

Approved Fred A. Kerr
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS ^{2/16/83}

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

10:00 a.m./~~p.m.~~ on Tuesday, February 15, 1983, 19 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present: All except Hank Avila

Conferees appearing before the committee:

Eldon Fastrup, Director, Domestic and International Marketing
State Board of Agriculture

Senator Arasmith moved the committee minutes of February 10 be approved, seconded by Senator Karr. Motion carried.

Senator Kerr introduced Mr. Fastrup who gave a short resume of his background prior to his present job. He was born in Montana, grew up in Montana and South Dakota, served in the USDA Foreign Service, was director of multi ag agencies in Montana, and most recently the American Poultry and Egg industry in Venezuela. He's been in phases of marketing for a period of 18 years. He then distributed and read from Attachment 1, regarding the Marketing Division of the State Board of Agriculture and an Overview of International Market Development.

Answering Senator Karr's question as to coordination between the several organizations working on marketing and promotion, Mr. Fastrup stated the Department meets quarterly with the five other organizations within the state; he intends to followup on these meetings and give coordination and proper linkage for the state.

Mr. Fastrup stated they, including three millers, have scheduled a trip to Venezuela to attend a trade mission.

Answering an inquiry as to the "scenario" of market development on page 3 of the attachment, Mr. Fastrup stated there is a South American feed grain potential, plus the poultry and swine industry in Venezuela since the government no longer controls and subsidizes it, plus maybe Jamaica or another country. Their facilities would be studied and technical advice offered. There would be an in-country survey with hopes of getting private sectors of business involved.

Answering Senator Gannon's inquiry, Mr. Fastrup stated they are hopeful of putting the buyer and seller together and they try to give everyone interested a fair shot. "Our role is to promote new participators, providing suppliers from within Kansas and not the larger companies." Mr. Fastrup stressed there first has to be a general demand for U.S. commodities; there is the U.S. Board and state marketing divisions and "we have to be an effective linkage".

Mr. Fastrup stated the total exporting of US Ag products is down, as well as exports in other countries, and they also are down in value due to the international recession. He also favors talking to our trade partners in Taiwan.

Relative to Senator Arasmith's question as to agri business, Mr. Fastrup stated agriculture machinery would be considered with emphasis on agriculture commodities and agriculture food products, and they work with the industrial development group and US Commerce Department.

The meeting was adjourned.

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Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

Tuesday, Feb. 15, 1983
Date

NAME	ADDRESS	ORGANIZATION
Leola Dodge	Oleburg, Ks.	United Farm Women
Marge White	Bellevue, Ks 66407	United Farm Women
Harland Pridell	Topeka	Ks State Bd of Ag.
John K. Blythe	Manhattan	Ks Farm Bureau
Steve Robinson	Topeka	AP
Tony Gonsalves	Topeka	UPI

Presentation

Before

SENATE

AGRICULTURE and SMALL BUSINESS

COMMITTEE

Fred A. Kerr, Chairman

MARKETING DIVISION

KANSAS STATE BOARD OF AGRICULTURE

OVERVIEW

INTERNATIONAL MARKET DEVELOPMENT

Eldon R. Fastrup, Director

Marketing Division

Kansas State Board of Agriculture

Atch. 1

The Agricultural Export Market Development program and policy of the U.S. is fundamentally different than most other competing exporting countries of the world. We do not have major "trading Company" structures nor "national commodity marketing boards" which have long been utilized in most Asian and European countries for both promotion and sales. Our national effort is a highly coordinated interfacing of: 1.) Foreign Agricultural Service, U.S.D.A., national agri-business organizations, national agricultural commodity producer commission programs designed to create and expand general demand; and 2.) state marketing programs having the responsibility to be the linkage vehicle for planning, implementation, and delivery of services to assist in accruing maximum benefits for the best interests of the agricultural industry within the individual states.

In this period of world-wide economic down-turn and resultant reduction in world trade, as well as increased competition, state marketing programs working in close cooperation with other export development interests within the state and region will assume a greater role as an integral part of the overall U.S. export market development effort.

The basic responsibility of the Kansas Board of Agriculture in promoting exports is that of "bringing buyer and seller together in an environment to maximize potential sales".

Successful accomplishment of this goal is achieved through proper organization of division resources; a high degree of coordination and participation in export activities at the state, regional, national and international level; and conducting successful market development projects for the direct benefit of Kansas.

