

Approved February 8, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

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

8:00 a.m. ~~XXX~~ on February 7, 1991 in room 123-S of the Capitol.

All members were present ~~XXXX~~:

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Ferman Marsh, Department of Education
Gary Hall, Acting Secretary, State Board of Agriculture

Senator Dave Kerr, Chairman, called the meeting to order and introduced Ferman Marsh.

Ferman Marsh provided information on "2 + 2" programs (Attachment 1). He said that 2 + 2 refers to two years of high school followed by two years of community college or vocational-technical school. He stated that currently high school education is designed as if all students were going to attend college, while in fact, only 50% enter college and less than 50% of those who enter college actually graduate. He talked about the need to begin technical and vocational preparation during high school. He discussed "applied" or hands-on education. Mr. Marsh stressed the importance of offering curriculum and training specifically designed to prepare students who are not college-bound for other career choices rather than just offering "watered down" college prep curriculum. Senator Moran asked about the Garden City Community College pilot program, and Mr. Marsh said that program is in its second year, with the first year being devoted to planning. He talked about the \$600,000 in federal funds which will be used as seed money to start other tech prep programs, which will actually be 4 + 2. Answering questions from Senator Oleen, Mr. Marsh said there are already advanced placement programs for gifted or advanced students with coordination between high schools and post-seconded education.

Gary Hall (Attachment 2) discussed the recent world-wide changes and said that economic considerations are transcending political considerations. He said that in order to participate in the opportunities which are available, it is necessary to establish a presence in those markets. Mr. Hall introduced Eldon Fastrup, Director of Marketing, State Board of Agriculture.

Mr. Fastrup reviewed the four countries which have been targeted in the initiative: Japan, Thailand, Mexico and Taiwan. Answering questions from Senator Feleciano, Mr. Fastrup said that the proposal is not included in the agency's budget and is totally free-standing. Mr. Hall said he has visited with the Secretary of Commerce, Laura Nicholl, and Mr. Fastrup and Jim Beckley (Trade Division, Department of Commerce) have had several meetings as well and all agree this must be a coordinated effort. Mr. Hall said the bottom line is performance and his agency has the expertise in the area of agriculture. He said he had visited with Governor Finney and she approves of the concept. In response to questions from Senator Salisbury, Mr. Fastrup said the proposals for all four countries are for contractual arrangements, with varying levels of responsibility. He agreed that what is being proposed is a Board of Ag presence and not necessarily the entire State of Kansas presence.

Senator Salisbury moved that the minutes of the February 5 and 6, 1991 meetings be approved. Senator Francisco seconded the motion, and the motion carried.

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.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~ on February 7, 1991

The meeting adjourned at 9:00. The next meeting of the Committee will be
Friday, February 8, 1991.

Date 2/7/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company

Name/Company

Jim Beckley	DEPT. COMMERCE
Ken Edms	DEPT. COMMERCE
Frank Wyatt	Ks Farmers Union
Tom Bensch	Farmers Union
Conie P. Moshrysh	Ks. Farmers Union
Ralph W. Smith	Kansas Farmer Union
Ray Fowler	Kansas Farmer Union
Bob Stout	Junction City
Jerry Decker	Bd. of Ag
Theresa Snow	KS LEGAL SERVICES
George Barber	Ks Vocational Assn.
Mike Corn	Harris News Service
John Hulsing	Ks Farmers Union
Ray G. Wisner	Ks Farmers Union
Linda Hessman	Catholic Diocese of Dodge City
Becky Watts	Ks. Farmers Union
Dena Dewald	KOCC
Linda Clanton	KDHR
Michelle Rieker	John Peterson & Associates
Elton R. Fastrup	U.S. State Board of Agriculture
Debra Engel	Bureau of Apprenticeship & Training US Dept. of Labor
Bill Murray	St. Balz Education
Tom Hall	Secretary of Agriculture
Walt DARLING	Dir of BUDGET

CHOICES - - - 2 + 2

In the future, high school students will have a choice as to whether they wish to select a traditional college preparation program or a tech-prep program. Given the fact that over 50% of high school students never go to college, that the needs of the work place have changed, and that technology has infiltrated nearly every aspect of life, it is time that we offer an alternative.

