

Approved \_\_\_\_\_

Date

2-7-89

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at \_\_\_\_\_  
Chairperson

8:00 a.m./p/m. on February 1, 1989 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office  
Lynne Holt, Kansas Leg Research Dept  
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Harry Salisbury, Director of Trade Development Division,  
Department of Commerce.

Larry Forrester, General Manager, Tramco, Wichita, Ks.

Ernie Simon, President, Squareshooter Candy Co.,  
Edwardsville, Ks. Gerald Kruse, Vice President, Kleeko  
Enterprises, Wichita, Ks.

Dan Heeren, Customer Service Manager, GT, Inc., Clay  
Center, Ks.

Jerry Kiser-High, Plains Energy Inc.

The meeting was called to order at 8:00 a.m. by the  
Chairman, Senator Dave Kerr.

Harry J. Salisbury, Director, Trade Development Division,  
Kansas Department of Commerce, explained to the Committee  
what trade fair assistance is and how it will help certain  
companies. (Attachment 1)

The next conferee was Jerry Lonergan, Vice President for  
Research, Kansas Inc. He advised that the Kansas Inc.  
Board of Directors unanimously passed a policy statement  
supporting the creation of a trade fair assistance program  
in Kansas. His testimony is contained in Attachment 2.

Other conferees testifying in support of trade fair  
assistance included, Larry Forrester, General Manager,  
Tramco, Wichita, Ks., (Attachment 3), Ernie Simon,  
President, Squareshooter Candy Co., Edwardsville, Ks.,  
(Attachment 4), Gerald Kruse, Vice President, Kleeko  
Enterprises, Wichita, Ks., (Attachment 5),  
Dan Heeren, Customer Service Manager, GT, Inc., Clay  
Center, Ks., (Attachment 6), Jerry Kiser-High, Plains  
Energy Inc., Wichita, Ks.,  
(Attachment 7).

There being no further business, the meeting was adjourned.



SENATE ECONOMIC DEVELOPMENT COMMITTEE

February 1, 1989

Presented by  
Harry J. Salisbury  
Director  
Trade Development Division  
Kansas Department of Commerce

Mr. Chairman and Members of the Committee:

My name is Harry Salisbury. I am the director of the Trade Development Division at the Department of Commerce. Our division has a broad statutory mandate to assist Kansas businesses with the creation and expansion of both international and domestic markets. This assistance is rendered in a variety of ways, but none are more direct or measurable than participation in trade missions and shows.

Trade Fair Assistance is a program designed to allow companies to enter and establish themselves in an export market with direct assistance from the state. Trade shows and fairs are one of the most efficient and cost-effective methods for companies to reach potential buyers of their products. They are a proven vehicle for testing market demand and acceptance for new products, establishing or expanding distribution or representation, and contributing to increased sales. Results from trade shows are easily documented and verified, allowing both individual companies and the state to invest these dollars where they are likely to bring the greatest return.

To create a program in Kansas, the following possible guidelines are offered for your consideration:

- 1) A suggested minimum of \$100,000 should be authorized for access by Kansas companies to participate in selected trade shows and exhibitions.
- 2) The program will be open to all small and medium-sized Kansas companies for use in both international and domestic markets.
- 3) Companies may select shows independent of state international show schedules or choose shows in which the state will also participate. In either case, the company will make application for program funds by submitting a marketing plan that meets one or more of the following criteria:
  - A) The targeted show will allow the company to enter a new market.
  - B) The show will allow the company to search for a distributor or agent to represent their product.

*Sen Eco Dev*  
*2-1-89*  
*Attachment 1*

- C) The show will allow the company to introduce a new product or product line in an existing market.
- 4) A qualified company will be allowed to access up to fifty percent of its eligible show expenses, with a maximum of \$2,500 per year. These funds may be used for rental of exhibit space, rental of show equipment, shipping of materials and exhibit structures, advertising in the show catalog, etc. Travel costs, hotel expenses and per diem are not eligible for reimbursement.
  - 5) Each participating company will be required to complete a follow-up report including verifiable results.
  - 6) Program funds will be reimbursed to the participating company, for approved expenses, following the show and the submission of the completed report.

