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# Federal Export Promotion and International Trade of U.S. Red Meats

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*Abstract: The U.S. government's export promotion programs for red meats and the U.S. trading situation for red meats are reviewed. The Cooperator Market Development Program (CMDP), Targeted Export Assistance (TEA), and Market Promotion Programs (MPP) are examined with respect to expenditures for activities and regions. While generic consumer promotions accounted for the largest percentage of funding for activities, more than half of CMDP expenditures and roughly three quarters of TEA/MPP expenditures for red meats between 1986 and 1991 were allocated to Pacific Rim markets. Japan, the largest U.S. export market, received the majority of regional funding during the period.*

*Key Words and Phrases: Cooperator market development program, Targeted export assistance program, Market promotion program, Red meat export market development, Government export assistance programs for red meats.*

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Although the United States continues to be both the world's largest importer and producer of red meats, it is also recognized as a significant global supplier (U.S. Department of Agriculture, 1990). Particularly as red meat consumption in the United States has fallen in recent years due to growing domestic health concerns, export markets in East Asia and North America have become increasingly important outlets for the U.S. industry's production. In fact, U.S. red meat exports, comprised of beef, veal, pork, lamb and variety meats, accounted for a record \$3.2 billion or nearly 8 percent of U.S. agricultural exports in fiscal 1992 (U.S. Department of Agriculture, 1992). During the past two decades, the U.S. export position has been influenced by a variety of factors. The declining dollar in the mid-to late 1980s and the growth of the U.S. hotel, restaurant and industrial (HRI) trade have increased sales worldwide. However, in certain markets, such as Japan or Korea, competing suppliers, increasing consumer demand for specific varieties and cuts of meat, and both tariff and non-tariff barriers have been problematic for U.S. producers.

In an attempt to increase foreign sales, the red meat industry has been involved in various promotion programs sponsored by the federal govern-

ment. As the industry's representative in international markets, the U.S. Meat Export Federation (USMEF) has organized overseas promotions. The trade association receives support for market development activities from private industry as well as programs administered by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture. FAS currently coordinates two non-price promotion programs for red meats: the Cooperator Market Development Program (CMDP) and the Market Promotion Program (MPP). The MPP has replaced the Targeted Export Assistance (TEA) Program. From 1986 through 1991, USMEF received more than \$8 million in CMDP funds and more than \$40 million in TEA/MPP funds for red meat promotion (Table 1).

The objective of this study is to examine the non-price promotion programs for red meats. Specifically the MPP (and its predecessor, the TEA Program) and the CMDP for red meats will be analyzed. International trade of red meats will also be discussed, including a description of major U.S. export markets and competing red meat suppliers. Expenditure data representing the government's share of promotion costs for non-price promotion programs will be analyzed according to export markets for the period 1986-1991 and according to types of promotional activities for the period 1986-1988. Limitations in analyzing historical program data will also be mentioned, as well as contributions to promotion activities from private organizations and companies. Although export promotion for red meats under the CMDP began in 1976, analysis for this study begins in 1986, the year the TEA Program was initiated.

This is the first study to examine the non-price promotion data for all red meat markets under CMDP and TEA/MPP. Therefore, this descriptive analysis provides the preliminary work for further research to analyze the effectiveness of export promotion of red meats as has been done in the past for other individual commodities.<sup>1</sup> Furthermore, most previous studies have used aggregate data to present promotion expenditures. In this study, red meat promotion data will be disaggregated by type of activity and region.

### *Major U.S. Red Meat Export Markets*

U.S. red meat exports have increased more than fourfold since 1976 (Table 1). In fact, annual growth has averaged 12 percent during the past seventeen years and 20 percent between 1985 and 1992. U.S. producers and processors now trade more than \$3 billion worldwide. The latest fiscal year figures show nearly 90 percent of red meat shipments abroad were sent to four major markets—Japan (\$1.7 billion), Mexico (\$442 million), Canada (\$438 million) and South Korea (\$233 million) (Figure 1). Despite

Table 1.

*U.S. Exports and FAS Export Market Development Expenditures, Red Meats (in Thousand Dollars), Fiscal 1976-1992*

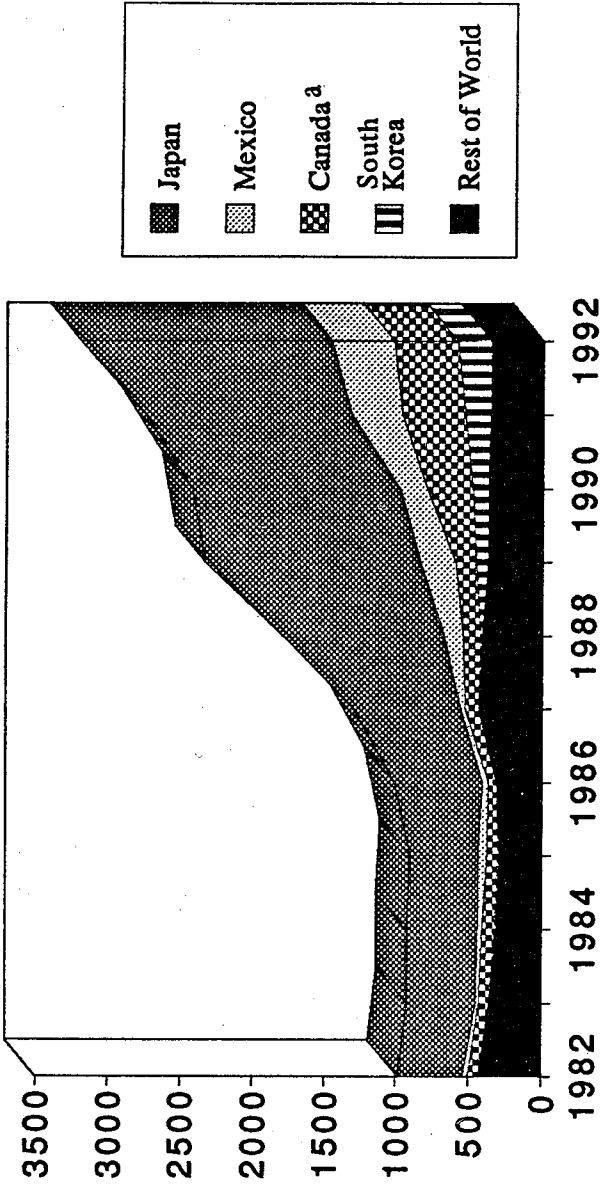
Year	Red Meat Exports	Export Market Development Expenditures for Red Meats		
		CMDP	TEA/MPP	Total
-----Thousand Dollars-----				
1976	590,154	1	0	1
1977	606,351	9	0	8
1978	684,710	147	0	147
1979	839,261	366	0	366
1980	865,269	398	0	398
1981	982,808	699	0	699
1982	980,550	843	0	843
1983	923,007	897	0	897
1984	927,422	1,47	0	1,047
1985	904,032	1,082	0	1,082
1986	1,010,888	1,465	6,846	8,311
1987	1,298,040	1,147	0	1,147
1988	1,794,834	1,603	10,650	12,253
1989	2,332,257	1,619	6,771	8,390
1990	2,424,174	1,240	6,963	8,203
1991	2,748,123	1,528	9,164 <sup>a</sup>	10,692
1992	3,195,674	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>