The four year Tech-Prep program (two years in high school and two years at a community college or an area vocational-technical school) will terminate with an associate degree or a postsecondary job specific certificate. The first two years will provide pre-tech training which includes a core curriculum of learning and technical education which has at its base applied math, science, communications, and technology. The first two years can be taught by high-school teachers, with community college or area vocational-technical school faculty and facilities utilized when necessary. The first two years can be viewed as a general technical education and the second two years at a community college or area vocational-technical school will be occupationally specific.

However, it should be emphasized that each high school and community college or area vocational-technical school can determine the sequencing of classes and provide various opportunities for students in their district. Each district has different vocational needs; the scope and sequencing of courses can be designed to suit local area needs. Negotiations will occur between the secondary and postsecondary level to determine the local goals and objectives.

Traditionally, education has offered students college prep programs. While there is still a need for college prep, there is also a need for alternative technological training and the recognition that not all students want to or should take college prep courses. Education needs to provide choices for students and parents. Education needs to respond to the needs of business. The 2 + 2 program provides choice, and vocationally and educationally sound concepts.

In today's highly competitive, technologically driven society, the United States has a lack of properly trained workers. Private industry is going into the business of training its own employees. Many companies have basic skills classes to prepare its employees to begin work and provide further classes in technical preparation and training. Billions of dollars are being spent by private industry on training workers because employees do not possess basic skills nor do they possess the appropriate technological skills.

High school drop-out rates are extremely high and have been climbing higher in the last few years. Statistics state that up to 27% of high school students are dropping out. There is a disproportionate number of minorities and women among these high school drop outs. In the year 2000 there will be a need for properly trained workers, especially women and minorities.

As was stated in the June 26, 1989 issue of U. S. News and World Report, over half the students in the United States never go to college. The current agenda of attempting to prepare all students for college is out of touch with reality. These students, the dropouts or the forgotten half, are in dire need of immediate help. The future of our society depends on how we, as educators, react to these challenges.

Today many job openings are in fields not requiring a baccalaureate degree. Parnell in the Neglected Majority states that only three of the twenty fastest growing occupations will require a baccalaureate degree in the years 1988 through 1995. That means 85% of the jobs will not require a four-year degree. However, many of the jobs will require an associate degree or a postsecondary job specific certificate.

Additionally, the job skills needed in today's work place are vastly different from "basic skills" as we have traditionally thought of them. A recent publication of the U. S. Department of Labor, Employment and Training Administration called Workplace Basics: The Skills Employers Want list the seven skill groups as follows:

- Organizational Effectiveness/Leadership
- Interpersonal/Negotiation/Teamwork
- Self-Esteem/Goal Setting-Motivation/Personal and Career Development
- Creative Thinking/Problem Solving
- Communication: Listening & Oral Communication
- 3 R's (Reading, Writing, Computation)
- Learning to Learn

All the various needs and changes in society call for a different approach. One of the brightest stars on the horizon is the 2 + 2 program.

The 2 + 2 Connection

What Is It?

Preparing for your future can be as simple as 2 + 2. If you're not interested in pursuing a four-year college degree, or you're just not sure about continuing your education after high school, then you should consider the 2 + 2 Connection. It can offer some great possibilities:

- A chance to check out lots of real-life careers
- A four-year academic/occupational Tech Prep program that starts when you're a junior (11th grader) at Garden City High School, and leads to a certificate or associate degree from Garden City Community College
- An opportunity to boost your potential for success now, during school, and later, when you start a career

Why Would I Need 2 + 2?

- Because it offers you the kind of better education that usually means a better job.
- Because it's an education that covers 14 years of learning — high school plus two years more. That's going to be important by the year 2000, when the job market will demand that you be able to solve technical problems and share ideas.
- Because a high school diploma alone isn't enough to get you a good-paying job. If you're not going to be one of the 25 percent of your classmates who earns a four-year college degree, then you're going to be among the 75 percent competing for other jobs. And in that case, you can get several steps ahead of general high school graduates through the 2 + 2 Connection.

• Because we developed the 2 + 2 Connection to help you pick out the courses that will form a solid foundation — an academic and technical foundation — you can build a successful career on.

What Can the 2 + 2 Connection Really Do for Me?

During your last two years at GCHS, followed by two years at GCCC, you'll get a chance to take hands-on courses that show you how to develop practical knowledge and skills for a good career. If you choose your high school courses carefully, you might even qualify for dual credit or advanced placement before you graduate from high school.