In addressing the creation of this type of program, there are several questions which must be addressed. They include:

- 1) What level of funding is sufficient to serve a developing group of client companies?
- 2) Can a qualified firm apply for funding more than once per fiscal year?
- 3) Should both international and domestic trade shows be included for consideration?
- 4) Staff support for the program will include public awareness and promotion, consideration of company marketing plans, collection and analysis of follow-up reports, and documentation and payment of reimbursable expenses. Should an additional FTE position be assigned to assume the increased workload?
- 5) Should eligibility for the program be limited, in any way, by the size of the company?
- 6) Should there be a committee or panel established to consider the marketing plans submitted by the companies for approval or rejection?
- 7) Should there be any criteria established for "Kansas content", indicating to what extent the company or product is located in Kansas?

Mr. Chairman and Members of the Committee, I will now yield to this group of business leaders for their thoughts and comments on Trade Fair Assistance. First, I would be delighted to answer any questions you may have.

EXPORTS PER CAPITA BY STATE  
(Based on FY 1987 statistics)

	Mfg. <sup>1</sup> Exports (\$ Bill)	Ag. <sup>2</sup> Exports (\$ Mill)	Total* Exports (\$ Bill)	1987 <sup>3</sup> Population (Millions)	1987 Exports per capita (\$)
1. Washington	10.6	682.6	11.28	4.538	2,486
2. Alaska	1.3	-0-	1.30	.534	2,438
3. Louisiana	9.8	315.5	10.12	4.461	2,269
4. Minnesota	3.3	1,368.4	4.67	4.246	2,000
5. N. Dakota	.232	947.2	1.18	.672	1,756
6. Michigan	13.0	486.6	13.49	9.20	1,466
7. Nebraska	.559	1,578.3	2.14	1.594	1,343
8. Iowa	1.4	2,263.6	3.66	2.834	1,291
9. Texas	19.7	1,521.3	21.22	16.789	1,264
10. Massachusetts	7.0	14.2	7.01	5.855	1,197
11. California	27.5	2,837.1	30.34	27.663	1,097
12. Kansas	1.2	1,513.5	2.71	2.476	1,095
13. Vermont	.562	4.4	.57	.548	1,040
14. Delaware	.611	40.8	.65	.644	1,009
15. Virginia	5.6	217.5	5.82	5.904	986
16. Oregon	2.3	323.1	2.62	2.724	962
17. S. Dakota	.05	565.6	.62	.709	874
18. New York	15.0	188.5	15.19	17.825	852
19. Idaho	.423	420.7	.84	.998	842
20. N. Carolina	4.5	810.3	5.31	6.413	828
21. Connecticut	2.6	21.6	2.62	3.211	816
22. Arizona	2.5	249.7	2.75	3.386	812
23. Ohio	7.6	921.8	8.52	10.784	790
24. Illinois	6.9	2,115.3	9.02	11.582	779
25. Wisconsin	3.1	603.0	3.70	4.807	770
26. Indiana	3.2	1,011.9	4.21	5.531	761
27. New Hampshire	.710	-0-	.71	1.057	672
28. Florida	7.6	465.8	8.07	12.023	671
29. Kentucky	1.8	649.9	2.45	3.727	657
30. New Jersey	5.0	38.9	5.04	7.672	657
31. Montana	.239	264.6	.50	.809	618
32. Colorado	1.4	433.1	1.83	3.296	555
33. S. Carolina	1.7	172.4	1.87	3.425	546
34. Georgia	3.0	386.9	3.39	6.222	545
35. Mississippi	.973	438.5	1.41	2.625	537
36. Missouri	1.8	897.6	2.70	5.103	529
37. W. Virginia	1.0	4.7	1.0	1.897	527
38. Arkansas	.519	697.9	1.22	2.388	511
39. Alabama	1.8	219.3	2.02	4.083	495
40. Tennessee	1.9	286.6	2.19	4.855	451
41. Maine	.50	10.4	.51	1.187	430
42. Utah	.659	47.5	.71	1.68	420
43. Pennsylvania	4.6	203.2	4.80	11.936	414
44. Rhode Island	.383	-0-	.38	.986	385
45. Oklahoma	.842	342.2	1.18	3.272	361
46. Maryland	1.5	105.5	1.61	4.535	355
47. Nevada	.309	2.7	.31	1.007	308
48. Hawaii	.152	32.0	.18	1.083	166
49. New Mexico	.132	45.0	.18	1.50	120
50. Wyoming	.006	27.2	.03	.490	61