<sup>a</sup>The 1991 figure includes both TEA and MPP expenditures.

<sup>b</sup>1992 data are not available.

Source: Based on program data provided by FAS, USDA, April 5, 1989, and March 11, 1992; and U.S. Bureau of the Census data provided by FAS, USDA.

Figure 1.  
 U.S. Exports of Red Meats (in Million Dollars), Fiscal 1982-1992



<sup>a</sup>The Canadian market is excluded from FAS promotion programs.  
 Source: U.S. Bureau of the Census data provided by FAS, USDA.

Canada's significance as a major importer of U.S. red meats, FAS promotional programs have usually excluded the Canadian market, considering it an extension of the U.S. market.

The European Community (EC) also continues to be a sizable market (\$141 million) despite the 1988 ban on imports of beef treated with growth-inducing hormones, a common practice in the United States (Simon). However, exports to the EC have been stagnant in recent years with a focus on niche items such as pet foods and horse meat. Except for a difficult recession in 1992 for the Caribbean Islands (\$38 million), much smaller markets that have exhibited strong growth for more traditional red meats during the past few years include Hong Kong (\$29 million), Taiwan (\$20 million) and Singapore (\$10 million).

Beef is the largest red meat export category from the United States. Accordingly, the United States is the third largest exporter of beef in the world (Tirschwell). Although meat from New Zealand, Canadian and Argentine suppliers is also present in many of the major U.S. red meat markets, Australia is considered the United States' most significant competitor. While Canada and New Zealand have begun to make some inroads in the world market for higher-quality beef, Argentine beef is generally thought to be of very poor quality compared to U.S. and Australian beef. It is commonly sold for further processing or low-quality, middle-meat cuts, whereas U.S. beef is usually sold in upscale restaurants and retail outlets.

*Japan.* The intense competition between Australia and the United States is best illustrated in the Japanese market. While Japan has historically accounted for at least half of all U.S. red meat exports and half of all U.S. beef exports, Australia has dominated the import market for beef throughout the past twenty years (Khan, Ramaswami and Sapp). Both countries have actively promoted red meats in Japan with campaigns designed to distinguish their products from one another. Strategies have included certification programs, joint ventures with Japanese firms and the development of brand name products. However, the Australian government has spent three times as much money on export promotion of red meats in Japan as the U.S. government in recent years (U.S. Meat Export Federation, 1993). Nonetheless, the U.S. share of the Japanese import market has continued to expand at the expense of Australian beef suppliers. According to the Midwest Agribusiness Trade Research and Information Center, Australia's share of the Japan's beef import market has fallen from 83 percent in 1975 to 56 percent in 1987, while the U.S. share has increased from 8 percent in 1975 to 38 percent in 1987 (Khan, Ramaswami and Sapp). USMEF estimates that the U.S. share of the Japanese beef import market has actually

risen to 43 percent as of 1991, with longer-term gains expected (U.S. Meat Export Federation, 1993). Similarly, U.S. beef now holds 37 percent of supermarket shelf space in Japan, more than twice the level of five years ago (Tirshwell).

Recent liberalization of the Japanese beef market has opened significantly greater opportunities for U.S. suppliers. The 1988 U.S.-Japan Beef and Citrus Agreement completely eliminated Japan's import quota on beef in 1991 and phased in a 70 percent tariff. This tariff was lowered to 60 percent in 1992 and was scheduled to fall to 50 percent in April of 1993. Reductions below the 50 percent level are an issue of the current General Agreement on Tariffs and Trade (GATT) negotiations (U.S. Department of Agriculture, 1991). Recent studies on elasticity estimates have found demand for beef in Japan to be both highly price elastic and income elastic (Dyck). This suggests the reduction in tariffs could have a significant positive impact on consumption of U.S. beef imports. While the U.S. red meat industry has been optimistic about the new import regime, some analysts believe various non-tariff barriers could continue to hinder sales of foreign beef in Japan (Mori, Lin and Gorman). Just as U.S. producers may lack an understanding of Japanese tastes and preferences, Japanese consumers may also be resistant to changing their dietary patterns toward more imported beef. Depending on the importance of these factors and the extent to which they have been ignored, some studies may have overestimated the effect of trade liberalization on beef imports in Japan. Taste, freshness and price are currently the major factors affecting beef consumption in Japan. The taste of Wagyu, a highly marbled, price-premium beef from native cattle, is particularly popular. While lower grades of beef, such as meat from dairy cattle, are also produced domestically, U.S. beef ranks between these and top-quality Wagyu. Moreover, in the past, the Japanese beef grading practices have favored beef that is more marbled between the fifth and sixth ribs rather than the twelfth and thirteenth ribs, as is the case in the United States. Promoters of U.S. beef are aware of these limitations and have worked to establish a new Japanese grading system with less of an emphasis on marbling (Khan, Ramaswami and Sapp). Lin and Mori have developed a hedonic price model to analyze the complexity of quality attributes, such as meat color, firmness and texture, facing U.S. beef exporters in a liberalized Japanese beef market (Lin and Mori). Due to the lack of substitutability between domestic and imported beef, the authors suggest a greater focus on high-value market niches if U.S. exporters are to fully capitalize on the new opportunities.

