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USDA Export Promotion Programs Boost U.S. Farm Export Value by 15 Percent, Create Thousands of Jobs

Agricultural export market development programs funded through the Farm Bill have contributed an average of \$8.2 billion per year, a total of more than \$309 billion, to farm export revenue between 1977 and 2014 according to a new study conducted by noted land grant university economists.

“In other words, these programs have accounted for 15 percent of all the revenue generated by exports for U.S. agriculture over that time. To me, such a positive result is just stunning,” said Dr. Gary Williams, professor of agricultural economics and co-director of the Agribusiness, Food, and Consumer Economics Research Center at Texas A & M University, who led the study.

The study examined the effectiveness of the Market Access Program (MAP) and the Foreign Market Development (FMD) program. They are part of a public-private partnership that provides competitive grants for export development and promotion activities to non-profit farm and ranch organizations that contribute funds from checkoff programs and industry support.

As a result of MAP and FMD funding, average annual farm cash income was \$2.1 billion higher, and annual average farm asset value was \$1.1 billion higher over 2002 through 2014. The programs increased total average annual U.S. economic output by \$39.3 billion, GDP by \$16.9 billion and labor income by \$9.8 billion over the same time. The study results also showed that the economic lift created by these programs directly created 239,000 new jobs, including 90,000 farm sector jobs.

By testing what would happen if federal MAP and FMD funding were eliminated, the study showed that average annual agricultural export revenue would be lower by \$14.7 billion, with corresponding annual average declines in farm cash income of \$2.5 billion and significant drops in GDP and jobs.

“I would say these are very successful economic development programs based on their impact to the farm and general U.S. economy,” Dr. Williams concluded.

The non-profit agricultural organizations that participate in MAP and FMD contributed about \$470 million dollars per year to the programs in 2014. That was more than 70 percent of total funding. The federal budget for MAP has been fixed at \$200 million per year since 2006 and FMD’s \$34.5 million annual budget has not changed since 2002. The Commodity Credit Corporation programs are administered by USDA’s Foreign Agricultural Service (FAS), which is required to report to Congress periodically on program effectiveness.

This is the third study of FAS export promotion programs since 2007 but the first to use an export demand analysis to measure their effectiveness. MAP and FMD participating organizations U.S. Wheat Associates, USA Poultry & Egg Export Council and Pear Bureau Northwest sponsored the new study, which was funded by USDA FAS. Informa Economics assembled data to support the study, recruited the team of five agricultural economists from Texas A & M, Oregon State University and Cornell University, interviewed dozens of MAP and FMD participants and reported on results.

The new study identified a return on investment from these programs between 1977 and 2014 of 28 to one, which Dr. Williams considers quite strong and showing consistent results with the two other MAP and FMD studies.

“The average return on investment, or benefit to cost ratio, for 27 previous industry specific export promotion studies is just under 11 to one,” Dr. Williams said. “So I was, frankly, quite surprised that the return was this high. The previous MAP and FMD studies showed returns of 25 to one in 2007 and 35 to one in 2010.”

Informa's report concluded that no matter what type of analysis is used or what time period is considered, "the results of this study and previous studies all demonstrate the importance and effectiveness of market promotion funding on exports, the farm economy and the overall macro economy.

USDA Cost-Benefit Study Contributors

Dr. Gary Williams is Professor of Agricultural Economics and Co-Director of the Agribusiness, Food, and Consumer Economics Research Center (AFCERC) at Texas A&M University, College Station, Tex. He is the AFCERC chief operations officer responsible for managing the research program of the Center and leads AFCERC research and outreach projects relating to commodity and agribusiness markets and policy and international trade and policy. He is also an Associate Faculty Member of the Department of International Affairs in the Bush School of Government and Public Service at Texas A&M University. His areas of teaching and research emphases include commodity promotion programs, international agricultural trade and development, agricultural policy, and marketing and price analysis. Dr. Williams was raised in Lubbock, Texas and holds a Ph.D. and an M.S. degree in Agricultural Economics from Purdue University and a B.S. in Economics from Brigham Young University. Prior to joining the faculty at Texas A&M University in 1988, he gained experience as a professor and Assistant Coordinator of the Meat Export Research Center at Iowa State University, Senior Economist at Chase Econometrics, agricultural economist for the USDA, and Special Assistant to the U.S. Deputy Under Secretary of Agriculture for International Affairs and Commodity Programs at USDA. In recent years, he has become particularly well known for his research on the economic effectiveness of commodity checkoff programs, including those for soybeans, cotton, lamb, dairy, Florida orange juice, Texas citrus, Texas pecans, and others. He is also well known for his research on U.S. and world oilseed and oilseed product markets and the U.S. livestock industry including issues related to sheep and lamb markets and the effects of concentration in the beef packing industry. He recently served as Chair of a National Academy of Science Committee on the Status and Economic Performance of the U.S. Sheep and Lamb Industry. He also recently served as a member of a National Academy of Science Committee on the Future of Animal Science Research.