\* - Excludes the service sector exports

Sources: <sup>1</sup> U.S. Dept. of Commerce, Bureau of the Census.

<sup>2</sup> Foreign Agricultural Trade of the United States; U.S. Dept. of Agriculture; March/April 1988.

<sup>3</sup> U.S. Dept. of Commerce, Bureau of the Census.

PRESENTATION BEFORE THE

Senate Committee on Economic Development  
to Discuss

Trade Fair Assistance Program Opportunity

February 1, 1989

Prepared by

Jerry Lonergan  
Vice-President for Research  
Kansas Inc.

*Sen Eco Dev*  
*2-1-89*  
*Attachment 2*

Thank you Mr. Chairman and members of the Committee.

At last meeting this past January, the Kansas Inc. Board of Director unanimously passed a policy statement supporting the creation of a trade fair assistance program in Kansas. You have received, from Charles Warren, copies of that policy statement, however, I have additional copies with me today if needed.

The Board based its recommendation on:

- 1) a Kansas Inc. funded telephone survey of both exporting and non-exporting manufacturers in Kansas; and,
- 2) information that other states have created this type of program for their business community, and preliminary indications that these programs are working.

Manufacturers' Survey: The Kansas Inc. survey revealed a great deal of interest in trade fair assistance from both exporting and non-exporting firms. Over 66 percent of firms that currently export responded that a trade fair assistance program would be a help in increasing their export capabilities.

Among firms that do not currently export, but feel they have great to moderate potential to enter the export market, over 65 percent felt a trade fair assistance program would help. The non-exporters that reported they would benefit from this type of program represented over 11 percent of all the non-exporting firms surveyed.

Trade Fair Assistance Programs in Other States: Maryland has operated a program for one year. The program budget was \$120,000 in 1988, 40 trips were made. The state claims \$50 in sales were achieved for every \$1 in state expenditure.

Iowa has a trade fair assistance program funded currently at \$400,000. The first year of the Iowa program resulted in documented claims of \$4 million in sales.

Indiana initiated a program this year funded at \$200,000, six months into the fiscal year, \$60,000 in reimbursements have been made. As yet, no results have been reported.

Typically these programs limit the amount of total expenses paid by the state, specify a percent share the state will reimburse, and identify eligibility criteria for firms that want to participate. Examples of qualifying expenses include: space rental; utility costs; booth design; and, shipping expenses.

Besides the interest expressed through the survey and aggressive action by other states, the fact that last summer six business people took time out of their schedules to travel, at their own expense, to testify before the Joint Interim Committee speaks to the potential that exists in a trade fair program. All conferees this summer mentioned trade fair assistance would help them market their products to foreign countries. Today and next Wednesday, before the House Committee, a total of nine business owners/managers will also testify in support of trade fair assistance.

The Board of Directors' expressed strong support for export programs in Kansas as being critical to the state;s future. A trade fair assistance would be an important step toward expanding Kansas products into the export market.

Thank you, I would be glad to respond to any questions the committee may have.