I. Organization

The Marketing Division underwent reorganization during 1982. This process was initiated in a step-wise fashion and now provides an operational structure which:

1. Clearly delineates areas of program responsibilities and supervisory functions to specific staff members.
 - a. Provides for detailed cost-benefit evaluation for domestic marketing, international marketing, egg inspection, analysis and information, and office support functions.
2. Establishes specific responsibilities for coordination of foreign market promotion with state, regional, national, and international programs and interests.
 - a. Division director will be responsible directly or on behalf of the Secretary of Agriculture to actively participate in planning participation, evaluation of in-state, regional, national and international foreign market development programs.

II. Foreign Market Projects -- Coordination and participation:

The purpose of participation by the Marketing Division in the export activities of state, regional, national and international organizations is to establish working relations with executive officers, working committees,

and professional staff members. Primary objectives are: to identify specific opportunities within the individual foreign market projects planned by the organizations which can be coordinated into the Division's Foreign Market Development annual plan; and, to develop operational means to participate in such projects so as to target the results to the maximum advantage of Kansas interests.

Our participation enables coordination of project planning and implementation to ensure no duplication occurs and that a continual flow of information exists between agencies at all levels.

1. State:

In May 1982 the Marketing Division initiated a quarterly meeting between five state agencies concerned with promotion of agricultural products. These are Department of Economic Development, Wheat Commission, International Grains Program, International Trade Institute and the Board of Agriculture.

The division maintains ongoing contact with farm organizations, commodity groups, and livestock associations, which have interests in market development activities.

2. Regional:

a. Mid-American International Agri-Trade Council:

MIATCO is an export council with membership from state departments of agriculture of 12 midwest states (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin) which have commonalty of products and interests in promotion of exports and commodity sales. The association provides services in trade lead development and coordinates regional trade missions, foreign buying teams, foreign exhibits.

b. U.S. Department of Commerce District Export Council:

A division staff member, by appointment of the Secretary of Commerce, represents Kansas agricultural interests on the district council. This participation provides for an interchange of export activity and information between agricultural and commercial interests within the Kansas-Missouri area.

3. National:

a. National Association of State Departments of Agriculture:
National Association of State Marketing Officials:

NAMO is an affiliate of N.A.S.D.A. with a purpose to develop a broad program of services for state utilization and to coordinate specific national projects. The association also serves as a primary forum for collective state input to U.S.D.S., Foreign Agricultural Marketing Service programs and overseas operations.

4. International:

- a. U.S. Feed Grains Council, American Soybean Association, US
Wheat Export Federation:

The above organizations referred to as "cooperators" represent the international operations of state Corn, Grain Sorghum, and Soybean Commissions. Additional details are presented in a separate presentation.

III. Market Development Program:

The Division's export program is designed to achieve maximum results through efficient utilization of available resources.

Keystones to a successful program include the recognition that market development is a long term effort and requires a commitment to program continuity and duration.

A representative "scenario" of market development is: conduct country demand analysis to identify priority markets, provide product information and supplier lists to potential importers, provide trade leads from target country to Kansas suppliers, conduct trade mission with personal business meetings between buyer and sellers, coordinate itinerary for foreign buyers to visit in-state exporters, assist exporter to develop quote and shipping, sale completed. Typically, this process will occur over a period of 1 1/2 to 2 1/2 years.

1. Program Activities:

The program developed and provided detailed product information and supplier contact lists to importers in 46 countries; developed computer capabilities to conduct market demand profile analysis for foreign countries -- 16 now completed; coordinates a special International Program for foreign livestock interests at the American Royal; Coordinates Ranch Youth Exchange Program - foreign youths live and work on Kansas swine and cattle ranches; completed individual firm product surveys for computerized distribution to foreign markets -- 245 companies now on system; initiated a computerized "Foreign Trade Lead" receiving, analysis and distribution system -- since October 1, 1982, processed 539 total leads and provided specialized follow-up to Kansas suppliers on 160; coordinated or sponsored participation by 14 Kansas firms in 5 international exhibits conducted in U.S. and 2 trade missions covering Venezuela, Mexico, Dominican Republic, Costa Rica; participated in 3 in-country survey missions including Mexico, Taiwan, Singapore; provides specialized export assistance, marketing information or follow-up service to an average of 45 requests per month.