Dr. Jeff Reimer, Associate Professor, College of Agricultural Sciences, Oregon State University, Corvallis, Ore. Dr. Reimer has been with Oregon State University since 2005. His research program concerns topics in international trade, the economics of food and agriculture, and general equilibrium modeling. Dr. Reimer teaches courses in agricultural price and market analysis, micro-economic theory, and international trade. Dr. Reimer grew up on a farm in Illinois before receiving a bachelor's degree from the University of Illinois and spending three years working in agricultural development in rural Bangladesh. After completing his doctorate in Agricultural Economics from Purdue University in 2003, he spent two years as a research associate at the University of Wisconsin-Madison. At Oregon State University he has been major advisor for 10 graduate students and been the recipient of more than a dozen grants and contracts. He has published more than 30 journal articles and book chapters, including in the Journal of International Economics, Economic Inquiry, and the American Journal of Agricultural Economics.

Dr. Rebekka M. Dudensing, Assistant Professor and Extension Specialist, Department of Agricultural Economics, Texas A&M University. Dr. Dudensing's responsibilities include the analysis of economic and fiscal impacts. She also studies economic responses to natural disasters and the roles of business and social structures in community economic development. She has done extensive economic impact modeling including IMPLAN I-O approaches. Much of her research is driven by the concerns of Extension clientele with objectives to find solutions to those local concerns and to project these issues to a wider audience through applied research and methodological improvements. Dr. Dudensing is particularly interested in the sustainability of agriculture- and natural resource-dependent rural communities.

Dr. Bruce A. McCarl, University Distinguished Professor and Regents Professor of Agricultural Economics at Texas A&M University. He received his B.S. in Business Statistics at the University of Colorado and Ph.D. in Management Science from Pennsylvania State University. His recent research efforts have largely involved policy analysis (mainly in climate change, climate change mitigation, water

economics, and biosecurity) as well as the proper application of quantitative methods to such analyses. He teaches graduate courses in applied mathematical programming and applied risk analysis. He was part of the 2007 Nobel Peace Prize winning Intergovernmental Panel on Climate Change.

Dr. Harry M. Kaiser, Gellert Family Professor of Applied Economics and Management, Cornell University, Ithaca, N.Y. Dr. Kaiser teaches and conducts research in the areas of price analysis, marketing, and quantitative methods. Professor Kaiser has written 114 refereed journal articles, four books, 17 book chapters, over 150 research bulletins, and received \$8 million in research grants in these areas. Since 1994, Professor Kaiser has been the director of the Cornell Commodity Promotion Research Program. Much of his research focuses on the market-wide economic effects of commodity advertising and promotion programs. Currently, Professor Kaiser and his staff annually conduct the economic analysis required by the U.S. Congress for the national dairy and fluid milk processor advertising programs.

Joe Somers, Vice President, Informa IEG, Washington, D.C. Somers is responsible for economic analyses and agricultural policy consultancy work. He brought to Informa more than 25 years of experience with USDA's Foreign Agricultural Service (FAS) as a Foreign Service officer and has been a member of Informa's staff since 2002. While at FAS, he served in Brazil and Argentina and traveled on official USDA fact-finding trips. In Washington, D.C., he supervised and conducted world supply/demand and trade policy analyses for a wide range of commodities and managed publication of several analytic circulars. He also was director of research and marketing for the GIC Group, Alexandria, Virginia, where he was responsible for business development and economic and market analyses. He received his bachelor's degree in political science from Northeastern University, Boston and master's in agricultural economics from the University of Massachusetts, Amherst.

<http://www.fas.usda.gov/programs/market-access-program-map>

<http://www.fas.usda.gov/programs/foreign-market-development-program-fmd>