MID AMERICA

DISTRICT EXPORT COUNCIL

January 30, 1989

William C. Laas, Chairman  
Larry D. Montgomery, Vice Chairman  
John R. Kupfer Executive Secretary

Mr. Charles Warren, President  
KANSAS, INC.  
400 SW 8th - Suite 113  
Topeka, Kansas 66603

Dear Charles:

As you know, lottery funds in Iowa are predominately used for economic development just as they are in Kansas. The enclosed Iowa draft rules were passed by the Iowa Department of Commerce and funded by the Iowa Legislature. These new rules have enabled a significant increase in export activity by "new to market" Iowa firms.

In fact, during a recent four state trade mission to Turkey, Egypt and Saudi Arabia, 13 of the firms were from Iowa. The Iowa law is appropriately limiting in nature to 1) Iowa firms, 2) either U. S. Department of Commerce or Iowa Department of Commerce trade missions or trade fairs, 3) funding up to \$5,000 per participating Iowa "new to market" firm, 4) state funding not to be used for travel, and 5) limiting state funds to 75% of all other costs.

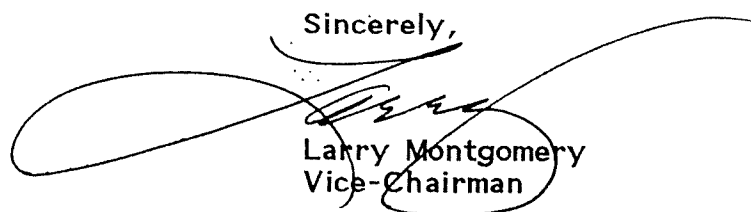
As of December 7, 1988, the results of the above "Agribusiness '88 - Midwest Region Trade Mission" were as follows:

1) All companies reported that at least one of their marketing objectives was fulfilled, 2) qualified sales leads totaled 80, 3) 15 agents/distributor agreements were signed, plus three pending, 4) total of \$5 million in sales, plus, 5) one firm returning to Saudi Arabia to negotiate a \$5.5 million contract, 6) one confidential development contract signed, and 7) business appointments totaled 196 in the three countries.

As we discussed, revenue from world trade contracts is among the best of "new money."

With every best wish, I remain

Sincerely,



Larry Montgomery  
Vice-Chairman

cc: Mr. John Kupfer  
Sec. Harland Priddle  
Mr. Dennis Taylor



In affiliation with:  
U.S. DEPARTMENT OF COMMERCE  
International Trade Administration  
U.S. & Foreign Commercial Service  
Kansas City District Office



SENATE ECONOMIC DEVELOPMENT COMMITTEE

My name is Larry Forrester and I'm General Manager at Tramco, Inc. We are a small company of 60-people located in Wichita, KS. We manufacture an enclosed chain conveyor for bulk materials handling which until recently has been marketed domestically in the United States. Through dedicated assistance from The Department of Commerce "Trade Development Division" we are in the process of expanding our market areas to include "International Sales." Trade representatives in different countries selected by the Trade Development Division assist individual companies through contacts, sales, distribution and manufacturing agreements. Without the trade missions and assistance from the Department of Commerce, Tramco would find it extremely difficult to participate in the International Market! The combined efforts of the department's professional people and the trade representatives target market areas help determine market locations and potential customers.


The results from their efforts are positive, based on our experience! Tramco attended a trade mission to South America, and we are presently in discussions with companies in Columbia desiring to manufacture our products. We have sold equipment to a soybean processing plant in Peru, and have outstanding bids in negotiation for grain storage in Paraguay. I attended the U.S. Pro Show in Taiwan in early December 1988, with the Trade Development Division, and by mid-January 1989 Tramco received a letter of credit for over Two-Million-Dollars of equipment!