Although the degree of marbling continues to be important to Japanese beef consumers, the higher price of Wagyu has fostered the attitude that beef

should be consumed only on special occasions or holidays. Price-competitive imported beef has fueled consumption more recently (U.S. Meat Export Federation, 1993). However, even though the beef agreement with the United States has led to significantly reduced wholesale prices of beef, retail prices have been much more resistant to change. While retailers have attributed the stagnation to increased costs of labor and overhead, retailers have been accused of increasing profit margins (Parker and Scandurra).

Meeting consumer preferences is imperative in the Japanese market. Japan's fresh and chilled beef imports have been growing much faster than frozen purchases, and market research studies indicate that consumers prefer chilled, grain-fed, boxed beef, especially loin cuts (Parker and Scandurra). The United States has been able to meet demand specifications successfully in the past, but high-quality imports from the United States must still overcome the Japanese perception that imports are not as fresh as the domestic product. Despite the fact that most Australian beef imports have been grass fed, they are perceived as more "natural" than U.S. grain-fed beef. Actually, the import market is experiencing a convergence of both price and quality of product available from the United States and Australia as more Australian beef is being grain fed (U.S. Meat Export Federation, 1993). While Australian suppliers have had difficulty producing cuts to user specification, they have been able to provide chilled beef with a longer shelf life. This has proven to be a short-term advantage for retail outlets desiring to keep the product off the market when prices are low (Parker and Scandurra). The majority of Australian beef exports to Japan are chilled compared to only one-fifth of U.S. exports. While most U.S. beef is currently exported frozen, further advancement in container technology could improve the U.S. ability to ship chilled beef (Tirschwell).

Japan is also the leading importer of U.S. pork. However, Danish and Taiwanese competitors account for the majority of the growing import market. Although Taiwan has a transportation advantage and Denmark receives export subsidization, the primary reasons for a smaller U.S. market share have been Japan's variable levy system and the United States' inability to meet the market's demand for specialized pork bellies and other specific higher-valued pork cuts (Bredahl *et al.*). Not only do Japanese buyers prefer higher-value cuts, but by setting a minimum import price, the levy system has undermined the U.S. price advantage for its low-value cuts. In recent years, however, U.S. loins have become a desired cut in the market. The U.S. image as a lower-quality supplier should continue to recede as U.S. producers focus more on consumer preferences (Bredahl *et al.*).



**Mexico.** Mexico is currently almost a \$4.5 million export market for the U.S. red meat industry. During the past five years, increasing demand for red meat has been a clear indication of Mexico's developing diet and rising per capita income. The inherently higher price of beef has positioned beef products to middle- and upper-income consumers, while pork and other less expensive meat items are consumed by lower-income segments of the population. Until recently, the United States' close proximity to the Mexican market and price advantage over domestic meats afforded strong prospects for further increases in U.S. red meat exports to that country (Haley). However, an unexpected move by the Mexican government to protect the Mexican cattle industry recently resulted in the imposition of a 20 percent tariff on fresh beef imports and a 25 percent tariff on frozen cuts. Prior to November 11, 1992, there was no tariff on Mexican beef imports. This policy change is certain to curb U.S. exports in the short term (Toth). The policy may also signal future complications for the proposed North American Free Trade Agreement (NAFTA).

Mexico has been a strong market for U.S. bacon exports for the past several years. Mexico is currently the second largest importer behind Canada of further processed red meat products from the United States such as hams, beef jerky, bologna and sausages. Exports of prepared and preserved red meat products to all destinations swelled to \$176 million in fiscal 1992 (Halliburton). Growth has been steep during the last five years, led by exports of sausages and other similar mixed ingredient products to Mexico and Canada. Lesser known lamb and variety meats in all categories have also made inroads in the two markets.

**Korea.** Korea has been a market-in-waiting in the eyes of U.S. beef exporters. Relatively isolated from world trade for the past several decades, Korea gradually began to accept more imports during the late 1980s as the domestic supply situation worsened, demand for beef increased and internal protectionist attitudes changed (Jones and Dyck). Korea's urbanization and rising incomes have meant increased meat consumption, particularly at restaurants and hotels. Liberalization of Korea's beef trade consists of three phases. The first phase, which expired at the end of 1992, set a minimum level for import quotas. Policies are being negotiated bilaterally for the 1993-1996 period and by 1997 Korea will be required to bring its policies into GATT conformance (Jones and Dyck).

During the past five years, U.S. red meat exports to Korea have risen from \$13 million to a record \$233 million, making it the fourth largest U.S. export market in the category. Although Australia is Korea's main beef supplier, the U.S. share of the market increased from 31 percent in 1990 to 36 percent in 1991, with further increases expected (Caplan and Bailey).

Red meat exporters to Korea are likely to confront many of the same hurdles faced in Japan. However, the initial costs of entering the Japanese market are likely to reduce the marginal cost of U.S. firms in developing other Asian markets.

### ***U.S. Red Meat Export Promotion Programs***

For nearly two decades, U.S. red meat producers, processors and the U.S. government have participated in non-price promotion programs to expand U.S. exports. Programs for red meats have accounted for a large share of federal promotion activities overseas. From 1986 through 1991, red meats accounted for \$8.6 million of the FAS Cooperator Program expenditures and \$40.4 million of TEA/MPP (Table 1). These promotions have involved substantial expenditures by the government, the red meat industry and foreign participants. Given the magnitude of resources involved, understanding the programs, the allocation of expenditures and their effectiveness has become of great interest to all the parties involved. Descriptions of non-price promotion programs for red meats, as well as the allocation of expenditures by regions, are given in the following sections.