The operating plan for the remainder of FY-1983 projects the following major activities:

- Trade Mission; Taiwan, Singapore, Hong Kong, May 1983:

Conduct trade service meetings with importers; emphasis on swine and processed items; preliminary contact for Taiwan Procurement Team to Kansas.

- U.S. National Food Exhibition; May 1983, Atlanta, Georgia:
Coordinate participation by 6 Kansas Firms in this exhibit of U.S. products designed for international buyers.
- Foreign Trade Teams to Kansas; spring and early summer 1983
Coordinate itinerary and host teams from Taiwan, Korea, Peoples Republic of China.
- Trade Mission; Korea and Japan, June 1983
Conduct business meetings with Government officials and private importers. Emphasis will be placed on beef cattle, feed grains and preliminary contact for Korean/Japanese teams to Kansas.
- Expansion of Computer programs for in-state supplier listings, foreign country profile analysis, management of trade leads, economic impact analysis. Increased level of support services and assistance to Kansas export interests.

2. Program Results:

Identifying and measuring exact results related to specific market development projects and services is a difficult task. In many cases individual participant firms prefer to maintain confidentiality as to actual sales, prices and contacts. Also, as set forth in the scenario above, final sales often result from several activities and services over a relatively long period of time.

The division does use follow-up survey, personal interview, and other accepted techniques to determine quantitative program results as accurately as possible.

The capability of the Marketing Division to accomplish an effective linkage between state exporting interests and national and regional market development programs has resulted in directly generating \$1,004,000 and has provided verifiable assistance in securing an additional \$15.7 million in export sales of Kansas Agricultural commodities and food products in 1982.

OVERVIEW OF THE
KANSAS CORN, GRAIN SORGHUM AND SOYBEAN
COMMODITY COMMISSIONS

I Origin of Commissions

The Kansas Corn, Grain Sorghum, and Soybean Commissions were formed by the 1977 Kansas Legislature. All three are attached to the Marketing Division of the State Board of Agriculture. Each commission began collections on the first of September 1977 and began allocating the money collected on the first of July 1978. The commissions only spend funds one year after collection to insure that they always operate on a cash basis.

II Composition of Commissions

There are nine members on the corn and grain sorghum commissions and seven members on the soybean commission. The members are growers of the respective commodity for at least five years. They are appointed by the Governor and represent the growers in the district of the state they reside.

III Purpose of Commissions

With a growing U S supply of feed grains and oil seeds, increased emphasis on market development must be addressed. The commissions have taken this premise in developing their activities. The budgets of each commission are determined by their members with nearly 50% of the collections utilized for international market development of their commodity. One-third of the commissions' budgets are used for research in the form of production, storage, marketing, and utilization of their product. The balance of the commissions' budgets are equally distributed for various types of marketing campaigns, publicity, and educational development of the commodity and products represented. Commodity check-offs in Kansas are designed with the farmer in mind. They provide a service of market development and research for each commodity which the producer cannot perform.

IV Research Examples

Kansas State University researchers, working on projects funded by each of the commodity commissions, provided further results in the areas of disease and insect problems in corn, grain sorghum and soybeans.

Animal science researchers have utilized a grant from the Kansas Grain Sorghum Commission to utilize off-quality sorghum in the feeding of ruminants. The study evaluates the practice of feeding out-of-condition grain sorghum. Tests will be conducted to learn if changes in the appearance and quality of grain affect ruminants when the deteriorated grain is incorporated into regular feed rations. Researchers believe the government program allowing on-farm storage of grain for three

years will result in more grain deterioration. Even 10 percent of Kansas grain in storage going out-of-condition would result in millions of dollars in losses for Kansas farmers. The research will determine if the use of some out-of-condition sorghum is detrimental in feed and at what levels it can be fed safely.

Agronomy and plant pathology researchers, through support of the Kansas Soybean Commission, are investigating breeding strategies used to develop soybean varieties adapted to Southeast and Western Kansas. The investigation will study techniques to improve the inoculation used to screen varieties for the fungus which causes charcoal rot, a persistent soybean disease in Kansas.