What If I Get Interested in a Different Career, and Want to Change?

Don't worry. You won't get locked into the 2 + 2 Connection. We designed the program to be a guide so you can get the right preparation for the demands of modern technical occupations, and to help you get an education in the field of your choice. You don't want to tackle being your own advisor, however. So be sure to check with your counselor if you decide to change.

Won't I Miss Out On Regular High School Events?

No, you won't. The 2 + 2 Connection lets you have a life just like any other high school student, including activities, music, dances, athletics and everything else.

How Much Is This Going to Cost?

You can find out the specifics from your counselor. And remember, Garden City Community College offers scholarships — lots of them — to students who need financial assistance to attend school.

So When Can I Start?

The best time to look into 2 + 2 is now, as you start to pick courses for next year. You'll want to be sure and discuss this information with your parents, counselor and teachers.

Need More Information?

If you have questions, feel free to get in touch with your high school counselor. The counselor can show you in more detail how the 2 + 2 Connection can work for you.



GARDEN CITY SENIOR HIGH SCHOOL
1412 N. Main, Garden City, KS 67846 (316) 276-5170



GARDEN CITY COMMUNITY COLLEGE
801 Campus Drive, Garden City, KS 67846 (316) 276-7611

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2 2 Connection Checklist

For 9th and 10th Graders:

- Start thinking about your career now
- Find out everything you can about 2 + 2
- Talk over your future goals with counselors, teachers and your parents
- Look at potential 2 + 2 programs when you choose your high school elective courses
- Take challenging courses, especially math and science
- Work on your reading and communication skills

For 11th and 12th Graders:

- Pick out a tentative career field
- Get some good advice and help in deciding on your 2 + 2 elective courses
- Make sure you continue the courses required for you to graduate from high school
- Make plans to enroll in the two-year associate degree or certificate program at GCCC

What Study Areas

Can I Try With 2 + 2?

In business:

- Accounting (transfer)
- Accounting Technician
- Business Management
- Computer Science
- Office Education

In social science:

- Bilingual Paraprofessional
- Criminal Justice
- Early Childhood Education/Child Care

In occupational/technical fields:

- Animal Science
- Architectural Drafting
- Automotive Technology
- Building Trades/Carpentry
- Cosmetology
- J...rial Production Technology

Garden City Community College does not unlawfully discriminate on the basis of race, color, sex, age, national origin, handicap, religion or veteran status in the provision of educational services.

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2
+2
4
YOU

The Program

ARCHITECT • MAINTENANCE SUPERVISOR
 MAINTENANCE TECHNICIAN • INTERIOR
 HYDRAULICS TECHNICIAN • PNEUM
 MECHANICIAN • USDA INSPECTION AGENT
 CHILD CARE CENTER DIRECTOR • CHILD
 DIRECTOR • PARAPROFESSIONAL • NANNY
 INTERPRETER • PUBLIC RELATIONS • BOOK
 PAYROLL CLERK • ACCOUNTANT • ACCO
 BUSINESS MANAGER • BUSINESS DEVELOPER • RETA
 SALES • ADVERTISING • SALES PROMOTER • PR
 COORDINATOR • MANUFACTURING REPRESENTATIVE
 MANAGER • WELDING ENGINEER
 SUPERVISOR • CONTRACTOR • WELDING
 MIG WELDER • GENERAL MECHANIC • VEHIC
 WELDER • RESIDENTIAL CONTRACTOR
 CARPENTER • SURVEYOR • EXCAVATOR • LAND
 SCAPER • PAINTER • INTERIOR DECORATOR
 ARCHITECT • MAINTENANCE SUPERVISOR
 MAINTENANCE TECHNICIAN • ENGINEERING A
 HYDRAULICS TECHNICIAN • PNEUMATIC
 MECHANICIAN • USDA INSPECTION AGENT
 CHILD CARE CENTER DIRECTOR • CHILD CAR
 DIRECTOR • PRE-SCHOOL TEACHER • PRE-SCHOOL
 DIRECTOR • PARAPROFESSIONAL • NANNY • I
 INTERPRETER
 PAYROLL CLERK • ACCOUNTANT • ACCO
 BUSINESS MANAGER • BUSINESS DEVELOPER • RETA
 SALES • ADVERTISING • SALES PROMOTER • PR
 COORDINATOR • MANUFACTURING REPRESENTATIVE
 MANAGER • WELDING ENGINEER • AS
 WELDER • WELDING INSPECTOR • WELDING S
 SUPERVISOR • CONTRACTOR • MIG WRIGHT • GEN
 MIG WELDER • GENERAL MECHANIC • VEHIC
 SALES • AUTO MAINTENANCE SPECIALTY
 CARPENTER • RESIDENTIAL CONTRACTOR
 ARCHITECTURAL CONTRACTOR • PLUMBER •
 MECHANIC • ROOFER • DRY WALL GUY • GUY
 DIRECTOR • SURVEYOR • EXCAVATOR •
 DIRECTOR • PARAPROFESSIONAL • NANNY