***The Foreign Market Development Program.*** The Foreign Market Development Program (FMDP) consists of two programs: the previously mentioned Cooperator Market Development Program (CMDP) and the Export Incentive Program (EIP). The CMDP has been in operation since 1955. Its purpose has been to develop and maintain long-term access to commercial markets. The EIP was established in 1971 to promote U.S. branded products (Henneberry, Ackerman and Eshleman). Red meats entered the CMDP in 1976, but have never been promoted under EIP. CMDP expenditures for red meats are authorized in FAS's annual budget. From 1986 through 1991, \$8.6 million in total funding for red meats averaged about \$1.4 million per year (Table 1).

The CMDP involves three parties: FAS, non-profit commodity groups (cooperators) and foreign third-party contributors. Since its organization in 1976, the USMEF has been the only foreign market development cooperator for the red meat industry. Headquartered in Denver, Colorado, USMEF has nine offices worldwide and is supported by the contributions of member companies and state and regional producer groups throughout the United States (U.S. Meat Export Federation, 1992). Third-party contributors are foreign or U.S. organizations that have entered into foreign market development agreements with USMEF (U.S. General Accounting Office, 1987).

In order to be eligible to participate in the CMDP, USMEF and other cooperators are required to submit marketing plans to FAS each year. The marketing plans include descriptions of proposed market development activities and related budget allocations, as well as market research and trade information. Market information is collected by cooperators from their overseas offices, U.S. government sources and contracted consultants concerning trade barriers, competing suppliers, consumer preferences, and distribution and handling limitations of particular markets. The program allows one year for cooperators to implement the marketing plan and an additional year to submit claims for reimbursement of the previous year's expenses (Henneberry, Ackerman and Eshleman).

Funding for export promotion of red meats has not been limited to the government's expenditures under the CMDP. Both domestic and foreign parties contribute to expenses not reimbursed by FAS. While FAS spent \$8.6 million developing red meat markets from 1986 to 1991, USMEF contributed another \$4.1 million and an additional \$13.9 million was contributed by foreign third parties. The second-party contributions are U.S. cash, goods and services and include the cost of time and travel for industry members as well as cash contributions for the administrative costs of the program (U.S. General Accounting Office, 1987). Total contributions for red meats accounted for nearly 6 percent of all contributions made to the CMDP during the 1986-1991 period.

*The TEA and Market Promotion Programs.* The Targeted Export Assistant (TEA) Program and the Market Promotion Program are the most recent endeavors on the part of the federal government to develop overseas markets for U.S. agricultural exports. Authorized by the 1985 Food Security Act and the 1990 Food, Agriculture, Conservation, and Trade Act, respectively, the two programs have involved substantially greater financial outlays by the government than the Foreign Market Development Program. From 1986 to 1991, combined annual expenditures for MPP and the TEA Program for red meats averaged \$6.7 million (Table 1).

The TEA Program began in 1986 with the specific objective of offsetting the adverse effects of foreign subsidies, import quotas or other "unfair trade practices" on U.S. agricultural products (Henneberry, Ackerman and Eshleman). In 1991, TEA was replaced by MPP. Although the two programs overlapped that year, they maintained separate budgets. MPP has been authorized until 1995 at which time a new farm bill will be legislated. The current scope of MPP is much broader than that of the TEA Program. Unlike the provisions of TEA, consumer products are not required to have been injured by unfair trade practices to be eligible for participation in the Market Promotion Program (U.S. Department of Agriculture, Feb. 1992).

MPP and the TEA Program also require outside contributions to justify the government's financial involvement. According to FAS records, total contributions to the MPP and TEA Program for red meats combined accounted for approximately one-fourth of the programs' contributions from all cooperators and third parties during the 1986-1991 period. USMEF contributed \$22.2 million while foreign third parties gave an additional \$189.4 million. Historically, USMEF has been one of FAS' largest recipients of foreign third party contributions, accounting for up to three-fourths of the total for all commodities in a given year. This overwhelming response from foreign parties is partly due to USMEF's large involvement with supermarket promotions (U.S. Meat Export Federation, 1993).

**Data Limitations.** In this study, expenditure data were collected from FAS accounting records for the CMDP and TEA/MPP red meat program for the period 1986-1991. The data were analyzed with respect to allocations across promotional activities and regional markets. Although the data received from FAS were originally sorted by country and marketing activity, countries had to be re-categorized into regions while promotions had to be aggregated into broader types of activity groupings.

The FAS data were usually country specific, but the program participants' marketing plans in 1989 and 1990 included activities for which individual countries were not initially specified. To overcome the problem, a "dummy country" category was created to include budgets for which a specific country had not yet been named. Thus, the "dummy country" is simply an account to which funds may be allocated when it is uncertain where the actual expenditures will be made.

**Market Development Activities.** Cooperators engage in a variety of export development activities depending on the various institutional and distribution structures of each market. For this study, the activities were divided into three broad categories based on the descriptions given in the CMDP marketing plans: consumer promotion (branded and generic), trade servicing and technical assistance. Analysis of the marketing activities for the CMDP and TEA Program was restricted to the period from 1986 to 1988 because of data limitations.

The U.S. Meat Export Federation's market development activities have varied from country to country depending on the stage of market penetration. The typical strategy begins with information gathering, followed by market entry, expansion and maintenance. For example, in-store promotions and mass-media campaigns have been deemed more appropriate for the Japanese retail sector than for the less mature Hong Kong retail sector. Retail activities in Hong Kong have been more concerned with educating

retailers about products than consumer advertising (U.S. Meat Export Federation, 1993).

