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ECONOMIC

EFFECTS

of Generic  
Promotion

Programs for

Agricultural  
Exports



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# **Economic Effects of Generic Promotion Programs for Agricultural Exports**

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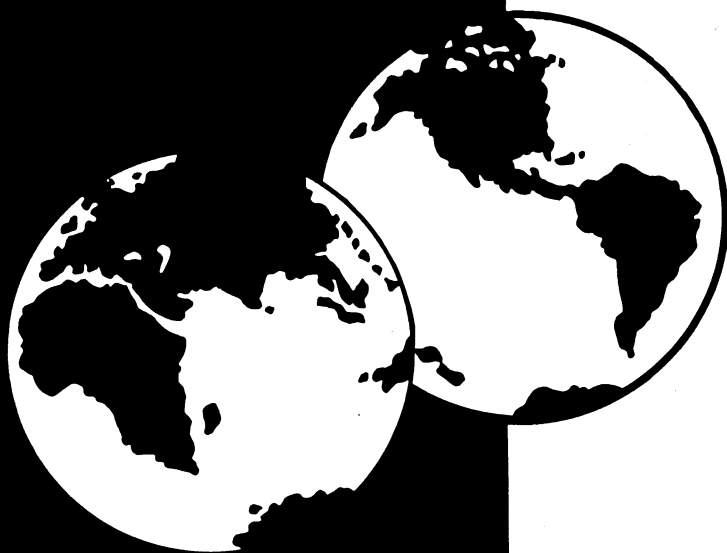
**Papers Presented at a  
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**Part V:  
New  
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## EIGHTEEN

# Evaluating the Economic Effects of Generic Promotion Programs for Agricultural Exports: Synthesis and Summary

Lester H. Myers

This symposium is an historic and important occurrence. It is historic in that it is the first time a conference including researchers, industry officials, and government program managers has been devoted to evaluating foreign market development efforts. It is important because it should provide the stimulation to encourage both researchers and program managers to view evaluation as a legitimate and necessary activity. As such, I hope and expect that we will look back on this conference as the spawning ground for expanded data collection and research activities which will follow.

Since a major goal of this conference is to stimulate new research and evaluation efforts, this synthesis and summary cannot be considered a complete assessment of the degree to which the conference is a success. Full evaluation will have to await the longer-term outcome.

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## EVALUATION OBJECTIVES

When one thinks about "evaluation," the first thing that comes to mind is the need to define objectives against which performance can be evaluated. Anyone reading the papers presented and listening to the discussions becomes aware that export promotion programs are viewed as having multiple objectives. Thus, evaluation cannot be thought of in a one-dimensional context. During this conference, speakers have emphasized the multi-dimensional aspects of foreign market development

evaluation. However, specific objectives have not always been articulated with the clarity needed to guide evaluation studies.

### Management Decisions

One set of objectives focuses on program management decisions. These objectives involve securing information needed to make decisions about funding allocations, program strategy, and the effectiveness of program execution (i.e., of individual activities).

Commodity program managers want to spend funds in ways that will translate most efficiently into increased profits to producers and marketing firms -- or at least to increased exports.<sup>1</sup> However, most commodity program managers often find that determining definitive statistical links between program expenditures or activities and sales or exports requires too much detailed data and time to be of real value in making decisions about funding allocations.

Several papers presented interesting research designs for generating information needed by managers. Kirby Moulton and Gary Williams both suggest that an economic model be used to develop a framework around which an information base can be developed for promotion evaluation. Moulton presents a checklist that can systemize the information gathering process. How the information is gathered and the blanks filled in will vary. If enough time series and/or cross-section data exist to conduct econometric studies, the estimated elasticities can be used to complete his checklist. If not, the "best" estimates of program managers and industry experts can be used. Either way the information is gathered and evaluated in a systematic framework.

Another model is the one detailed in the Branson paper on a market research based evaluation for wheat promotion in Korea. Branson suggests using an experimental design approach with additional verification via consumer panel data. The attractive feature is that it is designed to generate fairly quick quantitative measures of sales response. The disadvantages include expense, the ability to project results, and the inability to measure long-term effects. If we view the Moulton framework as a guide, the Branson methodology is one way to generate some of the needed information relatively quickly.

**Once a program is initiated and an institutional infrastructure develops to manage the program, either private or governmental, there may be a tendency to resist those types of evaluations that have the potential to jeopardize overall funding for the program.**

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<sup>1</sup>A counter view is expressed in Chapter Seven by Dan Conable.

Several papers (e.g., Youde, Wilson) suggest fairly ad hoc and ill-defined methods for project/activity evaluation. These methods seem to rely on individualistic assessments based on opinions of field personnel or outside contractors. While these sources may provide knowledgeable assessments of market performance, it is difficult to compare assessments across projects and across activities without a consistent framework such as that suggested by Moulton.

Before turning to assessments needed by public administrators, it is important to comment on an inherent danger in commodity program evaluation: the propensity to have a hidden, or not so hidden, objective of institutional preservation. Once a program is initiated and an institutional infrastructure develops to manage the program, either private or governmental, there may be a tendency to resist those types of evaluations that have the potential to jeopardize overall funding for the program.