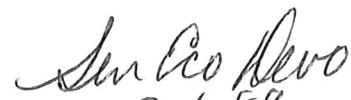
Without the active involvement of the Trade Development Division, Tramco would not have made the previously mentioned International contacts. Travel, trade shows and expenses are costly, and unless you have direct contact with potential customers, most companies cannot afford to make the attempt blindly. "Trade Fair Assistance" is a much needed program that will further increase our activities Internationally.

Direct sales generates the most stimulation to our Kansas economy. This stimulation needs the efforts of the Trade Development Division, and the support from the Trade Fair Assistance Program and The State of Kansas.

Thank you for your cooperation and continued support!

Sincerely,

  
Larry Forrester  
General Manager  
TRAMCO, INC.

  
2-1-89  
Attachment 3



# SQUARESHOOTER CANDY COMPANY

MANUFACTURERS OF SQUARESHOOTERS, SHARPSHOOTERS, "NORTON" BEAUTIES &  
"ANN RASKAS" GOURMET CONFECTIONS

February 1, 1989

MR. CHAIRMAN AND COMMITTEE MEMBERS:

My name is Ernie Simon. I am president of SquareShooter Candy Company, Edwardsville, Kansas. We have been manufacturers of SquareShooter suckers and hard candy since 1979 when we took over the assets of the Norton Candy Company. We employ approximately 40 people.

To me, trade shows are a way of life. I have been going to candy shows for the past 30 some years and feel that for a non-nationally advertised line, trade shows are definitely the best exposure of your product to the broadest section of potential buyers.

Case in point. I would like you to taste our product rather than just hear me describe it, (pass out samples).

Our company participated in five trade shows in 1988. Two by the NCWA (National Candy Wholesaler Association), two by NASFT (National Association for the Specialty Food Trade) and one by NACS (National Association of Convenience Stores).

*Ernie Simon*  
2-1-89  
Attachment 4

There are many more opportunities to display our product, but by then we have usually exhausted our funds and our energy.

Last year we also participated in the Kansas at Bloomingdale promotion, which was quite successful for most participants. This promotion demonstrated to us that our potential is far greater than even we anticipated and in my opinion the best way to sell good candy (or other food products) is by letting the potential customer see and taste it.

By developing new trading areas, everyone along the line would benefit. The company, by increased production, the community, by increased employment, the county and the state, by increased taxes.

The people we had the pleasure to work with both in the Department of Commerce and the Board of Agriculture always showed a great deal of expertise and above all the necessary enthusiasm to put these programs into reality. I for one strongly urge you to approve the funds to make their ideas possible, to increase market area, especially exports, which a small company like ours cannot pursue on our own.

# KLEEKO

## ENTERPRISES

1907 S. Cypress • Wichita, KS 67207 • (316) 685-4111

FAX (316) 682-9333

PRESENT TO: SENATE ECONOMIC DEVELOPMENT COMMITTEE

SUBJECT: TRADE FAIR ASSISTANCE PROGRAM

PRESENTED BY:

GERALD KRUSE, Vice President  
KLEEKO ENTERPRISES, INC.  
WICHITA KANSAS

KLEEKO Enterprises, Inc. is an Export Management Company that has been in business for about a year and a half. We KLEEKO act as the export department for two Kansas Manufacturers of noncompetitive products. We solicit and transact business in the name of the manufacturers we represent for a commission. We are a young and aggressive company. We work extremely hard so that both our company and the manufacturers we represent are benefited through our investments and efforts.

Immediate Results from Attending  
USPRO 88 TAIPEI Show  
Received Letter of Credit of \$16,100

Anticipated Results  
in one to two years  
\$200,000

<u>Cost of Attending USPRO 88</u>	
Airfare (for two)	\$2,000
Lodging (six nights for two)	1,400
Food	600
Taxi fare	200
Shipping (show goods)	500
Booth renting (if applicable)	<u>3,000</u>
TOTAL	\$7,700

It is very clear that exporting requires an extension of a firm's resources which many small- and mid- sized manufacturers simply can not afford. As a result of representing those small- and mid- sized manufacturers who have very limited resources, we receive absolutely no assistance on any costs incurred pertaining to the trade shows we attend for them. Naturally we do not receive any commission in the event that the trade show does not result in any letter of credits immediately. As you know, uncompetitive prices mostly are the primary reason for losing a sale. Neither of the manufacturers we represent is willing to make their prices to be more competitive. Since we have spent several thousand dollars up front for the trade shows, we certainly can not afford to reduce manufacturers bottom-line price to stipulate a sale.