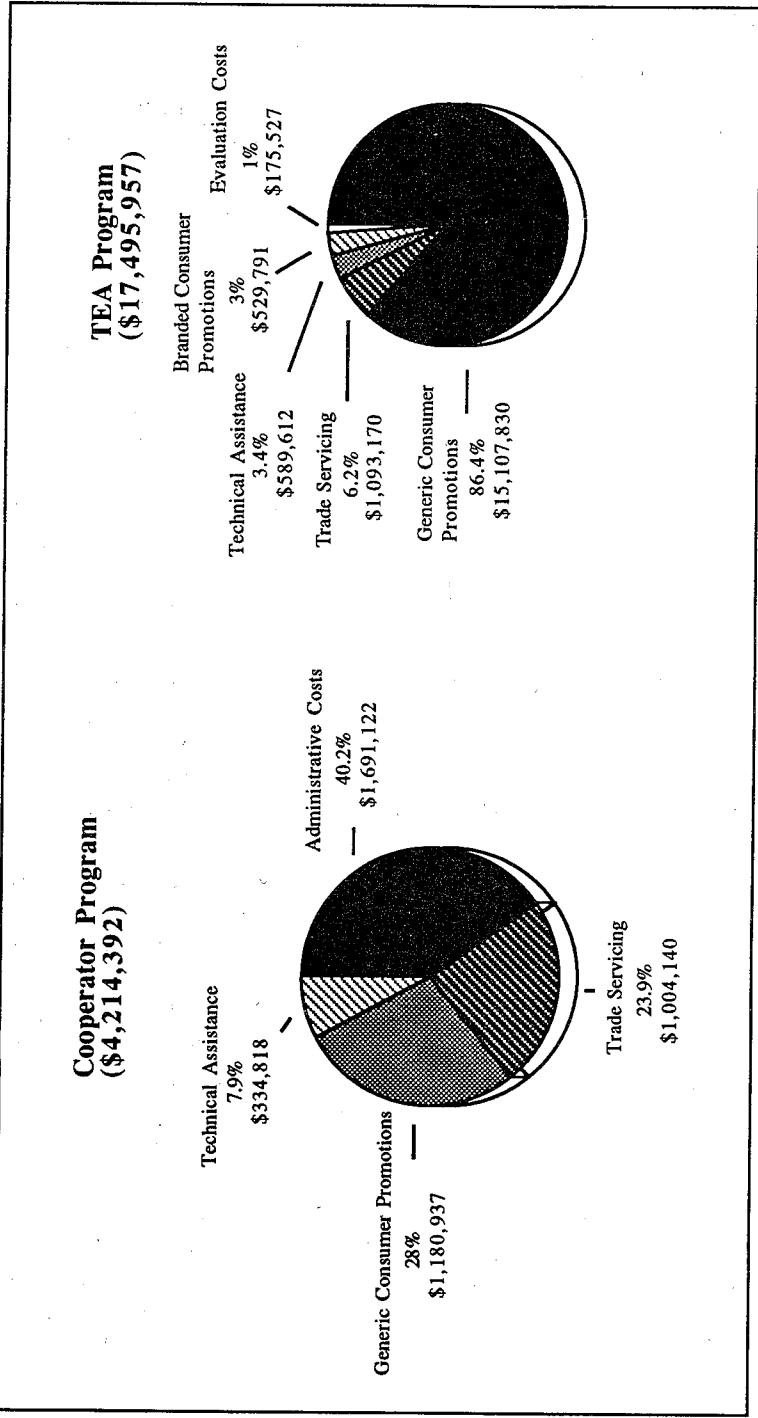
Traditionally, generic consumer promotions have been used to promote red meats in the retail sector. Generic promotions have included point-of-purchase displays in which USMEF may set up a booth in a retail establishment and offer actual product samples or pamphlets on the virtues of U.S. red meat products directly to consumers. Other generic promotions have involved cooking schools and contests for beef and pork in Japan's retail sector. Recipes involving red meats have also been introduced to consumers through the media to encourage the use of U.S. meat products in traditional native recipes as well as new American-style dishes (U.S. Meat Export Federation, 1993).

At \$15.1 million, generic promotions accounted for roughly 86 percent of USMEF's marketing activities for the TEA Program, compared to only \$500,000 for branded promotions during the 1986-1988 period. In contrast, generic promotions in the CMDP were just over \$1 million or 28 percent of expenses (Figure 2). While branded promotions were not conducted for CMDP, FAS matched a percentage of USMEF expenses for branded promotions done through TEA (U.S. General Accounting Office, 1990).

Trade servicing activities are conducted by cooperators to introduce overseas wholesale and retail buyers to U.S. food product exports. These activities have traditionally included advertising in foreign trade publications, attending government-sponsored food shows abroad and hosting tours of U.S. production facilities for potential foreign buyers. By brokering communications between exporters and importers, cooperators intend to open new marketing and distribution channels for U.S. suppliers. USMEF has serviced the red meat trade in many foreign markets by establishing contact with foreign companies and providing information on the types of red meat products available from the United States (Henneberry, Ackerman and Eshleman).

At the same time, USMEF market research is conducted in a number of countries to determine the current and potential import demand situation. For example, a USMEF trade team visited Russia in 1992 to gather information on that dynamic market and to assess the long-term potential for U.S. exports. A consumer preference study for red meat products in Mexico was recently completed as well. Boxed beef seminars, menu promotions and product shows have also been held in Mexico in the past to educate the Mexican HRI trade and expand Mexican retailers' knowledge of U.S. products (U.S. Meat Export Federation, 1992). During the 1986-1988 period, trade servicing activities constituted 6.2 percent of

**Figure 2.**  
*FAS Overseas Market Development Expenditures for Red Meats by Activity, Fiscal 1986-1988*



Source: Based on data provided by FAS, USDA, April 5, 1989.

expenses for the TEA Program for red meats compared to 23.8 percent of CMDP expenditures (Figure 2).