TECH-PREP EDUCATION

The purpose of the program is to provide planning and demonstration grants to consortia of local education agencies and postsecondary education institutions for the development and operation of four-year programs designed to provide a tech-prep education program leading to a two-year associate degree or a two-year certificate. These programs are designed to offer strong comprehensive links between secondary schools and postsecondary educational institutions in a systematic manner.

Tech-Prep Education Programs

Grant funds must be used to develop and operate a four-year tech-prep education program. The program shall:

- 1) Be carried out under an articulation agreement between consortium participants;
- 2) Consist of two years of secondary school and two years of higher education or an apprenticeship with a common core of courses in mathematics, science, communications and technologies designed to lead to an associate degree or certificate in a specific career field;
- 3) Include development of appropriate curricula;
- 4) Include in-service training for teachers and counselors;
- 5) Provide equal access to members of special population groups;
- 6) Provide preparatory services to assist all program participants;
- 7) Provide for equipment acquisition;
- 8) Acquire technical assistance from state or local entities that have successful programs.

Definitions

The term "articulation agreement" means a commitment to a program designed to provide students with a nonduplicative sequence of progressive achievements leading to competencies in a tech-prep education program.

The term "tech-prep education program" means a combined secondary and postsecondary program which: leads to an associate degree or two-year certificate; provides technical preparation in at least one field of engineering technology, applied science, mechanical, industrial, practical art or trade, agriculture, health, or business and builds student competence in mathematics, science and communications (including through applied academics) through a sequential course of study and leads to placement in employment.

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2/7/91
1-5

Programs aim to tailor vocational education to changing job market

LJW 2-3-91

By BRAD ADDINGTON
J-W Staff Writer

Dwayne Peaslee believes the three R's of reading, writing and arithmetic should still be a big part of a high school education.

In fact, Peaslee, business manager and training coordinator for Lawrence's Plumbers and Pipefitters Local No. 763, believes that everyone who enters his plumbing and pipe-fitting apprenticeship program should master those basics before graduating from high school.

Unfortunately, he said, not everybody does.

"In our training, we start out by teaching basic math and trying to improve writing skills," he said.

Peaslee is among many businessmen and educators concerned that today's high school vocational programs are not providing young people the skills they need to survive in the workforce. However, Peaslee said he's encouraged by new pro-

grams in local schools and by recent federal legislation designed to restructure vocational education.

WHEN THE Carl D. Perkins Vocational and Applied Technology Act was amended by Congress in September, lawmakers created as one new priority the "integration of academic and vocational education." Lawrence school officials say the Principles of Technology course offered at Lawrence High School accomplishes just that.

Steve Sublett, who teaches the course, said his students do a lot of hands-on work with equipment as might be expected in a traditional vocational class. However, he said, the course also requires students to use mathematical equations and laws of physics.

Sublett said knowing principles in math and science is just as important as learning to use a particular machine, especially

See New programs, page 11A

New programs try to tailor education to jobs' demands

(Continued from page 1A)

because today's changing technology quickly makes equipment obsolete.

"If you know why it works and how it works, it won't make any difference when they change the machinery," he said.

LAWRENCE Mayor Shirley Martin-Smith, owner of Martin-Smith Personnel Services, agrees.

"What kids really need today is not to know how to run the latest piece of equipment but the ability to read and spell and do basic math," Martin-Smith said. "It sounds really strange to say, but they're not all coming out of school with the basics."

Sublett said changing technology also is making a lot of jobs more complicated.