With the trade fair assistance program, we would be able to be more flexible on setting our selling prices so that we would be more competitive in the world market. In other words, the assistance program will allow our "venture into exporting" business to take off on a much smoother, orderly course.

*San Cec Devo*  
*2-1-89*  
*Attachment 5*



Sixth and Sherman  
P.O. Box 525  
Clay Center, KS 67432 U.S.A.

In Kansas phone (913) 632-2151  
U.S. Toll free WATS (800) 423-9428  
Canada Toll free WATS (800) 633-4386  
Telex (TWX) 5101003092  
FAX (913) 632-3308

My name is Dan Heeren and I am employed as the Customer Services Manager by GT, Inc., located at 6th & Sherman in Clay Center, KS. I have been in customer service and sales in the marketing department at GT for the past fifteen years.

GT is a shortline farm equipment manufacturer that specializes in grain drying, grain cleaning, and grain handling equipment. Several changes in the market for our products, most of which are out of our control, have led us to aggressively expand our sales effort outside of the United States and the rest of North America.

One is the general downturn of sales for our products in North America due to depressed farm prices, a shrinking farmer base, and severe weather problems over a wide area. Although GT has maintained or increased our market share here, the pie is getting smaller, as is our piece of it. This has taught us to look for developing markets overseas that exhibit farming practices which fit our product line. Encouragement and help by government in all forms is extremely important.

Another change is the realization that marketing our products both here and overseas cannot be simply "turned over" to commissioned sales representatives or export management companies. Too often existing markets are capitalized on, but not developed to their full potential. This requires time and effort in the form of company representatives, who have a vested interest in their long term corporate well-being, making sure the product has exposure and a face-to-face explanation. Trade missions and trade fairs are one of the best ways to accomplish that.

Recently, favorable currency exchange against the U.S. dollar has made foreign markets attractive. Additionally, encouragement from federal, state, and local interests have provided the catalyst to get started. GT takes this seriously and has put its people and resources on the line, even though on-site travel and participation is extremely expensive. The opportunity for trade fair assistance from the State of Kansas would be welcomed and appreciated by GT.

Dan Heeren  
GT, Inc.

Manufacturers of farm and industrial equipment.

*San Eco Heero*  
*2-1-89*  
*Attachment 6*

# KAN-EXPORT MANAGEMENT SERVICES

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P.O. Box 4224, Wichita, Kansas 67204 (316) 946-9455

December 27, 1988

## NEWS RELEASE

Kan-Export Management Services of Wichita, KS, has announced the signing of joint venture agreements to promote trade with the Soviet Union. Kan-Export will work under agreement with Soviet-American Business Opportunities of Santa Cruz, CA, who is offering four trade missions to the Soviet Union in 1989 for interested companies. American executives, managers, entrepreneurs, and venture capitalists curious to investigate this potential market for their products should consider this opportunity.

The estimated size of the potential market which is opening up for U.S. products is in the range of \$15 billion to \$45 billion. Soviet executives are beginning to form joint ventures with competent Western companies in many aspects of business and trade. Under new legislation, the Soviet Union will try to move largely to a market economy by 1991. This new legislation is more commonly known as "perestroika" or restructuring.