Technical assistance activities inform foreign buyers of the possible uses of U.S. products in overseas markets. This assistance can range from introducing the restaurant trade to new cooking techniques to educating distributors and retailers on the proper handling and storage of U.S. products. These types of activities represented 7.9 percent of CMDP expenditures for red meats and 3.4 percent of TEA expenditures during the 1986-1988 period. In recent years, technical assistance activities at USMEF have been dominated by EC food safety issues concerning the EC's "hormone" ban and provisions of the GATT agreement for phytosanitary standards (U.S. Meat Export Federation, 1992).

Administrative costs for USMEF have also been addressed by FAS expenditures. From 1986 to 1988, these costs accounted for more than one-third of the red meat CMDP expenditures. The category includes expenses for office personnel, travel and other overhead costs. The TEA Program for red meats also consisted of a section covering administrative costs, as well as expenses for evaluation of the program. Between 1986 and 1988 evaluation costs were nearly 1 percent (\$175,527) of total TEA expenditures for red meats (Figure 2).

**Regional Analysis.** In order to analyze the geographic nature of the promotion programs, red meat expenditures have been arranged into seven regions of the world: the Pacific Rim, Western Europe, Latin America, the Middle East, Africa, Eastern Europe and North America. Table 2 presents promotion expenditures by region for the market development programs.

The Pacific Rim covers all of east and southeast Asia plus Australia, New Zealand and all Pacific Ocean islands. Western Europe includes the EC-12 along with all other Western European countries. The Latin American region includes all countries and islands in the Americas except Canada and Bermuda, which make up the North American region. The Middle East region covers Arab and Asian subcontinent countries from Turkey to Bangladesh, including the Arabian Peninsula. This category includes all west and south Asian countries. The African region covers all countries on the African continent, while all the former and currently centrally planned countries of Europe, including the former Soviet Union, fall under the Eastern Europe region.

The stage of a country's development is an important consideration in selecting a marketing strategy. Highly developed countries (HDCs) received most of the government's promotional funding for the period analyzed. Between 1986 and 1991, export assistance expenditures on HDCs accounted for \$5.1 million or 62 percent of CMDP allocations and \$31.8 million or 84

Table 2.

## FAS Foreign Market Development Expenditures for Red Meats by Region (in Thousand Dollars), Fiscal 1986-1991

Year	Cooperator Market Development Program (CMDP)							Total
	Pacific Rim	Western Europe	Latin America	Middle East	Africa	Eastern Europe	North America	
1986	787 (53.7%) <sup>a</sup>	385 (26.3%)	125 (8.5%)	124 (8.5%)	35 (2.4%)	2 (0.1%)	7 (0.5%)	1,465 (100%)
1987	563 (49.1%)	285 (24.8%)	110 (9.6%)	104 (9.1%)	75 (6.5%)	0 (0.0%)	10 (0.9%)	1,147 (100%)
1988	1,004 (62.6%)	294 (18.3%)	154 (9.6%)	88 (5.5%)	60 (3.8%)	0 (0.0%)	2 (0.1%)	1,603 (100%)
1989	1,063 (65.7%)	260 (16.1%)	160 (9.9%)	87 (5.4%)	25 (1.6%)	0 (0.0%)	0 (0.0%)	1,619 (100%) <sup>b</sup>
1990	693 (55.9%)	98 (7.9%)	69 (5.5%)	0 (0.0%)	0 (0.0%)	23 (1.9%)	0 (0.0%)	1,240 (100%) <sup>b</sup>
1991	848 (55.5%) <sup>c</sup>	400 (26.2%)	206 (13.5%)	12 (0.8%)	14 (0.9%)	47 (3.1%)	0 (0.0%)	1,528 (100%)
Total	4,958 [57.6%] <sup>c</sup>	1,722 [20.0%]	824 [9.6%]	417 [4.5%]	209 [2.4%]	72 [0.8%]	19 [0.2%]	8,601 [100%] <sup>b</sup>

## Targeted Export Assistance Program/Market Promotion Program

Year	Targeted Export Assistance Program/Market Promotion Program							Total
	Pacific Rim	Western Europe	Latin America	Middle East	Africa	Eastern Europe	North America	
1986	6,846 (100.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	6,846 (100.0%)
1987	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
1988	9,548 (89.7%)	421 (4.0%)	159 (1.5%)	390 (3.7%)	95 (0.9%)	0 (0.0%)	36 (0.3%)	10,650 (100.0%)
1989	5,341 (79.0%)	737 (10.9%)	298 (4.4%)	333 (4.9%)	52 (0.8%)	0 (0.0%)	0 (0.0%)	6,771 (100.0%) <sup>b</sup>
1990	3,965 (57.0%)	105 (1.5%)	293 (4.2%)	35 (0.5%)	8 (0.1%)	0 (0.0%)	0 (0.0%)	6,963 (95.7%) <sup>b</sup>
1991	8,346 (91.1%)	284 (3.1%)	502 (5.5%)	301 (0.4%)	31 (0.3%)	0 (0.0%)	0 (0.0%)	9,164 (100.0%) <sup>d</sup>
Total	34,057 [84.3%]	1,547 [3.8%]	1,252 [3.1%]	759 [1.9%]	185 [0.5%]	0 [0.0%]	36 [0.1%]	40,393 [100.0%] <sup>b</sup>

<sup>a</sup> Figures in parentheses represent the percentage of total market development expenditures allocated to each region in individual years.

<sup>b</sup> Total does not add due to the inclusion of expenditures under the dummy country category which is not listed separately here. In 1989, the dummy country category accounted for \$23,324 under the CMDP and \$2,556,795 under the TEA Program. In 1990, the dummy category accounted for \$357,638 under CMDP. Refer to text for description of dummy country.

<sup>c</sup> Figures in brackets represent the percentage of total market development expenditures allocated to each region during the 1986-1991 period.

<sup>d</sup> 1991 is the only year which includes both TEA and MPP expenditures.