"It used to be you could walk out of LHS with the skill of twisting wrenches and get a job," Sublett said. "Today, you see the same type of equipment whether you walk into an auto body shop or into a hospital. A doctor and mechanic are both technicians to whom we entrust our lives, and I want the mechanic who's working on my car to be as well trained as the doctor."

WHILE FUNDING for the LHS course comes from a Perkins vocational grant, students can earn science credit by taking the course. And although a science teacher conducts the class at LHS, the course in other school districts is team-taught by a vocational instructor and a science instructor.

Peaslee said he likes that concept.

"I think the shop teacher and the math teacher should be working together," he said.

Another major component of the Perkins amendments is the creation of federal funding for technical preparation or "tech prep" programs, in which a high school works with a community college or technical school to ease student transition from the secondary to the postsecondary level.

Commonly known as "two plus two," students in the program take two years of a sequence of studies at the high school and then complete their studies at the vocational school. After two years at the postsecondary level, students have earned an associate in applied science degree.

CHARLES KRIDER, director of business research at Kansas University's Institute for Public Policy and Business Research, said the tech prep program makes sense.

"It's misleading to say we're going to give you a training in high school to give you a career. It's not going to happen. It's not going to prepare that person for the rapid changes they'll be seeing in the workplace," said Krider, who in 1989 helped produce a report called "Work Force Training: The Challenge for Kansas."

"At the high school level, students should not be focusing upon narrow skills related to their first employment," Krider said. "The better approach is to provide them with the academic skills they need to be successful at the postsecondary training level."

Tech prep funding won't be available until the 1991-92 school year. However, the state of Kansas is financing a tech prep pilot project involving the Garden City school district and Garden City Community College.

JUDY CRYMBLE, tech prep coordinator in Garden City, said the program was first presented to students this year. She said the school district and community college worked closely in determining which high school courses students should take to be prepared for community college.

"It's a plan of action for students so they don't just wander through the curriculum. As they progress through high school, they know where they're heading in the community college program," Crymble said. "Kids feel like they have a purpose, that they have a payoff and that they're building a very positive record."

In some cases in which a high school course is very similar to a college course, students can earn college credit while in high

'If you know why it works and how it works, it won't make any difference when they change the machinery.' — Steve Sublett, LHS teacher

school and pay the college just a small fee for bookkeeping.

"It's training in transition," Crymble said. "They say that by the year 2000, a high school diploma will not get you work in any kind of competitive job market, so we have to start building in the training and transition right now."

GARDEN CITY'S high school and community college are within two miles of each other, making travel between the two fairly easy for staff and students. While Johnson County Community College is somewhat further away from LHS, some feel a tech prep agreement between the two should not be ruled out.

Gary Toebben, president of the Lawrence Chamber of Commerce, said Topeka's Kaw Area Vocational Technical School is another possible partner.

"I think it behooves us to look at the Kansas City-Lawrence-Topeka corridor as one area," Toebben said. "I'm all for pooling resources as much as we can."

What's more, Toebben said, "I think there are a lot of employers in Lawrence who are looking for people with vocational and technical training. The need for such training is made evident by the fact that Johnson County Community College is the second biggest institution of higher education in the state, next to KU."

OTHER WAYS to better prepare high school students for the job market were explored by the Lawrence school district's Blue Ribbon Vocational Education Committee in 1989. Robert Eales, the district's director of vocational education, said one suggestion was to develop a formal program that would make students aware of career opportunities.

"You will have kids set their direction early in life. They would see that light at the end of the tunnel," Eales said.

Martin-Smith said such a program was an excellent idea.

"If there's anything we can do at the secondary level, it is to give students more information on career options," she said. "Sometimes I think they don't look in the right places for work."

APPROXIMATELY 1,832 LHS students pre-enrolled for more than 1,800 spots in vocational education classes this year. That's the school's highest vocational education enrollment in the last five years.

Next school year, LHS will offer a total of 24 business education classes. Seven courses will be offered in agricultural sciences, and 31 courses will be offered in the area of technology and applied sciences.

In one course, Cooperative Occupational Training, seniors attend classes in the morning and are employed in an entry-level job in the afternoon. Students receive instruction in word processing, reasoning and problem solving, blueprint reading and math.