Recognition of the problem is embedded in several of the presentations. Conable and Wilson both use the term "backsell" when referring to an objective of providing valuative information to producers and other funding organizations, including Congress. The term itself connotes something less than objectivity. Conable, in particular, emphasized his view of the relative priority of institutional preservation as an objective in the goals of various participants in foreign market development programs as opposed to other objectives such as increasing exports. Perhaps as a result of this perspective, the Dwyer/Kirby paper seems to suggest that non-significant TEA impact estimates are undesirable results. However, a zero promotion effect, as emphasized by Williams, is certainly within the set of reasonable outcomes.

### Public and Producer Funding Decisions

Evaluation studies designed to provide program management information are necessary but insufficient for evaluating governmental and producer-funding decisions.<sup>2</sup> In addition to the short-term analysis provided by the types of studies previously noted, complete evaluation must be designed to answer such questions as:

- What is the return to producers?
- What is the effect on the U.S. macroeconomy including federal budget outlays?
- What is the effect on U.S. trade versus trade by competing suppliers?

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<sup>2</sup>Refer to Chapter Eight by Phil Thomas for more on this point.

- How effective is the program in offsetting tariff and non-tariff barriers to trade or in offsetting export subsidies by competing countries?

The complete answers to these questions require econometric studies based on time series and/or cross-section data. Also, with few exceptions they are generally not the types of studies commodity groups should be expected to fund or conduct. Papers presented by Henneberry and Ackerman, Williams, Solomon and Kinnucan, Dwyer and Kirby, and Lee et al. relate in various ways to this component of the evaluation process.

A conclusion resulting from looking at these presentations as a group is that the technical expertise exists to conduct rather sophisticated evaluations of foreign market development programs in terms of additional sales, dollar revenues, and market share. However, practical empirical studies are severely limited by data constraints and by the time needed to collect sufficient data to do the analysis.

Hopefully this conference will serve as a positive factor in convincing government and commodity program managers of the need to begin collecting the necessary data in a systematic manner. At the very least, reporting of promotion expenditures by time period, type of activity, commodity, and geographic market should be one of the requirements for program funding. The Moulton and Williams papers provide important frameworks within which data reporting functions can be defined. They should be studied carefully.

## CHALLENGES FOR THE FUTURE

Without doubt, this conference is a significant step in focusing attention on important issues surrounding the evaluation of foreign market development programs. Yet it has not addressed all the relevant issues. Some of these additional areas of evaluation also present a challenging agenda for future conferences and research efforts.

With the exception of seafood promotion, export promotion programs are the only generic promotion programs partially funded with public revenues. Domestic programs are funded solely with grower/handler assessments. Two suppositions stem from this observation. The first is that producers themselves do not view the potential benefits to be sufficient to fund the activities fully. The second is that Congress sees sufficient public benefit

**Evaluation studies should be cast in terms of "public objectives" as viewed by Congress. This goes beyond the objective of determining whether or not producer-level sales and revenues are increased enough to offset their component of the funding.**



to consider foreign market development programs for agricultural products as a "public good."

If, in fact, these hypotheses are supportable, evaluation studies should be cast in terms of "public objectives" as viewed by Congress. This goes beyond the objective of determining whether or not producer-level sales and revenues are increased enough to offset their component of the funding. The Armington model employed by Solomon and Kinnucan, the conceptual framework laid out by Williams, and the citrus-related research reported by Lee et al. have explicit reference to the measurement of impacts on market share. Yet these models do not get at many of the macro performance measures (e.g., balance of trade, government outlays) that Congress could reasonably be presumed to have had in mind when they authorized spending for foreign market development.

If the TEA program objective is to offset the effects of barriers to entry and export subsidies, two questions arise: (1) how does this objective serve the public good and (2) are the types of programs or activities (technical assessment, trade servicing, or consumer promotions) that are funded consistent with the TEA objective? For example, 75 percent of the TEA-funded activities are classified as consumer promotions. We need to evaluate the linkages between these activities and the TEA objective of offsetting barriers or restrictions to trade. The Williams paper explicitly expresses a research framework that could be used.

The papers presented in this session offered little insight into the question of how FAS evaluates or should evaluate various commodities when deciding what programs to fund. Methods for "ex ante" as well as "ex post" evaluation need to be developed in a framework that permits cross-program evaluation and consistency with overall program goals.

In summary, this conference has been very useful and it should help to stimulate continued interest in evaluation. Since work in foreign market development evaluation is in its infancy, researchers and program managers will have to be patient with each other and work together in order to generate the data and analysis that will lead to informed and efficient decisionmaking. This conference demonstrates that the needed cooperation can occur.

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**If the TEA program objective is to offset the effects of barriers to entry and export subsidies, two questions arise: (1) how does this objective serve the public good and (2) are the types of programs or activities that are funded consistent with the TEA objective?**

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