Corn researchers are investigating stalk rots and virus diseases in projects funded by the Kansas Corn Commission. Researchers believe corn kernels infested with a seed-borne factor are a major contributor to the development and incidence of stalk rot disease in corn. The elimination of the pathogen and a decrease in destructive stalk rots is the objective of the research.

V

Market Development

(A) U S Feed Grains Council

The Kansas Corn and Grain Sorghum Commissions' support of the U S Feed Grains Council has been beneficial. As an example of our investment, the Council has utilized producer contributions from six other check-off states to develop export markets at a rate of 556 percent from 1960 levels. Intensive programs of education and service have been implemented to assist less-developed countries update their food supply, food quality and food economics. As programs upgrade a country's food system, they simultaneously create a demand for feed grains. In the Council's 12 foreign offices, 200 projects are currently underway, reaching 2.3 billion in population which will import 2.4 billion bushels of feed grains. As surplus grain stocks mount, the alternative of finding overseas markets has been seen as a viable way to sustain a place in the world economy for our U S feed grains.

The work of creating demand and building infrastructure that will assure the movement of U S grain into ports, feedmills, feedlots, and processing plants throughout the world is a slow effort. It is made up of hundreds of activities which together produce a network of users and buyers of U S feed grains in all countries of the world. Examples of such development efforts include:

Council representatives conducting seminars with Asian Agricultural Counselors and Attaches in Seoul, Korea

Grain transportation conferences held in Korea to reassure key customers of the adequacy of U S transportation facilities and to boost a reliable supplier image

Pork cooking demonstrations held in Korea with an objective of increasing per capita consumption of pork

Such activities can be directly traced to the estimated feed grain export to Korea in the past calendar year at 3.5 million tons, nearly a million tons more than the previous year. This represents a 37.8% increase over the previous year and a U S share of more than 95%. Grain sorghum alone has increased in usage to 450,000 tons compared with 120,000 tons of one year ago, all of which is of U S origin.

(B) American Soybean Association

The Kansas Soybean Commission's support to the American Soybean Development Foundation has provided the assurance of a successful domestic and international market for soybeans and their products. About half of the U S soybean crop is exported. Market development activities of the Soybean Development Foundation have been designed to maintain current demand and to expand and create new markets for soybeans and soybean products. The Foundation conducts 199 activities in 76 countries. They include product promotion, participating in fairs and conferences, feeding trials, trade team visits to the U S, overseas seminars with U S technical consultants, and literature translation.

Using research funded by producer check-offs from Kansas and 22 other soybean check-off states, a major soy oil manufacturer and distributor introduced Germany's first identified soy oil. As a result, soy oil consumption in Germany requires about 112 million bushels of U S soybeans. Programs in Mexico have concentrated on soy milk, textured soy extenders and soy flour. The addition of soybeans to tortillas improves their protein content. In Mexico City alone, an additional six million bushels or 200,000 acres of soybeans would be utilized if tortillas were made with a 10 percent soybean mixture. Mexican soybean imports doubled in 1980 with a purchase of 55 million bushels of U S soybeans.

(C) Other Market Development Agencies

Support from the commissions is also provided to the U S Meat Export Federation whose emphasis on increasing red meat sales means greater utilization of our feed grains.

The Grain Sorghum Producers Association and the National Corn Development Foundation are supported, who each conduct domestic educational activities of their respective commodity.

VI

Summary

In determining if market development and promotion is allowing Kansas feed grain and soybean producers a return, Chase Econometrics conducted an investigation on export promotion programs. In the case of soybeans, export sales increased the average U S soybean price 8¢ a bushel per year, thus an 8 to 1 return from the check-off. Chase reported that export promotion on an annual average, increased soybean exports 4.1%, soybean meal exports 11.6% and soybean oil exports 11.7%. Such promotion increased sales which allowed farmers to expand soybean production and thus increased gross soybean cash receipts paid to farmers \$302 million or \$57.50 per check-off dollar invested.

The commission's efforts at maintaining a strong market development

program has been considerably assisted by the work of the above agencies. It is estimated that approximately 37% of Kansas corn, 54% of Kansas sorghum, and 45% of Kansas soybeans go into the export market. With such amounts being dependent on overseas outlets, commission members are convinced of the need for continuing market development support. They are also aware that such an alternative in itself is not the only method of securing a profitable agricultural economy, but are assured that foreign development and education has helped to sustain it.