Krider said businesses also could get involved with education by "communicating more effectively to educators and students what type of skills they require from certain positions." He said businesses perhaps could even help determine course requirements for some classes.

WHILE MANY see a need for greater cooperation between business and education, others are concerned that the private sector might come to play too big a role in schools. Lawrence School Supt. Dan Neuenswander, however, does not see things that way.

"I don't see a desire on the part of business to take over. I do see a concern regarding the school product," Neuenswander said.

PRESENTED TO
THE
SENATE ECONOMIC DEVELOPMENT
COMMITTEE

David Kerr, Chairman

Kansas State Board of Agriculture
Marketing Division

"Foreign Trade Office and Market Presence Initiative"

Gary Hall, Secretary
Kansas State Board of Agriculture
February 7, 1991

Attachment 2
2/7/91
Sen. Eco. Dev.

KANSAS STATE BOARD OF AGRICULTURE

Marketing Division

A Foreign Trade Office and Market Presence Initiative

Summary Overview

International markets for agricultural commodities and food products have had a major impact on the national economy, and particularly on the vitality of the Kansas state economy. Kansas currently ranks in the top ten in eight of sixteen major commodity categories and ranks number four in total value of agricultural exports -- \$2.8 billion dollars. Additional statistical observations further emphasize the absolute importance of foreign markets to the Kansas agricultural business sector: production from 2 to 3 acres out of every 5 of feed grains and cereal crops must go to foreign markets; U.S. beef exports contribute \$4.66 per hundred weight to the value of fed cattle; \$7.45/cwt to the value of feeder cattle; an average of \$2.51 per head to the value of hogs at slaughter; during the last three years, the export demand for consumer oriented food products has grown about 4 percent per year, or 5 billion dollars a year.

New and expanded export sales of agricultural products and processed foods can significantly contribute to directing economic wealth to both urban and rural areas of Kansas.

The decade of the nineties will be a decade of significant new opportunities for international trade development. However, it must be noted that these opportunities will occur in a framework of major change and challenge which in turn will require new and inventive state programs if Kansas is to accrue its share of these new markets. Changes in the USSR and Eastern Europe; liberalization in Japan, Korea, Taiwan; developing economies in the Asian rim; bi-lateral trade agreements with Canada and Mexico, EEC 92 impacts, etc., under pin both the opportunities and the challenges of the nineties.

To successfully meet the challenges of the nineties in international trade development, the Kansas State Board of Agriculture proposes: A "Foreign Trade Office and Market Presence Initiative".

The most promising regional market for expansion appears to be the Asian Rim. Since 1979, the percentage of agricultural exports to this area has steadily increased from \$12.8 billion to \$16.5 billion last year. Japan was the first nation to emerge as a major market and it also holds the distinction of becoming the first billion dollar market in 1964. South Korea and Taiwan followed a similar path a decade later. In 1989, Korea was the fourth largest purchaser of U.S. agricultural exports at \$2.45 billion. Taiwan was seventh largest with purchases of \$1.59 billion. Mexico ranks fifth as a major market and further expansion for processed foods is expected. The South Asia rim region anchored by Thailand and Malaysia with their rapid emergence as solid economies represent an area of excellent potential. Of course, the major changes occurring in Eastern Europe and the USSR have placed this region on the list of major market potential for our products and cannot be overlooked in foreign market development initiatives.

2/7/91

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In summary, the Kansas State Board of Agriculture's Foreign Trade Office and Market Presence should initially target:

Japan: The basic concept would utilize personnel, office facilities, and office support of an established company to provide a wide range of services representing the state. No agency personnel would be located in the office.

Projected annual cost for contract services: \$75,000.

Thailand: The basic concept is to have a series of specific services provided by the contractor. The relationship would be one of "consultive service" as assigned. This provides for quality service (on a limited basis) while analyzing future market presence needs.

Projected annual cost for trade representation contract: \$20,000.

Mexico: The basic concept would in effect operate a full service foreign office. Employees would be directly supervised by the agency. The agency would have complete administrative and programmatic supervision responsibilities.

Projected annual cost for full service contract: \$170,000.

Taiwan: The basic concept is to have specific services provided by the contractor but is enhanced to include 1) Kansas presence; 2) Evaluates office potentials in Taipei World Trade Center; 3) Two in-store product demonstrations.

