.S. feed grains. Japan, for instance, has leapt from being a struggling, developing economy to an economic powerhouse among industrialized nations, as well as the best customer for U.S. feed grains. Consumption patterns and tastes in Japan have changed dramatically and now call for dramatically different kinds of promotion programs. USFGC has responded by pursuing a wide variety of flexible approaches targeted toward the various growth sectors, both traditional and nontraditional, within Japanese agriculture. (Some examples are industrial corn, barley malt for beer, and livestock feeding sectors.) This flexibility and responsiveness are characteristic of USFGC's programs in more than 50 countries.

Enhancing Traditional Market Development

The cornerstone of USFGC's programs has been helping prospective importers develop their capacity to handle, use, and import feed grains. This approach is still the underpinning of USFGC's worldwide market development effort, but the organization has also developed innovative projects that build on more traditional market development programs, such as providing technical assistance on health and nutrition to livestock and dairy industries in the various target countries.

Influencing Trade Policy Vital to Market Development

In a world trading environment increasingly dominated by govern-

ments, it is impossible for any market development group to ignore trade policy. In the past 2 years USFGC has become a major voice in the world trade arena on disputes about feed grains. In one instance, it coordinated the action of U.S. producers in successfully putting pressure on the European Economic Community (EEC) to come to terms over a dispute with Spain, a major market for U.S. feed grains until it joined the EEC. The resulting agreement allows U.S. feed grains exporters to sell 2.3 million metric tons of corn and sorghum to Spain each year through 1990. This example illustrates how trade policy can directly affect the pocketbooks of U.S. farmers and agribusiness.

Government Programs Aid Private Sector

USFGC has developed short-, medium-, and long-term programs that work together to generate continuous payoffs for U.S. feed grains exports. These programs are a vigorous combination of private sector efforts and U.S. Government programs, which meld these two forces into a comprehensive market development effort. Making the best and most immediate use of the various Government programs that can promote U.S. feed grains is crucial, because of the temporary nature of Government programs and funding.

Promoting for Immediate Gains

Historically, the U.S. barley industry has been a residual supplier to a world market dominated by subsidized barley from the EEC. U.S. barley sales had been in a slump until USFGC found and built a new market in Saudi Arabia using USDA's Export Enhancement Program (EEP). The Council's overseas staff discovered that the Saudi Arabian Government



U.S. farmers involved in Feed Grains Council programs find that their advice to foreign producers can help build demand for U.S. feed grains overseas. Jim Christianson, second from right, a Montana barley grower, shares his expertise with producers on a Taiwanese duck farm. (U.S. Feed Grains Council)

wanted to import large amounts of barley to supply the country's Bedouin sheep and livestock producers. Because the Saudis had been receiving highly subsidized barley from the EEC, Saudi Arabia became an ideal target for EEP, which helps to combat unfair trade practices.

Not only did the staff identify the market, it also identified new-to-market Saudi importers using the program, and it served as an intermediary among the Saudis, the U.S. Government, and U.S. exporters. As a result, U.S. barley exports increased from 22 million bushels in 1985/86 to more than 150 million in 1986/87.

Familiarizing Foreign Buyers with the U.S. Grain Marketing System

One of USFGC's most promising programs is made possible through the U.S. Government's Targeted Export

Assistance (TEA) Program. Many countries are privatizing their grain purchasing systems, which brings to the fore a new group of inexperienced buyers unfamiliar with the U.S. free market system. To many of these buyers, the U.S. system seems vast and complex, which sometimes discourages them from buying from the United States. USFGC's efforts under the TEA Program teach foreign buyers the advantages of purchasing from the United States and how they can make the most effective use of that system.

Promoting Alternative Uses of Feed Grains

Developing a large number of customer countries is one way to broaden markets for U.S. products, but another way, no less important, is to develop markets for alternative product uses. USFGC maximized its use of the TEA

Program in promoting industrial and food uses of feed grains. Through the "samples" programs, it introduces U.S. feed grains into markets that are unfamiliar with these products by offsetting the cost of shipping milling- or brewing-sized samples to interested buyers. The resulting shipments are used by brewers, feed manufacturers, and industrial users to compare U.S. grains with the grains they are currently using. In most of these cases, the buyers are convinced that the extra yield or quality they get makes the U.S. varieties, including waxy, high amylase, and hard endosperm corn, a better value.

The samples program has allowed shipments of high-starch U.S. hybrids to wet millers, for instance, in the United Kingdom, which is already a strong market for U.S. industrial corn. These wet millers have been aware of U.S. quality, but the bidding process they use has usually yielded a lower price and, consequently, lower quality grain. The cost of shipping a test-sized sample (about 120,000 bushels) has dissuaded them from trying higher grade U.S. corn. This project

has shown them they can get more and better starch from U.S. hybrids than from the Italian or French varieties they now use.

Market Development: One Key to Competitiveness

The successful promotion of a product can make the difference between potential sales of a product and actual sales. Successful market development is a function of knowing the markets and being in the right place at the right time. USFGC can do this by maintaining permanent offices in the major growth markets for feed grains and by hiring foreign nationals of those countries to provide market intelligence and implement programs. The United States can no longer afford to rely on buyers' own initiatives to make sales happen. USFGC has recognized the value of actively promoting U.S. feed grains for more than a quarter of a century and looks forward to staying in the forefront of U.S. market development abroad well into the next century.