

THE CASE FOR INCREASING FUNDING FOR EXPORT MARKET DEVELOPMENT PROGRAMS

Agricultural exports are a bright light in the U.S. economy and a driver of farm income, with strong positive impact most pronounced in rural communities. According to USDA's Economic Research Service (ERS):

- U.S. agricultural exports valued at \$137.4 billion in 2016 produced an additional \$172.1 billion in economic activity for a total of \$306.8 billion of economic output;
- Those agricultural exports supported 1.1 million full time U.S. civilian jobs, including 764,000 in the non-farm sector;
- This represents 8,100 jobs for every \$1 billion of agricultural export revenue.

Agricultural export market development depends on partnerships between USDA and non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups and small businesses to share the costs of overseas marketing and promotional activities such as market research, trade shows, trade servicing, and retail and educational promotions.

The Market Access Program (MAP), authorized in the 2014 Farm Bill at \$200 million per year, and the Foreign Market Development (FMD) program, authorized in the 2014 Farm Bill at \$34.5 million per year, are administered by USDA's Foreign Agricultural Service (FAS) and match private-sector contributions of an estimated \$528.5 million in 2016.

HIGHLY SUCCESSFUL INVESTMENTS

A July 2016 econometric study¹ of export demand by Informa Economics IEG, working with Texas A&M University and Oregon State University economists, showed that MAP and FMD:

- Generated a remarkable return on investment of \$28.30 in export gains for every \$1 spent, between 1977 and 2014;
- Returned an average annual increase in farm net income of \$2.1 billion between 2002 and 2014;
- Created 239,800 new full and part-time jobs between 2002 and 2014.

Since the current federal budgets for MAP and FMD were approved in 2002, the foreign agricultural market value those budgets are meant to develop has grown to more than \$800 billion per year.

DIMINISHED BUYING POWER AT A CRUCIAL TIME FOR AGRICULTURE

Since the 2002 Farm Bill was enacted, inflation and a depreciated U.S. dollar have reduced the real, effective promotional power of U.S. agricultural market development programs by almost 30 percent.



Despite growth in exports, federal funding for export market development work has steadily eroded. Looking at the FY2017 FAS allocation of MAP and FMD funding:

- Sequestration reduced available MAP funding by \$13.8 million and FMD funding by \$2.4 million.
- USDA administrative expenses reduced available MAP and FMD program funds by \$7 million.

The result is fewer dollars for actual programs, while demand for the program benefits increases.

In FY2018, just \$173.8 of the \$200 million MAP appropriation and \$26.5 million of the FMD appropriation were allocated to participating organizations. Taking inflation into account, this means the \$200.3 million total that FAS awarded for MAP and FMD in FY2018 had an actual promotional power of only \$140.2 million. Applications for funding far exceeded the actual allocated amount.

At the same time, a study² by Informa Economics showed that several competing countries and the European Union **spent close to \$1 billion in public funds on agricultural export promotion in 2016**, outspending the United States 4 to 1. That is an increase of 70 percent in real competitive public spending since 2011. The conclusions echo results of three similar competitive studies since 2013.

GREATER INVESTMENT IS NEEDED

As American agriculture fights unprofitable farm gate prices and increasing international competition, the time is right to increase support for export promotion.

A November 2016 Informa Economics study³, using the same methodologies as the July 2016 study, found that doubling public funding for MAP and FMD, coupled with increasing private contributions ranging from 10 to 50 percent, would result in average annual gains in agricultural exports from \$3.4 to \$4.5 billion, and average annual gains in gross domestic product from \$4.5 to \$6.0 billion.

Cooperator organizations consider MAP and FMD essential to leverage their investment in export market development and are committed to matching increased federal contributions with their own funding.

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The Coalition to Promote U.S. Agricultural Exports and the Agribusiness Coalition for Foreign Market Development have posted more information about the successful public/private MAP and FMD partnership programs and why it is time to increase the investment in agricultural export market development. Visit www.AgExportsCount.org to learn more.

¹Economic Impact of USDA Export Market Development Programs, Informa Economics, IEG, July 2016

²Analysis of EU and Other Selected Foreign Export Promotion Programs, Informa Economics, IEG, November 2017

³Economic Impact of Future Funding Scenarios on USDA MAP & FMD Programs, Informa Economics, IEG, November 2016

Revised May 18, 2018

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