Source: Based on data provided by FAS, USDA, (April 5, 1989, and March 11, 1992).



percent of TEA/MPP funding. The obvious focus of CMDP and TEA/MP-Pon developed markets apparently stems from the fact that HDCs provide a larger pool of upper- and middle-income consumers who demand and can afford high-value imported consumer products such as red meat items.

While not the primary target markets, newly industrialized countries (NICs) and lesser developed countries (LDCs) have received a fair amount of attention from the programs. The rapid growth of disposable income in many NIC markets has been particularly recognized by both programs. The CMDP allocated \$1.4 million (17 percent) to NICs and \$1.7 million (21 percent) to LDCs, while under TEA/MPP \$4.1 million (11 percent) and \$2 million (5 percent) were spent in NICs and LDCs, respectively. While receiving relatively smaller shares than HDC and NIC allocations, the LDC category maintained consistent allowances from the CMDP over the 1986-1988 period.<sup>2</sup>

The Pacific Rim, mainly composed of HDCs and NICs, accounted for the majority of CMDP and TEA/MPP funding during the 1986-1991 period. In fact, funding outside of the region during the six-year period remained below the 20 percent level for the CMDP and below the 4 percent level for TEA/MPP. During this time, the CMDP spent nearly \$5 million (57.6 percent) of the program's expenditures for red meats in the Pacific Rim while \$34 million (84.3 percent) of TEA/MPP funds were exhausted on the region (Table 2). The Japanese market has been the largest recipient of promotional funding within the region.

During the 1986-1988 period, the Pacific Rim received 65 percent of the CMDP funding for technical assistance activities (\$217,635), 14 percent of trade servicing activities (\$140,317), 70 percent of generic consumer promotions (\$826,494) and 69 percent of administrative costs (\$1,166,382). No branded promotions were conducted in any region during the 1986-1988 period (Table 3). Under TEA/MPP, the Pacific Rim accounted for 88 percent (\$962,391) of trade servicing expenditures, 93.8 percent (\$14,165,643) of all generic consumer promotions, 99.6 percent (\$527,800) of branded consumer promotions and 84.6 percent (\$148,527) of evaluation costs during the 1986-1988 period. All expenditures for technical assistance (\$114,934) under the TEA Program were made in the Pacific Rim (Table 3). Both CMDP and TEA/MPP funding focused on Japan as well as Korea, Hong Kong, Singapore and Taiwan. Other relatively minor allocations included Indonesia, Malaysia, Thailand, the Philippines, Brunei and China.

Western Europe was the next largest recipient of red meat funds, accounting for 20 percent (\$1.7 million) of CMDP expenditures and 3.8 percent (\$1.5 million) of TEA/MPP expenditures during the 1986-91 period (Table 2). However, the region absorbed 43.5 percent (\$436,601) of

Table 3.

*FAS Foreign Market Development Expenditures for Red Meats by Activity & Region (in Thousand Dollars), Fiscal 1986-1988*

Cooperator Market Development Program (CMDP)									
Region	Technical Assistance	Trade Servicing		Consumer Promotion		Cost	Administrative Total		
		Generic	Branded	Generic	Branded				
Pacific Rim	217,635 (65.0%) <sup>a</sup>	140,317 (14.0%)	826,494 (70.0%)	0 (0.0%)	0 (0.0%)	1,166,382 (69.0%)	2,354,138 (55.9%)		
Western Europe	0 (0.0%)	436,601 (43.5%)	261,192 (22.1%)	0 (0.0%)	0 (0.0%)	265,857 (15.7%)	963,649 (22.9%)		
Latin America	83,726 (25.0%)	147,508 (14.7%)	40,465 (3.4%)	0 (0.0%)	0 (0.0%)	117,145 (6.9%)	388,906 (9.2%)		
Middle East	12,418 (3.7%)	180,585 (18.0%)	36,876 (3.1%)	0 (0.0%)	0 (0.0%)	87,224 (5.2%)	317,102 (7.5%)		
Africa	13,942 (4.2%)	97,594 (9.7%)	14,562 (1.2%)	0 (0.0%)	0 (0.0%)	43,910 (2.6%)	170,009 (4.0%)		
Eastern Europe	0 (0.0%)	451 (0.0%)	1,058 (0.1%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	1,509 (0.01%)		
North America	7,098 (2.1%)	1,085 (0.1%)	291 (0.0%)	0 (0.0%)	0 (0.0%)	10,605 (0.6%)	19,079 (0.04%)		
<i>Total</i>	334,818 [7.9%] <sup>b</sup>	1,004,140 [23.9%]	1,180,937 [28.0%]	0 [0.0%]	0 [0.0%]	1,691,122 [40.2%]	4,214,392 [100.0%]		

Targeted Export Assistance Program									
Region	Technical Assistance	Trade Servicing		Consumer Promotion		Cost	Administrative Total		
		Generic	Branded	Generic	Branded				
Pacific Rim	589,612 (100.0%)	962,391 (88.0%)	14,165,643 (93.8%)	527,800 (99.6%)	0 (0.0%)	148,527 (84.6%)	16,394,000 (93.7%)		
Western Europe	0 (0.0%)	60,000 (5.5%)	359,078 (2.4%)	1,991 (0.4%)	0 (0.0%)	0 (0.0%)	421,069 (2.4%)		
Latin America	0 (0.0%)	5,615 (0.5%)	147,662 (1.0%)	0 (0.0%)	0 (0.0%)	6,000 (3.4%)	159,277 (1.0%)		
Middle East	0 (0.0%)	62,920 (5.8%)	315,771 (2.1%)	0 (0.0%)	0 (0.0%)	11,700 (6.7%)	390,392 (2.2%)		
Africa	0 (0.0%)	0 (0.0%)	88,921 (0.06%)	0 (0.0%)	0 (0.0%)	6,300 (3.6%)	95,220 (0.01%)		
Eastern Europe	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)		
North America	0 (0.0%)	2,244 (0.2%)	30,755 (0.2%)	0 (0.0%)	0 (0.0%)	3,000 (1.7%)	35,999 (0.02%)		
<i>Total</i>	589,612 [3.4%]	1,093,170 [6.2%]	15,107,830 [86.4%]	529,791 [3.0%]	0 [0.0%]	175,527 [1.0%]	17,495,957 [100.0%] <sup>c</sup>		

<sup>a</sup>Figures in parentheses represent the percentage of total market development expenditures for each marketing activity allocated to each region.