Soviet and American executives are still very suspicious about each other, and joint ventures with the Soviets are not risk free. The methods of doing business in the U.S. are quite different from those in the Soviet Union and there are some exchange problems associated with the ruble. U.S. companies who wish to investigate the Soviet Union as an export market will be asked to complete a questionnaire regarding their company profile, product, and what type of joint venture enterprise they are looking for in the Soviet Union. Kan-Export and Soviet-American Business Opportunities will then match the U.S. executives with

*San Eco Devo*  
*2-1-89*  
*Attachment 7*

Soviet joint venture partners, government officials, and arrange tours of various types of facilities. This approach will lessen the unfruitful meetings and match joint venture partners with a counterpart with similar interests.

Kan-Export has selected agri-business as the area to concentrate its endeavors on initially because Soviet agriculture has received the most attention and reform. Long term leases of collective farms and other enterprises have been signed by Soviet officials with private interests to enhance efficiency and increase production. These enterprises will be targeted for agri-business firms to be matched with by Kan-Export and Soviet-American Business Opportunities. Soviet-American Business Opportunities is working in various areas of Soviet-American trade and has associate offices in Moscow, Kiev, and Leningrad.

Those companies interested in the Soviet Union as an export market and need representation in the Soviet Union should correspond accordingly to Mr. Jerry R. Kiser, Pres., Kan-Export Management Services at P. O. Box 4224, Wichita, KS 67204. Mr. Kiser is President of Kan-Export and has worked in various areas of international trade since 1985 in South America. Kan-Export is an "Export Management Company" that is designed to promote international trade. Kan-Export will formally open its new Wichita office in mid-January.



DATE: 12/18/88 TIME: 10:00 AM TEL: (408) 458-2100 FAX: (408) 458-2100

## Soviet-American Business Opportunities

565A Western Drive, Santa Cruz, CA 95060, U.S.A. (408) 458-2100

December 18, 1988

Jerry Kizer, President  
Kan-Export Management Services  
P.O. Box 4224,  
Wichita, KS 67204  
314-946-9455

Dear Jerry,

This letter expresses our intent to form a business relationship between *Soviet-American Business Opportunities (Sov-Am)* and *Kan-Export Management Services (Kan-Export)*, for the purpose of working together to promote and facilitate bilateral trade and joint-ventures between American and Soviet enterprises. It is understood that we will carry out this endeavor in a manner which promotes the mutual profit of all concerned and improves mutual understanding and normal relations between the American and the Soviet people.

*Sov-Am* will support the efforts of *Kan-Export* in the following ways.

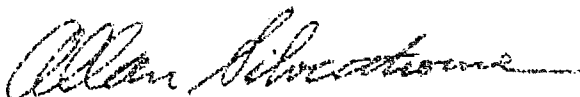
1. Provide access to government and private buyers and decision-makers in the Soviet Union.
2. Provide sourcing, marketing, trade facilitation, countertrade development and business support services in the Soviet Union.
3. Assist in business and trade negotiations in the United States and in the Soviet Union.
4. Assist in the promotion of Soviet trade in the Kansas area, and the promotion of *Kan-Export* as a Midwestern trade-development and export-import firm dealing with the Soviet market.
5. Provide leads and other information on Soviet Business opportunities and conditions.

*Kan-Export* will support the efforts of *Sov-Am* in the following ways.

1. Provide information about, and access to, the agribusiness, natural resources and other industries of the Kansas region.
2. Provide sourcing, marketing and trade facilitation services in the Kansas area for Soviet-related business opportunities.
3. Assist in business and trade negotiations in the Kansas area.
4. Assist in the promotion of Soviet trade and of *Sov-Am* as an international trade and management consulting firm specializing in the Soviet market.
5. Provide information on Soviet-related business opportunities.

*Sov-Am* and *Kan-Export* will share equitably in the proceeds of joint trade ventures. The parties will determine the exact financial and legal nature of this relationship at future meetings. We will make every effort to ensure that this occurs before March 1, 1989. In any event, this agreement is intended to be ongoing until superceded by other contractual arrangements between us.