Projected annual cost for contract services: \$30,000.

KANSAS STATE BOARD OF AGRICULTURE

Marketing Division

A Foreign Trade Office and Market Presence Initiative

January, 1991

2/7/91
2-5

The pursuit of new markets for agricultural products has occurred in one manner or another nearly as long as agricultural production itself. Such efforts were most often driven by the desire to improve the welfare and income of the producers in concert with servicing developing consumer needs.

Over history, marketing efforts ranged from producing some excess to be used for trade between tribes, to national food self-sufficiency, to modern day international trade. Generally speaking, the results of expanded trade have served mankind well.

However, as we all know and as the facts point out, the modern day international market for agricultural products is impacted by increased U.S. production capabilities, increased production and export competition from other countries, changing foreign demand patterns, changing trade policy relations, etc. The bottom line being that international market development efforts must be continued. A critical key to the success of such efforts will be the initiation of specif-fit -- highly targeted programs at the state level which go beyond general demand servicing to a targeted one-on-one commercial relationship with potential end users and consumers.

International markets for agricultural commodities and food products have had a major impact on the national economy, and particularly on the vitality of the Kansas state economy. Kansas currently ranks in the top ten in eight of sixteen major commodity categories and ranks number four in total value of agricultural exports -- \$2.8 billion dollars. Additional statistical observations further emphasize the absolute importance of foreign markets to the Kansas agricultural business sector: production from 2 to 3 acres out of every 5 of feed grains and cereal crops must go to foreign markets; U.S. beef exports contribute \$4.66 per hundred weight to the value of fed cattle; \$7.45/cwt to the value of feeder cattle; an average of \$2.51 per head to the value of hogs at slaughter; during the last three years, the export demand for consumer oriented food products has grown about 4 percent per year, or 5 billion dollars a year.

The Kansas State Board of Agriculture has been very active in working within its own established program and cooperatively with USDA Foreign Agriculture Service programs, cooperator programs, commodity commission activities, and producer groups to conduct specific international market development projects. These efforts have provided quantitative assistance in expanding foreign markets for Kansas interests and also well represents the potential impact of targeted specific fit delivery of program services.

The decade of the nineties will be a decade of significant new opportunities for international trade development. However, it must be noted that these opportunities will occur in a framework of major change and challenge which in turn will require new and inventive state programs if Kansas is to accrue its share of these new markets. Changes in the USSR and Eastern Europe; liberalization in Japan, Korea, Taiwan; developing economies in the Asian rim; bi-lateral trade agreements with Canada and Mexico, EEC 92 impacts, etc., under pin both the opportunities and the challenges of the nineties.

To successfully meet the challenges of the nineties in international trade development, the Kansas State Board of Agriculture proposes: A "Foreign Trade Office and Market Presence Initiative".

Current research and surveys of other states indicates that most of the states that are considered to be aggressive in international markets have a common conclusion that they must have reliable access to, comprehensive and accurate information about, and a commercial presence in those markets areas of the world which show maximum economic potential.

A recent survey of 50 states showed 44 states have sought to establish a "market presence"; 21 states had a total of 65 offices or contractors to serve Europe, Middle East and Asia (these figures do not include Latin America). Of the states who reported overseas presence, nine have representatives dedicated to agriculture food product development. The remaining state programs were more orientated toward manufactured hard goods, and investments.

A state's international presence is usually achieved in one of the following ways:

- 1) State operated full service offices subject to the full administrative authority of the central agency and are viewed as full extensions of the state agency.
- 2) Individual contract for services provided by an established in-country firm. This method provides limited administrative authority and only general contract authority to the state agency.
- 3) Trade representation contract generally provided by an in-country individual. This method is very specific and provides for very limited services. The state agency would have no administrative or program authority beyond project services set forth in the contract.

State international market presence efforts also pay significant attention to identifying the foreign market location and demand trends which best match their product supply profile and which hold potential for which their program is targeted.

Review, evaluation, and analysis of a broad range of market potential studies, developing market pattern projections, and country economic profile studies identify a series of foreign markets which hold good potential for Kansas agricultural commodities and food products.