<sup>b</sup>Figures in brackets represent the percentage of total market development expenditures for all regions allocated to each marketing activity.

<sup>c</sup>Total may not add due to rounding error.

Source: Based on data provided by FAS, USDA, April 5, 1989.

funding for CMDP trade servicing activities during the 1986-88 period as well as 22.1 percent (\$261,192) of generic promotions and 15.7 percent (\$265,857) of administrative costs for the program (Table 3). Both CMDP and TEA/MPP expenditures were evenly distributed across countries within the Western Europe region.

Latin America received nearly 10 percent (\$823,566) of CMDP funds and approximately 3 percent (\$1.3 million) of TEA/MPP funds from 1986 through 1991. However, 25 percent (\$83,726) of technical assistance expenditures under the CMDP was incurred in Latin America between 1986 and 1988. While Mexico and the Caribbean Islands received the largest share of funding within the region for both programs, some South American markets were emphasized relatively more under the CMDP.

Similarly, the Middle East accounted for close to 5 percent (\$416,562) of CMDP funds and nearly 2 percent (\$759,070) of TEA/MPP funds between 1986 and 1991. Nonetheless, the region registered 18 percent (\$180,585) of CMDP expenditures for trade servicing between 1986 and 1988. Both programs had a similar country mix for the region with funded markets including Bahrain, Kuwait, Saudi Arabia, Lebanon and Syria. Also during the 1986-1991 period, Africa received slightly more than 2 percent and less than 1 percent of CMDP and TEA/MPP expenditures, respectively. Most of these funds were allocated to the Ivory Coast and Egypt. Although Eastern Europe was provided less than 1 percent of CMDP expenditures between 1986 and 1991, funding for the program included Hungary, Poland, Romania, Bulgaria and the former Soviet Union (Table 2).

### *Summary and Research Implications*

Government export assistance through the non-price promotion programs has been an important aspect of the U.S. industry's involvement in international meat markets. The U.S. Meat Export Federation suggests that U.S. red meat exports have the potential to reach \$6.3 billion by the year 2000, double their current level (U.S. Meat Export Federation, 1992). Considering that exports tripled between 1986 and 1992, the forecast deserves serious attention as does the influence of the federally sponsored promotion programs on past export levels.

During the period analyzed by this study (1986-1991), FAS spent approximately \$49 million promoting red meats in foreign markets through the CMDP and the MPP and TEA Program. Nearly 80 percent of these funds was directed to the Pacific Rim. Japan, which has traditionally accounted for at least half of U.S. red meat exports, has been the target of the majority of these expenditures. However, a sizable portion of promo-

tional activities has also taken place in other growing East Asian export markets such as the four Asian tigers and the ASEAN countries. Expenditures to Mexico have increased from all programs since the mid-1980s when the country joined GATT and incomes and imports from the United States began to rise. USMEF has also taken the early initiative to target Eastern Europe and the former Soviet Union as potential long-term markets (U.S. Meat Export Federation, 1992). While no government support for market development activities in Canada currently exists, the size and rate of growth of the market for U.S. red meats present an issue for future discussion.

The strategy of targeting markets restricted either by large barriers to trade (pre-liberalization Japan, Korea and the EC) or low consumer income levels (LDCs) is a common practice. According to USMEF, U.S. beef has been promoted in Japan for many years not only to prepare for consumer demand after the market was liberalized, but to spur consumer protest that the import regime be liberalized in the first place (U.S. Meat Export Federation, 1993). USMEF's long-term investment in the Japanese market may have finally yielded a return when Japan's beef import quota was removed in 1991. Since that time, U.S. beef exports have relied on promotional activities to compete with alternative suppliers in the market.

While the debate is sweeping the media and Congress concerning proof of the effectiveness of the federal government's export promotion programs for all commodities (U.S. General Accounting Office, May, 1992), USMEF's focus on generic promotions has shielded it from many of the criticisms surrounding branded activities. However, analysis shows that in the past a greater amount of CMDP monies has gone to administrative costs of the red meat program than other program activities. At the same time, perhaps not enough attention has been given at the federal or cooperator level to the evaluation of the effectiveness of the non-price promotion programs for red meats. This information could facilitate more efficient allocation of promotional resources to more appropriate markets and products.

Given the significantly large levels of funding for TEA and MPP for all products, the tightening of the federal budget under the Clinton administration creates an even greater urgency for accurate and unbiased evaluation of the government's export assistance efforts. The USDA receives the vast majority of federal funding available for export promotion and financing assistance. This is more than any other government agency, including the U.S. Commerce Department and the U.S. Export-Import Bank (U.S. General Accounting Office, August 1992). Therefore, it can be argued that the life of these programs in the United States may rest somewhat with

agriculture's ability to prove the effectiveness of federal market development investments.

*Notes*

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1. For references on the studies that have measured the effectiveness of promotion programs on U.S. agricultural exports, see Dwyer and Flowers; Fuller and Capps; Lee; Lee and Brown; Lee and Tilley; Moore and McCracken; Rosson, Hammig and Jones; Simon; Solomon and Kinnucan; and Williams.
2. In this study, the highly-developed country (HDC) category is defined as most of the countries of Western Europe plus Japan, Australia and New Zealand. Countries in transition from less-developed countries (LDCs) to HDCs with robust economic growth over the past decade or so were labeled as newly-industrialized countries (NICs). Included in this category were the Asian principalities of South Korea, Taiwan, Hong Kong and Singapore as well as the oil-rich Arabian Peninsula countries of Saudi Arabia, Kuwait, Bahrain, Qatar and the United Arab Emirates. All other countries of the world were put in the LDC category.

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