Sincerely yours,



Allan Silverthorne, Ph.D.  
President

# KAN-EXPORT MANAGEMENT SERVICES

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P.O. Box 4224, Wichita, Kansas 67204 (316) 946-9455

## MAWTC/USDA GRANT PROPOSAL TABLE OF CONTENTS

	PAGE
Introduction and Objectives . . . . .	1
Problems and Impediments of Foreign Commerce for a Small Business . . . . .	2
Solutions to Overcome Impediments to Foreign Commerce for a Small Business . . . . .	2
<b>Market Research—USSR</b> . . . . .	3
Cash Flow Projections . . . . .	5
Personnel—Resume: Jerry R. Kiser . . . . .	6
Summary—Risks, Realities, and Rewards . . . . .	9

#### IV. MARKET RESEARCH

The USSR is currently experiencing a period of reform and modernization as mandated by President Mikhail Gorbachev. The Americans and Soviets are still very suspicious about each other with Western executives questioning whether reforms are for real. The prospects for developing trade in the Soviet Union were not very good until this year. There seems to be a belief that a window of opportunity exists for Western executives to develop this market.

The area of most interest politically in the Soviet Union is increasing food production for the society as a whole. Agriculture is receiving attention and experiencing reform and modernization. The Plenary Meeting of the Central Committee of the CPSU has approved the Food Program for the period ending in 1990. The following is a summary of a portion of the program.

#### 11th Five Year Plan—Food Program Directive of the Soviet Ministry of Agriculture Period Ending 1990

##### I

- 1) Soviets need to accelerate the introduction of scientific achievements and new technology to enhance food production.
- 2) The food problem is the center of attention, both economically and politically, internally in the Soviet Union.

##### II

- 3) Continue to accelerate growth in grain production in every way possible and show unflagging concern and economical benefits of increasing grain consumption.
- 4) Increase beef production 15% from 11th 5-year plan to 12th 5-year plan
  - a) Intensive livestock breeding
  - b) Raise pedigree standards (animal husbandry)
  - c) Expand veterinarian services
  - d) Move to more cattle feeding and fattening farms (feed lot technology)
- 5) Increase poultry and pork production also, and increase rabbit, reindeer and horse supplies as secondary supplies of meat.
- 6) Increase fodder production to meet new demands for more reliable base.

- 7) Expand milk and dairy products to meet the demands of society.
- 8) Need to widely introduce new technology in the production of grain storing and handling equipment.

### III

- 9) Major condition for success is the introduction of new technology both mechanically and chemically.

Machinery and technology needed for:

- a) Soil conservation—discs and heavy implements
- b) Sowing—grain drills
- c) Conveyers for grain handling
- d) Mixers for fertilizer
- e) Liquid ammonia application
- f) Pesticides and weed control
- g) Wide-cut self-propelled harvesters
- h) Irrigation
- i) Breeding of hybrid seeds
- j) Veterinarian supplies

### IV

- 10) Improvement of welfare in countryside by:
  - a) Increasing standard of housing
  - b) Providing increased medical and community services
  - c) Pre-schools
  - d) Higher wages
  - e) New roads
  - f) Transportation—mass
  - g) Better communication
  - h) Better rural schools

This will increase worker productivity and enhance efficiency. Introduction of subsidiary plots attached to each rural home for private production.

Given history and Communist dogma, it would seem that not even Mikhail Gorbachev would dare to challenge the primacy of the collective farm in the Soviet system. But the week of 10-17-88, the General Secretary did just that. In a speech to farmers and officials at a Central Committee Conference, Gorbachev called for a broad reorganization of agriculture under which many collective enterprises would be subdivided into smaller, leased tracts to give Soviet farmers a financial incentive for increasing production. "We have transformed them," Gorbachev said of the farmers, "from the masters of their land to mere day laborers." Such land leasing has already been introduced experimentally in some areas with great success. Pravda reported recently that a group of families permitted to lease part of a state farm in the Belorussia area increased production more than six times of the state-run enterprise two years earlier.