The most promising regional market for expansion appears to be the Asian Rim. Since 1979, the percentage of agricultural exports to this area has steadily increased from \$12.8 billion to \$16.5 billion last year. Japan was the first nation to emerge as a major market and it also holds the distinction of becoming the first billion dollar market in 1964. South Korea and Taiwan followed a similar path a decade later. In 1989, Korea was the fourth largest U.S. agricultural exports at \$2.45 billion. Taiwan was seventh largest with purchased of \$1.59 billion. Mexico ranks fifth as a major market and further expansion for processed foods is expected. The South Asia rim region anchored by Thailand and Malaysia with their rapid emergence as solid economies represent an area of excellent potential. Of course, the major changes occurring in Eastern Europe and the USSR have placed this region on the list of major market potential for our products and cannot be overlooked in foreign market development initiatives.

In summary, the Kansas State Board of Agriculture's Foreign Trade Office and Market Presence should initially target: Japan, Mexico, Taiwan, Thailand/Malaysia, and Central Europe.

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A Foreign Trade Office
and
Market Presence Initiative

Japan:

- a) Initiate a contract for services with an established company operating in Japan. The contractor should have an established record of experience working with meat and processed food importers, wholesalers, and retailers.
- b) The contract terms shall specifically address:
 - 1. Development of an annual operating plan.
 - 2. Market intelligence and consumer demand information procedures.
 - 3. Specific contract procedures with targeted in-country commercial representatives.
 - 4. The details related to conducting three to four trade missions, product demonstrations, or exhibitions for Kansas exporters.
 - 5. Outline services to be made available to individual Kansas firms while in-country.
 - 6. Establish a project and contract annual evaluation process.
- c) The basic concept is that the Kansas State Board of Agriculture would utilize personnel, office facilities, and office support of an established company in Japan to provide a wide range of services representing the agency. No agency personnel would be located in office.
- d) Projected annual cost for contract services: \$75,000

Mexico:

- a) Identify an established company operating in Mexico which has an established record of experience in the importation, distribution, and retailing of agricultural commodities and processed food products.

Initiate a contract that will provide for a full service office presence which will operate as a full extension of the Kansas State Board of Agriculture.
- b) The contract terms shall specifically address:
 - 1. Assignment of specific individuals who will serve as agency employees and whose total responsibility will be to represent a full extension of the agency.

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2. Assignment of specific office space, office support services, and accounting procedures.
 3. Details setting forth the full administrative authority of the Kansas State Board of Agriculture.
- c) The basic concept is that the Kansas State Board of Agriculture would in effect operate a full service foreign office. Employees would be directly supervised by the agency. The agency would have complete administrative and programmatic supervision responsibilities.
- d) Projected annual cost for full service contract: \$170,000

Thailand/Malaysia:

- a) Initiate a contract for trade representation services with an individual operating in Thailand. The contractor should have an established record of experience working with importing, wholesale, and retailing of U.S. agricultural commodities and food products.
- b) Contract terms in this case will outline identified specific functions to be conducted by the contractor:
1. Set forth the details related to processing individual trade lead inquiries.
 2. Establish quantitative costs per type of consultive service provided by contractor or requested by agency.
- c) The basic concept in this market is that the Kansas State Board of Agriculture would have series of specific services provided by the contractor. The relationship would be one of "consultive service" as assigned. This concept provides initial market presence at a minimum cost. It also provides an opportunity to provide quality service (on a limited basis) while further analyzing the market potential to support possible program change.
- d) Projected annual cost for trade representation contract \$20,000.

Taiwan:

- a) Initiative a contract for trade representation services with an individual operating in Taiwan. The contractor should have an established record of experience working in the importation and merchandizing of U.S. agricultural commodities and food products.
- b) Contract terms in this case will outline identified consultive services to be provided by the contractor.
1. Set forth the details related to processing and servicing individual trade lead inquiries.
 2. Establish costs per type of consultive service provided by contractor or as requested by agency.

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3. Specifically set forth a format to conduct an evaluation of operating a Kansas State Board of Agriculture office located in the Taipei World Trade Center.
- c) This concept is best described as an "enhanced trade representation" contract. It is designed to provide the basic consultive service assistance for specific trade leads but it also goes beyond by 1) providing a more prominent Kansas State Board of Agriculture presence in the market; 2) it addresses the possibility of an office located at the World Trade Center; 3) will include providing assistance for two in-store product demonstrations.
 - d) Projected annual cost for contract services: \$30,000.